

To : Boursa Kuwait Company

السادة/ شركة بورصة الكويت المحترمين

Dear Sir,

تحية طيبة وبعد

Annual Financial Statements
for the year ended 31 December 2025

البيانات المالية السنوية
للسنة المنتهية في 31 ديسمبر 2025

As per chapter four of the "Disclosure & Transparency" Module of Capital Markets Authority's Executive Bylaws and its Law No. 7/2010 and amendments regarding disclosure of Material Information.

عملاً بأحكام الفصل الرابع من كتاب "الإفصاح والشفافية" من اللائحة التنفيذية لهيئة أسواق المال وقانونها رقم (7) لسنة 2010 وتعديلاته بخصوص الإفصاح عن المعلومات الجوهرية.

It is our pleasure to inform you that the Central Bank of Kuwait has approved Kuwait International Bank's annual audited financial statements for the year ended 31 December 2025 in addition to approving the recommendations of the Board of Directors to make the following distributions:

يسرنا إفادتكم بأن بنك الكويت المركزي قد وافق على البيانات المالية السنوية المدققة لبنك الكويت الدولي عن السنة المنتهية في 31 ديسمبر 2025، بالإضافة الى موافقته على توصيات مجلس الإدارة بإجراء التوزيعات الآتية:

1. Distribution of cash dividend, representing 8% of the nominal value (8 fils per share).
2. Distribution of 5% bonus shares from issued and paid up capital (5 shares for every 100 shares).

1. توزيع أرباح نقدية بواقع 8% من القيمة الإسمية للسهم (8 فلس لكل سهم).
2. توزيع أسهم منحة مجانية بواقع 5% من رأس المال المصدر والمدفوع (5 أسهم لكل 100 سهم).

Kindly find attached The Annual Financial Statements Results Form for the financial year ended 31 December 2025 along with a copy of CBK's approval on the financial statements for the mentioned year.

مرفق لكم نموذج نتائج البيانات المالية السنوية عن السنة المالية المنتهية في 31 ديسمبر 2025، بالإضافة إلى نسخة عن موافقة بنك الكويت المركزي على البيانات المالية عن السنة المذكورة.

With reference to Boursa Kuwait Rule Book requirements issued by virtue of resolution No.1 of 2018 whereby KIB has been classified in the "Premier Market", we are pleased to announce that the Analyst/Investors conference call will be held through live webcast session at 2:30 pm (Local time) on Monday, 2 February 2026.

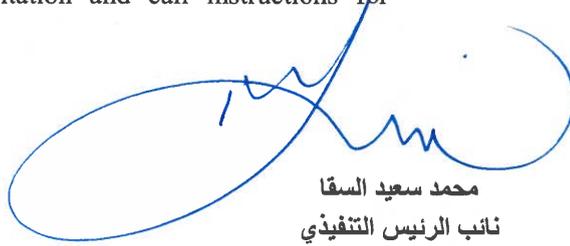
هذا وبالإشارة إلى متطلبات قواعد بورصة الكويت الصادرة بموجب القرار رقم 1 لسنة 2018، وحيث أن بنك الكويت الدولي قد تم تصنيفه ضمن مجموعة "السوق الأول"، فإنه يسر بنك الكويت الدولي الإعلان عن موعد مؤتمر المحللين/المستثمرين السنوي والذي تقرر انعقاده عن طريق بث مباشر عبر شبكة الإنترنت (Live webcast) في تمام الساعة الثانية والنصف (وفق التوقيت المحلي) من بعد ظهر يوم الإثنين الموافق 2 فبراير 2026.

Interested analysts may send an email to Investor-relations@kib.com.kw in order to provide them with the invitation and call instructions for attendance.

ويمكن للأطراف المهتمين التواصل مع مصرفنا عبر البريد الإلكتروني Investor-relations@kib.com.kw لتزويدهم بالدعوة وتفاصيل المشاركة الخاص بالمؤتمر المذكور.

Kind Regards,

وتفضلوا بقبول فائق الاحترام،،،



محمد سعيد السقا
نائب الرئيس التنفيذي

Mohamed Said EL Saka
Deputy Chief Executive Officer



Company Name	اسم الشركة
Kuwait International Bank K.S.C.P.	بنك الكويت الدولي ش.م.ك.ع

Financial Year Ended on	2025-12-31	نتائج السنة المالية المنتهية في
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Board of Directors Meeting Date	2026-01-08	تاريخ اجتماع مجلس الإدارة
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Required Documents	المستندات الواجب إرفاقها بالنموذج
Approved financial statements. Approved auditor's report This form shall not be deemed to be complete unless the documents mentioned above are provided	نسخة من البيانات المالية المعتمدة نسخة من تقرير مراقب الحسابات المعتمد لا يعتبر هذا النموذج مكتملاً ما لم يتم إرفاق هذه المستندات

التغيير (%) Change (%)	السنة المقارنة Comparative Year	السنة الحالية Current Year	البيان Statement
	2024-12-31	2025-12-31	
30.44%	23,078,000	30,102,000	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit /(Loss) represents the amount attributable to the owners of the Parent Company
37.64%	10.52	14.48	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
7.45%	2,519,460,000	2,707,191,000	الموجودات المتداولة Current Assets
18.26%	3,923,011,000	4,639,241,000	إجمالي الموجودات Total Assets
19.36%	3,120,608,000	3,724,651,000	المطلوبات المتداولة Current Liabilities
19.58%	3,479,027,000	4,160,167,000	إجمالي المطلوبات Total Liabilities
10.02%	347,928,000	382,805,000	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
11.11%	91,371,000	101,526,000	إجمالي الإيرادات التشغيلية Total Operating Revenue
8.51%	38,674,000	41,967,000	صافي الربح (الخسارة) التشغيلية Net Operating Profit /(Loss)
لا ينطبق NA	لا توجد خسائر متراكمة No Accumulated losses	لا توجد خسائر متراكمة No Accumulated losses	الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital

التغيير (%) Change (%)	الربع الرابع المقارن Fourth quarter Comparative Year 2024-12-31	الربع الرابع الحالي Fourth quarter Current Year 2025-12-31	البيان Statement
40.94%	6,874,000	9,688,000	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
73.91%	2.30	4.00	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
12.66%	26,474,000	29,826,000	إجمالي الإيرادات التشغيلية Total Operating Revenue
20.34%	11,120,000	13,382,000	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)

• Not Applicable for first Quarter

• لا ينطبق على الربع الأول

Increase/decrease in Net Profit/ (Loss) is due to	سبب ارتفاع/انخفاض صافي الربح (الخسارة)
The increase in net profit is due to increase in operating income and lower provision charge, which was partially offset by increase in operating expenses.	يعود سبب ارتفاع صافي الأرباح إلى ارتفاع إيرادات التشغيل وانخفاض في المخصصات المحملة، والذي قابله جزئياً ارتفاع المصروفات التشغيلية.

Total Revenue realized from dealing with related parties (value, KWD)	KWD 12,974,000	بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)
Total Expenditures incurred from dealing with related parties (value, KWD)	KWD 1,807,000	بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)

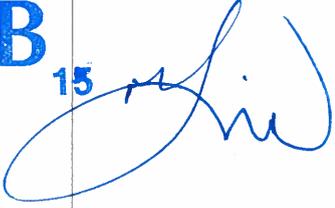
Auditor Opinion		رأي مراقب الحسابات
1.	Unqualified Opinion	<input checked="" type="checkbox"/> رأي غير متحفظ
2.	Qualified Opinion	<input type="checkbox"/> رأي متحفظ
3.	Disclaimer of Opinion	<input type="checkbox"/> عدم إبداء الرأي
4.	Adverse Opinion	<input type="checkbox"/> رأي معاكس

In the event of selecting item No. 2, 3 or 4, the following table must be filled out, and this form is not considered complete unless it is filled.

بحال اختيار بند رقم 2 أو 3 أو 4 يجب تعبئة الجدول التالي، ولا يعتبر هذا النموذج مكتملاً ما لم يتم تعبئته

لا ينطبق Not applicable	نص رأي مراقب الحسابات كما ورد في التقرير
لا ينطبق Not applicable	شرح تفصيلي بالحالة التي استدعت مراقب الحسابات لإبداء الرأي
لا ينطبق Not applicable	الخطوات التي ستقوم بها الشركة لمعالجة ما ورد في رأي مراقب الحسابات
لا ينطبق Not applicable	الجدول الزمني لتنفيذ الخطوات لمعالجة ما ورد في رأي مراقب الحسابات

Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)	
النسبة	القيمة		
%8	13,250,926.9 دينار كويتي	توزيعات نقدية	Cash Dividends
%5	8,942,736.5 دينار كويتي	توزيعات أسهم منحة	Bonus Share
لا يوجد Nil	لا يوجد Nil	توزيعات أخرى	Other Dividend
-	-	عدم توزيع أرباح	No Dividends
لا يوجد Nil	لا يوجد Nil	زيادة رأس المال	Capital Increase
لا يوجد Nil	لا يوجد Nil	تخفيض رأس المال	Capital Decrease

ختم الشركة Company Seal	التوقيع Signature	المسمى الوظيفي Title	الاسم Name
		نائب الرئيس التنفيذي Deputy Chief Executive Officer	محمد سعيد السقا Mohamed Said EL Saka



المحافظ

التاريخ : 8 شعبان 1447
الموافق : 27 يناير 2026
الإشارة : 2026/1066/105/2

الأخ الكريم الشيخ محمد جراح صباح الصباح المحترم
رئيس مجلس إدارة بنك الكويت الدولي

تحية طيبة وبعد ،

بالإشارة إلى كتابكم المؤرخ 2026/1/8 المرفق به نسخة من البيانات المالية الختامية لمصرفكم لعام 2025، وعطفاً على الإيضاحات والبيانات الواردة إلينا في هذا الخصوص والتي كان آخرها بتاريخ 2026/1/26.

أود الإفادة بأنه بناءً على ما انتهت إليه دراسة البيانات المالية المشار إليها، فإنه لا يوجد لدينا ملاحظات في هذا الشأن، كما نفيديكم بموافقة بنك الكويت المركزي على قيام مصرفكم بتوزيع أرباح نقدية بنسبة 8% من القيمة الاسمية للسهم الواحد، أي بواقع ثمانية فلوس لكل سهم، وكذلك بتوزيع أسهم منحة بنسبة 5%.

وبناءً على ما تقدم، فإنه يمكن لمصرفكم اتخاذ الإجراءات اللازمة مع الجهات المختصة لعقد الجمعية العامة للبنك.

مع أطيب التمنيات،،،

باسل أحمد الهارون

1067- نسخة لطيفة أسواق المال.

1068- نسخة لبورصة الكويت.



**KUWAIT INTERNATIONAL BANK K.S.C.P
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

I N D E X

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait International Bank K.S.C.P (the "Bank") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), as adopted by the Central Bank of Kuwait 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KUWAIT INTERNATIONAL BANK K.S.C.P. (continued)**

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

Key Audit Matters (continued)

We have identified the following key audit matter:

Credit losses on financing receivables

The recognition of credit losses on cash and non-cash financing receivables (“financing facilities”) to customers is the higher of the Expected Credit Loss (“ECL”) under International Financial Reporting Standard 9: Financial Instruments (“IFRS 9”), determined in accordance with Central Bank of Kuwait (the “CBK”) guidelines, and the provision required by the CBK rules based on classification of credit facilities and calculation of their provision (the “CBK rules”) as disclosed in the accounting policies in Note 2.5 and 9 to the consolidated financial statements.

The recognition of ECL under IFRS 9, determined in accordance with CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management’s judgement in assessing significant increase in credit risk and classification of financing 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 a specific provision on an 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’s estimate of expected cash flows related to that financing facility.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KUWAIT INTERNATIONAL BANK K.S.C.P. (continued)**

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

Key Audit Matters (continued)

Credit losses on financing receivables (continued)

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected samples of financing facilities outstanding as at the reporting date, which included rescheduled credit facilities, 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, if any, considered by management in order to determine ECL, taking into consideration 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, if required, it has been computed accordingly. For the samples selected, which included rescheduled financing facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples, which also included impaired financing facilities, we have assessed the valuation of collateral and reperformed the resultant provision calculations.

Other information included in the Annual Report of the Group for the year ended 31 December 2025

Management is responsible for the other information, which consists of the information included in the Annual Report of the Bank for the year ended 31 December 2025, 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 auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2025 after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT INTERNATIONAL BANK K.S.C.P. (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 management.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KUWAIT INTERNATIONAL BANK K.S.C.P. (continued)**

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

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

- 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 group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KUWAIT INTERNATIONAL BANK K.S.C.P. (continued)**

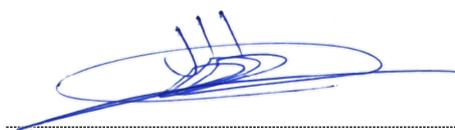
Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the 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/I.B.S. 343/2014 dated 21 October 2014, and its amendments, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Bank's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014, and its amendments and 2/I.B.S. 343/2014 dated 21 October 2014, and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, 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, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait 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 & PARTNERS



.....
TALAL Y. AL-MUZAINI
LICENCE NO. 209 A
DELOITTE & TOUCHE
AL WAZZAN & CO.

27 January 2026
Kuwait

Kuwait International Bank K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	<u><i>KD 000's</i></u> 2025	<u><i>KD 000's</i></u> 2024
Financing income		205,460	185,462
Finance cost and distribution to depositors	3	(136,755)	(117,483)
Net financing income		68,705	67,979
Fees and commission income	4	21,032	17,412
Net gain from foreign exchange		2,334	1,903
Investment income	5	7,551	3,190
Other income		1,904	887
TOTAL OPERATING INCOME		101,526	91,371
Staff costs		(32,242)	(26,556)
General and administrative expenses		(21,975)	(18,573)
Depreciation		(5,342)	(7,568)
TOTAL OPERATING EXPENSES		(59,559)	(52,697)
Profit from operations before provisions and impairment losses		41,967	38,674
Provisions and impairment losses	6	(9,371)	(13,874)
PROFIT FROM OPERATIONS		32,596	24,800
Provision for:			
Kuwait Foundation for the Advancement of Sciences (KFAS)		(290)	(256)
National Labor Support Tax (NLST)		(1,089)	(627)
Zakat		(431)	(246)
Board of Directors' remuneration	23	(331)	(331)
PROFIT FOR THE YEAR		30,455	23,340
Attributable to:			
Shareholders of the Bank		30,102	23,078
Non-controlling interests		353	262
		30,455	23,340
Basic and diluted earnings per share attributable to the shareholders of the Bank	7	14.48 fils	10.52 fils

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

Kuwait International Bank K.S.C.P. and its Subsidiaries
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 December 2025

	<u>KD 000's</u>	<u>KD 000's</u>
	<u>2025</u>	<u>2024</u>
Profit for the year	<u>30,455</u>	<u>23,340</u>
Other comprehensive income:		
<i>Items that are or may be reclassified subsequently to consolidated statement of profit or loss:</i>		
- Change in fair value of debt instruments at FVOCI	13,054	3,714
- Less: Gain on debt instruments at FVOCI reclassified to profit or loss upon disposal	-	(6)
- Foreign currency translation adjustments	(810)	(30)
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
- Change in fair value of equity investments at FVOCI	4,120	2,923
- Revaluation of property and equipment	2,458	(144)
Other comprehensive income for the year	<u>18,822</u>	<u>6,457</u>
Total comprehensive income for the year	<u><u>49,277</u></u>	<u><u>29,797</u></u>
Attributable to:		
Shareholders of the Bank	48,879	29,506
Non-controlling interests	398	291
Total comprehensive income for the year	<u><u>49,277</u></u>	<u><u>29,797</u></u>

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

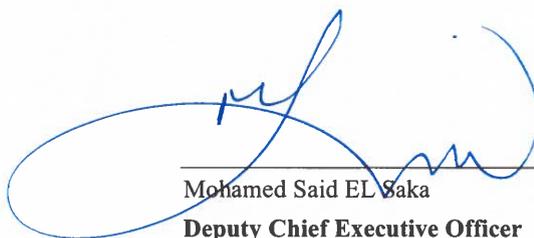
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	<u>KD 000's</u> 2025	<u>KD 000's</u> 2024
ASSETS			
Cash and balances with banks	8	145,340	195,740
Placements with the Central Bank of Kuwait		218,381	113,223
Due from banks		173,439	85,813
Financing receivables	9	3,319,169	2,845,750
Investment securities	10	568,927	513,392
Investment in an associate	11	22,166	1,853
Investment properties	12	75,534	78,582
Other assets	13	67,124	44,999
Property and equipment	14	49,161	43,659
TOTAL ASSETS		<u>4,639,241</u>	<u>3,923,011</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		350,792	154,376
Due to financial institutions		401,556	388,814
Depositors' accounts	15	3,218,039	2,754,432
Sukuk issued	16	91,106	92,196
Other liabilities	17	98,674	89,209
TOTAL LIABILITIES		<u>4,160,167</u>	<u>3,479,027</u>
EQUITY			
Share capital	18	178,855	170,338
Share premium	19	66,623	66,623
Treasury shares	18	(45,161)	(45,161)
Statutory reserve	19	49,443	46,222
Other reserves	19	133,045	109,906
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		<u>382,805</u>	<u>347,928</u>
Perpetual Tier 1 Sukuk	20	92,400	92,400
Non-controlling interests		3,869	3,656
TOTAL EQUITY		<u>479,074</u>	<u>443,984</u>
TOTAL LIABILITIES AND EQUITY		<u>4,639,241</u>	<u>3,923,011</u>



Mohammed Jarrah Al-Sabah
Chairman



Mohamed Said EL Saka
Deputy Chief Executive Officer

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

Kuwait International Bank K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

KD 000's

	<i>Equity attributable to the shareholders of the Bank</i>								
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Other reserves (Note 19)</i>	<i>Total</i>	<i>Perpetual Tier 1 Sukuk</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance as at 1 January 2025	170,338	66,623	(45,161)	46,222	109,906	347,928	92,400	3,656	443,984
Profit for the year	-	-	-	-	30,102	30,102	-	353	30,455
Other comprehensive income for the year	-	-	-	-	18,777	18,777	-	45	18,822
Total comprehensive income for the year	-	-	-	-	48,879	48,879	-	398	49,277
Cash dividends (Note 18)	-	-	-	-	(7,887)	(7,887)	-	-	(7,887)
Bonus shares (Note 18)	8,517	-	-	-	(8,517)	-	-	-	-
Transfer to reserves	-	-	-	3,221	(3,221)	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 20)	-	-	-	-	(6,115)	(6,115)	-	-	(6,115)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(185)	(185)
Balance as at 31 December 2025	178,855	66,623	(45,161)	49,443	133,045	382,805	92,400	3,869	479,074
Balance as at 1 January 2024	165,377	66,623	(45,161)	43,374	103,024	333,237	91,035	3,550	427,822
Profit for the year	-	-	-	-	23,078	23,078	-	262	23,340
Other comprehensive income for the year	-	-	-	-	6,428	6,428	-	29	6,457
Total comprehensive income for the year	-	-	-	-	29,506	29,506	-	291	29,797
Cash dividends (Note 18)	-	-	-	-	(7,658)	(7,658)	-	-	(7,658)
Bonus shares (Note 18)	4,961	-	-	-	(4,961)	-	-	-	-
Issue of Perpetual Tier 1 Sukuk (Note 20)	-	-	-	-	-	-	92,400	-	92,400
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	-	-	(567)	(567)	-	-	(567)
Redemption of Perpetual Tier 1 Sukuk (Note 20)	-	-	-	-	-	-	(91,965)	-	(91,965)
Foreign currency translation from redemption of Perpetual Tier 1 Sukuk	-	-	-	-	(930)	(930)	930	-	-
Transfer to reserves	-	-	-	2,848	(2,848)	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk (Note 20)	-	-	-	-	(5,660)	(5,660)	-	-	(5,660)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(185)	(185)
Balance as at 31 December 2024	170,338	66,623	(45,161)	46,222	109,906	347,928	92,400	3,656	443,984

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

Kuwait International Bank K.S.C.P. and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	<u><i>KD 000's</i></u> 2025	<u><i>KD 000's</i></u> 2024
OPERATING ACTIVITIES			
Profit for the year		30,455	23,340
Adjustments for:			
Net gain from foreign exchange		(2,334)	(1,903)
Dividend income	5	(2,369)	(1,940)
Change in fair value of financial assets at FVTPL	5	(297)	(266)
Realised gain on sale of financial assets at FVTPL	5	(45)	-
Realised (gain)/ loss on sale of debt instruments at FVOCI	5	(710)	41
Share of results from an associate	5	(86)	(14)
Gain on sale of investment in an associate	5	(1,157)	-
Gain on sale of investment properties	5	(1,923)	-
Net rental income from investment properties	5	(964)	(1,011)
Depreciation		5,342	7,568
Provisions and impairment losses	6	9,371	13,874
		35,283	39,689
Changes in operating assets and liabilities:			
Placements with the Central Bank of Kuwait		(105,158)	70,654
Due from banks		(511)	543
Financing receivables		(482,055)	(386,188)
Other assets		(7,682)	(8,794)
Due to banks		196,416	(161,703)
Due to financial institutions		12,742	(183,266)
Depositors' accounts		463,607	635,561
Other liabilities		10,527	2,775
Net cash from operating activities		123,169	9,271
INVESTING ACTIVITIES			
Purchase of investment securities		(354,446)	(340,178)
Proceeds on redemption/ sale of investment securities		306,616	195,924
Acquisition of investment in an associate	11	(11,179)	-
Purchase of investment properties	12	(20,548)	(2,439)
Proceeds from sale of investment properties	12	12,401	-
Purchase of property and equipment		(6,884)	(6,801)
Dividend income received		2,369	1,940
Rental income received		964	1,011
Net cash used in investing activities		(70,707)	(150,543)
FINANCING ACTIVITIES			
Proceeds from issue of Tier 2 Sukuk	16	91,575	-
Tier 2 Sukuk issuing costs		(514)	-
Redemption of Tier 2 Sukuk	16	(91,770)	-
Proceeds from issue of Perpetual Tier 1 Sukuk		-	92,400
Perpetual Tier 1 Sukuk issuing costs		-	(567)
Redemption of Perpetual Tier 1 Sukuk		-	(91,965)
Profit paid to Perpetual Tier 1 Sukuk	20	(6,115)	(5,660)
Dividends paid by subsidiary to non-controlling interests		(185)	(185)
Cash dividends paid	18	(7,924)	(7,661)
Net cash used in financing activities		(14,933)	(13,638)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS			
Effect of foreign currency translation		(810)	(30)
Cash and cash equivalents at the beginning of the year		249,793	404,733
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	286,512	249,793

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

1. INCORPORATION AND ACTIVITIES

Kuwait International Bank K.S.C.P. (the “Bank”) is a Kuwaiti public shareholding company incorporated in the State of Kuwait on 13 May 1973 as a specialised bank and is regulated by the Central Bank of Kuwait (the “CBK”). The Bank’s shares are listed on the Boursa Kuwait (Premier Market).

In June 2007, CBK licensed the Bank to operate in accordance with Islamic Sharia’a from 1 July 2007. From that date, all activities are conducted in accordance with Islamic Sharia’a, as approved by the Bank’s Sharia’a Supervisory Board.

The Bank is engaged principally in providing Islamic banking services, the purchase and sale of properties, leasing, and other trading activities. Trading activities are conducted on the basis of purchasing various commodities and selling them on Murabaha at agreed profit margin which can be settled in cash or on installment credit basis.

The registered office of the Bank is at West Tower – Joint Banking Center, P.O. Box 22822, Safat 13089, Kuwait.

The Bank operates through 19 local branches (2024: 19) and employed 833 staff as at 31 December 2025 (2024: 764 staff).

The consolidated financial statements of the Bank and its Subsidiaries (together the “Group”) (Note 2.5) for the year ended 31 December 2025 were authorised for issue by the Bank’s Board of Directors on 8 January 2026.

The Annual General Meeting (“AGM”) of the Bank’s shareholders has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by International Accounting Standards Board (“IASB”) with the following amendment:

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

The above framework is hereinafter referred to as ‘IFRS Accounting Standards as adopted by the CBK for use in the State of Kuwait’.

The consolidated financial statements have been prepared under the historical cost basis except for measurement of financial assets at fair value through other comprehensive income, financial assets through profit or loss and land and buildings under property and equipment, all of which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (“KD”) which is the functional currency of the Bank and its subsidiaries, rounded to the nearest thousand Kuwaiti Dinars, except when otherwise stated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations

The Group applied the following amendments effective from 1 January 2025:

Lack of exchangeability – Amendments to IAS 21

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

This amendment did not have a material impact on the Group’s consolidated financial statements.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new standards and amended standards and interpretations when they become effective.

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

The Amendments include:

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

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. These include:

- ▶ The requirement to classify all income and expense into specified categories and provide specified totals and subtotals in the statement of profit or loss.
- ▶ Enhanced guidance on the aggregation, location and labeling of items across the primary financial statements and the notes.
- ▶ Mandatory disclosures about management-defined performance measures (MPMs - a subset of alternative performance measures).

IFRS 18 also makes consequential amendments to other accounting standards, including IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Statements.

The Group is currently evaluating the impact of these new standard and amendments. The Group will adopt it when the new standard and amendments become effective.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)
2.4 BASIS OF CONSOLIDATION

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies in line with those used by the Bank. All significant intra-group balances, transactions and unrealized gains or losses resulting from intra-group transactions and dividends are eliminated in full. The subsidiaries' financial statements are prepared either to the Bank's reporting date or to a date not earlier than three months of the Bank's reporting date.

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interests in the consolidated statement of financial position. Non-controlling interests in the acquiree is measured at the proportionate share in the recognized amount of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interests even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests without loss of control are recorded in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Shareholders of the Bank.

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION
Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights;

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Bank's subsidiaries as follows:

Name of company	Country of incorporation	Principal Activities	2025	2024
% Effective ownership				
Al Dawli Takaful Insurance Company KSCC ("KIB Takaful")	Kuwait	Sharia'a compliant insurance services	73.6	73.6
Al Dawli Invest Investment Company KSCC ("KIB Invest")	Kuwait	Islamic investment	99.9	99.9
KIB Mubader Business Incubator Center, Specialising in Commercial, Administrative and Marketing Fields Company WLL	Kuwait	Business Support	99	99
Innovatech Center for Computer Integrated Services Company S.P.C	Kuwait	Digital solutions	100	100
KIB Tier 1 Sukuk 2 Limited	Cayman Islands	Sukuk Issuance	100	100
KIB Sukuk Limited	Cayman Islands	Sukuk Issuance	100	100

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments

Financial assets

Recognition of financial assets

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

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 statement of profit or loss, 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.

De-recognition of financial assets

A financial asset is de-recognised (in whole or in part) where:

- the contractual rights to receive cash flows from the financial assets have expired, or
- the Group retains the contractual right to receive the cash flows of the financial asset, but has assumed a contractual 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 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.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Classification and Measurement of Financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash, current account with CBK, current accounts with banks and placements with banks with an original maturity of three months or less. Cash and cash equivalents are carried at amortised cost using effective profit rate. (Note 8)

Placements with the Central Bank of Kuwait

Placements with the Central Bank of Kuwait comprise of Tawarruq transactions with CBK and Kuwait government debt. These are carried at amortised cost using effective profit rate.

Due from banks

Due from banks comprise of Murabaha and Wakala finance with banks. These are carried at amortised cost using effective profit rate.

Financing receivables

Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Bank offers Sharia'a compliant products and services such as Murabaha, Wakala, Musawama and Ijara which are stated at amortised cost and presented as financing receivables in the consolidated statement of financial position. The amount due is settled either by installments or on a deferred payment basis.

Murabaha is a sale agreement for commodities to "a promise to buy" customer, at a price comprising of cost plus agreed profit, after the Bank has acquired the asset.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and Measurement of Financial assets (continued)

Wakala is an agreement whereby the Group provides a sum of money to a customer under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any Wakala's terms and conditions.

Musawama is an agreement under which negotiations between a buyer and a seller preclude the disclosure of sellers' cost.

Leased assets - Group as a lessor

Ijara receivable is an Islamic transaction involving the purchase and immediate lease of an asset at cost where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or series of payments. At the end of the lease term the lessee has the option to purchase the asset. Ijara receivables are stated at the aggregate of the minimum lease payments due less provision for impairment, if any, and are presented net of deferred income.

Investment securities

The Group's financial investments consists of investment in debt instruments (sukuk), equity and other investments.

- Debt instruments (Sukuk) are classified as either at amortised cost or at FVOCI based on the business model in which these securities are managed.
- Equity investments are carried at FVTPL except for those specific investments for which the Group has made an election to classify at FVOCI.
- Other investments are carried at FVTPL.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. 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 a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

Assessment of whether contractual cash flows are solely payments of principal and profit (SPPP test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPP test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Profit is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and profit. In such cases, the financial asset is measured at fair value through profit or loss.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and Measurement of Financial assets (continued)

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through other comprehensive income (“FVOCI”)
- Financial assets carried at 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:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective profit method adjusted for impairment losses, if any. Finance income, foreign exchange gains and losses and charge for expected credit losses are recognised in the consolidated statement of profit or loss. Any gain or loss on de-recognition is recognised in the consolidated statement of profit or loss.

Financial assets carried at FVOCI

(i) Debt Instruments (Sukuk) at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions:

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

Debt instruments at FVOCI are subsequently measured at fair value. Profit income calculated using the effective profit method, foreign exchange gains and losses and ECL are recognised in the consolidated statement of profit or loss. Fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the fair value reserves as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss.

(ii) Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under ‘IAS 32 Financial Instruments: Presentation’ and are not held for trading. Such classification is determined on an instrument by instrument basis.

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

Financial assets carried at FVTPL

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and profit are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and Measurement of Financial assets (continued)

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

Impairment of financial assets

The Group computes Expected Credit Losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- Financing receivables including financing commitments
- Letters of credit and financial guarantee contracts including commitments
- Investment in debt instruments (Sukuk) measured FVOCI
- Balances and deposits with banks

Balances with the CBK, Tawarruq transactions with CBK and Kuwait Government debt are low risk and fully recoverable, hence no ECL is measured on these instruments.

Impairment of financing facilities

Financing facilities granted by the Group consists of financing receivables, letters of credit and financial guarantee contracts and commitments to grant financing receivables. Impairment on financing receivables 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 (Note 2.1).

Impairment of financial assets other than financing receivables

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks. The Group recognises ECL on investment in debt instruments at FVOCI and on balances and deposits with banks. Equity investments are not subject to ECL.

Expected Credit losses

The Group applies a three stage approach to measure the expected credit loss as follows. Assets migrate through the following three stages based as the change in credit quality since initial recognition.

Stage 1: 12-month ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Lifetime expected credit losses are ECLs that result from all possible default events over the expected life of a financial instrument. The 12 months ECL is the portion of lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime expected credit losses and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage for impairment

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Determining the stage for impairment (continued)

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

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

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

Measurement of ECLs

Expected credit losses are probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cash-flows due to the Group in accordance with the contract and the cash-flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group estimates these elements using appropriate credit risk models taking into consideration of the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macroeconomic scenarios etc.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macroeconomic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on regular basis.

Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset using the original effective profit rate and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

Modification of financing receivables

Under certain circumstances, the Group seeks to restructure financing receivables rather than taking possession of collateral. This may involve extending the payment arrangements, reduction in the amount of principal or profit and the agreement of new facility or financing conditions. 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. Management continuously reviews modified financing receivables to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3. When financing receivables have been modified but not derecognised, any impairment is measured using the original effective profit rate as calculated before the modification of terms.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Interest Rate Benchmark Reform

In the context of IBOR reform, the Group's assessment of whether a change to a financial asset or financial liability is substantial is made after applying the practical expedient introduced by Interest Rate Benchmark Reform, Amendments to IFRS 9, Phase 2. This practical expedient allows changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as changes to a floating interest rate to that instrument, if the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. In such cases, the Group updates the effective interest rate to reflect the change in an interest rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount.

When additional changes are made, which are not economically equivalent, the Group applies accounting policy on accounting for modification of financial assets and financial liabilities.

Write-offs

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. 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.

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

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

Provisions for credit losses in accordance with CBK instructions

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

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

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

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 financing receivables (net of certain restricted categories of collateral) which are not subject to specific provisioning.

In March 2007, CBK issued a circular amending the basis of calculating general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 1% to 0.5% for non-cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities as at 31 December 2006 would be retained as a general provision until a further directive from the CBK is issued.

Financial liabilities

Financial liabilities include due to banks, due to financial institutions, depositors' accounts created by Mudaraba, Murabaha and Wakala contracts, Sukuk issued and other liabilities. Mudaraba represents an agreement whereby the Bank and the customer share an agreed percentage of any profit earned on customers' investments as agreed. Wakala represents an agreement whereby the Bank aims to provide a certain rate of return for the transactions entered on behalf of the customer.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Tier 1 sukuk are perpetual Mudaraba sukuk which are not redeemable by sukuk holders and bear an entitlement to profit distributions that is non-cumulative and at the issuer's sole discretion. Accordingly, Tier 1 sukuk are presented as a component of equity instruments issued by the Group in equity.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position 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.

Collateral pending sale

The Group occasionally acquires non-monetary assets in settlement of certain financing receivables. Such assets are stated at the lower of the carrying value of the related financing receivables and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of profit or loss.

Financial guarantees

In the ordinary course of business, the Group provides financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received, in other liabilities. The premium received is recognised in the consolidated statement of profit or loss in 'fees and commission income' on a straight-line basis over the life of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization. When a payment under the guarantee is likely to become payable, the present value of the expected net payments less the unamortised premium, is charged to the consolidated statement of profit or loss.

Financial guarantees and letter of credit are assessed and provision for impairment is made in a similar manner to that for financing receivables.

Derivatives financial instruments and hedge accounting

1. Derivatives not designated as hedges:

Currency swaps, profit rate swaps and forward foreign exchange (FX Wa'ad) contracts instruments ("the instruments") are initially recognised in the consolidated statement of financial position at cost (including transaction costs) and subsequently measured at their fair value. The fair value of these instruments includes unrealized gain or loss from marking to market the instruments using prevailing market rates or internal pricing models. The instruments with positive market values (unrealised gains) are included in other assets and the instruments with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. Any gains or losses arising from changes in the fair value of these instruments are taken directly to the consolidated statement of profit or loss as investment income.

2. Derivatives designated as hedges:

For the purpose of hedge accounting, hedges are classified as:

- ▶ Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- ▶ Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to the particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Derivatives financial instruments and hedge accounting (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- ▶ There is 'an economic relationship' between the hedge item and the hedging instrument.
- ▶ The effect of the credit risk does not 'dominate the value changes' that result from that economic relationship.
- ▶ The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges:

The gain or loss on the hedging instrument is recognised in consolidated statement of profit or loss while the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item, if applicable, and be recognised in consolidated statement of profit or loss.

Cash flow hedges:

The effective portion of the gain or loss on the hedging instrument is recognised in the consolidated statement of comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognised as other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects consolidated statement of profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in the consolidated statement of comprehensive income at that time remains in the consolidated statement of comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the consolidated statement of comprehensive income is immediately transferred to the consolidated statement of profit or loss.

Revenue recognition

Income from Murabaha, Tawarruq, Wakala investments and investment in debt securities are recognised on an effective profit method which is established on initial recognition of the asset and is not revised subsequently.

Income from Ijara is recognised over the term of the Ijara agreement to yield a constant rate of return on the net investment outstanding.

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

The calculation of the effective profit includes all fees paid or received, transactions costs and discounts or premiums that are an integral part of the effective profit.

Fees and commission income that relate mainly to transaction and service fees is recognized as the related services are performed.

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

Rental income from investment properties is recognised on a straight-line basis over the period of the lease.

Gain on sale of investment properties is recognised when the significant risks and returns have been transferred to the buyer including satisfaction of all conditions of a contract.

Once a financial instrument categorised as "financing receivables" is written down to its estimated recoverable amount, related income is thereafter recognised on the unimpaired portion based on the original effective profit rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Finance cost

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currency

Transactions and balances

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as “at fair value through profit or loss” are reported as part of the fair value gain or loss in the consolidated statement of profit or loss whereas, where as those on non-monetary items classified as FVOCI financial assets are included in consolidated statement of profit or loss and other comprehensive income.

Group companies

On consolidation the assets and liabilities of foreign subsidiaries are translated into Kuwait Dinar at the rate of exchange prevailing at the reporting date and their profit or loss statements are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal, liquidation, repayment of share capital or abandonment of all, or part of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary, is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated at the spot rate of exchange at the reporting date.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank’s shareholders in the AGM.

Dividends for the year that are approved by the AGM after the reporting date are disclosed as an event after the reporting date.

Statutory contributions

Kuwait Foundation for the Advancement of Sciences (“KFAS”)

The Bank calculates the contribution to KFAS at 1% of profit in accordance with the calculation based on the KFAS’s Board of Directors resolution, excluding transfer to statutory reserve from profit for the year.

National Labour Support Tax (“NLST”)

The Bank calculates NLST in accordance with Law No. 19/2000 and the Minister of Finance Resolution No. 24/2006 at 2.5% of taxable profit for the year. Cash dividends from listed companies which are subject to NLST are deducted from the profit for the year to determine the taxable profit.

Zakat

The Bank calculates contribution to Zakat at 1% of the profit in accordance with Law No. 46/2006 and the Ministry of Finance resolution No. 58/2007. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of profit and loss.

Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group’s share of the associate’s net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of profit or loss its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group’s share in the associate arising from changes in the associate’s equity that have not been recognised in the associate’s profit or loss statement. The Group’s share of those changes is recognised in the consolidated statement of comprehensive income.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment in associates (continued)

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. If such indication exists, the Group estimates the asset'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, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the associates and the Group's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at fair value. Any difference between carrying amount of the investment in associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Investment properties

Land and buildings, held for long-term capital appreciation and rental yields, and not occupied by the Group, are classified as investment properties. These also include properties acquired by the Group in settlement of financing receivables. Investment properties are carried at cost which includes purchase price and transaction costs less accumulated depreciation and impairment losses. Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of 20 years. Fair values of investment properties are determined periodically by external appraisers having an appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each year end. The carrying amount of each item is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amount and the impairment loss is recognised in the consolidated statement of profit or loss. Impairment is tested at the lowest level of the cash generating unit ("CGU") to which the item belongs.

An investment property is derecognised when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property and equipment, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If property and equipment becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

When the Group begins to redevelop an existing investment property with a view to selling the property, it is transferred to trading properties at carrying value.

Property and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation change is credited to the revaluation surplus reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss, in which case the increase is recognised in the consolidated statement of profit or loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation surplus reserve.

An annual transfer from the revaluation surplus reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment(continued)

Computer hardware and software, furniture, fixtures and equipment are carried at cost, less accumulated depreciation and accumulated impairment in value.

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets.

During the current year, the Bank's management based on the internal study, has re-assessed and revised the estimated useful lives of its property and equipment (Note 14), as follows:

	New estimated Useful life (years)	Previous estimated Useful life (years)
Buildings	20 to 40	20
Furniture and fixtures	10	5
Office equipment, hardware and software	5 to 10	4
ATM	5	3

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Leases – Group as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The carrying value of the right-of-use assets are presented under other assets in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are presented under other liabilities in the consolidated statement of financial position.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3: inputs are unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 or cash-generating unit's ("CGU") recoverable amount is the higher of its 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial 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 statement of profit or loss.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Post-employment benefits

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

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.

Treasury shares

The Bank's holding in its own shares is stated at acquisition cost and is recognised in equity. 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 the equity. When the treasury shares are sold, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable until all the treasury shares are disposed. 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 the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. These shares are not entitled to any cash dividend that the Bank may propose. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Contingencies

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Segment information

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, product and services and class of customers are appropriately aggregated and reported as reportable segments.

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 'Fees and commissions income'.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding. Refer to note 2.5 classification of financial assets for more information.

Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, investment property, property under development or property and equipment.

The Group classifies it as "trading property" if it is acquired principally for sale in the ordinary course of business.

The Group classifies it as "investment property" if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

The Group classifies property as “property under development” if it is acquired with the intention of development.

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

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

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

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew considering relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimation uncertainty 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 discussed below:

Expected credit losses of financial instruments

The Group estimates ECL for all financial assets carried at amortised cost (except for balances with the CBK and Government of Kuwait) or FVOCI except for equity instruments.

Significant judgements are 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 measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

The Bank regularly reviews its model in the context of actual loss experience and adjusts when necessary.

Valuation of financial instruments with significant unobservable inputs

Valuation techniques for financial instruments with significant unobservable inputs includes estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm’s length market transactions; current fair value of another instrument that is substantially the same; valuation models etc.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of unquoted financial assets.

Leases - Estimating the incremental financing rate

The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental financing rate (“IBR”) to measure lease liabilities. The IBR is the rate that the Group would have to pay to get funding over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

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3. FINANCE COST AND DISTRIBUTION TO DEPOSITORS

The Bank's Board of Directors determines the depositors' share of profit based on the results for the respective year for Mudaraba deposits.

4. FEES AND COMMISSION INCOME

This represents income earned from property appraisals fees, property management fees, deals arrangement fees, advisory fees, letters of credit and guarantee fees, debit/credit cards transaction fees, point of sales fees.

5. INVESTMENT INCOME

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Dividend income	2,369	1,940
Change in fair value of financial assets at FVTPL	297	266
Realised gain on sale of financial assets at FVTPL	45	-
Realised gain/ (loss) on sale of debt instruments at FVOCI	710	(41)
Share of results from an associate (Note 11)	86	14
Gain on sale of investment in an associate (Note 11)	1,157	-
Gain on sale of investment properties (Note 12)	1,923	-
Net rental income from investment properties	964	1,011
	<u>7,551</u>	<u>3,190</u>

6. PROVISIONS AND IMPAIRMENT LOSSES

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Provision on financing receivables (Note 9)	9,952	15,445
Provision for impairment on non-cash credit facilities	226	313
Provision no longer required	(1,316)	(2,472)
Others	509	588
	<u>9,371</u>	<u>13,874</u>

7. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to the shareholders of the Bank adjusted for profit paid (if any) on Perpetual Tier 1 Sukuk by the weighted average number of shares issued during the year, less treasury shares.

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Profit for the year attributable to the shareholders of the Bank	30,102	23,078
Less: profit paid on Perpetual Tier 1 Sukuk (Note 20)	(6,115)	(5,660)
	<u>23,987</u>	<u>17,418</u>
	<u>2025</u>	<u>2024</u>
Weighted average number of shares issued	1,788,547,308	1,788,547,308
Less: Weighted average number of treasury shares	(132,181,447)	(132,181,447)
Weighted average number of shares outstanding	<u>1,656,365,861</u>	<u>1,656,365,861</u>
	<u>2025</u>	<u>2024</u>
Basic and diluted earnings per share	<u>14.48 fils</u>	<u>10.52 fils</u>

Basic and diluted earnings per share for the current and comparative year presented has been adjusted to reflect the effect of bonus shares for the year ended 31 December 2024. (Note 18)

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8. CASH AND CASH EQUIVALENTS

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Cash	15,413	19,337
Current accounts with banks	29,642	9,482
Current account with the CBK	<u>100,291</u>	<u>166,924</u>
	145,346	195,743
Less: Expected credit losses	(6)	(3)
Cash and balances with banks	<u>145,340</u>	195,740
Placements with banks (original maturity is within three months or less) - Net	<u>141,172</u>	<u>54,053</u>
Cash and cash equivalents	<u>286,512</u>	<u>249,793</u>

9. FINANCING RECEIVABLES

Analysis of financing receivables based on class of financial assets is given below:

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Corporate	2,994,327	2,561,082
Retail	<u>406,292</u>	<u>354,054</u>
	3,400,619	2,915,136
Less: Provision for credit losses as per CBK instructions	(81,450)	(69,386)
	<u>3,319,169</u>	<u>2,845,750</u>

Financing receivables principally comprises of Murabaha, Wakala, Ijara and others. These balances are stated net of provision for credit losses as per CBK instructions as follows:

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Murabaha receivables	1,291,254	1,032,851
Wakala receivables	2,060,471	1,829,502
Ijara receivables	130,424	133,848
Other receivables	<u>35,111</u>	<u>24,748</u>
	3,517,260	3,020,949
Less: Deferred profit	(116,641)	(105,813)
Net financing receivables	<u>3,400,619</u>	2,915,136
Less: Provision for credit losses as per CBK instructions	(81,450)	(69,386)
	<u>3,319,169</u>	<u>2,845,750</u>

Movement in provision for credit losses as per CBK instructions:

	<u>KD 000's</u>			<u>KD 000's</u>		
	Specific provision	2025 General provision	Total	Specific provision	2024 General provision	Total
As at 1 January	8,062	61,324	69,386	13,474	53,011	66,485
Provision charged (Note 6)	6,502	3,450	9,952	12,223	3,222	15,445
Amounts (written off)/ recovery	(5,724)	7,836	2,112	(17,635)	5,091	(12,544)
As at 31 December	<u>8,840</u>	<u>72,610</u>	<u>81,450</u>	<u>8,062</u>	<u>61,324</u>	<u>69,386</u>

The management believes that the provision for impairment on financing receivables complies in all material respects with the specific provision requirements of CBK.

The surplus general provision arising on the change in the general provision rate in March 2007 amounts to KD 5,044 thousand and is retained as general provision until further directive from the CBK.

Provision on non-cash credit facilities of KD 4,336 thousand as at 31 December 2025 (2024: KD 4,110 thousand) is included in other liabilities. (Note 17)

Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 53,620 thousand as at 31 December 2025 (2024: KD 61,687 thousand), which is lower than the provision for credit facilities required by CBK instructions of KD 85,786 thousand (2024: KD 73,496 thousand).

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9. FINANCING RECEIVABLES (continued)

An analysis of the carrying amounts of credit facilities (cash facilities), and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

	<i>KD 000's</i>			
2025	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash credit facilities				
High	2,092,860	65,810	-	2,158,670
Standard	1,086,333	108,749	-	1,195,082
Impaired	-	-	46,867	46,867
	<u>3,179,193</u>	<u>174,559</u>	<u>46,867</u>	<u>3,400,619</u>

	<i>KD 000's</i>			
2024	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash credit Facilities				
High	1,613,131	125,887	-	1,739,018
Standard	1,004,031	107,197	-	1,111,228
Impaired	-	-	64,890	64,890
	<u>2,617,162</u>	<u>233,084</u>	<u>64,890</u>	<u>2,915,136</u>

An analysis of the changes in the Expected Credit Losses in relation to credit facilities (cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2025	3,391	10,587	30,698	44,676
Transfer to Stage 1	984	(572)	(412)	-
Transfer to Stage 2	(54)	297	(243)	-
Transfer to Stage 3	(2)	(352)	354	-
Charge/ (reversal) of ECL allowance for the year	526	(940)	(6,271)	(6,685)
ECL allowance as at 31 December 2025	<u>4,845</u>	<u>9,020</u>	<u>24,126</u>	<u>37,991</u>

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2024	3,992	14,770	29,931	48,693
Transfer to Stage 1	1,404	(506)	(898)	-
Transfer to Stage 2	(15)	212	(197)	-
Transfer to Stage 3	(12)	(1,916)	1,928	-
Reversal of ECL allowance for the year	(1,978)	(1,973)	(66)	(4,017)
ECL allowance as at 31 December 2024	<u>3,391</u>	<u>10,587</u>	<u>30,698</u>	<u>44,676</u>

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9. FINANCING RECEIVABLES (continued)

An analysis of the carrying amounts of contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed (Non-cash facilities), and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations.

	<i>KD 000's</i>			
2025	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Non-cash credit facilities				
High	330,717	382	-	331,099
Standard	225,945	17,719	-	243,664
Impaired	-	-	11,758	11,758
	<u>556,662</u>	<u>18,101</u>	<u>11,758</u>	<u>586,521</u>

	<i>KD 000's</i>			
2024	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Non-cash credit Facilities				
High	270,048	1,195	-	271,243
Standard	139,972	18,582	-	158,554
Impaired	-	-	13,771	13,771
	<u>410,020</u>	<u>19,777</u>	<u>13,771</u>	<u>443,568</u>

An analysis of the changes in the Expected Credit Losses in relation to credit facilities (non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines.

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2025	1,201	1,925	13,631	16,757
Transfer to Stage 1	55	(55)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(2)	2	-
Charge/ (reversal) of ECL allowance for the year	137	318	(2,028)	(1,573)
ECL allowance as at 31 December 2025	<u>1,393</u>	<u>2,186</u>	<u>11,605</u>	<u>15,184</u>

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance as at 1 January 2024	1,165	2,877	11,448	15,490
Transfer to Stage 1	62	(62)	-	-
Transfer to Stage 2	(2)	2	-	-
Transfer to Stage 3	-	(534)	534	-
(Reversal)/ charge ECL allowance for the year	(24)	(358)	1,649	1,267
ECL allowance as at 31 December 2024	<u>1,201</u>	<u>1,925</u>	<u>13,631</u>	<u>16,757</u>

The carrying amounts of commitments amounted to KD 668,158 thousand as at 31 December 2025 (2024: KD 531,535 thousand) and the corresponding Expected Credit Losses amounted to KD 445 thousand (2024: KD 254 thousand).

10. INVESTMENT SECURITIES

	<i>KD 000's</i>	<i>KD 000's</i>
	<u>2025</u>	<u>2024</u>
Financial assets at FVTPL:		
Quoted equity securities	2,167	1,992
Investment in fund	644	-
Quoted sukuk	1,159	1,097
	<u>3,970</u>	<u>3,089</u>
Financial assets at FVOCI:		
Quoted equity securities	-	1,303
Unquoted equity securities	27,828	36,546
Quoted sukuk	537,129	472,454
	<u>564,957</u>	<u>510,303</u>
	<u>568,927</u>	<u>513,392</u>

Investments in sukuk amounting to KD 82,595 thousand (2024: 28,714 thousand) are collateralised against due to banks.

Investments in sukuk at FVOCI are subject to expected credit losses.

An analysis of changes in the gross carrying amount and the corresponding expected credit losses in relation to investments in sukuk are as follows:

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
2025				
Balance at beginning of the year	472,454	-	-	472,454
Additions/ disposals during the year – Net	54,976	-	-	54,976
Fair value and exchange movements	9,699	-	-	9,699
Balance at end of the year	<u>537,129</u>	<u>-</u>	<u>-</u>	<u>537,129</u>
				<i>KD 000's</i>
2024				
Balance at beginning of the year	325,783	-	-	325,783
Additions/ disposals during the year – Net	142,833	-	-	142,833
Fair value and exchange movements	3,838	-	-	3,838
Balance at end of the year	<u>472,454</u>	<u>-</u>	<u>-</u>	<u>472,454</u>
				<i>KD 000's</i>
2025				
Balance at beginning of the year	849	-	-	849
Re-measurements during the year	(379)	-	-	(379)
Balance at end of the year	<u>470</u>	<u>-</u>	<u>-</u>	<u>470</u>
				<i>KD 000's</i>
2024				
Balance at beginning of the year	471	-	-	471
Re-measurements during the year	378	-	-	378
Balance at end of the year	<u>849</u>	<u>-</u>	<u>-</u>	<u>849</u>

During the fourth quarter, the Group discontinued the application of minimum floor for Probability of Default (PD) in estimating ECL for Sukuk exposures under the Low Risk Portfolio (LRP) and instead applied the PD associated with the ratings assigned by External Credit Agencies (ECAs). This change is in line with the requirements of the IFRS 9 and CBK guidelines in this regard. The impact of this change was lower ECL allowance/provision by approximately KD 406 thousand during the current year.

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11. INVESTMENT IN AN ASSOCIATE

	Country of incorporation	Principal activity	Ownership %		KD 000's	KD 000's
			2025	2024	2025	2024
Associate of KIB Invest						
Credit One Kuwait Holding Company KSCC ("Credit One")	Kuwait	Holding	20.25%	-	22,166	-
Associate of KIB Takaful						
Partners Properties Company W.L.L.	Kuwait	Real Estate	-	25.5%	-	1,853

The movement in the investment in associates is as follows:

	KD 000's	KD 000's
	2025	2024
Balance at beginning of the year	1,853	1,839
Acquisition ⁽¹⁾	11,179	-
Reclassification from investments at FVOCI (Note 25)	10,900	-
Share of results	86	14
Disposal ⁽²⁾	(1,852)	-
Balance at end of the year	22,166	1,853

⁽¹⁾ During the fourth quarter, the Group increased its ownership interest in Credit One from 10% to 20.25% through the acquisition of additional shares from a related party and obtained significant influence.

Prior to the increase, the investment was classified as a financial asset as FVOCI in accordance with IFRS 9.

Upon obtaining significant influence, the investment reclassified to investment in an associate and accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

At the date of reclassification, the investment was measured at its fair value, which became the deemed cost for equity-method accounting. The cumulative fair value reserve of KD 8,300 thousand previously recognised in fair value reserve transferred to retained earnings in accordance with IFRS 9 requirements.

The acquisition was accounted for in accordance with IFRS 3 "Business combination". The assets acquired and liabilities assumed was carried at the provisional values at the acquisition date. The goodwill was recorded at provisional amount pending completion of the Purchase Price Allocation ("PPA") exercise which is expected to be completed within 12 months from the date of the acquisition.

Below is the statement of net provisional value of the assets acquired, and liabilities assumed at the date of the acquisition:

	KD 000's
Assets	184,973
Liabilities	93,526
Non-controlling interests	3,276
<i>Provisional value of net identifiable assets acquired</i>	88,171
<i>Group's share of the provisional value of net identifiable assets acquired</i>	17,855
Provisional goodwill resulted from acquisition	4,224
<i>Consideration of the acquisition</i>	22,079
Cash paid against the acquisition of additional stake of 10.25%	11,179
Interest previously acquired and transferred from investment at FVOCI of 10%	10,900
<i>Consideration of the acquisition</i>	22,079

Had the acquisition been completed on 1 January 2025, the Group's net profit would have been higher by KD 1,720 thousand.

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11. INVESTMENT IN AN ASSOCIATE (continued)

The summarised financial information of Credit One as at 30 November 2025 is as follows:

	<u>KD 000's</u>
	<u>2025</u>
Assets	186,453
Liabilities	94,663
Non-controlling interests	3,186
	<u>KD 000's</u>
	<u>2025</u>
Revenue	2,653
Net profit	433
	<u>KD 000's</u>
	<u>2025</u>
Net assets of the associate	88,604
Ownership interest %	20.25%
Ownership interest	17,942
Goodwill	4,224
Carrying value	<u>22,166</u>

- (2) During the year, the Group signed an agreement to acquire an investment property located in Kuwait, from a related party for a total consideration of KD 7,060 thousand. The purchase consideration was settled through a cash consideration of KD 4,051 thousand and in-kind consideration of KD 1,852 thousand representing the Group's interest in the associate company "Partners Properties Company W.L.L.", resulting in a gain amounting to KD 1,157 thousand (Note 5).

The associates are not listed in active markets. There is no significant restriction on the ability of the associates to transfer funds to the Group in the form of cash dividends or repayment of credit facilities.

12. INVESTMENT PROPERTIES

	<u>KD 000's</u>	<u>KD 000's</u>
	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	78,582	63,280
Additions	23,557	2,439
Acquired in settlement of financing receivables ⁽¹⁾	-	13,165
Disposals ⁽²⁾	(26,332)	-
Depreciation	(273)	(302)
Balance at end of the year	<u>75,534</u>	<u>78,582</u>

- (1) During the previous year, investment properties amounting to KD 13,165 thousand was acquired following the settlement of Ijara facilities of customers who defaulted in fulfilling the contractual obligations towards the Bank. The investment properties acquired as a result of settlement are recorded at the lower of carrying value of the related financing receivables and the current fair value of these investment properties.

- (2) Investment properties with carrying amount of KD 26,332 thousand was disposed off against a cash consideration of KD 28,255 thousand (Note 13), resulting in a net gain of KD 1,923 thousand (Note 5).

The fair value of investment properties as at 31 December 2025 was KD 92,297 thousand (2024: KD 88,788 thousand) which was determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on combination of valuation techniques which include market comparison approach (Level 2 of fair value hierarchy) and income capitalisation approach (Level 3 of fair value hierarchy). In estimating the fair values of the properties, the highest and the best use of the properties is their current use where price per square meter, annual lease income and recent sale transaction for similar properties are the significant inputs. There has been no change to the valuation techniques during the year.

13. OTHER ASSETS

	<i>KD 000's</i>	<i>KD 000's</i>
	<u>2025</u>	<u>2024</u>
Prepayments and refundable deposits	1,953	2,025
Transactions in progress	12,754	7,673
Clearing and under settlement accounts	9,450	14,176
Accrued income	6,369	5,680
Due from sale of investment properties (Note 12)	15,854	-
Right of use assets - Net	3,633	4,266
Others	17,111	11,179
	<u>67,124</u>	<u>44,999</u>

14. PROPERTY AND EQUIPMENT

Land and buildings were revalued at KD 20,216 thousand (2024: KD 17,299 thousand) using the average of the fair values determined by two external valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on combination of valuation techniques which include market comparison approach and income capitalization approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation techniques during the year. Land and buildings are included in level 3 of the fair value hierarchy.

Other equipment are carried at cost less accumulated depreciation amounting to KD 28,945 thousand (2024: KD 26,360 thousand). If land and buildings had been carried at cost less depreciation, the net carrying amount that would have been included in these consolidated financial statements is KD 6,081 thousand (2024: KD 6,200 thousand).

During the current year, estimated useful lives of property and equipment were revised as mentioned in Note 2.5. This change resulted in a decrease in the depreciation amount of KD 3,276 thousand charged to the consolidated statement of profit of loss for the year ended 31 December 2025. Accordingly, the effect on future periods is estimated to result in a decrease in the annual depreciation amount to be charged to profit or loss by KD 3,231 thousand.

15. DEPOSITORS' ACCOUNTS

Depositors' accounts of the Bank comprise of the following:

- ▶ Non-investment deposits in the form of current accounts

These deposits are not entitled to any profits nor do they bear any risk of loss as the Bank guarantees to pay the related balances on demand. Accordingly, these deposits are considered qard hasan from depositors to the Bank.

- ▶ Investment deposits

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

16. SUKUK ISSUED

The Bank on 16 October 2025 through its USD 1.5 Billion Trust Certificate Issuance Programme issued USD denominated subordinated Tier 2 Sukuk amounting to USD 300 million listed on the International Securities Market of the London Stock Exchange. The Sukuk bears a profit rate of 5.535% per annum, payable semi-annually in arrears until the First Call Date subject to terms of the issue. After that, the expected profit rate will be reset based on prevailing 5-year US Treasury plus a margin of 1.75% per annum.

These Wakala Sukuk are unsecured and callable in whole at the option of the Bank on 16 October 2030 and each periodic distribution date thereafter, subject to certain conditions and regulatory approvals.

The Tier 2 Sukuk issued in November 2020 were fully redeemed on 30 November 2025 by way of exercising the sukuk Call Option amounting to USD 300 million at a price of 100% of their nominal value.

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17. OTHER LIABILITIES

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
Depositors' profit payable	17,019	14,362
Provision on non-cash credit facilities (Note 9)	4,336	4,110
Accrued staff benefits	17,733	14,718
Payables and purchase orders	22,848	16,459
Dividend payable	1,382	1,418
Accrued expenses	6,301	7,236
Taxes and other dues	1,851	1,204
KFAS payable ⁽¹⁾	290	256
Lease liability	3,704	4,236
Provision against legal cases	-	10,749
Others	23,210	14,461
	<u>98,674</u>	<u>89,209</u>

⁽¹⁾ During the year, the Bank paid KD 256 thousand (2024: KD 183 thousand) to KFAS.

18. SHAREHOLDERS' EQUITY

a) Share capital

The authorised share capital of the Bank comprises of 1,788,547,308 (2024: 1,703,378,389) shares of 100 fils each.

	<u>2025</u>		<u>2024</u>	
	<i>Shares</i>	<i>KD 000's</i>	<i>Shares</i>	<i>KD 000's</i>
Issued and fully paid-up capital of the Bank comprises of ordinary shares of 100 fils each, all shares are paid in cash	1,788,547,308	178,855	1,703,378,389	170,338

On 20 March 2025, the Ordinary AGM of the Bank's shareholders approved the distribution of dividends for the year ended 31 December 2024 as follows:

- a. Cash dividends of 5 fils per share (2023: 5 fils per share) amounting to KD 7,887 thousand (2023: KD 7,658 thousand) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly, after excluding treasury shares; and
- b. Bonus shares of 5% (2023: 3%) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly.

The Extraordinary General Assembly meeting ("EGM") of the Bank's shareholders held on 20 March 2025 approved to increase the issued and paid-up capital from KD 170,338 thousand to KD 178,855 thousand by issuing 85,169 thousand shares as bonus shares amounted to KD 8,517 thousand. The notation in the commercial register was on 6 April 2025 regarding to the capital increase.

The approved bonus shares and cash dividends were distributed to the shareholders registered in the Bank's records as at the entitlement date.

b) Treasury shares

	<u>2025</u>	<u>2024</u>
Number of treasury shares ('000 shares)	132,181	125,885
Percentage of treasury shares	7.39%	7.39%
Cost of treasury shares (KD 000's)	45,161	45,161
Market value of treasury shares (KD 000's)	36,218	23,037
Weighted average market price (fils/ share)	257 fils	176 fils

18. SHAREHOLDERS' EQUITY (continued)

Movement in treasury shares was as follows:

	<i>No. of shares</i>	
	<u>2025</u>	<u>2024</u>
Balance as at 1 January	125,885,203	122,216,439
Bonus shares	6,296,244	3,668,764
Balance as at 31 December	<u>132,181,447</u>	<u>125,885,203</u>

The Board of Directors has been authorised by the shareholders to purchase treasury shares up to a maximum of 10% of the share capital of the Bank. Reserves equivalent to the cost of the treasury shares held are not available for distribution.

An amount of KD 45,161 thousand (2024: KD 45,161 thousand) from statutory and voluntary reserves equivalent to the cost of the treasury shares held by the Group is not available for distribution throughout the holding period of treasury shares.

c) Dividends

The Board of Directors recommended the distribution of cash dividends of 8 fils per share amounting to KD 13,251 thousand on outstanding shares (excluding treasury shares) and bonus shares of 5% on outstanding shares as at 31 December 2025. This proposal is subject to the approval by the shareholders' AGM.

The consolidated financial statements for the financial year ended 31 December 2024 and the recommendation of the Board of Directors dated 9 January 2025 to distribute 5 fils cash dividends and 5% bonus shares were approved by the Bank's shareholders at their AGM held on 20 March 2025.

19. OTHER RESERVES

	<i>KD 000's</i>						
	<i>Voluntary reserve</i>	<i>Treasury shares reserve</i>	<i>Retained earnings</i>	<i>Fair value reserve</i>	<i>Revaluation surplus</i>	<i>Foreign currency translation adjustments</i>	<i>Total other reserves</i>
Balance as at 1 January 2025	40,139	4,811	34,902	18,298	11,726	30	109,906
Profit for the year	-	-	30,102	-	-	-	30,102
Other comprehensive income/ (loss) for the year	-	-	-	17,129	2,458	(810)	18,777
Total comprehensive income/ (loss) for the year	-	-	30,102	17,129	2,458	(810)	48,879
Depreciation transfer for buildings	-	-	162	-	(162)	-	-
Transfer due to disposals of investment at FVOCI	-	-	9,944	(9,944)	-	-	-
Cash dividends (Note 18)	-	-	(7,887)	-	-	-	(7,887)
Bonus shares (Note 18)	-	-	(8,517)	-	-	-	(8,517)
Transfer to reserves	3,221	-	(6,442)	-	-	-	(3,221)
Profit paid on Perpetual Tier 1 Sukuk (Note 20)	-	-	(6,115)	-	-	-	(6,115)
Balance as at 31 December 2025	43,360	4,811	46,149	25,483	14,022	(780)	133,045
Balance as at 1 January 2024	37,291	4,811	35,825	11,696	12,411	990	103,024
Profit for the year	-	-	23,078	-	-	-	23,078
Other comprehensive income/ (loss) for the year	-	-	-	6,602	(144)	(30)	6,428
Total comprehensive income/ (loss) for the year	-	-	23,078	6,602	(144)	(30)	29,506
Depreciation transfer for buildings	-	-	541	-	(541)	-	-
Cash dividends (Note 18)	-	-	(7,658)	-	-	-	(7,658)
Bonus shares (Note 18)	-	-	(4,961)	-	-	-	(4,961)
Transaction costs on issue of Perpetual Tier 1 Sukuk	-	-	(567)	-	-	-	(567)
Foreign currency translation from redemption of Perpetual Tier 1 Sukuk	-	-	-	-	-	(930)	(930)
Transfer to reserves	2,848	-	(5,696)	-	-	-	(2,848)
Profit paid on Perpetual Tier 1 Sukuk (Note 20)	-	-	(5,660)	-	-	-	(5,660)
Balance as at 31 December 2024	40,139	4,811	34,902	18,298	11,726	30	109,906

19. OTHER RESERVES (continued)

a) Statutory reserve

In accordance with the Companies' Law, as amended, and the Bank's Articles of Association, as amended, the Bank is required to transfer to statutory reserve, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' remuneration. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. The Bank has transferred KD 3,221 thousand (2024: KD 2,848 thousand) to the statutory reserve for the year ended 31 December 2025.

b) Voluntary reserve

In accordance with the Bank's Articles of Association, as amended, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' remuneration is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. The Bank has transferred KD 3,221 thousand (2024: KD 2,848 thousand) to the voluntary reserve for the year ended 31 December 2025.

c) Share premium

The share premium account is not available for distribution.

d) Revaluation surplus

The revaluation surplus represents the surplus of market value over carrying value of land and buildings (net of incremental depreciation). The balance in this reserve will be directly transferred to retained earnings on disposal of the underlying assets.

20. PERPETUAL TIER 1 SUKUK

On 1 May 2024, the Bank through a Sharia'a compliant Sukuk arrangement issued RegS Tier 1 Sukuk amounting to USD 300 million. Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, deeply subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk is listed on the London Stock Exchange and is callable by the Bank after 5 years period ending 1 May 2029 (the "First Call Date") with a six months par call window, before being reset on 1 November 2029 (the "First Reset Date") or any profit payment date thereafter subject to certain redemption conditions including prior regulatory approvals.

The net proceeds from Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as "Mudareb") on an unrestricted basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Tier 1 Sukuk bears a profit rate of 6.625% per annum to be paid semi-annually in arrears until the First Reset Date subject to terms of the issue. After that, the expected profit rate will be reset based on then prevailing 5 years US Treasury plus a margin of 1.953% per annum.

At the issuer's sole discretion, it may elect not to make any Mudaraba distributions expected and in such event, the Mudaraba profit will not be accumulated and will not constitute a default event. During the current year, the Bank paid profits amounting to KD 6,115 thousand (2024: KD 5,660 thousand) on this Perpetual Tier 1 Sukuk.

The Tier 1 Sukuk issued in June 2019 were fully redeemed on 10 June 2024 by way of exercising the sukuk Call Option amounting to USD 300 million at a price of 100% of their nominal value.

21. COMMITMENTS AND CONTINGENT LIABILITIES

To meet the financial needs of customers, the Group enters into various contingent liabilities and revocable commitments. Even though these obligations may not be recognised on the consolidated statement of financial position, they expose the Group to credit risk and therefore form part of the overall risk of the Group.

The total outstanding commitments and contingent liabilities are as follows:

	<i>KD 000's</i>	<i>KD 000's</i>
	<i>2025</i>	<i>2024</i>
Acceptances	120,413	43,750
Letters of credit	63,272	16,471
Letters of guarantee	402,836	383,347
	<u>586,521</u>	<u>443,568</u>

The Group also has revocable commitments to extend credit amounting to 668,158 KD thousand (2024: KD 531,535 thousand).

22. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Bank enters into currency swaps, profit rate swaps, FX Wa'ad ("Islamic derivative financial instruments") to mitigate foreign currency and profit rate risk. The FX Wa'ad is based on Wa'ad (promise) structure between two parties to buy a specified currency at an agreed price on the relevant date in future. It is a conditional promise to purchase a currency through unilateral purchase undertaking. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency. For currency swaps, fixed or floating payments as well as notional amounts are exchanged in different currencies.

Derivatives held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate movements. This is achieved by hedging specific financial instruments.

In addition, the Bank uses profit rate swaps to hedge against the profit rate risk arising from specifically identified, fixed profit rate investments. The Bank also uses profit rate swaps to hedge against the cash flow risks arising on certain fixed rate Sukuk issued by the bank. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as derivatives held for hedging purposes.

Hedging of profit rate risk is also carried out by monitoring the duration of assets and liabilities and entering into profit rate swaps to hedge net profit rate exposures.

The fair value of Islamic derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	Positive fair value	Negative fair value	<i>KD 000's</i> Notional amount
2025			
Profit rate swaps	192	(62)	34,968
Forward foreign exchange contracts	1	(47)	10,126
	<u>193</u>	<u>(109)</u>	<u>45,094</u>
2024			
Profit rate swaps	1	-	154
Forward foreign exchange contracts	-	-	-
	<u>1</u>	<u>-</u>	<u>154</u>

All of the above Islamic derivative financial instruments are fair valued based on observable market inputs and are included in Level 2 of fair value.

23. RELATED PARTY TRANSACTIONS

These are transactions with certain related parties (major shareholders, associate, directors and executive officers of the Bank, close members of their families and companies in which they are principal owners or over which they are able to exercise significant influence) who were customers of the Bank in the ordinary course of business. Such transactions were made on substantially the same terms including profit rates as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. Transactions with subsidiaries are eliminated in full and hence not disclosed.

The transactions and balances with related parties included in these consolidated financial statements are as follows:

	<u>Major shareholders</u>	<u>Other related parties</u>	<u>Directors and Executive officers</u>	<u>2025 KD 000's</u>	<u>2024 KD 000's</u>
Balances					
Financing receivables	-	91,912	161,124	253,036	175,880
Credit cards	-	-	105	105	93
Deposits	2,415	66,771	3,449	72,635	46,217
Commitments and contingent liabilities	588	84,340	1,009	85,937	109,180
Collaterals against credit facilities	586	22,053	221,214	243,853	150,693
Transactions					
Financing income	-	4,636	6,911	11,547	9,266
Fees and commission income	8	259	3	270	463
Distribution to depositors	31	1,085	69	1,185	1,036
Other expenses	-	622	-	622	543
Gain on sale of investment in an associate	-	1,157	-	1,157	-
Acquisition of investment property	-	7,060	-	7,060	-
Acquisition of investment in an associate	-	11,179	-	11,179	-
		<u>2025</u>		<u>2024</u>	
		<u>No. of Directors and Executive officers</u>	<u>KD 000's</u>	<u>No. of Directors and Executive officers</u>	<u>KD 000's</u>
Directors					
Financing receivables		5	159,920	5	87,250
Credit cards		4	2	-	-
Deposits		9	1,531	8	1,974
Commitments and contingent liabilities		5	898	4	1,321
Collaterals against credit facilities		5	221,214	5	131,229
Executive officers					
Financing receivables		29	1,204	23	1,036
Credit cards		41	103	35	93
Deposits		44	1,918	39	2,162
Commitments and contingent liabilities		42	111	37	104

The key management and directors' remuneration for the year was as follows:

	<u>KD 000's</u>	<u>KD 000's</u>
	<u>2025</u>	<u>2024</u>
Key management personnel compensation:		
Short-term benefits	6,107	5,158
Post-employment benefits	409	359
Chairman, board committees and representation remuneration (included in general and administrative expenses)	249	236
	<u>6,765</u>	<u>5,753</u>

The Bank's Board of Directors has proposed Directors' remuneration of KD 331 thousand for the year ended 31 December 2025 (2024: KD 331 thousand) within the limit permissible under local regulations and is subject to approval of the Bank's shareholders at their AGM.

24. SEGMENT INFORMATION

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

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

Commercial, Real Estate and International Banking	:	Comprising of a range of banking services and investment products to corporate customers providing commodity and real estate Murabaha finance, Ijara and Wakala facilities, including investment properties and their management.
Retail Banking	:	Comprising of a range of banking services and investment products primarily to individual customers, providing commodity Murabaha finance, Ijara, Wakala and Musawama facilities.
Treasury and Investment Banking	:	Comprising of liquidity management, correspondent banking, clearing, Murabaha investments, exchange of deposits with banks and financial institutions, debt instruments (Sukuk) and investment in funds.
Others	:	Comprising of those which is not directly pertaining to the above segments and includes those relating to other investments including subsidiaries and investment in an associate.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The Group measures the performance of operating segments through measures of segment operating income and results in management reporting system. Segment assets principally comprise of all assets and segment liabilities comprise of all liabilities that are attributable to the segment.

The following table presents operating income, results for the year, total assets and total liabilities information regarding the Group's reportable segments.

	<i>KD 000's</i>				
	Commercial, Real Estate and International Banking	Retail Banking	Treasury and Investment Banking	Others	Total
2025					
Segment operating income	<u>142,346</u>	<u>(7,355)</u>	<u>(39,248)</u>	<u>5,783</u>	<u>101,526</u>
<i>Segment results</i>					
- Depreciation	-	-	-	(5,342)	(5,342)
- Provisions and impairment losses	(3,219)	(4,264)	373	(2,261)	(9,371)
Segment profit/ (loss)	<u>55,766</u>	<u>2,037</u>	<u>6,219</u>	<u>(33,567)</u>	<u>30,455</u>
Segment assets	<u>2,997,736</u>	<u>407,805</u>	<u>1,064,429</u>	<u>169,271</u>	<u>4,639,241</u>
Segment liabilities	<u>1,001,005</u>	<u>1,163,762</u>	<u>1,906,176</u>	<u>89,224</u>	<u>4,160,167</u>
2024					
Segment operating income	<u>128,678</u>	<u>(5,567)</u>	<u>(35,112)</u>	<u>3,372</u>	<u>91,371</u>
<i>Segment results</i>					
- Depreciation	-	-	-	(7,568)	(7,568)
- Provisions and impairment losses	(9,255)	(1,718)	(374)	(2,527)	(13,874)
Segment profit/ (loss)	<u>37,156</u>	<u>8,315</u>	<u>(7,285)</u>	<u>(14,846)</u>	<u>23,340</u>
Segment assets	<u>2,584,152</u>	<u>355,573</u>	<u>868,517</u>	<u>114,769</u>	<u>3,923,011</u>
Segment liabilities	<u>700,765</u>	<u>1,076,318</u>	<u>1,635,409</u>	<u>66,535</u>	<u>3,479,027</u>

The Group operates from the State of Kuwait only.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Strategy in using financial instruments

As an Islamic bank, the Bank's activities are principally related to the sourcing of funds through Sharia'a compliant financial instruments, within the guidelines prescribed by CBK and deploying these funds in Sharia'a compliant financing and investment activities, to earn a profit. The profits are shared between the shareholders as well as the profit-sharing deposit account holders, as per policies and proportions determined by the Board of Directors and the Fatwa and Sharia'a Supervisory Board. The funds raised vary in maturity between short and longer tenors and are mainly in Kuwaiti Dinars, apart from major foreign currencies (including GCC currencies). While deploying the funds, the Bank focuses on the safety of the funds as well as maintaining sufficient liquidity to meet all claims that may fall due. Safety of shareholders and depositor funds is further enhanced by diversification of financing activities across economic and geographic sectors, as well as borrower types.

(b) Overall risk management

The main objective of risk management in the Group is to achieve an optimum balance between risk and reward with the twin goals of profit maximisation and capital conservation.

The Group's risk management framework is built around this objective and seeks to address specific concerns of the various stakeholders such as shareholders, CBK, rating agencies, customers, depositors and the general public.

The Group's commitment to the creation and maintenance of effective risk management systems and procedures is evidenced by the oversight responsibility given to the Board Risk Management Committee ("BRMC") by the Board of Directors.

The Group has established a prudent and professional approach to risk taking with the following underlying principles that support its risk management framework:

- Actively promoting an overall culture that accords high value to disciplined and effective risk management;
- Using professionally qualified people with appropriate risk management skills;
- Disciplined processes for evaluation and acceptance of risk within appropriate limits in individual transactions, products and the management of financing and investments;
- A management information system that provides timely and accurate information on risks to the relevant management group and the commitment to continuously upgrade these systems and apply the most up-to-date analytical tools and systems to properly capture risks, monitor positions and determine the impact of potential management actions; and
- An internal audit function to ensure ongoing adherence to and integrity of risk management processes.

The Bank's Risk Management Department headed by independent Chief Risk Officer, is primarily responsible for the risk management in the Bank under the direction of BRMC. The Risk Management Department is structured in a manner which facilitates focused attention on each of the specific risk arising from financial instruments and structures, e.g., credit, liquidity, market (encompassing foreign exchange, profit rate, equity risks) and other non-financial risks such as operational risks, etc.

The Group's risk management methodologies include:

- Pro-active methodologies such as continuous review and enhancement of: the Group's policies and procedures; development and enhancement of risk measurement tools such as risk grading models, pricing models and VaR models; risk inputs in respect of the Group's strategic planning as well as structuring and review of product and services.
- On-going methodologies, such as risk management reviews and inputs in respect of financing and investment proposals; reviews and inputs of new products and services; periodical review of the financing and investment portfolio by way of reports and highlighting perceived risks to top management as well as line functionaries; continuous monitoring of market, operational and technology related risks.
- Post fact methodologies, such as review of proposals and trends in respect of provisions; write-offs and disposal of investments.

The Group is principally exposed to credit risk, liquidity risk, market risk and operational risk.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This includes the risk of decline in the credit standing of the customer. While such decline does not imply default, it increases the probability of the customer defaulting. Financial instruments that create credit risk include financing receivables, contingent liabilities and commitments to extend credit and investment in debt instruments (sukuk).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**(i) Credit risk (continued)****Credit risk management structure**

To manage credit risk underwriting, the Group has established Board Credit and Investment Committee (“BCIC”) and the following management-level committees assist in this regard:

- Executive Credit Committee (“ECC”)
- Asset Liability Management Committee (“ALCO”)
- Provisioning and Impairment Committee (“PIC”)

The BCIC is responsible for reviewing and approving the credit and investment proposals that are beyond the delegated authorities of the management-level Credit Committee and review the Provisioning and Impairment Committee recommendations with regard to credit facilities, financing relationships, financing limits, pricing, profitability and investment activities.

The management level ECC is responsible for safeguarding the asset quality of the Bank and ensuring profitable use of funds. ECC reviews the Bank’s credit policy in line with CBK guidelines for commercial and retail credit as well as the cross-border and inter-bank counterparty risk. ECC also approves or renew credit proposals within its authority level and reviews/ concurs in the approval process of credit proposals under the authority of BCIC/ Board of Directors.

The PIC is primarily responsible for determining the provisions required for impaired facilities when the facility is not already classified as irregular according to CBK regulations (i.e. the Watch list classification of financing facilities). In addition, the Committee also reviews the IFRS 9 ECL and required provisions for irregular financing facilities to ensure compliance with CBK regulations.

In accordance with the instructions of the CBK dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Bank has formed this internal committee which is composed of competent professional staff and which is responsible for the study and evaluation of the existing credit facilities of each customer of the Bank. This Committee, meets regularly throughout the year, is required to identify any abnormal situations and difficulties associated with a customer’s position, which may cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The Committee also studies the position of customers whose irregular balances exceed 25% of their total debt, in order to determine whether further provisions are required. This committee also oversees expected credit loss of the facilities and adherence to IFRS 9 guidelines issued by the CBK.

Credit risk management strategy and process

The Bank manages its non-retail credit portfolio with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes.

In the course of normal business, the Bank deploys its funds in various credit facilities, with the primary objective of generating profits for the shareholders and depositors. However, at the same time, the Bank seeks to ensure the quality of the credit facilities. The Bank continually strives to achieve an optimal balance between the return and credit quality of the portfolio.

The Bank’s policies and procedures manuals, dealing with credit, lay down the credit risk management framework by specifying various covenants and credit standards which inter alia include:

- clear definition of roles and responsibilities of the various functionaries involved in the different stages of the credit facility life cycle;
- establishing clear approval authority structure both for routine as well as exceptional credit facilities;
- listing beneficiary, facility, collateral and pricing parameters for the Bank’s product-set;
- standardising credit approval packages;
- defining criteria for collateral valuation and policies for collateral management;
- detailing the procedures for the entire credit life-cycle, including non-performing portfolio management;
- ensuring, by way of limits, a diversification of the credit portfolio across markets within the constraint of the business strategy, sectors and counterparties.

For retail credit portfolio, the days’ past due is principal criteria used to determine the credit risk performance of the exposure as required by CBK. The retail credit portfolio underwriting is subject to an elaborate evaluation against the CBK guidelines and internal policies. In addition, all personal financing applications are subject to a credit check on the Credit Information Network (‘Ci- Net’) which is the local credit reference agency to assess the performance of the customer, creditworthiness and indebtedness of the applicant. The Bank also takes into account the behavioral performance of its customers in granting new exposures.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Credit risk measurement

The Bank measures credit risk in terms of asset quality using two primary measures: IFRS 9 ECL stage classification and the non-performing financing receivables ratio. The non-performing financing receivables ratio is the ratio of non-performing financing receivables to total financing receivables.

Assessment of expected credit losses

Definition of default

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

Any stressed facility that has been restructured would be considered as Stage 2 for ECL estimation.

The Group considers investments and inter-bank balances as in default when the profit-portion or principal payment is past due for 1 day.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

As an advancement towards improved Credit Risk Assessment tools, the Group has deployed Moody's CreditLens which has 22 rating notches mapped to 7 grades. The Group considers a 2 grade downgrade as a significant increase in credit risk for externally rated instruments with an "investment grade" rating at inception whereas for instruments with a below "investment grade" rating at inception, 1 grade downgrade is considered as a significant increase in credit risk. Similarly, the Group applies a 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 to determine if there is significant increase in credit risk.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Bank uses Moody's Creditlens rating system, which enable to provide appropriate-rating grades based on Financial and Non-financial aspects. This is sophisticated rating tool, which enhances measuring the perceived credit risk more accurately. The Creditlens provides the ability to analyze a business and produce risk ratings at obligor levels. 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 Group continuously upgrades risk management tools and techniques. To enhance the discriminatory and predictive power of the rating systems, the Bank performs periodical independent external validation exercise.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**(i) Credit risk (continued)****Internal rating and PD estimation process (continued)**

The Probability of Default (“PD”) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of point in time (“PIT”) PD and depending on the facility staging (1 or 2) a 12-month duration and lifetime duration is considered. 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 rating system based on the internal/external credit ratings currently. The bank uses Moody’s Credit Lens (CL) Credit Rating system for PD estimation process. The Bank converts the TTC PD to PIT PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioral scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility based on various account level and macro variables.

For ECL estimation, the Bank applies minimum thresholds of 1% PD for non-investment grade financing facilities and 0.75% for investment grade as per CBK requirement. However, the minimum threshold is not applicable for consumer and housing financing and also to financing facilities granted to Governments and Banks with external credit rating of investment grade.

Exposure at default

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. EAD is estimated taking into consideration the contractual terms such as profit rates, frequency, reference curves, maturity, amortization schedule, usage given default, etc. EAD for retail financing uses the linear amortization methodology whereas for credit cards portfolio, credit conversion factors are applied to estimate the future draw downs.

Loss given default

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. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs (if any) of any collateral that is integral to the financial asset. The Group applies CBK prescribed haircuts for the collateral categories while estimating LGD. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt.

Incorporation of forward-looking information

The Group considers various key economic variables which reflect the uncertainties and effects stemming from emerging risks, which may be expected to have an impact on credit risk and the expected credit losses (ECL), when incorporating forward-looking information into the ECL models. Key economic variables include, but are not limited to, Gross Domestic Product, Equity price index, Oil prices, and Government expenditure. Together, they provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models which incorporate the effect of macro-economic factors to adjust the historical TTC PDs to arrive at the PIT PDs. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for designated geographies and segments, and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions, on a regular basis.

The probability-weighted scenarios (Baseline, Upside, and Downside) increased the Bank’s reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our Baseline scenario, by KD 70 thousand (2024: increased by KD 1,738 thousand). If the Bank were to use only the Downside scenario, allowance for credit losses on performing facilities (Stage 1 and Stage 2) would be KD 827 thousand (2024: KD 836 thousand) higher than the reported allowance for credit losses as at 31 December 2025. Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

Under current probability-weighted scenarios, if all performing facilities were in Stage 1, reflecting a 12-month expected loss period, the allowance for credit losses would be KD 7,934 thousand as at 31 December 2025 (2024: KD 8,761 thousand) lower than the reported allowance for credit losses on financing receivables.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements. The gross maximum exposure is shown net of deferred profit and provision, before the effect of mitigation through the use of master netting and collateral agreements.

	<i>KD 000's</i>	<i>KD 000's</i>
	<i>2025</i>	<i>2024</i>
Credit risk exposures relating to consolidated statement of financial position items:		
Balances with banks	129,927	176,403
Placements with the Central Bank of Kuwait	218,381	113,223
Due from banks	173,439	85,813
Financing receivables	3,319,169	2,845,750
Investment in sukuk	538,288	473,551
Other assets	65,388	43,731
Total	4,444,592	3,738,471
Credit risk exposures relating to contingent liabilities:		
Acceptances	120,413	43,750
Letters of credit	63,272	16,471
Letters of guarantee	402,836	383,347
Total	586,521	443,568
Total credit risk exposure	5,031,113	4,182,039

Credit risk can also arise due to a significant concentration of Bank's assets to any single counterparty; this risk is managed by diversification of the portfolio. The 20 largest gross customers' accounts for 21% (2024: 20%) of total credit risk exposures as at 31 December 2025.

Risk concentrations of the maximum exposure to credit risk

Concentrations of credit risk arise when a number of counterparties 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 Bank's performance to developments affecting a particular industry or geographic location.

Geographical and industry sector concentrations of financial assets and off balance sheet items are as follows:

	<i>KD 000's</i>		<i>KD 000's</i>	
	<i>2025</i>		<i>2024</i>	
	Financial assets	Contingent liabilities	Financial assets	Contingent liabilities
Geographic region:				
Asia ⁽¹⁾	139,056	18,387	84,129	3,292
North America	27,335	-	5,682	-
Middle East (excluding Kuwait)	1,020,301	96,345	768,258	5,668
Europe	29,436	62,487	18,018	3,958
Kuwait	3,228,464	409,302	2,862,384	430,650
	4,444,592	586,521	3,738,471	443,568
Industry sector:				
Personal	363,413	-	331,742	-
Banking and financial institutions	1,280,093	90,357	956,561	41,397
Real Estate	961,177	8,370	875,326	2,163
Construction	100,272	193,795	100,291	211,683
Trading	306,721	52,666	310,278	50,710
Government	705,517	20,285	523,792	19,244
Others	727,399	221,048	640,481	118,371
	4,444,592	586,521	3,738,471	443,568

⁽¹⁾ Includes IILM Sukuk amounting to KD 39,882 thousand (2024: KD 45,636 thousand).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Credit risk mitigation

Credit risk mitigation techniques that the Bank is permitted to use are collateral, netting and guarantees provided under certain conditions, which include such agreements being binding on all parties and legal enforceability, are met.

The Bank's financing policy specifies the acceptable types of collateral, source of valuation, accuracy of valuation and frequency of revaluation in respect of collateral. The policy also specifies the maximum facility commitment to collateral value and approval levels for different types of collateral and facility. The accepted collaterals are cash, first demand bank guarantees, securities and real estate.

As part of its general collateral control mechanism, the Bank periodically revalues all collateral to ascertain that the collateral cover is not lower than the value at the time of the original approval. The Bank also continuously monitors the validity and expiry dates of mortgages to ensure their timely renewal.

The main types of guarantors are individuals and corporate entities. If guarantor is rated by any of the three rating agencies (approved by the CBK for the purposes of calculation of capital adequacy), the Bank has considered the guarantor related credit risk mitigation allowance while arriving at the capital adequacy.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose-off repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

At 31 December 2025, 38% (2024: 41%) of the total outstanding financing receivables were fully secured.

Credit quality of financial instruments

The Bank classifies the various credit risk exposure which are neither past due nor impaired into two categories of credit quality as under:

- High quality: Regular exposures covered fully by collateral in excess of 100% of the outstanding amount and those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low.
- Standard quality: All other regular exposures.

The table below shows the credit risk exposure by credit quality of assets by class and grade, net of deferred profit and provision:

	<i>KD 000's</i>			
	<u>Neither past due nor impaired</u>			
	High quality	Standard quality	Past due/ impaired	Total
2025				
Balances with banks	129,927	-	-	129,927
Placements with the Central Bank of Kuwait	218,381	-	-	218,381
Due from banks	173,439	-	-	173,439
Financing receivables	1,179,581	2,053,131	86,457	3,319,169
Investment in sukuk	538,288	-	-	538,288
Other assets	65,388	-	-	65,388
	<u>2,305,004</u>	<u>2,053,131</u>	<u>86,457</u>	<u>4,444,592</u>
2024				
Balances with banks	176,403	-	-	176,403
Placements with the Central Bank of Kuwait	113,223	-	-	113,223
Due from banks	85,813	-	-	85,813
Financing receivables	1,031,696	1,705,052	109,002	2,845,750
Investment in sukuk	473,551	-	-	473,551
Other assets	43,731	-	-	43,731
	<u>1,924,417</u>	<u>1,705,052</u>	<u>109,002</u>	<u>3,738,471</u>

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Credit quality of financial instruments (continued)

Ageing analysis of past due but not impaired or impaired of financing receivables as per class of financial assets as per CBK instructions:

	Corporate		Consumer		Total	
	Past due but not impaired	Impaired	Past due but not impaired	Impaired	Past due but not impaired	Impaired
<i>KD 000's</i>						
2025						
Up to 30 days	23,747	-	10,798	-	34,545	-
31 – 60 days	903	-	3,371	-	4,274	-
61 – 90 days	6,452	-	2,964	-	9,416	-
91 – 180 days	-	283	-	2,364	-	2,647
More than 180 days	-	33,895	-	1,680	-	35,575
	<u>31,102</u>	<u>34,178</u>	<u>17,133</u>	<u>4,044</u>	<u>48,235</u>	<u>38,222</u>
2024						
Up to 30 days	18,064	-	10,637	-	28,701	-
31 – 60 days	8,545	-	3,644	-	12,189	-
61 – 90 days	6,401	-	2,504	-	8,905	-
91 – 180 days	-	-	-	1,974	-	1,974
More than 180 days	-	55,872	-	1,361	-	57,233
	<u>33,010</u>	<u>55,872</u>	<u>16,785</u>	<u>3,335</u>	<u>49,795</u>	<u>59,207</u>

As at 31 December 2025, the fair value of collaterals held by the Bank against individually past due or impaired financing receivables amounted to KD 90,117 thousand (2024: KD 108,963 thousand).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)
(ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit liquidity risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Bank's management of liquidity risk is consistent with its overall risk management framework and includes establishing minimum liquid asset requirements and limits with regards to the acceptance of short-term wholesale deposits to protect against short term liquidity demands.

The Bank monitors liquidity risk by measuring the liquidity gaps on a daily basis and the position is reviewed by asset liability management committee ("ALCO") on a monthly basis. Similarly, liquidity reserve position, Liquidity Coverage Ratio, Net Stable Funding Ratio and the ratio of financing facilities to eligible deposits are monitored on a daily basis.

The Bank measures liquidity risk by preparing and monitoring the maturity profile of its assets and liabilities as disclosed below:

	<i>KD 000's</i>				
	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
2025					
Assets					
Cash and balances with banks	145,340	-	-	-	145,340
Placements with the Central Bank of Kuwait	50,009	5,055	26,951	136,366	218,381
Due from banks	112,039	36,797	24,603	-	173,439
Financing receivables	659,790	1,115,008	351,807	1,192,564	3,319,169
Investment securities	12,686	29,732	73,549	452,960	568,927
Investment in an associate	-	-	-	22,166	22,166
Investment properties	-	-	-	75,534	75,534
Other assets	44,164	17,387	2,274	3,299	67,124
Property and equipment	-	-	-	49,161	49,161
Total assets	1,024,028	1,203,979	479,184	1,932,050	4,639,241
Liabilities					
Due to banks	212,253	7,673	16,141	114,725	350,792
Due to financial institutions	115,213	193,453	92,840	50	401,556
Depositors' accounts	1,148,859	772,991	1,077,600	218,589	3,218,039
Sukuk issued	-	-	-	91,106	91,106
Other liabilities	87,628	-	-	11,046	98,674
Total liabilities	1,563,953	974,117	1,186,581	435,516	4,160,167
Net liquidity gap	(539,925)	229,862	(707,397)	1,496,534	479,074
2024					
Assets					
Cash and balances with banks	195,740	-	-	-	195,740
Placements with the Central Bank of Kuwait	68,077	31,119	14,027	-	113,223
Due from banks	54,052	30,161	1,600	-	85,813
Financing receivables	634,713	967,198	383,179	860,660	2,845,750
Investment securities	12,308	57,167	30,120	413,797	513,392
Investment in an associate	-	-	-	1,853	1,853
Investment properties	-	-	-	78,582	78,582
Other assets	24,138	1,016	14,845	5,000	44,999
Property and equipment	-	-	-	43,659	43,659
Total assets	989,028	1,086,661	443,771	1,403,551	3,923,011
Liabilities					
Due to banks	83,407	3,094	-	67,875	154,376
Due to financial institutions	152,081	113,807	116,043	6,883	388,814
Depositors' accounts	1,193,580	661,098	625,865	273,889	2,754,432
Sukuk issued	-	-	92,196	-	92,196
Other liabilities	79,437	-	-	9,772	89,209
Total liabilities	1,508,505	777,999	834,104	358,419	3,479,027
Net liquidity gap	(519,477)	308,662	(390,333)	1,045,132	443,984

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)
(ii) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

KD 000's

	Less than 1 month	1-3 Months	3-12 Months	1 to 5 years	Over 5 years	Total
2025						
Due to banks	212,312	7,708	16,501	115,489	-	352,010
Due to financial institutions	115,277	195,038	93,859	50	-	404,224
Depositors' accounts	1,149,461	775,715	1,091,564	218,589	-	3,235,329
Sukuk issued	-	-	-	116,976	-	116,976
Other liabilities	87,628	-	-	-	11,046	98,674
	<u>1,564,678</u>	<u>978,461</u>	<u>1,201,924</u>	<u>451,104</u>	<u>11,046</u>	<u>4,207,213</u>
2024						
Due to banks	83,457	3,117	-	68,661	-	155,235
Due to financial institutions	152,239	114,518	117,988	6,967	-	391,712
Depositors' accounts	1,194,458	663,441	630,563	273,890	-	2,762,352
Sukuk issued	-	-	94,442	-	-	94,442
Other liabilities	79,437	-	-	-	9,772	89,209
	<u>1,509,591</u>	<u>781,076</u>	<u>842,993</u>	<u>349,518</u>	<u>9,772</u>	<u>3,492,950</u>

The table below shows the contractual expiry of the Group's contingent liabilities and commitments.

KD 000's

	Less than 1 month	1-3 months	3-12 Months	1 to 5 years	Over 5 years	Total
2025						
Contingent liabilities	33,957	79,456	300,986	161,854	10,268	586,521
Commitments	91,597	72,044	375,294	78,063	51,160	668,158
	<u>125,554</u>	<u>151,500</u>	<u>676,280</u>	<u>239,917</u>	<u>61,428</u>	<u>1,254,679</u>
2024						
Contingent liabilities	15,289	88,787	173,874	146,864	18,754	443,568
Commitments	95,733	42,211	222,751	144,728	26,112	531,535
	<u>111,022</u>	<u>130,998</u>	<u>396,625</u>	<u>291,592</u>	<u>44,866</u>	<u>975,103</u>

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk including profit rate risk, currency risk and other price risk (other than those arising from rate of return risk or currency risk).

The objective of market risk management is to manage and control exposures within acceptable parameters, whilst optimising returns. Given the Group's current profile of financial instruments, the principal exposure is the risk of loss arising from fluctuations in the future cash flows or fair values of these financial instruments because of a change in achievable rates. This is managed principally through monitoring repricing gaps and the economic value of equity. ALCO reviews these on a monthly basis.

Market risk management structure

The overall responsibility of managing the Bank's market risks is of ALCO. The day-to-day management of market risks is the responsibility of the Treasury Department. Risk Management Department identifies, measures and monitors the overall market risk of the Bank.

The International Banking Department is responsible for annually reviewing and proposing country and financial institutions limits. Risk Management Department is responsible for risk assessment of the financial institutions and country limits and making recommendations to the approving authorities.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Market risk (continued)

Market risk management strategy and process

The Group has established risk management policies and limits within which exposure to market risks is monitored and controlled.

(iii a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group views itself as a Kuwaiti entity, with the Kuwaiti Dinars as its functional currency. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis to ensure that they are maintained within established limits.

The Group had the following net exposures denominated in foreign currencies:

	<u>KD 000's</u>	<u>KD 000's</u>
	2025	2024
USD	(565)	(393)
QAR	(8)	(1)
EUR	4	(10)
GBP	1	(1)
SAR	(5)	1
BHD	(8)	(14)
AED	(11)	(34)
Others	(10)	(7)
	<u>(602)</u>	<u>(459)</u>

(iii b) Equity price risk

This is a risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from rate of return risk or currency risk), 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 in terms of geographical distribution and industry concentration. The sensitivity of the Group's consolidated financial statements to the equity price risk is given below.

For investment securities classified as FVOCI, a five percent increase in listed stock prices as at 31 December 2025 would have increased equity by KD Nil (2024: KD 65 thousand). For such investment securities classified as at FVTPL, the impact on profit or loss would have been an increase of KD 108 thousand (2024: an increase KD 99 thousand). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(iv) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk could also emanate through cybersecurity risk, which is becoming prominent as the Bank move towards more digital activities.

The Group's business and support units have primary responsibility for identifying, assessing and managing their operational risks. They employ internal control techniques to reduce their likelihood or impact to tolerable levels within the Group's risk appetite. Where appropriate, risk is mitigated by way of insurance.

The Group has a set of policies and procedures that are applied to identify, assess and control operations risk in addition to other types of risks relating to the banking and financial activities of the Bank. Operational risk is managed through the Risk Management Department. This department ensures compliance with policies and procedures to identify, assess, control and monitor operational risk as part of overall risk management.

The management of operational risks complies in all material respects with CBK instructions dated 14 November 1996, regarding general guidelines for internal control systems and directive issued on 13 October 2003, regarding "Sound practices for management and control of operational risks".

The Bank has implemented an operational risk management system which enables it to measure, monitor and report the operational risks encompassing risk and control self-assessments ("RCSAs"), key risk indicators ("KRIs"), loss data base and incident reports.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(v) Fair values of financial instruments

Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short-term maturities or are repriced immediately based on market movement in profit rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated mainly using discounted cash flow models incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

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

	<i>KD 000's</i>			
	Level 1	Level 2	Level 3	Total
2025				
Investment securities				
<i>Financial assets at FVTPL:</i>				
Quoted equity securities	2,167	-	-	2,167
Investment in fund	-	644	-	644
Quoted sukuk	1,159	-	-	1,159
<i>Financial assets at FVOCI:</i>				
Quoted equity securities	-	-	-	-
Unquoted equity securities	-	-	27,828	27,828
Quoted sukuk	537,129	-	-	537,129
	<u>540,455</u>	<u>644</u>	<u>27,828</u>	<u>568,927</u>
2024				
Investment securities				
<i>Financial assets at FVTPL:</i>				
Quoted equity securities	1,992	-	-	1,992
Quoted sukuk	1,097	-	-	1,097
<i>Financial assets at FVOCI:</i>				
Quoted equity securities	1,303	-	-	1,303
Unquoted equity securities	-	-	36,546	36,546
Quoted sukuk	472,454	-	-	472,454
	<u>476,846</u>	<u>-</u>	<u>36,546</u>	<u>513,392</u>

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of Note 2 "Material accounting policy information".

Description of Significant unobservable inputs to valuation:

Financial asset	Technique	Significant unobservable inputs	Range (Weighted average)	Sensitivity of the input to fair value
Unquoted equity shares	DCF, DDM and Asset base valuation	Long term growth rate for cash flows for subsequent years	2 – 4%	Higher the growth rate, higher the fair value.
		WACC	10 - 12%	Higher the WACC, lower the fair value.
		Discount for lack of liquidity	20%	Higher the discount rate, lower the fair value.

Discount for lack of marketability represent the amounts that the Group has determined that market participants would consider these when pricing the investments, an increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(v) Fair values of financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 fair value:

	<i>KD 000's</i>						
	As at 1 January	Change in fair value	Additions	Reclassificat -ion to associate (Note 11)	Disposals	Exchange rate movements	As at 31 December
2025							
Investment securities							
<i>Financial assets at FVOCI:</i>							
Unquoted equity securities	36,546	4,103	305	(10,900)	(2,226)	-	27,828
	<u>36,546</u>	<u>4,103</u>	<u>305</u>	<u>(10,900)</u>	<u>(2,226)</u>	<u>-</u>	<u>27,828</u>
2024							
Investment securities							
<i>Financial assets at FVOCI:</i>							
Unquoted equity securities	32,643	3,018	882	-	-	3	36,546
	<u>32,643</u>	<u>3,018</u>	<u>882</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>36,546</u>

26. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise 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 CBK in supervising the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year in this respect.

Capital adequacy

The Group's regulatory capital and capital adequacy ratios ("Basel III") calculated in accordance with CBK circulars number 2/RB, RBA/336/2014 dated 24 June 2014 and 2/RBA/438/2019 dated 18 June 2019 are shown below:

	<i>KD 000's</i>	<i>KD 000's</i>
	<i>2025</i>	<i>2024</i>
Risk weighted assets	2,644,812	3,050,659
Capital required	343,826	396,586
Capital available		
Tier 1 capital	461,210	432,038
Tier 2 capital	122,704	128,787
Total capital	583,914	560,825
Tier 1 capital adequacy ratio	17.44%	14.16%
Total capital adequacy ratio	22.08%	18.38%

26. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (continued)

Capital adequacy (continued)

The Group's financial leverage ratio calculated in accordance with CBK circular number 2/RBA/343/2014 dated 21 October 2014 is shown below:

	<i>KD 000's</i>	<i>KD 000's</i>
	<i>2025</i>	<i>2024</i>
Tier 1 capital	461,210	432,038
Total exposure	5,356,472	4,518,068
Financial leverage ratio	8.61%	9.56%

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in CBK circulars number 2/RB, RBA/336/2014 dated 24 June 2014 and 2/RBA/438/2019 dated 18 June 2019 and disclosures related to financial leverage ratio as stipulated in CBK circular number 2/RBA/343/2014 dated 21 October 2014 for the year ended 31 December 2025 are included under the 'Disclosures' section of the annual report.

27. FIDUCIARY ASSETS

As at 31 December 2025, the aggregate value of assets held in a trust or fiduciary capacity by the Group amounted to KD 97,044 thousand (2024: KD Nil). The related management fees income amounted to KD 46 thousand for the year ended 31 December 2025 (2024: KD Nil) included in fees and commission income.