The Commercial Bank of Kuwait Group

Consolidated Financial Statements

31 December 2025
(Audited)

Deloitte.

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Kuwait K.P.S.C. (the "Bank") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of income, 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 (CBK) for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Credit losses on loans and advances to customers

As described in Note 6 to the consolidated financial statements, the Bank had loans and advances of KD 2,973,935 thousands as at 31 December 2025 representing 55% of total assets.

The recognition of credit losses on loans and advances 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 the Central Bank of Kuwait (the "CBK") guidelines, or the provision required by the CBK rules based on classification of credit facilities and calculation of their provision (the "CBK instructions") as disclosed in the accounting policies in note 2 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

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

The recognition of a specific provision on an impaired facility under the CBK instructions is based on the rules prescribed 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 credit facility.

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

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

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected a sample of credit facilities outstanding as at the reporting date, and evaluated the Group's determination of significant increases 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 consistency of various inputs and assumptions used by the Group's management to determine ECL

Further, for CBK provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, where applicable, if it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples, 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. Other information consists of the information included in the Group's 2025 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

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

Report on the Audit of Consolidated Financial Statements (continued)

We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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 of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the 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 to 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, related safeguards applied.

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

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

Report on the Audit of Consolidated Financial Statements (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 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, its executive regulations; and by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014 and 2/BS/342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations; or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2025 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2025 that might have had a material effect on the business of the Bank or on its financial position.

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License No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Dr Shuaib A. Shuaib
License No. 33A
RSM Albazie & Co.

Kuwait
28 January 2026

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2025

	Note	2025 KD 000's	2024 KD 000's
ASSETS			
Cash and short term funds	3	**672,278**	1,024,854
Treasury and Central Bank bonds	4	**182,579**	86,461
Due from banks and other financial institutions	5	**598,121**	227,640
Loans and advances	6	**2,973,935**	2,806,909
Investment securities	7	**760,381**	423,166
Premises and equipment		**22,989**	28,698
Intangible assets	9	**3,506**	3,506
Other assets	10	**149,317**	64,667
TOTAL ASSETS		**5,363,106**	4,665,901
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**364,210**	244,406
Due to other financial institutions		**72,990**	176,339
Customer deposits		**2,610,884**	2,489,763
Certificates of deposit		**226,232**	-
Other borrowed funds	11	**1,039,148**	759,960
Other liabilities	12	**265,138**	249,707
TOTAL LIABILITIES		**4,578,602**	3,920,175
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		**219,127**	199,206
Proposed bonus shares		**-**	19,921
Treasury shares		**(98,890)**	(98,890)
Reserves		**285,524**	279,294
Retained earnings		**329,076**	274,161
		734,837	673,692
Proposed dividend		**49,332**	71,755
		784,169	745,447
Non-controlling interests		**335**	279
TOTAL EQUITY	13	**784,504**	745,726
TOTAL LIABILITIES AND EQUITY		**5,363,106**	4,665,901

Sheikh Ahmad Duaij Jaber Al Sabah
Chairman

Elham Yousry Mahfouz
Chief Executive Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2025

	Note	2025 KD 000's	2024 KD 000's
Interest income	14	**245,048**	237,711
Interest expense		**(124,813)**	(120,052)
NET INTEREST INCOME		**120,235**	117,659
Fees and commissions		**53,481**	49,678
Net gain from dealing in foreign currencies		**8,351**	8,349
Net gain from investment securities		**80**	117
Dividend income		**5,538**	3,740
Other operating income		**1,197**	426
OPERATING INCOME		**188,882**	179,969
Staff expenses		**(36,612)**	(35,599)
General and administration expenses		**(26,445)**	(25,648)
Depreciation and amortisation		**(2,257)**	(1,559)
OPERATING EXPENSES		**(65,314)**	(62,806)
OPERATING PROFIT BEFORE PROVISIONS		**123,568**	117,163
Net reversal of impairment and other provisions	15	**4,241**	47,706
PROFIT BEFORE TAXATION AND DIRECTORS' FEE		**127,809**	164,869
Taxation and contributions	16	**(6,421)**	(7,459)
Directors' remuneration	19	**(184)**	(184)
NET PROFIT FOR THE YEAR		**121,204**	157,226
Attributable to:			
Shareholders of the Bank		**121,151**	157,195
Non-controlling interests		**53**	31
		121,204	157,226
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	17	**61.4**	79.7

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	2025 KD 000's	2024 KD 000's
Net profit for the year	**121,204**	157,226
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to consolidated statement of income		
Equity securities classified at fair value through other comprehensive income:		
Net changes in fair value	**7,791**	(6,321)
Property revaluation gain (loss)	**1,596**	(769)
Items that are or may be reclassified subsequently to consolidated statement of income		
Debt securities classified at fair value through other comprehensive income:		
Net changes in fair value	**3,601**	831
Net gain (loss) on disposal transferred to income statement	**20**	(9)
	13,008	(6,268)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**134,212**	150,958
Attributable to:		
Shareholders of the Bank	**134,156**	150,925
Non-controlling interests	**56**	33
	134,212	150,958

The attached notes 1 to 25 form part of these consolidated financial statements.

The Commercial Bank of Kuwait Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	KD 000's														
	Attributable to shareholders of the Bank														
				Reserves											
	Share capital	Proposed bonus shares	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury shares reserve	Property revaluation reserve	Investment valuation reserve	Total reserves	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total
Balance as at 1 January 2024	199,206	-	(99,369)	66,791	115,977	17,927	-	24,869	59,951	285,515	230,157	44,823	660,332	246	660,578
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(769)	(5,501)	(6,270)	157,195	-	150,925	33	150,958
Sale of treasury shares	-	-	479	-	-	-	49	-	-	49	-	-	528	-	528
Dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	-	(44,823)	(44,823)	-	(44,823)
Interim dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	(21,515)	-	(21,515)	-	(21,515)
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	(71,755)	71,755	-	-	-
Proposed bonus shares (note 13(g))	-	19,921	-	-	-	-	-	-	-	-	(19,921)	-	-	-	-
Balance as at 31 December 2024	**199,206**	**19,921**	**(98,890)**	**66,791**	**115,977**	**17,927**	**49**	**24,100**	**54,450**	**279,294**	**274,161**	**71,755**	**745,447**	**279**	**745,726**
Total comprehensive income for the year	-	-	-	-	-	-	-	**1,596**	**11,409**	**13,005**	**121,151**	-	**134,156**	**56**	**134,212**
Transfer of revaluation surplus on disposal	-	-	-	-	-	-	-	**(6,775)**	-	**(6,775)**	**6,775**	-	-	-	-
Issue of bonus shares	**19,921**	**(19,921)**	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	-	**(71,755)**	**(71,755)**	-	**(71,755)**
Interim dividend paid (note 13(g))	-	-	-	-	-	-	-	-	-	-	**(23,679)**	-	**(23,679)**	-	**(23,679)**
Proposed dividend (note 13(g))	-	-	-	-	-	-	-	-	-	-	**(49,332)**	**49,332**	-	-	-
Balance as at 31 December 2025	**219,127**	-	**(98,890)**	**66,791**	**115,977**	**17,927**	**49**	**18,921**	**65,859**	**285,524**	**329,076**	**49,332**	**784,169**	**335**	**784,504**

Investment valuation reserve includes a loss of KD 5,481 thousand (2024: loss of KD 5,530 thousand) arising from foreign currency translation of the Bank's investment in its associate.

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Note	2025 KD 000's	2024 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and contributions		**127,809**	164,869
Adjustments for:			
Net reversal of impairment and other provisions	15	**(4,241)**	(47,706)
Income from investment securities		**(5,618)**	(3,857)
Foreign exchange gain on investment securities		**(7,137)**	(934)
Depreciation and amortisation		**2,257**	1,559
Cash flow before changes in operating assets and liabilities		**113,070**	113,931
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		**(96,118)**	90,426
Due from banks and other financial institutions		**(370,966)**	217,144
Loans and advances		**(167,253)**	(390,118)
Other assets		**(69,001)**	55,846
Due to banks		**119,804**	83,252
Due to other financial institutions		**(103,349)**	(14,431)
Customer deposits		**121,121**	289,427
Certificates of deposit		**226,232**	-
Other liabilities		**(8,689)**	19,184
Net cash (used in) from operating activities		**(235,149)**	464,661
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		**86,427**	106,968
Acquisition of investment securities		**(399,661)**	(200,854)
Dividend income from investment securities		**5,538**	3,740
Proceeds from disposal of premises and equipment		**7,489**	-
Acquisition of premises and equipment		**(942)**	(403)
Net cash used in investing activities		**(301,149)**	(90,549)
FINANCING ACTIVITIES			
Other borrowed funds		**279,188**	19,864
Proceeds from sale of treasury shares		**-**	528
Dividend paid		**(95,434)**	(66,338)
Net cash from (used in) financing activities		**183,754**	(45,946)
Net (decrease) increase in cash and short term funds		**(352,544)**	328,166
Cash and short term funds as at 1 January		**1,024,865**	696,699
Cash and short term funds as at 31 December	3	**672,321**	1,024,865

The attached notes 1 to 25 form part of these consolidated financial statements.

1 INCORPORATION AND REGISTRATION

The Commercial Bank of Kuwait K.P.S.C. ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a bank with the Central Bank of Kuwait (CBK) and is listed on the Boursa Kuwait. The registered address of the Bank is P.O. Box 2861, 13029 Safat, State of Kuwait.

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 13 January 2026 and are issued subject to the approval of the Annual General Assembly of the Shareholders of the Bank. The Annual General Assembly of the Shareholders has the prerogative to amend this consolidated financial statements after issuance.

The principal activities of the Group are explained in note 23.

The Board of Directors, at the time of approving the consolidated financial statements have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Group has applied the going concern basis of accounting in preparing the consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES

(a) 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) with an amendment for measuring the expected credit loss ("ECL") on credit facilities at the higher of ECL computed under IFRS 9 – 'Financial Instruments' in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as "IFRS as adopted by the CBK for use by the State of Kuwait".

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, investment securities and freehold land.

These consolidated financial statements are presented in Kuwaiti Dinar, which is the Group's functional currency.

The accounting policies applied are consistent with those used in the previous year except for the adoption of the new and amended standards effective from 1 January 2025 as described below;

New and amended standards issued and effective

Amendments to IAS 21 - Lack of Exchangeability 1 January 2025

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. The amendment did not have an impact on the consolidated statement of financial position or performance of the Group.

Other amendments which are effective for annual accounting period starting from 1 January 2026 did not have any material impact on the accounting policies, consolidated statement of financial position or performance of the Group.

New and amended standards issued but not yet effective

i) Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments 1 January 2026

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 (FVOCI)

ii) Amendments to IFRS 18 - Presentation and Disclosures in Financial Statements 1 January 2027

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 income.
- 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'.

Other standards and amendments which are effective for annual periods beginning on or after 1 January 2026 have not been early adopted in the preparation of the Group's consolidated financial statements and are not expected to have a significant impact on the consolidated financial statements of the Group.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and a subsidiary (note 18) as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. Control is achieved when the Bank 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. The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

Non-controlling interests represents the equity in the subsidiaries not attributable directly, or indirectly, to the equity holders of the Bank. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. Losses within a subsidiary are attributed to the non controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

i) Derecognises the assets (including goodwill) and liabilities of the subsidiary
ii) Derecognises the carrying amount of any non-controlling interests
iii) Derecognises the cumulative translation differences, recorded in equity
iv) Recognises the fair value of the consideration received
v) Recognises the fair value of any investment retained
vi) Recognises any surplus or deficit in profit or loss
vii) Reclassifies the Bank's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Associates

Associates are entities over which the Group has significant influence but not control, which is the power to participate in the financial and operating policy decisions of the associate.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, uniform accounting policies for similar transactions and other events in similar circumstances are used.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; and its share of post-acquisition equity movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment annually.

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

After the application of the equity method, the Group determines whether it is necessary to recognise impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

(d) Financial instruments

Financial instruments comprises of financial assets and financial liabilities. All financial instruments are initially recognised at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through profit or loss.

Classification and measurement

i) Financial assets

Classification and measurement category of all financial assets, except derivatives, is based on a combination of the Group's business model for managing the assets and the assets' contractual cash flow characteristics.

a) Business model assessment

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

i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's' key management personnel;
ii) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the methodology adopted to manage those risks;
iii) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
iv) 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.

b) Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest 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 interest, 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:

i) Contingent events that would change the amount and timing of cash flows;
ii) Leverage features;
iii) Prepayment and extension terms;
iv) Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
v) Features that modify consideration of the time value of money - e.g. periodical reset of interest 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 interest. In such cases, the financial asset is measured at FVTPL.

Based on assessment of business model and cash flow characteristics, the Group classifies financial assets into the following categories upon initial recognition:

a) Financial assets carried at amortised cost
b) Financial assets carried at fair value through other comprehensive income (FVOCI)
c) Financial assets carried at fair value through profit or loss (FVTPL)

a) Financial assets carried at amortised cost

A financial asset is carried at amortised cost if it meets both of the following conditions:

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method (EIR) and are presented net of expected credit losses. Interest income, foreign exchange gains and losses and Expected Credit Loss (ECL) charges are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

b) Financial assets carried at FVOCI

i) Debt securities at FVOCI

A debt securities is carried at FVOCI if it meets both of the following conditions:

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

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

ii) Equity securities at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity securities as 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 securities at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in consolidated statement of comprehensive income and presented in the investment valuation reserve as part of equity. Cumulative gains and losses previously recognised in consolidated statement of comprehensive income are remained in equity on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity securities at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in consolidated statement of comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

c) 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 interest 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 income.

The Group financial assets are classified and measured as follows:

i) Cash and short term funds

Cash and short term funds consist of cash in hand, current account and money at call with other banks and deposits with banks maturing within seven days. Cash and short term funds are carried at amortised cost using effective interest rate method.

ii) Treasury and Central Bank bonds

Treasury and Central Bank bonds are carried at amortised cost using effective interest rate method.

iii) Due from banks, other financial institutions

Deposits with banks and other financial institutions are carried at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

iv) Loans and advances

Loans and advances are stated at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

v) Investment securities

The Group's investment securities consists of debt securities, equity securities and other investments.

Debt securities that meet SPPI Criteria are classified either at amortised cost or at FVOCI based on the business model in which these securities are managed.

Equity securities are generally carried at FVTPL except for those specific instruments for which the Group has made an irrevocable election to classify at FVOCI on initial recognition.

Other investments that does not meet SPPI criteria are carried at FVTPL.

vi) Other assets

Fees and commissions receivables' included under 'Other assets', represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

ii) Financial liabilities

Financial liabilities are classified as "at ammortised cost". These are subsequently measured at amortised cost using the effective yield.

Financial liabilities carried on the consolidated statement of financial position includes due to banks and other financial institutions, customer deposits, certificate of deposits, other borrowed funds and certain balances included in other liabilities.

iii) Recognition and De-recognition

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' purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is derecognised

a) when the contractual rights to the cash flows from the financial asset expire or;
b) when the Group has transferred substantially all the risks and rewards of ownership or;
c) when it has neither transferred nor retained substantially all risks and rewards of ownership and it no longer has control over the asset or portion of the asset.

If the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when the obligation specified in the contract is discharged.

iv) Derivative financial instruments and hedge accounting

The Group has adopted hedge accounting model as per IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with the risk management objective and strategy and to apply a more qualitative and forward looking approach to assess hedge effectiveness. The Group accounts for them using hedge accounting principles, provided certain criteria is met.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in consolidated statement of income. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in consolidated statement of income instead of consolidated statement of comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in consolidated statement of comprehensive income to match that of the hedging instrument.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. In the case of fair value hedge, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to consolidated statement of income from that date.

For cash flow hedge, any gain or loss recognised in consolidated statement of comprehensive income and accumulated in cash flow hedge reserve at that time remains in consolidated statement of changes in equity and is reclassified to consolidated statement of income when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to consolidated statement of income.

If a derivative contract does not qualify for hedge accounting as per the hedge accounting rules of the Group, they are treated as derivatives held for trading. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses are included in the consolidated statement of income.

v) Financial guarantee and loan commitments

In the ordinary course of business, the Group issues financial guarantees, letters of credit, acceptances and loan commitments on behalf of its customers. Financial guarantees are initially recognised as a liability in the consolidated statement of financial position at fair value, being the fee and commission received. The fee and commission received is amortised over the life of the each guarantee and recognised in the consolidated statement of income. The guarantee liability is subsequently carried at higher of the:

a) the amount of the loss allowance determined in accordance with IFRS 9 and
b) amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

When a payment under the guarantee liability is likely to become payable, the present value of the net expected cash flows, less the unamortised fee and commission is charged to the consolidated statement of income.

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

vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

vii) Asset pending sale

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

viii) Fair values

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.

For financial instruments traded 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.

Fair value of interest bearing financial instruments which are not traded in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics and dealer price quotations. The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount payable on demand.

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

The fair value of unquoted equity securities is determined by reference to the market value of a similar investment, on the estimated discounted cash flows, adjusted net asset value, other appropriate valuation models or dealer price quotations.

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 and described in note 20.

For assets and liabilities that are recognised in the consolidated statement of financial position 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.

ix) Amortised cost

Amortised cost is computed by taking into account any discount or premium on acquisition of the financial instrument, and fees and costs that are an integral part of the effective interest rate.

x) Impairment of financial assets

The Group computes provision for credit losses on the following financial instruments that are not measured at FVTPL:

a) Loans and advances, financial guarantees, letters of credit, acceptances and loan commitments (credit facilities)
b) Debt securities measured at amortised cost or at FVOCI
c) Balances and deposits with banks and other financial institutions.

Equity securities are not subject to expected credit losses.

As per CBK guidelines, provision for credit losses on Credit facilities to be recognised is higher of the followings;

a) Provision for credit losses computed as per the CBK's IFRS 9 guidelines (ECL) or;
b) Provision for credit losses computed based on the CBK's rules on credit facilities

Impairment of financial assets other than credit facilities is based on IFRS 9 ECL. Furthermore, no ECL is recognised on balances with the Central Bank of Kuwait, treasury bonds and Central Bank of Kuwait bonds as per CBK guidelines.

a) Expected credit loss (ECL)

The Group applies a three stage approach to measure the ECL as follows:

i) Stage classification

Financial instruments are classified into stage 1, 2 or 3 based on assessment of increase in credit risk since initial recognition.

Determining the significant increase in credit risk

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.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative and qualitative information, backstop indicators, analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds including categorisation of credit facilities as investment and non investment grade. For details on categorisation of credit facilities please refer note 21(b)(i).

The above quantitative criteria are further subjected to the following minimum thresholds as stipulated by the CBK in respect of credit facilities.

a) Credit facilities are classified under stage 2 where there has been a default in principal or interest payment for more than 30 days.

b) Credit facilities are classified under stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities, with investment grade rating and by 1 grade with non-investment grade rating.

c) All rescheduled credit facilities are classified under the Stage 2 unless it qualifies for stage 3 classification

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 exposure that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "Investment grade".

Stage 2: Life time ECL - not credit impaired

When a credit facility has shown a significant increase in credit risk since origination, but is not credit impaired, the Group records an allowance for the life time ECL.

Life time ECL, is ECL that result from all possible default events over the expected life of a financial asset. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date.

In order to estimate life time ECL the following minimum maturity thresholds, as stipulated by CBK were applied for credit facilities.

Facility Type	Minimum Maturities
Corporate credit facility, except that have cash flows and non extendable maturity provided that the final repayment does not constitute more than 50% of the total facility	7 Years
Consumer credit and credit cards	5 Years
Housing finance	15 Years

Both life time 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 assets.

Stage 3: Life time ECL - Credit impaired

When a credit facility is impaired, the Group measures loss allowances at an amount equal to the net exposure (asset balance net of eligible collateral value). A credit facility is considered as credit-impaired, when any payment of principal or interest is overdue by more than 90 days or there are any objective evidence of impairment such as difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc.

ii) Measurement of ECLs

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

a) Probability of Default (PD) estimation

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over next 12 months (12 months PD), or over the remaining lifetime (lifetime PD) of the obligation.

The Group's PD estimation for corporate credit facilities is based upon obligor risk rating, internal default and macro-economic data. Under macro-economic data, three scenarios (a base case, upside case, and a downside case) have been considered. While, for the PD estimation of retail credit facilities, the facilities were segmented into pools that share the similar risk characteristics.

The Group has applied the minimum PD thresholds as per CBK guidelines of 100 bps (1%) for all credit facilities rated below investment grade and 75 bps (0.75%) for facilities rated as investment grade or better. However, minimum PD threshold was not applied for the following.

i) Consumer credit facility (excluding credit card), housing financing
ii) Credit facility extended to governments and banks rated as investment grade or better by eligible external credit rating agency.

b) Exposure at Default (EAD)

EAD represents the expected exposure in the event of default. The Group derives the EAD from current credit exposure of the financial assets and potential changes to the current amounts allowed under the contract including amortization. The EAD of financial assets is the gross carrying amount plus interest.

EAD for financial unfunded facility is calculated by applying 100% credit conversion factor (CCF). EAD for unutilized balance is computed by applying CCF as per the financial leverage ratio instructions issued by CBK on 21 October 2014.

c) Loss Given Default (LGD)

The LGD represents expected credit loss in the event of default, its expected value when realised and the time value of money. For credit facilities classified under stage 1 and 2, the internal LGD estimation of the Group is used if it is higher than the minimum LGD as per CBK guidelines. The LGD models also considers minimum haircut to the collateral values as per CBK guidelines. LGD for stage 3 facilities are required 100% as per CBK guidelines.

Incorporation of forward looking information

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

d) Letter of credit and letter of guarantee

The Group's liability under each guarantee or letter of credit is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income, and the ECL provision as per Central Bank of Kuwait guidelines.

iii) Modified loans and advances

Under certain circumstances, the Group renegotiates or modifies terms of loans and advances. This may involve extending the repayment period, providing concession in rate etc. If the modifications are substantial, such a facility is derecognised and new facility is recognised with substantially different terms and conditions. 12 months credit losses is recognised on the new facility, except when the new facility is considered as originated credit impaired. When loans and advances have been modified but not derecognised, an impairment is measured using effective interest rate. Management continuously reviews modified loans and advances to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been a significant increase in credit risk or the facility should be classified as stage 3.

b) Provision for credit losses computed based on the CBK's rules on credit facilities

CBK's rule on provision for credit facilities stipulates two tier approach for credit loss estimation. Total credit loss to be recognised is total of general and specific provision.

i) General provision

General provision computed as 1% of outstanding cash facility balance and 0.5% of outstanding non cash facility balance after netting off certain restricted categories of collateral.

ii) Specific provision

Specific provision is calculated by applying a loss percentage to the exposure amount after netting off eligible collateral. Loss percentage to be applied is based on past due days as shown below.

Category	Criteria	Loss %
Watch list	Irregular for a period of upto 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%

Credit facilities are classified in above categories when there is an objective evidence of impairment based on specified criteria, including management judgement of increase in credit risk.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case 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 subject to the write-off. 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. For detailed disclosure on credit exposure, please refer to note VI of Public Disclosures on Capital Adequacy Standard.

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, that are carried at amortised cost. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of income and a corresponding amount is recognised in consolidated statement of comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in the other liabilities.

(e) Impairment of non-financial assets

Intangible assets and premises and equipment's that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Premises and equipment

Freehold land is stated at fair value and is not depreciated. Fair value is determined by annual appraisals of market value and is performed by independent experts. An increase in the carrying amount of an asset as a result of revaluation is taken to property revaluation reserve through consolidated statement of comprehensive income. A revaluation decrease is charged directly to the property revaluation reserve to the extent that the decrease does not exceed the amount held in reserve for that asset. Any further decrease in the carrying amount of an asset as a result of revaluation is recognised as an expense in the consolidated statement of income. The balance in this reserve is taken directly to retained earnings upon disposal of property.

Buildings and other assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of such assets over their estimated useful lives as follows:

Buildings	up to 20 years
Leasehold improvements	up to 3 years
Furniture and equipment	up to 5 years
Computer hardware and software	up to 5 years
Vehicles	up to 5 years

Premises and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of income.

(g) Leases

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

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 recorded under premises and equipment 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 borrowing rate at the lease commencement date if the borrowing 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 recorded under other liabilities in the consolidated statement of financial position.

(h) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of carrying amount and the fair value less costs to sell. Non-current assets, once classified as held for sale, are not depreciated or amortised.

(i) Intangible assets

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets with indefinite useful lives are not subject to amortization but tested for impairment annually and whenever there is an indication that the asset may be impaired. Intangible assets which have a finite life are amortised over their useful lives.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so much that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Treasury shares

The Bank's holding in its own shares is stated at acquisition cost. 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 reissued, gains are credited to a treasury shares reserve in equity, which is not distributable.

Any realised losses are charged to a treasury share reserve to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the general 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. 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.

(k) Revenue recognition

Interest income and expense for all interest bearing financial instruments are recognised using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

Once a financial asset or a group of financial assets has been impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income earned for the provision of services over a period of time are accrued over that period. Other fee and commission income are recognised as and when the services are provided. Asset management fees are recognised over the period in which the service is provided.

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

(l) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinar at rates of exchange prevailing at value dates of the transactions. Monetary assets and liabilities in foreign currencies and forward foreign currency transactions outstanding at the date of the consolidated statement of financial position are translated into Kuwaiti Dinar at rates of exchange prevailing at the date of consolidated statement of financial position. Any resultant gains or losses are taken to the consolidated statement of income.

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

(m) End of service pay

The Group is liable under Kuwait Labour Law to make payments to employees for post-employment benefits in respect of defined benefit plans. This liability is finally computed and fully settled at the end of an employee's service.

The Group recognises this cost as an expense of the year and represents the amount payable to each employee as a result of involuntary termination on the reporting date. The Group considers this to be a reliable approximation of the present value of this obligation.

(n) 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, class of customers where appropriate are aggregated and reported as reportable segments.

(o) Fiduciary assets

Assets and related deposits held 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.

(p) Securities financing arrangements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised lending and borrowing transactions and are recorded in the consolidated statement of financial position at the amounts the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are included in interest income and interest expense respectively.

(q) Significant accounting judgements and estimates

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

Judgments

Classification of financial assets

The Group determines the classification of financial assets, except equity securities and derivatives, 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 interest on the principal amount outstanding. Judgments are required in determining the business model at an appropriate level that best reflects an aggregated group or portfolio of assets which are managed together to achieve a particular business objective. The Group also applies judgment to assess if there is a change in business model in circumstances when the assets within that business model are realised differently than the original expectations. Refer note 2(d)(i) classification of financial assets for more information.

Establishing groups of assets with similar credit risk characteristics:

When ECL are measured on a collective basis, the financial assets are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether groups of financial assets continue to share similar characteristics. This is required in order to assess the need for re-segmentation of the financial assets, with new portfolios being created or assets moving to an existing portfolio that better reflects their credit risk characteristics. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) such that financial assets move from 12-month to lifetime ECL (or vice versa), but it can also occur within portfolios that continue to be measured on the same basis.

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:

Impairment loss on loans and advances and other financial instruments

The Group estimates ECL for all financial assets carried at amortised cost or FVOCI except for equity instruments. Significant judgment are required in applying the accounting requirements for measuring ECL For information on significant judgement and estimates made by the Group refer note 2(d)(x).

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

a) Determining criteria for significant increase in credit risk
b) Choosing appropriate models and assumptions for measurement of ECL
c) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
d) Establishing group of similar financial assets for the purpose of measuring ECL

Provision for credit losses

The Group reviews its loans and advances on a quarterly basis to assess whether a provision for credit losses should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Valuation of unquoted equity securities

Valuation techniques for unquoted equity securities are based on 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; adjusted net asset value of the investee; or other relative valuation models.

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 value of impairment loss for loans and advances, investment in debt securities and fair values of unquoted equity securities.

Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset. Estimating a "value in use" requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present value of the cash flows.

Significant judgement in determining the lease term of contracts with renewal options

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all 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 (i.e. a change in business strategy).

3 CASH AND SHORT TERM FUNDS

	2025 **KD 000's**	2024 KD 000's
Cash and cash items	**38,533**	63,739
Balances and deposits with the Central Bank of Kuwait	**238,061**	302,746
Deposits with banks maturing within seven days	**395,727**	658,380
	672,321	1,024,865
Less: Provision for impairment (ECL)	**(43)**	(11)
	672,278	1,024,854

At 31 December 2025 and 2024, deposits with banks are classified as stage 1. During the year, there were no movement between stages.

4 TREASURY AND CENTRAL BANK BONDS

	2025 **KD 000's**	2024 KD 000's
Treasury bonds	**165,806**	5,007
Central Bank bonds	**16,773**	81,454
	182,579	86,461

Treasury bonds issued by the CBK carry a fixed and floating rate of interest until maturity. Central Bank bonds are issued at a discount by the CBK and carry a fixed yield to maturity.

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 KD 000's	2024 KD 000's
Placements with banks	435,002	121,067
Less: Provision for impairment (ECL)	(393)	(16)
	434,609	121,051
Loans and advances to banks	165,164	108,133
Less: Provision for impairment	(1,652)	(1,544)
	163,512	106,589
	598,121	227,640

At 31 December 2025 and 2024, due from banks and other financial institution are classified as stage 1. During the year, there were no movement between stages.

6 LOANS AND ADVANCES

(a) Classification

The Group's assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below:

As at 31 December 2025

	KD 000's				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	688,853	36,452	-	-	725,305
Construction and real estate	658,267	11,482	23	25	669,797
Other financial institutions	39,113	24,976	-	97,025	161,114
Retail customers	553,270	-	-	-	553,270
Others	886,062	108,951	71,365	-	1,066,378
	2,825,565	181,861	71,388	97,050	3,175,864
Less: Provision for impairment					(201,929)
					2,973,935

As at 31 December 2024

	KD 000's				
	Kuwait	Asia	Europe	Others	Total
Trade and commerce	535,667	24,089	-	-	559,756
Construction and real estate	765,817	23,293	531	62	789,703
Other financial institutions	29,232	25,455	-	85,702	140,389
Retail customers	544,992	-	-	-	544,992
Others	808,071	134,319	38,819	-	981,209
	2,683,779	207,156	39,350	85,764	3,016,049
Less: Provision for impairment					(209,140)
					2,806,909

(b) Movement in provisions for loans and advances

	2025 KD 000's			2024 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
Provisions 1 January	**-**	**209,140**	**209,140**	-	188,560	188,560
Written-off	**(97,440)**	**-**	**(97,440)**	(22,197)	-	(22,197)
Exchange differences	**-**	**46**	**46**	-	(19)	(19)
Ceded to Central Bank	**(1)**	**-**	**(1)**	(7)	-	(7)
Charged to consolidated statement of income	**106,567**	**(16,404)**	**90,163**	22,204	20,599	42,803
Provisions 31 December	**9,126**	**192,782**	**201,908**	-	209,140	209,140

The specific and general provision for cash credit facilities amounting to KD 201,908 thousand (2024: KD 209,140 thousand) includes additional provision amounting to KD 156,350 thousand (2024: KD 174,350 thousand) which is over and above the CBK's minimum general provision requirements. The Group has also suspended interest amounting to KD 21 thousand (2024: KD nil) on impaired facilities.

The available provision on non-cash credit facilities of KD 42,518 thousand (2024: KD 46,406 thousand) is included under other liabilities.

The total available provision for cash and non cash credit facilities in accordance with CBK rules amounted to KD 244,447 thousand as at 31 December 2025 (2024: KD 255,546)

Provision on credit facilities are the higher of expected credit losses (ECL) under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

The ECL on cash and non cash credit facilities determined under IFRS 9 amounted to KD 139,120 thousand as at 31 December 2025 (2024: KD 90,844 thousand).

An analysis of the gross amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK guidelines are as follows:

	2025 KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Superior	**684,969**	**938**	**-**	**685,907**
Good	**1,435,156**	**57,245**	**-**	**1,492,401**
Standard	**727,859**	**173,980**	**-**	**901,839**
Past due but not impaired	**64,821**	**11,609**	**-**	**76,430**
Impaired	**-**	**-**	**19,287**	**19,287**
Cash credit facilities	**2,912,805**	**243,772**	**19,287**	**3,175,864**
Non cash credit facilities	**3,145,729**	**315,876**	**34,168**	**3,495,773**
ECL provision for credit facilities	**41,929**	**45,850**	**51,341**	**139,120**

	2024 KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Superior	684,837	11,700	-	696,537
Good	1,124,838	103,636	-	1,228,474
Standard	713,262	255,946	-	969,208
Past due but not impaired	112,027	9,803	-	121,830
Impaired	-	-	-	-
Cash credit facilities	2,634,964	381,085	-	3,016,049
Non cash credit facilities	2,642,261	163,268	37,855	2,843,384
ECL provision for credit facilities	29,318	23,973	37,553	90,844

Movement in ECL for credit facilities:

	2025 KD 000's			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL 1 January 2025	**29,318**	**23,973**	**37,553**	**90,844**
Transfer to Stage 1	**6,038**	**(6,038)**	-	-
Transfer to Stage 2	**(372)**	**372**	-	-
Transfer to Stage 3	**(142)**	**(110)**	**252**	-
Net charged	**7,119**	**27,653**	**110,976**	**145,748**
Written-off	-	-	**(97,440)**	**(97,440)**
Exchange difference	**(32)**	-	-	**(32)**
ECL 31 December 2025	**41,929**	**45,850**	**51,341**	**139,120**

	2024 KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2024	22,612	29,515	47,200	99,327
Transfer to Stage 1	640	(640)	-	-
Transfer to Stage 2	(100)	100	-	-
Transfer to Stage 3	-	-	-	-
Net charged / (released)	6,160	(5,002)	12,550	13,708
Written-off	-	-	(22,197)	(22,197)
Exchange difference	6	-	-	6
ECL 31 December 2024	29,318	23,973	37,553	90,844

Sensitivity

Management reviewed the ECL sensitivity through the application of probability-weighted multiple scenario outcomes as part of the ECL governance process. In addition, the Group maintains an excess provision of KD 105,327 thousand -76% (2024: KD 164,702 thousand – 181%) besides the ECL on credit facilities to cover any potential increase in ECL arising from sensitivity.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of the facility has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Relevant macroeconomic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, equity price index, oil prices, discount rate and others, and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required to asses how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions, including any forecasts of future economic conditions are reviewed regularly.

(c) Non-performing loans

	2025 KD 000's	2024 KD 000's
Loans and advances	**19,287**	-
Collaterals	**-**	-
Available provisions	**9,147**	-

7 INVESTMENT SECURITIES

	2025 KD 000's	2024 KD 000's
Financial assets at FVOCI:		
Debt securities -quoted	**690,103**	360,887
Debt securities -unquoted	**10,814**	10,544
Equity and other securities-quoted	**34,002**	30,980
Equity and other securities -unquoted	**25,462**	20,755
	760,381	423,166

The following table shows changes in gross carrying amount and the corresponding ECL in relation to investment in debt securities:

	2025			
	Stage 1 KD 000's	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
Gross carrying amount as at 1 January	**358,023**	**13,825**	**1,745**	**373,593**
Net movement during the year	**329,315**	**(39)**	**-**	**329,276**
	687,338	**13,786**	**1,745**	**702,869**

Movement in ECL	2025			
	Stage 1 KD 000's	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
ECL allowance as at 1 January	**83**	**334**	**1,745**	**2,162**
Charged (released) during the year	**82**	**(292)**	**-**	**(210)**
	165	**42**	**1,745**	**1,952**

	2024			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Gross carrying amount as at 1 January	257,246	17,414	1,745	276,405
Net movement during the year	100,777	(3,589)	-	97,188
	358,023	13,825	1,745	373,593

Movement in ECL

	2024			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL allowance as at 1 January	23	96	1,745	1,864
Charged during the year	60	238	-	298
	83	334	1,745	2,162

The Group designated certain debt securities as hedged items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedged items and the hedging instruments the hedges were assessed as effective.

The carrying value of debt securities designated as hedged item as at 31 December 2025 was KD 598,115 thousand (2024: KD 292,305 thousand). The net loss from change in fair value of hedging instruments resulting from changes in market interest rate (hedged risk) during the year was KD 4,497 thousand (2024: net loss of KD 947 thousand). The changes in fair value related to hedged risk during the year was recognised in the consolidated statement of income.

8 INVESTMENT IN AN ASSOCIATE

The Group owns 32.00% (2024: 32.00%) interest in Al Cham Islamic Bank S.A, a private bank incorporated in Syrian Arab Republic, engaged in Islamic banking activities. This has been fully impaired and provided for in the prior years.

9 INTANGIBLE ASSETS

Intangible assets represent the value of a brokerage license carried at KD 3,506 thousand (2024: KD 3,506 thousand). The brokerage license is considered to have an indefinite useful life.

As at 31 December 2025, the carrying value of brokerage license was tested for impairment by estimating the recoverable amount of the cash generating unit to which these items are allocated using value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management over a five-year period and a relevant terminal growth rate of 2.6% (2024: 2.7%). These cash flows were then discounted using a pre-tax discount rate of 9.8% (2024: 10.7%) to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash generating unit. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that any impairment is required to be accounted for the brokerage license (2024: KD nil thousand).

10 OTHER ASSETS

	2025 KD 000's	2024 KD 000's
Asset pending sale	**67,792**	-
Other receivables	**81,525**	64,667
	149,317	64,667

The fair value of the 'Asset Pending Sale' was determined by approved evaluators and classified as level 3.

Other receivables include unrealised gain related to Interest Rate Swaps amounted to KD 24,844 thousand (2024: KD 30,492 thousand).

11 OTHER BORROWED FUNDS

	Effective interest rate	2025 KD 000's	2024 KD 000's
Subordinated Tier 2 bonds	**CBK+3.00%**	**100,000**	100,000
Long term borrowings - Floating- (2023-2030)	**1.13% to 5.58%**	**939,148**	659,960
		1,039,148	759,960

The first tranche of Subordinated Tier 2 bonds was issued in September 2023 amounting to KD 50,000 thousand and second tranche in July 2024 amounting to KD 50,000 thousand with carrying an interest rate of 3% per annum over the CBK discount rate, subject to a floor of 5%. The bonds are unsecured and callable, in whole but not in part, at the option of the bank after 5 years from the date of issuance, subject to certain conditions and approval of CBK. The maturity dates of Subordinated Tier 2 bonds are 10 years from the issuance dates.

Long term borrowings include securities sold under agreements to repurchase amounting to KD 511,482 thousand (2024 KD 223,714 thousand). The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 31 December 2025, the fair value of investment securities that had been pledged as collateral under repurchase agreements was KD 551,583 thousand (2024: KD 252,815 thousand). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

12 OTHER LIABILITIES

	2025 KD 000's	2024 KD 000's
Accrued interest payable	**39,605**	35,638
Deferred income	**5,016**	5,270
Provision for non-cash facilities and others	**65,916**	57,116
Staff related accruals	**14,554**	14,053
Others	**140,047**	137,630
	265,138	249,707

Others include unrealised loss related to Interest Rate Swaps amounted to KD 25,973 thousand (2024: KD 27,351 thousand).

13 EQUITY

(a) Share capital

The authorised share capital of the Bank comprises of 2,500,000,000 (2024: 2,500,000,000) shares of 100 fils each.

The share capital comprises of 2,191,262,089 (2024: 1,992,056,445) subscribed and fully paid ordinary shares of 100 fils each. For detailed qualitative disclosure on capital management, please refer to note II "Capital adequacy" of the Public Disclosures on Capital Adequacy Standard.

(b) Treasury shares

	2025	2024
Number of treasury shares	**217,989,569**	198,171,829
Percentage of total shares issued	**9.95%**	9.95%
Cost of shares (KD 000's)	**98,890**	98,890
Fair value of shares (KD 000's)	**112,047**	120,885
Weighted average fair value per treasury share (fils)	**621**	520

Movement in treasury shares are as follows:

	No. of shares	
	2025	2024
Balance as at 1 January	**198,171,829**	199,133,674
Bonus distribution (note g)	**19,817,740**	-
Sales	**-**	(961,845)
Balance as at 31 December	**217,989,569**	198,171,829

The Board of Directors has been given the authority to purchase treasury shares up to a maximum of 10% of the share capital of the Bank.

An amount equal to the cost of treasury shares is not available for distribution from general and statutory reserves throughout the holding period of these treasury shares.

(c) Share premium

This represents the excess over the nominal value collected on the issue of shares and is not available for distribution.

(d) Statutory and general reserves

In accordance with the Companies Law and the Bank's Articles of Association, the Bank has resolved not to transfer any amount from the profit to statutory reserve as the statutory reserve has exceeded 50% of the share capital, which was approved in Annual General Assembly meeting on 13 April 2022.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of upto 5% of share capital in years when accumulated profits are not sufficient for the payment of dividend.

The general reserve was created in accordance with the Bank's Articles of Association and is available for distribution. During the years 2025 and 2024 there were no transfers to general reserve.

(e) Property revaluation reserve

This represents surplus arising from the revaluation of property.

(f) Investment valuation reserve

This represents gains or losses arising from changes in the fair value of investment securities classified as FVOCI. The reserve related to debt securities is transferred to the consolidated statement of income when the underlying assets are disposed off or impaired. The reserve related to equity securities will remain within in equity.

(g) Dividend and bonus shares

Annual General Assembly of the shareholders held on 9 April 2025 approved to distribute final cash dividend of 40 fils per share (2023: 25 fils) amounting to KD 71,755 thousand (2023: KD 44,823 thousand), and 10 bonus shares for every 100 shares held (2023: nil) for the year 2024.

The Board of Directors in their meeting held on 12 August 2025, approved distribution of 12 fils per share of interim cash dividend (2024: 12 fils per share) on the outstanding shares as of 30 June 2025. The interim cash dividend amounting to KD 23,679 thousand (2024: KD 21,515 thousand) was paid subsequently.

The Board of Directors has proposed a final cash dividend of 25 fils per share (2024: 40 fils) and nil bonus shares (2024: 10 bonus shares for every 100 shares held) for the year 2025. This proposal is subject to the approval of regulatory authorities and shareholders' Annual General Assembly.

14 INTEREST INCOME

	2025 KD 000's	2024 KD 000's
Loans and advances to banks and customers	**181,885**	181,857
Interbank transactions and placements	**33,235**	33,363
Debt investment securities	**24,997**	15,701
Treasury bills and bonds	**4,931**	6,790
	245,048	237,711

15 NET REVERSAL OF IMPAIRMENT AND OTHER PROVISIONS

The following amounts were reversal / (charged) to the consolidated statement of income:

	2025 KD 000's	2024 KD 000's
Loans and advances - specific	**(106,567)**	(22,204)
Loans and advances - recoveries	**90,171**	29,304
Loans and advances - general	**16,297**	(20,350)
Investment securities	**210**	(298)
Non cash facilities	**3,893**	9,114
Other provisions	**237**	52,140
	4,241	47,706

Recoveries of KD 90,171 thousand as at 31 December 2025 include an asset acquired in settlement of debts amounting to KD 67,792 thousand (note 10).

16 TAXATION AND CONTRIBUTIONS

	2025 KD 000's	2024 KD 000's
National Labour Support Tax (NLST)	**(3,595)**	(4,150)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	**(1,404)**	(1,663)
Zakat	**(1,422)**	(1,646)
	(6,421)	(7,459)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.

The Group calculates the contribution to KFAS at 1% of profit in accordance with the calculation based on the Foundation's Board of Directors' resolution.

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58 of 2007.

17 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of shares outstanding during the year.

	2025	2024
Net profit for the year attributable to shareholders of the Bank (KD 000's)	**121,151**	157,195
Weighted average of subscribed and fully paid ordinary shares (numbers in 000's)	**2,191,262**	2,191,262
Less: Weighted average of treasury shares held (numbers in 000's)	**(217,989)**	(218,895)
	1,973,273	1,972,367
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	**61.4**	79.7

18 SUBSIDIARY

Name of Entity	Country of Incorporation	Principal Business	% of Ownership 2025	% of Ownership 2024
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage services	**98.16%**	98.16%

19 RELATED PARTY TRANSACTIONS

During the year, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of consolidated statement of financial position are as follows:

	2025			2024		
	Number of Directors/ Executives	**Number of Related Members**	**Amount in KD 000's**	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	**2**	**-**	**74**	2	-	79
Credit cards	**4**	**1**	**34**	3	1	14
Deposits	**11**	**7**	**1,433**	11	8	1,242
Contingent liabilities	**4**	**2**	**387**	4	2	277
Directors' remuneration	**11**	**-**	**771**	11	-	741
Executive Management						
Loans	**37**	**4**	**1,844**	32	5	1,528
Credit cards	**30**	**2**	**50**	30	-	49
Deposits	**50**	**38**	**5,493**	45	40	2,352
Contingent liabilities	**40**	**2**	**233**	36	2	115
Associates						
Deposits	**1**	**-**	**18,832**	1	-	13,669
Major Shareholders						
Deposits	**1**	**-**	**67**	1	-	74

Interest income and interest expense include KD 55 thousand (2024: KD 53 thousand) and KD 789 thousand (2024: KD 1,005 thousand) respectively on transactions with related parties.

The detail of compensation for key management personnel included in the consolidated statement of income are as follows:

	2025 KD 000's	2024 KD 000's
Salaries and other short-term benefits	**2,203**	2,072
Post employment benefits	**29**	33
End of service benefits	**165**	164

Directors' remuneration above includes Directors' fees KD 184 thousand (2024: KD 184 thousand) and compensation for participation in executive committees which are subject to the approval of the shareholders' Annual General Assembly. Directors' fees are within the amount permissible under local regulations.

Note XII "Remuneration" of Public Disclosures on Capital Adequacy Standard based on the capital adequacy regulations issued by CBK as stipulated in CBK circular number 2/BS//IBS/336/2014 dated 24 June 2014 includes additional disclosures on key management remuneration.

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having short-term maturity (less than three months) it is assumed that the carrying amount approximates to their fair value. The assumption is also applied to demand deposits, saving accounts without specific maturity and variable rate financial instruments.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques include discounted cash flow models, comparison with similar instruments for which market observable process exist, recent transaction information and net asset values. Assumption and inputs used in valuation techniques includes risk-fee and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bonds and equity prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participant at the measurement date.

Financial assets and liabilities that are carried at amortised cost, are not materially different from their fair values as most of these financial assets and liabilities are of short term maturities or repriced immediately based on market movement in interest rates.

The techniques and assumptions used to determine fair values of financial instruments are described in the fair value section of note 2(d)(viii): "Material Accounting Policies".

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

	2025			
	KD 000's			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt securities	**690,104**	**10,813**	-	**700,917**
Equities and other securities	**34,002**	**25,462**	-	**59,464**
	724,106	**36,275**	-	**760,381**

	2024			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	360,887	10,544	-	371,431
Equities and other securities	30,980	20,755	-	51,735
	391,867	31,299	-	423,166

During the year ended 31 December 2025 and 31 December 2024, there were no transfers between level 1, level 2 and level 3.

21 FINANCIAL INSTRUMENTS

(a) Strategy in using financial instruments

As a commercial bank, the Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates and for various periods and seeks to invest these funds in high quality assets at a fair interest margin while maintaining sufficient liquidity to meet the Group's needs.

The Group also seeks to raise interest margins through lending to commercial and retail borrowers with a range of credit ratings. Such exposures involve not only loans and advances but also guarantees and other commitments such as letters of credit issued by the Bank.

The use of financial instruments also brings with it the associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risks form an integral part of the Group's strategic objectives.

(b) Overall risk management

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to large asset valuation volatility and earnings volatility. For detailed qualitative disclosure on the risk management functions please refer to note V, "Risk management", of the Public Disclosures on Capital Adequacy Standard.

The Group's risk management measures are based on the specific type of risks as mentioned below:

(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. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

For detailed qualitative disclosure on the credit risk measurement please refer to note V(a),"Risk management - Credit risk", of the Public Disclosures on Capital Adequacy Standard.

(a) Credit risk concentration

The geographic and industry-wise credit risk concentration within loans and advances, which form the significant portion of assets subject to credit risk, is given in note 6.

(b) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents the maximum credit risk exposure at the date of consolidated statement of financial position without taking account of any collateral and other credit enhancements.

	2025 KD 000's	2024 KD 000's
Credit exposure relating to on-balance sheet items		
Cash and short term funds (excluding cash in hand)	**651,337**	986,359
Treasury and Central Bank bonds	**182,579**	86,461
Due from banks and OFIs	**598,121**	227,640
Loans and advances	**2,973,935**	2,806,909
Debt securities	**700,917**	371,431
Other assets	**81,525**	64,667
	5,188,414	4,543,467
Credit exposure relating to off-balance sheet items		
Acceptances	**206,015**	268,224
Letters of credit	**94,392**	140,027
Letters of guarantee	**2,065,816**	1,698,532
Undrawn lines of credit	**1,087,032**	690,195
	3,453,255	2,796,978
	8,641,669	7,340,445

The primary purpose of off balance sheet financial instruments is to ensure that funds are available to customers as required. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Maximum exposure to credit risk related to derivative financial instruments is given in note 21(f).

(c) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. CBK guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. To assess the recoverable value of collateral the Group applies the minimum haircut as stipulated in CBK guidelines.

For detailed qualitative disclosure on the collateral and other credit enhancements please refer to note VII " Credit risk mitigation", of the Public Disclosures on Capital Adequacy Standard.

(d) Quality of credit exposure

The following table represents the gross credit risk exposure by credit quality of loans and advances by class, grade and status.

	KD 000's						
	Neither past due nor impaired			Past due but not impaired		Impaired	Fair value of collateral
	Superior grade	Good grade	Standard grade	0 - 60 days	61 - 90 days		
As at 31 December 2025							
Banks	**31,108**	**103,516**	**30,540**	-	-	-	-
Corporate	**685,907**	**1,492,212**	**387,873**	**49,069**	**383**	**7,150**	-
Retail	-	**189**	**513,966**	**26,889**	**89**	**12,137**	-
	717,015	**1,595,917**	**932,379**	**75,958**	**472**	**19,287**	-
As at 31 December 2024							
Banks	40,603	53,426	14,104	-	-	-	-
Corporate	696,537	1,228,265	448,080	98,170	5	-	-
Retail	-	209	521,128	23,576	79		-
	737,140	1,281,900	983,312	121,746	84	-	-

The Group's risk grading system is a systematic methodology for analysing risk factors associated with the extension of extending credit.

The Group uses the external ratings of credit rating agencies for the assessment of banks and financial institution and an internal grading for corporate customers, if external ratings are not available.

Internal grades are further mapped to external credit ratings based on probability of default corresponding to these grades. This mapping is used to categorise credit facilities into investment and non-investment categories

The parameters that are considered for grading the customers include quantitative metrics, which consist of key financial ratios and qualitative metrics which include but not limited to entity specific, management specific, business specific, age and quality of financial information, historical account performance, general economic and political conditions and financial condition and performance, where applicable.

	Internal	External
Superior grade	Grades 1 to 4	Ratings AAA, AA+, AA, AA-, A+, A,A-, BBB+, BBB, BBB-
Good grade	Grades 5 & 6	Rating BB+, BB, BB-, B+
Standard grade	Grades 7 & 8	Rating B, B-, CCC+, CCC, CCC-
Default grade	Grades 9 to 11	Ratings D or equivalent

(e) Concentration of financial assets and off-balance sheet items

	2025 KD 000's		2024 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Geographic sector				
Kuwait	**3,854,148**	**2,623,169**	3,394,192	2,127,328
Asia	**1,086,309**	**408,042**	996,206	419,199
Europe	**203,269**	**337,300**	132,277	137,021
USA	**6,361**	**81,093**	9,838	79,919
Others	**118,732**	**3,651**	101,184	33,511
	5,268,819	**3,453,255**	4,633,697	2,796,978

	2025 KD 000's		2024 KD 000's	
	Assets	**Off Balance Sheet**	Assets	Off Balance Sheet
Industry sector				
Government	**394,622**	**-**	367,247	-
Trade and commerce	**755,660**	**689,452**	559,756	406,049
Construction and real estate	**664,838**	**1,410,902**	789,703	1,133,513
Banks and financial institutions	**2,075,842**	**593,668**	1,685,505	432,576
Others	**1,377,857**	**759,233**	1,231,486	824,840
	5,268,819	**3,453,255**	4,633,697	2,796,978

(f) Financial instruments with contractual or notional amounts that are subject to credit risk

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future rate.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualifies as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into opposite transactions (back to back) with counterparties or by other risk mitigating transactions.

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time. In cross currency interest rate swaps, the Group exchanges interest payment in two different currencies on a defined principal amount for a fixed period of time and also exchanges defined principal amounts in two different currencies at inception of the contract and re-exchanges principal amounts on maturity. Profit rate swaps are also included in this category.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The fair valuation gain or loss of the derivatives is taken to the consolidated statement of income.

Interest rate swaps held as fair value hedges are predominantly based on USD SOFR.

As at 31 December 2025	KD 000's						
			Notional amount by term maturity				
	Positive fair value	Negative fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Total
Forward Foreign Exchange Contracts	371	703	212,075	17,638	98,811	-	328,524
Interest Rate Swaps (held as fair value hedges)	400	3,422	-	10,936	80,119	495,374	586,429
Interest Rate Swaps (others)	24,444	22,551	-	61,080	87,390	333,949	482,419
	25,215	26,676	212,075	89,654	266,320	829,323	1,397,372

As at 31 December 2024	KD 000's						
			Notional amount by term maturity				
	Positive fair value	Negative fair value	Up to 1 Month	1 to 3 Months	3 to 12 Months	Over 1 Year	Total
Forward Foreign Exchange Contracts	2,293	503	182,250	29,610	12,362	-	224,222
Interest Rate Swaps (held as fair value hedges)	2,300	787	-	41,888	18,332	254,191	314,411
Interest Rate Swaps (others)	28,192	26,564	-	-	-	269,778	269,778
	32,785	27,854	182,250	71,498	30,694	523,969	808,411

Group's strategy is not to carry interest rate risk for long duration assets. The Group uses interest rate swaps to hedge its exposure to changes in the fair values due to interest rate risk on certain financial assets and liabilities. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria. In fair value hedge relationships, the Group assesses whether the interest rate swaps designated in each hedging relationship is expected to be highly effective in offsetting changes in fair value of the hedged item attributable to interest rate risk using appropriate qualitative and quantitative methods. The Group generally seeks to fully match the critical terms (tenor, notionals, interest rate exposure, currency, interest payments frequency and payment periods) of the hedged item and hedging instrument.

The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

All derivative contracts are fair valued based on observable market data.

(ii) MARKET RISK

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices. For detailed qualitative disclosure on the market risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

(A) Interest rate risk

Interest rate risk arises from the difference in repricing maturities of assets and liabilities. The majority of the Group's assets and liabilities reprice within one year. The Group manages the risk by matching the repricing of assets and liabilities by setting up a tolerance limit. The exposure is regularly measured by reviewing the risk to the set tolerance limit. For detailed qualitative disclosure on the interest rate risk please refer to note V(d), "Risk management - Interest rate risk", of the Public Disclosures on Capital Adequacy Standard.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact on the consolidated statement of income of the Group over a period of one year as follows:

		KD 000's	
	Basis points	2025	2024
Kuwaiti dinar	+25	**3,690**	4,391
US dollar	+25	**580**	47
Other currencies	+25	**4**	179
		4,274	4,617

(B) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group views itself as a Kuwaiti entity, with Kuwaiti Dinar as its functional currency. Net exposure in currencies is managed by setting overall limits by the Board of Directors and regularly monitoring through technological and managerial controls. For detailed qualitative disclosure on the currency risk refer to note V(b),"Risk management - Market risk", of the Public Disclosures on Capital Adequacy Standard.

The table below shows the effect on consolidated statement of income and changes in equity, as a result of strengthening in currency rate, with all other variables held constant. A negative amount reflects a potential net reduction in consolidated statement of income or changes in equity, where as a positive amount reflects a net potential increase.

		KD 000's			
		2025		2024	
	% Change in currency rates	Statement of income	Equity	Statement of income	Equity
US Dollar	+5	**(527)**	-	(213)	-
Sterling Pound	+5	**(1)**	**62**	(1)	40
Australian Dollar	+5	**1**	-	-	-
Saudi Riyal	+5	**28**	-	15	-
UAE Dirham	+5	-	-	65	-
Qatari Riyal	+5	**14**	-	10	-
Others	+5	**485**	-	124	-
		-	**62**	-	40

(C) Equity price risk

Equity price risk is the risk that the fair value of equities fluctuate as a result of changes in the level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. For detailed qualitative disclosure on the equity price risk please refer to note V(b),"Risk management - Market risk", of the Public Disclosure on Capital Adequacy Standard.

The effect on the consolidated statement of income and the consolidated statement of changes in equity due to possible changes in equity indices, with all other variables held constant, is as follows:

		KD 000's			
		2025		2024	
	% Change in equity price	Statement of income	Equity	Statement of income	Equity
Boursa Kuwait	+5	-	**1,700**	-	1,536

(iii) LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can arise from market disruptions or credit down grading which may cause certain sources of funding to dry up immediately. For more detailed disclosure on liquidity risk control please refer to note V(c),"Risk management - Liquidity risk", of the Public Disclosures on Capital Adequacy Standard.

(A) The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the date of consolidated statement of financial position to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of the liquid funds. It is unusual for the Group to ever completely match the maturities of their assets and liabilities since business transacted is often of uncertain term and of different type. However, the management constantly monitors its maturity profile to ensure that adequate liquidity is maintained at all times.

	KD 000's					
As at 31 December 2025	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
ASSETS						
Cash and short term funds	**672,278**	**-**	**-**	**-**	**-**	**672,278**
Treasury and Central Bank bonds	**181,295**	**816**	**468**	**-**	**-**	**182,579**
Due from banks and OFIs	**-**	**169,171**	**137,269**	**184,085**	**107,596**	**598,121**
Loans and advances	**443,674**	**268,769**	**267,656**	**471,232**	**1,522,604**	**2,973,935**
Investment securities	**111,406**	**12,740**	**1,936**	**2,290**	**632,009**	**760,381**
Premises and equipment	**-**	**-**	**-**	**-**	**22,989**	**22,989**
Intangible assets	**-**	**-**	**-**	**-**	**3,506**	**3,506**
Other assets	**55,119**	**6,324**	**4,777**	**3,445**	**79,652**	**149,317**
	1,463,772	**457,820**	**412,106**	**661,052**	**2,368,356**	**5,363,106**
LIABILITIES						
Due to banks	**99,845**	**35,088**	**59,665**	**63,884**	**105,728**	**364,210**
Due to OFI's	**35,312**	**10,581**	**9,679**	**16,362**	**1,056**	**72,990**
Customer deposits	**1,376,224**	**280,868**	**419,301**	**363,234**	**171,257**	**2,610,884**
Certificate of deposits	**3,052**	**19,696**	**18,075**	**185,409**	**-**	**226,232**
Other borrowed funds	**-**	**-**	**-**	**-**	**1,039,148**	**1,039,148**
Other liabilities	**98,702**	**12,379**	**12,112**	**5,471**	**136,474**	**265,138**
	1,613,135	**358,612**	**518,832**	**634,360**	**1,453,663**	**4,578,602**
Net liquidity gap	**(149,363)**	**99,208**	**(106,726)**	**26,692**	**914,693**	**784,504**

	KD 000's					
As at 31 December 2024	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
ASSETS						
Cash and short term funds	1,024,854	-	-	-	-	1,024,854
Treasury and Central Bank bonds	86,454	-	7	-	-	86,461
Due from banks and OFIs	33,974	87,818	17,122	19,485	69,241	227,640
Loans and advances	407,078	286,289	476,512	451,858	1,185,172	2,806,909
Investment securities	59,346	26,589	27,032	19,938	290,261	423,166
Premises and equipment	-	-	-	-	28,698	28,698
Intangible assets	-	-	-	-	3,506	3,506
Other assets	52,419	267	-	-	11,981	64,667
	1,664,125	400,963	520,673	491,281	1,588,859	4,665,901

	KD 000's					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
LIABILITIES						
Due to banks	61,044	23,416	83,331	63,219	13,396	244,406
Due to OFI's	66,922	41,079	12,760	44,478	11,100	176,339
Customer deposits	1,383,736	406,332	310,593	245,282	143,820	2,489,763
Certificate of deposits	-	-	-	-	-	-
Other borrowed funds	-	-	-	94,160	665,800	759,960
Other liabilities	115,476	12,990	14,014	2,999	104,228	249,707
	1,627,178	483,817	420,698	450,138	938,344	3,920,175
Net liquidity gap	36,947	(82,854)	99,975	41,143	650,515	745,726

(B) Contractual expiry by maturity.

	KD 000's					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
As at 31 December 2025						
Contingent Liabilities	**449,362**	**796,313**	**546,340**	**778,171**	**883,069**	**3,453,255**
As at 31 December 2024						
Contingent Liabilities	435,261	645,256	546,182	501,317	668,962	2,796,978

(C) Contractual undiscounted repayment obligations by maturity.

	KD 000's					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Over 1 Year**	**Total**
As at 31 December 2025						
UNDISCOUNTED LIABILITIES						
Due to banks	**99,986**	**35,822**	**60,575**	**65,899**	**110,182**	**372,464**
Due to OFI's	**35,324**	**10,668**	**9,873**	**16,861**	**1,124**	**73,850**
Customer deposits	**1,376,782**	**282,729**	**424,450**	**372,682**	**179,925**	**2,636,568**
Certificate of deposits	**3,054**	**19,851**	**18,324**	**192,402**	**-**	**233,631**
Other borrowed funds	**642**	**5,426**	**-**	**-**	**1,172,378**	**1,178,446**
Other liabilities	**98,702**	**12,379**	**12,112**	**5,471**	**136,474**	**265,138**
	1,614,490	**366,875**	**525,334**	**653,315**	**1,600,083**	**4,760,097**

	KD 000's					
As at 31 December 2024	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
UNDISCOUNTED LIABILITIES						
Due to banks	61,187	23,641	84,002	65,077	14,943	248,850
Due to OFI's	67,037	42,136	12,986	45,723	11,287	179,169
Customer deposits	1,384,044	408,429	313,432	248,779	157,907	2,512,591
Certificate of deposits	-	-	-	-	-	-
Other borrowed funds	465	13,569	-	96,586	808,087	918,707
Other liabilities	115,476	12,990	14,014	2,999	104,228	249,707
	1,628,209	500,765	424,434	459,164	1,096,452	4,109,024

22 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The 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.

For detailed qualitative disclosure on operational risk control please refer to note V(e),"Risk management - Operational risk", of the Public Disclosures on Capital Adequacy Standard.

23 SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment banking activities, which is segmented between:

a) Corporate, International and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.

b) Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and International and Retail Banking		Treasury and Investment Banking		Total	
	2025	2024	**2025**	2024	**2025**	2024
Net interest income	**94,944**	94,735	**25,291**	22,924	**120,235**	117,659
Non interest income	**52,465**	49,039	**16,182**	13,271	**68,647**	62,310
Operating income	**147,409**	143,774	**41,473**	36,195	**188,882**	179,969
Impairment and other provisions	**4,044**	(4,402)	**197**	52,108	**4,241**	47,706
Net profit for the year	**118,749**	106,372	**2,455**	50,854	**121,204**	157,226
Total Assets	**3,081,493**	2,876,905	**2,281,613**	1,788,996	**5,363,106**	4,665,901
Total Liabilities	**1,907,141**	1,810,831	**2,671,461**	2,109,344	**4,578,602**	3,920,175

24 OFF BALANCE SHEET ITEMS

(a) Financial instruments with contractual amounts

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

25 CAPITAL ADEQUACY

The disclosures relating to Capital Adequacy Regulations issued by CBK as stipulated in circular number 2BS/IBS/336/2014 dated 24 June 2014 are included under the "Public Disclosures on Capital Adequacy Standard" section of the annual report.