Annual Report 2024

Kuwait Finance House (K.S.C.P) and Subsidiaries

بيت التمويل الكويتي
KFH

بِسْمِ ٱللَّهِ ٱلرَّحْمَٰنِ ٱلرَّحِيمِ

In the name of Allah the Most Gracious, the Most Merciful.

O ye who Believe, Fear Allah and give up what remains of your demand for usury, if ye are indeed believers (278). If ye do it not. take notice of war from Allah and his Apostle, but if ye turn back, ye shall have your capital sums deal not unjustly and ye shall not be dealt unjustly (279).

Holy Quran - Al Baqara - Verses (278 - 279)

His Highness Sheikh
Meshal Al-Ahmad Al-Jaber Al-Sabah
The Amir of the State of Kuwait

His Highness Sheikh
Sabah Al-Khalid Al-Sabah
Crown Prince of Kuwait

His Highness Sheikh
Ahmad Al-Abdullah Al-Ahmad Al-Sabah
Prime Minister of Kuwait

Content

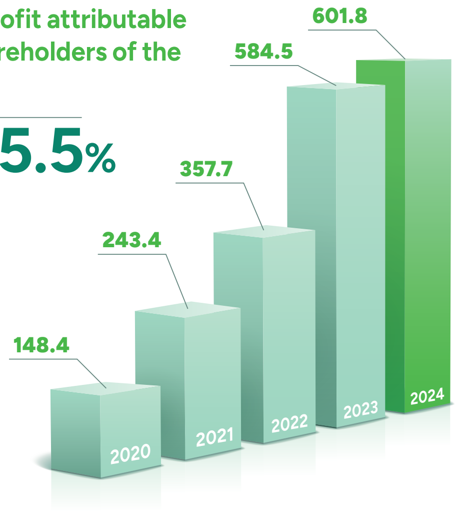
Kuwait Finance House
Abdullah Al Mubarak Street, Murgab, Kuwait.
P.O. Box 24989, Safat, Kuwait
13110 Kuwait
Tel: +965 1800700
Fax: +965 22455135
Cable: BAITMAL KT
corp@kfh.com
www.kfh.com
@KFHGroup
@KFHGroup
Kuwait Finance House (KFH)

Financial Indicators

Million KWD

Net Profit attributable to shareholders of the Bank

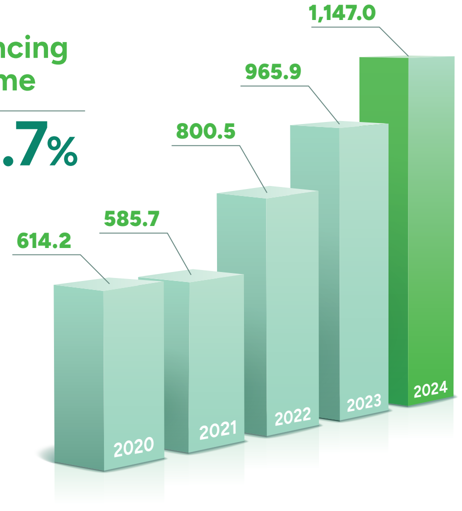
305.5%



Million KWD

Net Financing Income

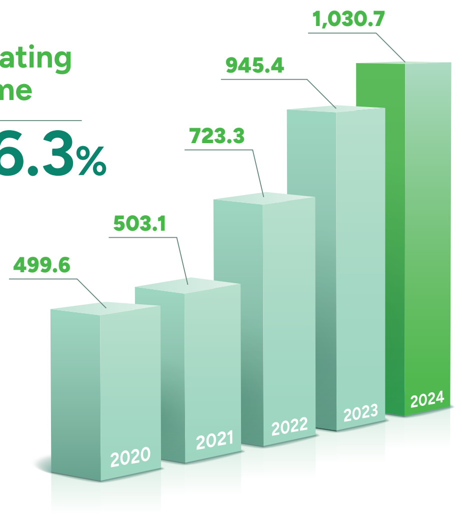
86.7%



Million KWD

Net Operating Income

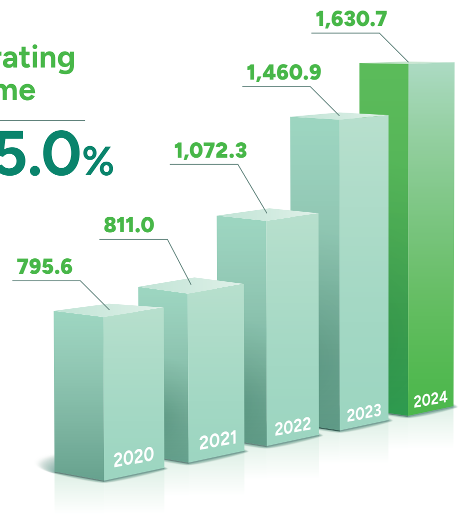
106.3%



Million KWD

Total Operating Income

105.0%

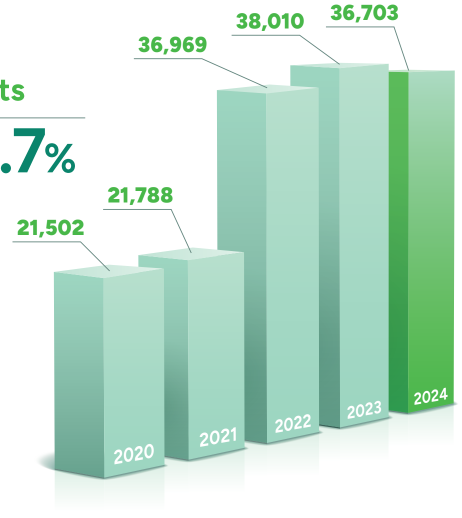


*Growth Ratio Reflects the change in 2024 compared to 2020

Million KWD

Total Assets

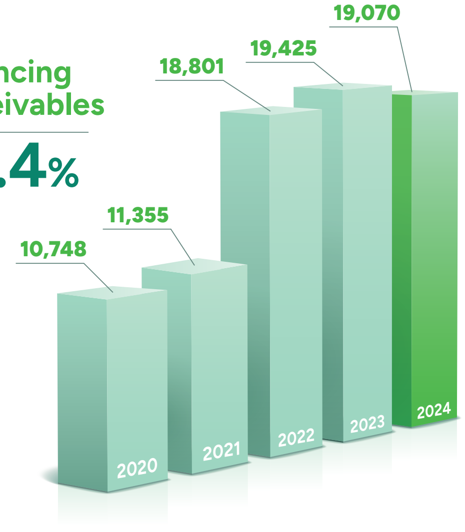
70.7%



Million KWD

Financing Receivables

77.4%



Million KWD

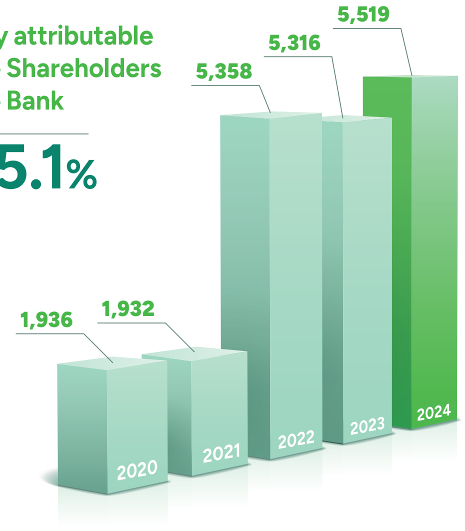
Depositors' Accounts

36.7%

Million KWD

Equity attributable to the Shareholders of the Bank

185.1%

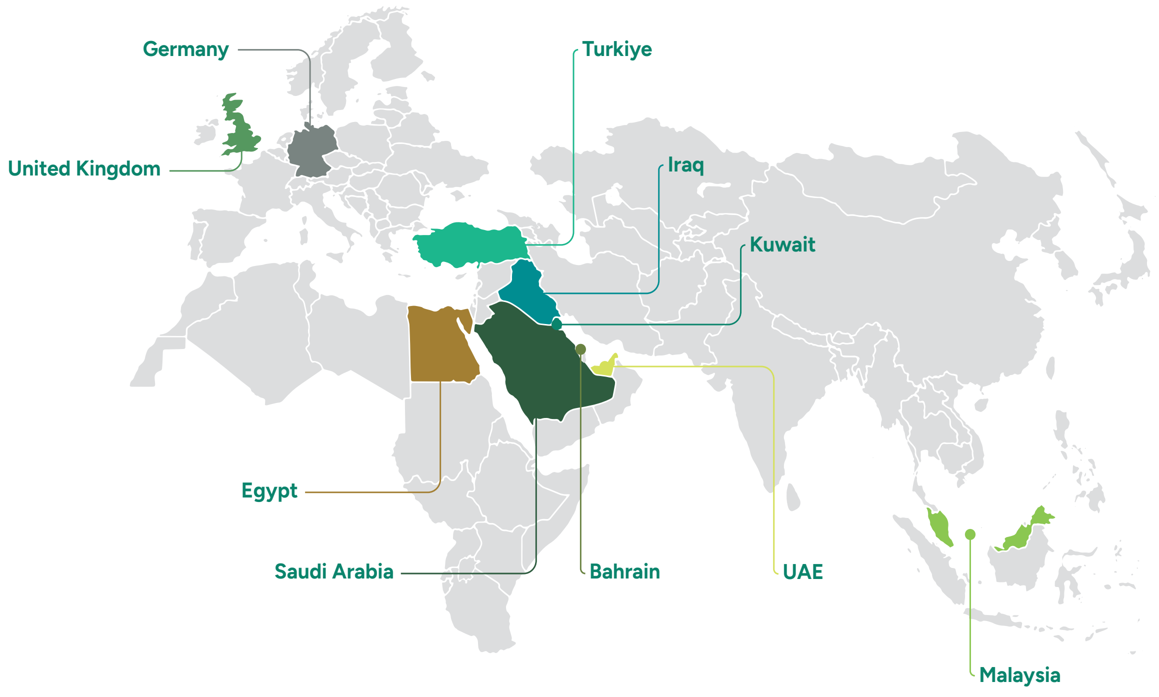


*Growth Ratio Reflects the change in 2024 compared to 2020

KFH Group Overview

Global Integrated Operations

KFH Group leads Islamic finance globally, where it provides various Islamic financial products and services as it operates in several regions around the world as it has 600 banking branches, 2048 ATMs and nearly 17,500 employees.



- Kuwait Finance House "KFH" is the first Islamic bank in the State of Kuwait, established in 1977 and today it has become one of the largest Islamic banks in the world, and one of the largest financiers in the Kuwaiti and regional market.
- KFH's major shareholders are Kuwait Investment Authority (direct ownership), The Public Authority for Minors Affairs (direct ownership), and The Public Institution for Social Security (direct & indirect ownership).
- Kuwait Finance House is a Kuwaiti public shareholding company registered and listed in Kuwait and Bahrain Stock Exchanges with the Ticker "KFH".

1. Kuwait Finance House K.S.C.P.
2. Kuwait Finance House (Malaysia) Berhad
3. Kuwait Turkish Participation Bank
4. Saudi Kuwait Finance House S.S.C. (Closed)
5. KT Bank AG – Germany
6. Ahli United Bank B.S.C.(c) - Bahrain
7. Kuwait Finance House - Egypt
8. Commercial Islamic Bank of Iraq P.S.C.
9. Kuwait Finance House PLC – UK
10. Ahli United Bank B.S.C (c) (DIFC Branch)

Vision

"To lead the international development of Islamic financial services and become one of the most trusted and sustainably most technologically advanced Shariah-compliant bank in the world."

Mission

to deliver superior innovation and customer service excellence while protecting and enhancing the interest of all our stakeholders.

Values

Leadership

Accountability

Partnership

In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet, his family, and companions.

Dear Esteemed Shareholders,

Assalamu Alaikum Warahmatu Allah Wabarakatuh,

On behalf of myself and my fellow members of the Board of Directors of Kuwait Finance House (KFH), I would like to present the 2024 KFH Group Annual Report including major achievements, consolidated financial statements, and other reports.

In 2024, KFH succeeded in executing its strategic vision and key objectives by continuously improving business quality, adopting innovation, technological advancement, sound governance, prudent risk management, digitalization, sustainability, and essential means to achieve the best growth rates. This also included maintaining robust financial performance, compliance with regulatory controls and instructions as well as providing the best services, products, and initiatives to maintain KFH's leadership and improving the markets where the Group operates. which drives towards achieving KFH Group's goal of assuming its position among the world's largest 100 banks within the next ten years.

KFH successfully completed the merger by amalgamation with the Ahli United Bank – Kuwait (AUBK), the largest-ever merger project in the Kuwaiti banking sector. This step was a subsequent phase to the acquisition of the (formerly) Ahli United Bank – Bahrain, one of the largest deals in the region. This move led to the integration of KFH and the (formerly) Ahli United Bank as one entity. Additionally, the operational integration and the migration of systems and customers were successfully completed. The completion of this phase turned KFH into a giant global banking group that enjoys solvency, competitive performance, and a wide geographic spread with 615 branches spanning 12 countries, most prominent of which are Kuwait, Bahrain, Saudi Arabia, Turkiye, Egypt, United Kingdom, and Germany. With the aim of unifying our business environment, we completed in a record time the conversion of the (formerly) Ahli United Bank in Bahrain, UK, and Egypt to comply with Shari'a principles.

KFH strategy outlined the process of creating a giant financial entity among the world's largest 100 banks. It also drafted ambitious objectives that are an added value to the local and global economy and align with Kuwait's 2035 vision. These objectives are reflected positively in most performance indicators. KFH's market cap is the largest in the Kuwaiti market, ranking high at the Middle East level. Moreover, the harmony in the Group's performance and its fruitful presence in different regions, i.e. Middle East, Asia, and Europe contributed to achieving KFH's strategic objectives.

The Group succeeded in achieving a significant leap toward digital transformation in risk management, adopting the latest advancements in artificial intelligence (AI), machine learning, and advanced analytics to enhance risk measurement, monitoring, and early detection capabilities. This was accomplished in accordance with the best global practices, allowing the Group to build effective and developable measures to face unforeseen challenges.

KFH extended its efforts to the recently joined subsidiary banks, resulting in a smooth completion of integration initiatives. These efforts were commended by Moody's and Fitch. The successful implementation of the Capital Management Program led to a capital adequacy ratio of 19.89% exceeding regulatory requirements.

Reaffirming our commitment to operational excellence and innovation, the Group achieved significant milestones including the successful integration of the Ahli United Bank – Kuwait thanks to the efforts of a dedicated Command Center which ensured operational continuity. Furthermore, several digital improvements were implemented to streamline regulatory processes and renewal of contracts. The Robotic Process Automation (RPA) initiatives in key operations contributed to reducing time and costs, achieving synergies, improving inventory management and usage of the Self-Service Centers for instant card issuance.

The merger was one of the challenges during which the Group Human Resources and Transformation made many influential contributions. The department facilitated a smooth transition for (formerly) Ahli United Bank - Kuwait employees, integrating them into KFH's payroll system and unifying security systems across (formerly) AUBK's locations.

By strengthening its capacity to attract top talent, the acquisition and merger enabled KFH to better support the growth of its Kuwaiti cadre, generating new job opportunities for national talents in the local market, and heightening the demand for the national workforce across the Group. As a result, KFH hired (149) employees, with women's representation accounting for (23%) and a (98%) Kuwaitization rate.

In line with KFH's commitment toward developing its employees, we offered more than 115,000 training hours for 4,000 employees. Additionally, 26 managers across the Group participated in the Building Leadership Excellence program. KFH accepted 19 employees in its scholarship program, and 39 employees graduated from Forssah program for recent graduates. In recognition of these efforts, KFH received 13 prestigious global awards in Human Resources, the highest number regionally and globally, from the renowned Brandon Hall Group.

The most important financial statements and indicators for 2024 are as follows:

KFH, by the grace of Allah, reported a net profit for its shareholders of KD 601.8 million up to the end of 2024, an increase of 3.0% compared to last year. Earnings per share reached 36.37 Fils; an increase of 3.0%, compared to last year.

Net financing income increased to KD 1,147.0 million; an increase of 18.7% compared to last year. Net operating income increased to KD 1,030.7 million; an increase of 9.0% compared to last year. Total assets reached KD 36.7 billion. Depositors' accounts reached 19.2 billion, while the capital adequacy ratio recorded a rate of 19.89%, which is above the minimum requirement, compared with 18.18% as of December 31, 2023. This demonstrates KFH's strong capital base.

The Board of Directors considered the distribution of cash dividends to shareholders of 22% (including 10% in H1 2024). The Board of Directors also considered the distribution of bonus shares of 8% after the approval of the General Assembly and the competent authorities. considering the distributed returns on investment deposits and saving accounts as shown in the following table:

Account Type	2023 %	2024 %
"AlKhomasiyah" Investment Deposit	5.000	4.650
"Continuous" Investment Deposit	4.500	4.200
"Al Sidra" Investment Deposit	3.850	3.350
"Al Dima" Investment Deposit (12 months)	4.250	4.000
"Al Dima" Investment Deposit (6 months)	4.125	3.825
Long-term investment plans	3.950	3.700
Investment Saving Accounts	0.250	0.250

KFH continued its endeavors by financing companies, assisting them in the success of their business, in addition to financing mega projects at the local and regional levels. In this respect, KFH participated in financing deals totaling about KD 325 million in Saudi Arabia, Qatar, and Egypt. The Bank also participated in syndicated financing deal, funding KD 79 million to an Irish company.

Domestically, KFH played a pivotal role in the local economy by financing large scale projects across various sectors, most notable of which are real estate projects worth KD 313 million. Furthermore, KFH contributed to developing the local infrastructure by offering additional financing, amounting to KD 85 million for the telecommunication industry. KFH also provided another financing worth KD 31 million to strengthen the logistics services sector, including financing the first fiber optic cable manufacturing company in Kuwait (Taihan Factory).

KFH is enhancing its standing in the Kuwaiti banking sector as a strategic partner in the development of micro, small, and medium enterprises, ranking first in this area. In addition to the significant growth in the financing portfolio of this sector, KFH has always been active in improving its customer base. Many SMEs started their successful journey through KFH financing support.

With the aim of diversifying its financing sources and expanding the support of infrastructure projects and economic productive sectors in Kuwait, KFH issued a 5-year Senior Unsecured Sukuk of $1 billion, the first issue under KFH $4 bn Sukuk Program.

KFH continued investing in supporting systems to enhance customer service and experience. Its fruitful efforts resulted in the expansion of our online corporate banking through (eCorp). This included trade finance applications, Tawarruq drawdowns in addition to multiple mobile e-Banking services. KFH's achievements in the field of corporate banking were appreciated and recognized by prominent global institutions. Global Finance Magazine awarded KFH with the Best SME Bank in Kuwait, Best Islamic Corporate Bank – Global, and Best Islamic Project Finance Provider – Global awards.

The Group enhanced its pioneering role in Sukuk issuance. KFH Capital successfully led and arranged the issuance of $18 billion Sukuk for sovereigns and corporates. The Company also successfully marketed five investment funds: two Ijarah funds, two real estate funds, and a USD money market fund. 2024 was a pivotal year for the digital transformation, marked by the development of an Assets Management System (AMS) and the launch of two other digital initiatives for employees and customers.

As part of its ongoing efforts to offer distinctive products and services, KFH launched several services including Al-Hassad account, and Baitak Concierge service. Moreover, KFH- Turkiye service center has helped over 12 thousand customers. In addition, KFH deployed 13 employees to Turkiye as part of an initiative to promote its customer service for the third consecutive year. KFH also launched its new branches in Jabriya, Rumaithiya and Jaber Al-Ahmad in addition to its first digital bank in the Avenues.

Continuing our leadership in the banking cards market, we launched numerous rewards and bonus points campaigns throughout the year to promote card usage. KFH was awarded two prestigious Mastercard awards: the Highest Penetration of Tokenized Transactions in Kuwait award, and the Highest Volume Growth in Mastercard World Portfolio award.

Technological solutions and digital innovations were the highlight and major accomplishment of the Group. This success is demonstrated in the remarkable role and high performance of the Information Technology (IT) sector, particularly in fulfilling the merger requirements and contributing to the success of Operational Day One (OD1). The IT team migrated the accounts and products of over 280 thousand formerly AUBK customers, and unified more than 80 systems across the Bank, merging all services and products with their different requirements. In cooperation with a cohesive team, more than 250 phases and 2000 tasks were completed.

The IT sector implemented numerous projects, developed the technological infrastructure and cybersecurity defenses, and adopted AI technologies. An array of other projects was executed, including instant payment service (WAMD), integration of the corporate system (eCorp) with the Public Authority for Civil Information (PACI) and enabling face ID authentication for eCorp users, integrating T360 system with eCorp system, introduction of the final digital solutions of the CreditLense program, and conducting several system recovery simulation exercises with remarkable success.

KFH also rolled out various innovative digital services and products for the first time in Kuwait. These encompassed instant credit and prepaid card printing service, (D-POS) mobile device for account opening, and the development of more than 500 ATMs. The pioneering digital services also included adding online banking services, most prominently transfers via Western Union network, push notifications, AFAQ transfer service, and KFH Pay money transfer.

To reduce uncertainty in the global economy and enhance our over USD 125 billion assets portfolio, Group Treasury expanded both our financial derivatives portfolio and our financing portfolio across all currencies. We achieved synergies in financing costs and consolidated AUB's portfolio. These objectives exceeded the target by over 12%.

The Group Treasury continued its investment activities in the primary and secondary capital markets, exceeding $13 billion in transactions. The Group Treasury also expanded its transactions in the short-term IILM Sukuk market. It maintained its top 3 positions in the IILM sukuk primary dealer list, in addition to its ranking as the first in the IILM secondary market dealer for the 4th consecutive year. The KFH Group Retail Client activity amounted to $267 million. The Group Treasury transactions exceeded $45 billion. We have doubled our ESG Sukuk share to $653.2 million in 2024 compared to $249 million in 2023; an annual increase of 162.3%.

During 2024, KFH Group bagged 47 accolades from worldwide reputable organizations specialized in monitoring and evaluating prominent banks. In this regard, Tam Digital Bank was recognized with 6 industry-leading awards during its inaugural year. Along with high creditworthiness that has been confirmed by global credit rating agencies, the year 2024 was marked by the inclusion of KFH in key global ratings including ESG indices such "FTSE4Good" Index and "A" rating by MSCI ESG Index. KFH was ranked first in the Kuwaiti banking sector in terms of growth and return on risk for 2024 Top 100 Arab Banks Rankings from The Banker. Additionally, Forbes ranked KFH as the leading listed Kuwaiti company and tenth in the Middle East in terms of market value and profitability. The Bank also secured the top spot on MEED magazine's list of the top 100 listed companies in the Middle East and North Africa in terms of market capitalization.

We firmly believe that sustaining our operations and ensuring business continuity necessitates expanding the social role of KFH through numerous contributions to community development and sustainability. In this regard, KFH has initiated environmental efforts in partnership with various governmental and private entities. The Bank has also sponsored national initiatives such as the Al-Mubarakiya reconstruction project, assisted defaulted citizens, and supported the Kuwait Food Bank, among other endeavors.

We remain committed to enhancing supervision and monitoring mechanisms, while expediting decision-making processes to keep pace with our aspirations. This ensures a well-studied approach to leveraging new opportunities for growth, balancing risks and returns, and maintaining sufficient levels of capital adequacy, liquidity, high-quality assets, operating income, and net profits. We also strive to uphold our leading position and brand reputation with unparalleled value and excellence.

Finally, I would like to express my sincere gratitude and appreciation to His Highness the Amir of Kuwait Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, may Allah safeguard him, His Highness the Crown Prince, Sheikh Sabah Al-Khaled Al-Sabah, and His Highness the Prime Minister, Sheikh Ahmad Al-Abdullah Al-Sabah. Our thanks and appreciation are also extended to the Central Bank of Kuwait and all the regulatory authorities for their constant support to the banking sector in the State of Kuwait.

The Board of Directors would also like to express its sincere gratitude to the esteemed shareholders, customers, KFH Executive Management, and all employees for their efforts and cooperation throughout the year.

May Allah grant us success.

Chairman

Hamad Abdulmohsen Al-Marzouq

Board of Directors

Mr. Hamad Abdul Mohsen Al-Marzouq

Chairman since 2014

Chairman of the Board Executive Committee and member of the Board Governance and Sustainability Committee

Mr. Al-Marzouq earned his BA in Industrial Systems Engineering from the University of Southern California in the US in 1985. He received his MA in International Finance and Business Management from Claremont Graduate University in the US in 1987.

Mr. Al-Marzouq has diverse professional experience in banking and finance both in Kuwait and abroad spanning more than thirty years. He has served as Chairman of Kuwait Turk Participation Bank in Turkiye since 2015, Chairman of Ahli United Bank in Bahrain since 2023 and Chairman of KFH Egypt (formerly Ahli United Bank in Egypt) since 2023.

Mr. Al-Marzouq has held many prominent positions in various banking, financial and regulatory institutions. He has served as a board member of Kuwait Banking Association (KBA) since 2002, KBA Chairman from 2010 to 2016, board member of the Union of Arab Banks from 2003 to 2010, board member of the Kuwait Institute of Banking Studies (KIBS) from 2003 to 2014, member of the Board of Trustees of the Arab Academy for Financial and Banking Sciences from 2004 to 2009, board member of the Public Authority for Applied Education and Training (PAAET) from 2007 to 2016, Chairman and Managing Director of Ahli United Bank in Kuwait from 2002 to 2014, Vice Chairman of Ahli United Bank in the UK from 1998 to 2014, in Egypt from 2006 to 2014, in Bahrain from 2000 to 2014, and in Oman from 2007 to 2014, Vice Chairman of the formally known the Commercial Bank of Iraq from 2006 to 2014, Chairman of Kuwait Finance House (Malaysia) Berhad from 2015 to 2016 and Chairman of Kuwait Finance House in Bahrain from 2015 to 2023. Mr. Al-Marzouq served as a board member, Vice Chairman, and Chairman of Kuwait and Middle East Financial Investment Company in Kuwait from 2002 to 2010. He held the position of Vice Chairman of the Middle East Financial Investment Company in the Kingdom of Saudi Arabia from 2009 to 2013 and was Vice Chairman of Ahli Bank in Qatar from 2004 to 2013.

Mr. Al-Marzouq commenced his professional career as an investment officer in US equity portfolios and derivatives in the Investment Department at Kuwait Investment Company from 1987 to 1990. He went on to hold several executive positions at the Central Bank of Kuwait, including Deputy Manager of the Technical Affairs Office in 1990. In addition, he served as the Deputy Manager and then Manager of the Financial Supervision Department from 1992 to 1996 and 1996 to 1998, respectively.

Mr. Abdulaziz Yacoub Al-Nafisi

Vice Chairman since 2014

Member of the Board Executive Committee and the Board Nomination and Remuneration Committee

Mr. Al-Nafisi received his BA in Economics from Whittier College in the US in 1977.

He holds the position of General Manager of Abdul Aziz Al-Nafisi General Trading Company. He also serves as Board Member of Kuwait Finance House Bank - Egypt since 2023.

Mr. Al-Nafisi has a wealth of experience in Kuwait and abroad, holding many prominent leadership positions in companies within the banking, financial, real estate and telecommunications sectors.

Mr. Al-Nafisi was a board member of Mobile Telecommunications Company (Zain Group) from 2005 to 2017, where he held the position of Vice Chairman until 2013. Additionally, he was a board member of Mobile Telecommunications Company Saudi Arabia (Zain KSA) from 2013 to 2019. He has held multiple positions on the board of directors of Zain Group MENA entities including Zain Iraq, Zain Jordan and Zain Sudan as well as many positions on the Board of Directors of Celtel (Zain Africa).

Mr. Al-Nafisi served as Chairman of Mada Communications from 2001 to 2011 and Chairman of Al Madar Finance and Investment from 1998 to 2004. He was a board member of Wethaq Takaful Insurance Company from 2000 to 2004 and of Kuwait Projects Company from 1993 to 1996. Additionally, he held the position of Chairman of KFIC Brokerage Company from 1989 to 1992.

Mr. Al-Nafisi commenced his professional career as Head of Banking Facilities at Burgan Bank from 1978 to 1981. He has since served in several executive positions, including CEO of Al-Nafisi National Real Estate Group Company from 1996 to 2010. He also served as Deputy General Manager of Yacoub Al-Nafisi Corporation for General Trading and Contracting from 1984 to 1990 and Managing Director of KFIC Financial Brokerage from 1989 to 1990.

Mr. Ahmad Abdullah Al-Omar

Board Member since 2023

Member of the Board Investment Committee and the Board Nomination and Remuneration Committee

Mr. Al-Omar received his BA in Commerce (Accounting) from Kuwait University in 1972.

Mr. Al-Omar served as a board member of several entities, including the Arab Turkish Bank in Istanbul from 1980 to 1985, Agricultural Food Products Company from 2000 to 2001, Arab Mining Company in Amman from 2000 to 2006, Livestock Transport and Trading Company in Kuwait from 2000 to 2006, National Industrial and Mining Company in Mauritania from 2002 to 2006, Kuwait Finance House from 2007 to 2017, Kuwait United Investments Company in Syria from 2008 to 2020 and Kuwait Investment Company from 2013 to 2015.

Mr. Al-Omar has also held numerous leadership positions, such as Accountant at Kuwait National Petroleum Company from 1972 to 1978, Manager of International IPOs at Kuwait Investment Company from 1978 to 1984, Manager of Local Investments at Kuwait Foreign Trading Contracting and Investment Company (KFICIC) from 1984 to 1989, and Executive Manager of the Debt Settlements Office at Kuwait Investment Authority from 1999 to 2017.

Sheikh Salem Abdulaziz Al-Saud Al-Sabah

Board Member since 2023

Chairman of the Board Governance and Sustainability Committee

Sheikh Al-Sabah received his BA in Economics from the American University of Beirut in 1977.

He has held several positions at the Central Bank of Kuwait since 1977, including Economic Analyst and Head of Studies section in the Foreign Operations Department in 1978, Head of the Investments and Studies sections and Deputy Manager of the Foreign Operations Department in 1980, Manager of the Banking Supervision Department in 1984, Executive Director of Banking Supervision and Monetary Policy in 1985, and Deputy Governor of the Central Bank of Kuwait in 1986.

Sheikh Al-Sabah held the position of Governor and Chairman of the Board of Directors of the Central Bank of Kuwait from 1986 to 2012. During this period, he held the position of Alternate Governor for the State of Kuwait at both the International Monetary Fund and the Arab Monetary Fund, and was a board member of several government institutions in Kuwait including the Kuwait Investment Authority, the Supreme Council for Planning and Development, and the Supreme Petroleum Council, and also served as Chairman of the Institute of Banking Studies (IBS).

He held the positions of Deputy Prime Minister and Minister of Finance from 2013 to 2014, member of the International Islamic Liquidity Management Corporation (IILM) from 2010 to 2012, and member and Vice President of the Financial Stability Board (FSB) Regional Consultative Group for the Middle East and North Africa (RCG FSB MENA) from 2011 to 2012.

Sheikh Al-Sabah has received numerous awards and recognitions, including Governor of the Year from Euromoney Magazine in 1988, Banker of the Year from Arab Research Center in 1997, Banker of the Year at the 4th Conference for Islamic Banks and Financial Institutions held in Kuwait in 2004, and Best Central Bank Governor in the Middle East from The Banker magazine in 2006.

Sheikh Al-Sabah has also participated in several local and international conferences and seminars and has delivered 51 different speeches addressing central banks' concerns and areas of financial markets and monetary policies in the State of Kuwait. His speeches have been compiled and published in seven books in both Arabic and English.

Mr. Noorur Rahman Abid

Board Member since 2014

Chairman of the Board Audit and Compliance Committee and Chairman of the Board Nomination and Remuneration Committee

Mr. Abid has been a Fellow Chartered Accountant from the Institute of Chartered Accountants in England and Wales (ICAEW) since 1976.

Mr. Abid was appointed as Assurance Leader for Ernst and Young Middle East and North Africa in 1999 and has vast experience within the profession spanning more than 41 years.

In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award in recognition of his contribution to the Islamic Banking industry.

Mr. Abid previously served as Chairman of the Accounting Standards Committee and Vice Chairman of the Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Mr. Abid is currently a member of the Board of Trustees of AAOIFI. He served as Chairman of the Audit Committee and Chairman of the Board Human Resources Committee at Meezan Bank, one of the largest Islamic Banks in Pakistan.

Additionally, he is a board member at Arcapita Company in the Kingdom of Bahrain and Chairman of the Audit Committee. He is a board member at Dr. Soliman Fakeeh Hospital in Jeddah in the Kingdom of Saudi Arabia, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr. Salah Abdulaziz Al-Muraikhi

Board Member representing Kuwait Investment Authority since 2018

Member of the Board Audit and Compliance Committee, the Board Executive Committee and the Board Governance and Sustainability Committee

Mr. Al-Muraikhi earned his BA in Finance from Kuwait University in 1984.

He received his MA in Business Management and Financial Accounting from Claremont Graduate University in the US in 1987.

Mr. Al-Muraikhi has held several positions at Kuwait Investment Authority since 1996, including the head of Private Equity Department at Kuwait Investment Office in London, the Director of the Hedge Fund Department and then the Acting Executive Director of Alternative Investments Sector at KIA.

Mr. Al-Muraikhi has a wealth of professional experience and has held numerous prominent positions in the economic and investment fields. He served as Chairman of the Board of Farah Al-Maghreb Company (previously known as Moroccan Kuwaiti Development Group) from 2015 to 2018, board member of Kuwait Investment Company from 2012 to 2018, Chairman of the Board for Pakistan Kuwait Investment Company from 2007 to 2012, board member of Kuwaiti Egyptian Investment Company from 2007 to 2013, board member of Grupo Plastico Company in Spain from 2004 to 2005, and Vice Chairman and Managing Director of Kuwait Real Estate Investment Consortium from 1998 to 2000 and from 1999 to 2000, respectively. He served as board member of the Housing Bank in Amman in Jordan from 1997 to 2001.

Mr. Mohammad Naser Al-Fouzan

Board Member since 2020

Member of the Board Risk Committee and the Board Investment Committee

Mr. Al-Fouzan earned his BA in Business Administration from Kuwait University in 1986. He also received his Higher Banking Diploma from the Arab Institute for Banking Studies in Jordan in 1989.

Mr. Al-Fouzan has successfully completed many specialized training programs and obtained numerous specialized professional certificates, such as the Executive Development Program from The Wharton School in the US in 2001 and the Strategic Management Program from Harvard Business School in 2006.

Mr. Al-Fouzan has served as board member of Kuwait Finance House (Malaysia) Berhad since 2014. He previously held positions in various companies such as Chairman of K-Net Company from 2005 to 2008 and Chairman of International Turnkey Systems Group (ITS) from 2008 to 2012.

Mr. Al-Fouzan held the position of Vice Chairman of Kuwait Finance House in Bahrain from 2012 to 2023 and Chairman of Kuwait Finance House in Bahrain since 2023 to 2024. He also held several executive positions at KFH Group including Group CEO Office Consultant from 2014 to 2018, Acting CEO in 2014 and Chief Retail Banking Officer from 2012 to 2014.

Mr. Ahmad Hamad Al-Thunayan

Board Member representing The Public Institution for Social Security since 2023

Member of the Board Risk Committee, the Board Investment Committee and the Board Nomination and Remuneration Committee

Mr. Al-Thunayan received his BA in Accounting from Kuwait University in 1990.

Mr. Al-Thunayan has been a board member of EPIC Investment Partners in the UK since 2021 and was a member of the Board of Directors of Al-Ahli Bank of Kuwait from 2022 to 2023. He also served as a board member of Agility Public Warehousing Company from 2019 to 2021 and Boursa Kuwait from 2019 to 2020.

Mr. Al-Thunayan has served as Head of the Operations Sector and Acting General Manager at the Public Institution for Social Security since 2017 and 2022, respectively. He previously held several senior positions, including Assistant Deputy Director of the Investment Department of Investment Accounting Affairs from 2010 to 2017, Head of the Tenders Committee from 2015 to 2016, and Chief Accountant from 1991 to 2000 at the Kuwait Fund for Arab Economic Development (KFAED). He has also held numerous positions at Zain Group, including Accounts Payable and Assets Department Manager from 2009 to 2010, member of the Financial Systems Development Committee in 2009, Procurement Manager from 2006 to 2008, Head of the Central Procurement Committee in 2006, Acting Treasury Manager from 2003 to 2005, and Accounts Payable Manager from 2000 to 2006.

Mr. Khalid Salem Al-Nisf

Board Member since 2014

Member of the Board Risk Committee, the Board Executive Committee and the Board Investment Committee

Mr. Al-Nisf received his BA in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. He also pursued specialized courses in Financial Statement Analysis from the Institute of International Research, in addition to several specialized courses in Islamic Banking.

Mr. Al-Nisf has served as a non-executive board member at Ahli United Bank in Bahrain since 2023 and as a board member of both Al-Shamiya Holding Company and Al-Tadamon Al-Kuwaitiya Holding Company since 2016.

Mr. Al-Nisf holds the position of Chairman of the Executive Board specializing in setting strategies and implementation at Al-Nisf Group of Companies. He has been CEO of Mohamed Bin Yusuf Al-Nisf and Partners Company, Al-Tadamon Al-Kuwaitiya Company, and Trading and Industrial Equipment Company since 2005.

Mr. Al-Nisf previously held several executive positions including Investment and Finance Manager at Al-Nisf Companies from 1997 to 2008, and was the Administration Manager from 1995 to 2007. He served as Deputy Chairman of the Kuwaiti Digital Computer Company from 2016 to 2019 and as a board member from 2001 to 2022.

He has 25 years of experience in the general trading, real estate investments and financial services sectors.

Mrs. Dalal Mahmoud Abdulkhaleq Al-Nouri

Board member representing the General Authority for Minors Affairs in alliance with Awqaf Public Foundation since November 2024.

Member of the Board Audit and Compliance Committee and the Board Governance and Sustainability Committee

Mrs. Al-Nouri received her BA degree in Civil Engineering from Kuwait University in 1996.

She has been serving as the Acting Director General of the General Authority for Minors Affairs since September 2024, and the head of the Department of External Branches at the General Authority for Minors Affairs since 2018. She is also a board member of the Zakat House and Al-Durra for Domestic Workers Company since September 2024.

During her career, she held several positions at the General Authority for Minors Affairs, starting from a Junior Civil Engineer in 1997, to the Head of the Coordination and Follow-up Department in 2006, the Head of Al-Ahmadi Department in 2017, and the Director of the External Branches Department in 2018, and the Acting Director General of the General Authority for Minors Affairs.

Mrs. Al-Nouri coupled her vast expertise with advanced training and leadership programs focusing on leadership, supervision, real estate, architecture, and strategic planning.

Mr. Fahad Ali Al-Ghanim

Board Member since 2014

Chairman of the Board Investment Committee and member of the Board Executive Committee and the Board Audit and Compliance Committee

Mr. Al-Ghanim received his BA in Civil Engineering from Kuwait University in 2002.

Mr. Al-Ghanim currently holds the positions of Board Member of Kuwait Finance House PLC since 2023 and Kuwait Finance House Bank- Egypt since 2023, Chairman of Ali Al-Ghanim and Sons Automotive Company (K.S.C.P) since 2021, CEO of Ali Mohammed Thunayan Al-Ghanim and Sons Automotive Company since 2005, Vice Chairman of Aayan Leasing and Investment Company since 2022, Chairman of Global Auto Group BMW in Egypt since 2020, The Chairman of Auto Mobility LLC (Geely), Egypt since 2022, and the Chairman of Milton Keynes Dons Football Club – London since August 2024.

Additionally, he has been Chairman of Al-Ahlia Heavy Vehicles Selling and Imports Company since 2022, board member of Kuwait Building Materials Manufacturing Company since 2004, board member and Treasurer of Kuwait Sports Club since 2007 and a member of the Kuwait Society of Engineers since 2003.

Mr. Al-Ghanim has held many prominent leadership positions including Chairman of Aayan Leasing and Investment Company from 2011 to 2022, Chairman of the Restructuring Committee at Aayan Leasing and Investment Company from 2010 to 2011, Vice Chairman of Al-Ahlia Heavy Vehicles Selling and Imports Company from 2011 to 2022, Chairman and CEO of Al-Ahlia Heavy Vehicles Selling and Imports Company from 2005 to 2011, and board member of the Representatives Board of World Agents of McLaren Automotive (representatives of the Middle East) from 2010 to 2015.

Mr. Al-Ghanim has held board member positions in numerous local companies including the International Company for Electronic Payment (UPS) from 2005 to 2010 and Al-Oula Slaughterhouse Company from 2002 to 2006 and was CEO of Ali Al-Ghanim and Sons Group of Companies in the contracting sector from 2002 to 2005.

Mr. Ahmad Meshari Al-Fares

Board Member since 2020

Chairman of the Board Risk Committee and member of the Board Governance and Sustainability Committee

Mr. Al-Faris received his BA in Accounting from the College of Business Administration at Kuwait University in 2000. He obtained his Master of Business Administration (MBA) in 2009 and Postgraduate Diploma in Business Administration in 2006 from Maastricht School of Management in Kuwait. He earned his Higher Diploma in Islamic Finance from the College of Graduate Studies at Kuwait University in 2010.

Mr. Al-Faris has been serving as Board Secretary of Kuwait Telecommunications Company since 2019 and is also Board Treasurer of Kuwait Transparency Society. In addition, Mr. Al-Faris was Acting Chief of the Internal Audit Department at Kuwait Telecommunications Company from 2019 to 2020, Assistant Undersecretary for Corporate Affairs and Commercial Licenses at the Ministry of Commerce and Industry from 2017 to 2018, board member of the Public Authority for Industry from 2017 to 2019, and board member of the Central Bank of Kuwait in 2018. He served as Chairman of the Kuwait Accountants and Auditors Association from 2015 to 2017, and board member from 2007 to 2015.

Mr. Al-Faris has earned multiple professional certifications, including Certified Compliance Officer (CCO) in 2019, Certified Merger & Acquisition Specialist (CMAS) in 2017, Certified Professional Internal Auditor (CPIA) from the US in 2015, Certified Risk Based Auditor (CRBA) in 2015 and Certified Risk Analyst (CRA) from Hong Kong in 2014.

Mr. Muad Saud Al-Osaimi

Board Member since 2014

Member of the Board Executive Committee, the Board Audit and Compliance Committee and the Board Investment Committee

Mr. Al-Osaimi earned his BSc in Finance from George Mason University in the US in 2001.

Mr. Al-Osaimi has served as a non-executive board member at Ahli United Bank in Bahrain since 2023 and Chairman of Kuwait Finance House (Malaysia) Berhad since 2017. He has also been a board member of numerous companies including Kuwait Gate Holding Company from 2004 to 2014, Kuwait Financial Center Company from 2008 to 2011 and Al-Raya International Holding Company from 2005 to 2009.

Mr. Al-Osaimi has held the position of CEO of Faiha International Real Estate Company since 2017. He previously held the position of Deputy General Manager of Global Retail Company from 2003 to 2020. Additionally, he completed an 18-month specialized training program for graduates at Kuwait Investment Authority (KIA) in 2001 and worked in the Investment Department of Aayan Leasing and Investment Company in 2002.

Mr. Naser Abdullateef Al-Rodan

Board Member representing Kuwait Investment Authority since November 2024

Member of the Board Risk Committee and the Board Nominations and Remunerations Committee

Mr. Al-Rodan received his BA in Economics from the College of Business Administration at Kuwait University in 2008.

Mr. Al-Rodan is an accomplished investment professional with over 15 years of experience in financial markets, specializing in analyzing exogenous and indigenous economic factors, asset allocation and equity market research and outlooks.

He serves as Division Manager for Emerging Equities at the Kuwait Investment Authority (KIA) since 2023. Mr. Al-Rodan's expertise extends beyond his professional roles, having represented KIA on the boards of organizations such as the Kuwait Flour Mills and Bakeries Company since October 2024 where his role is vice chairman of the board, Kenana Sugar Company since 2020 and head of its audit committee, the International Tourism and Investment Consortium from 2014 to 2020 and El-Zamalek Tourism and Investment Company from 2014 to 2020.

Throughout his career at KIA, Mr. Al-Rodan has held several roles, starting as an investment analyst at the Strategy and Planning Department moving on to an Investment Manager at the European Equities Division and finally as the Emerging Equities' Division Manager.

He also held key roles including developing frameworks for assessing regional market opportunities and producing comprehensive economic and market outlooks.

Mr. Al-Rodan has further enriched his expertise through extensive training programs with leading financial institutions like UBS, Goldman Sachs, BNY Mellon and Allianz Global Investors, focusing on leadership, asset management, and sustainable investing.

Fatwa & Shari'a Supervisory Board

Sheikh Professor Dr.

Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e

Chairman of Fatwa & Shari'a Supervisory Board

Dr. Al-Tabtaba'e received his PhD in 1996, and his master's degree in 1993 from the Higher Judicial Institute at Imam Mohammad Ibn Saud Islamic University in Riyadh with First Class Honours, his bachelor's degree in 1988 from the College of Sharia at Imam Mohammad Ibn Saud Islamic University in Al-Qaseem, and professorship from Kuwait University in 2004.

He is currently the Chairman of Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014.

Dr. Al-Tabtaba'e chairs the Fatwa Board for Personal Status Law of the Ministry of Awqaf & Islamic Affairs in the State of Kuwait. During his professional career he held several prominent positions e.g., Chairman of the Shari'a Law Implementation Committee, and Member of the Board of Trustees of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Dr. Al-Tabtaba'e is the Dean of Shari'a and Islamic Studies College at Kuwait University, former Vice Chancellor of Kuwait University, and a teaching faculty member of the college.

Sheikh Professor Dr. Mubarak Jaza Al-Harbi

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Harbi received his PhD in 2002 and his master's degree in 1998, both in Comparative Islamic Jurisprudence from the Faculty of Dar Al-Uloom at Cairo University, Egypt. He obtained his bachelor's degree in Shari'a from the Islamic University of Medina, Kingdom of Saudi Arabia in 1992.

Currently, he is a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2009.

Dr. Al-Harbi is a former member of the Fatwa and Shari'a Supervisory Board for Kuwait Finance House - Bahrain. He is also a member of the Fatwa Board at the Ministry of Awqaf and Islamic Affairs in Kuwait, and a member of Fatwa and Shari'a Supervisory Boards at various Islamic financial institutions and organizations. He is also a member of the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Dr. Al-Harbi was former head of the Comparative Islamic Jurisprudence and Shari'a Policy Department at Shari'a and Islamic Studies College of Kuwait University.

Sheikh Dr. Anwar Shuaib Al-Abdulsalam

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Abdulsalam received his PhD in 1999 and his master's degree in 1996 both in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt. He obtained his bachelor's degree in Shari'a from Kuwait University in 1989.

He is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2000, in addition to the Fatwa and Shari'a Supervisory Boards in various Islamic financial institutions and organizations including Kuveyt Turk Participation Bank.

Dr. Al-Abdulsalam was former head of Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College of Kuwait University.

Sheikh Dr. Khaled Shuja' Al-Otaibi

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Otaibi received his PhD in 2000 and his master's degree in 1995 both in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia. He obtained his bachelor's degree in the same field and from the same university in 1991.

He is currently a member of the Fatwa and Shari'a Supervisory Board at Kuwait Finance House since 2014.

Dr. Al-Otaibi is a teaching faculty member at the Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College of Kuwait University. He is the head of the Shari'a Supervisory Board at Kuwait Zakat House, the general advisor for Kuwait Hajj Delegation, and a member of Fatwa and Shari'a supervisory boards at various Islamic financial institutions and organizations. In addition, he serves as Imam and orator at the Ministry of Awqaf and Islamic Affairs in Kuwait.

Sheikh Dr. Esam Abdulrahim Al-Ghareeb

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Ghareeb received his bachelor's degree in Islamic Jurisprudence and Usul Al-Fiqh from Kuwait University in 1988.

He is currently a member of the Fatwa and Shari'a Supervisory Board at Kuwait Finance House since 2014.

Dr. Al-Ghareeb is a teaching faculty member at the Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College and at the Faculty of Law of Kuwait University.

Dr. Al-Ghareeb previously held the position of Assistant Dean at Shari'a and Islamic Studies College and College of Law of Kuwait University. He also held the membership of the Shari'a Law Implementation Committee.

Fatwa & Shari'a Supervisory Board's Report

The Annual Report of Fatwa and Shari'a Supervisory Board 2024
Kuwait Finance House

To the respected KFH shareholders,

السلام عليكم ورحمة الله وبركاته

Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad (PBUH), his family and his companions.

We have reviewed and endorsed the policies, products, services and the activities that KFH had carried out in 2024. We have also conducted the necessary review to provide our opinion on KFH compliance with Shari'a rules and principles through the fatwas, resolutions and recommendations that we have issued.

To achieve this compliance assurance, the Fatwa and Shari'a Supervisory Board held 28 meetings during the year 2024, in which it had reviewed and endorsed samples of the contracts and agreements after obtaining the necessary information to issue its opinion. The Shari'a Research and Advisory Department conducted its review on contracts, agreements and policies and procedures as per Fatwa and Shari'a Supervisory Board's resolutions in addition to the Group Internal Shari'a Audit conducted audit exercises on randomly selected samples of all operations and transactions of KFH with the shareholders, investors, clients and others in accordance with the Annual Shari'a Audit plan for all the Bank's departments and subsidiaries. The Shari'a Board has also received the periodic reports that the Group Internal Shari'a Audit Department has prepared on the Shari'a audit process and operations, site visits and compliance status of the process and implementation of the fatwa and resolutions issued by the Fatwa and Shari'a Supervisory Board.

We have also obtained all necessary information and clarifications to give us sufficient evidence to provide reasonable confirmation that KFH and its subsidiaries had complied with Shari'a rules and principles in all its operations that have been presented to the Fatwa and Shari'a Supervisory Board.

First; the contracts and transactions which KFH had entered into during the financial year ending on 31 December 2024 as presented to us had complied with the Shari'a rules, principles and resolutions and recommendations of KFH Fatwa and Shari'a Supervisory Board.

Second; the profit distribution and loss bearing on the investment accounts are in compliance with the terms of our approval in accordance with the rules and principles of Shari'a.

Third; the Zakat calculation is made in accordance with the Company Zakat Manual issued by Kuwait Zakat House, and in accordance with the resolutions and recommendations of KFH Fatwa and Shari'a Supervisory Board.

Peace be upon our Prophet Muhammad, his family members and companions and praise be to Allah, the Lord of the Universe.

Shaikh/Professor Dr. Sayyid Mohammad Sayyid Abdul Razaq Al-Tabtabae

Chairman

Shaikh/Dr. Anwar Shuaib AL-Abdulsalam

Shariah Board Member

Shaikh/Professor Dr. Mubarak Jeza Al-Harbi

Shariah Board Member

Shaikh/Dr. Khaled Shujaa Al-Otaibi

Shariah Board Member

Shaikh/Dr. Esam Abdulrahim Ghareeb
Shariah Board Member

Date: 30 Jumada Al-Akhera 1446H
Corresponding: 31 December 2024

External Shari'a Audit Report during 2024

شـورى للاستشارات الشرعية
Shura Sharia Consultancy

External Sharia Audit Report of KUWAIT FINANCE HOUSE (K.S.C.P) for the Fiscal Year Ended 31 December 2024

To the Esteemed Shareholders

KUWAIT FINANCE HOUSE (K.S.C.P)

We have conducted the external Sharia audit over the contracts, operations and activities (transactions) of **KUWAIT FINANCE HOUSE (K.S.C.P)(the Bank)** for the fiscal year ended 31 December 2024, in accordance with the instructions of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's contracts, operations, and activities (transactions) are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the Bank's Sharia Supervisory Board **(Sharia Supervisory Board)**.

Opinion

In our Opinion, the contracts, operations, and activities (transactions) concluded and executed by the concerned departments at **the Bank** during the fiscal year ended 31 December 2024 comply with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the **Sharia Supervisory Board**.

Basis for Opinion

We have conducted the external Sharia audit based on the following professional instructions and standards:

1. Instructions of the of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016.
2. External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
3. The International Standard on Assurance Engagements (Standard 3000), Assurance other than Audits or Reviews of Historical Financial Information.

These standards require us to adhere to the ethical requirements, plan and conduct the external Sharia audit to obtain reasonable and independent assurance that **the Bank** complies with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the **Sharia Supervisory Board**.

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Responsibility of the Management

The Bank's management is responsible for compliance with Islamic Sharia rules and principles in accordance with the resolutions and fatwas issued by the **Sharia Supervisory Board** in all contracts it concludes and transactions and activities it carries out, and relevant policies and procedures. The **Bank's** management is also responsible for establishing and maintain an efficient and effective system for internal Sharia control enables it to achieve compliance with Islamic Sharia rules and principles in all its transactions according to the resolutions and fatwas issued by the **Sharia Supervisory Board**.

Responsibility of the External Sharia Auditor

Our responsibility is to conduct the external Sharia audit in accordance with the instructions of Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's operations and activities are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the **Sharia Supervisory Board**.

Summary of External Sharia Audit Work

We have conducted the external Sharia audit work according to the External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Standard on Assurance Engagements (Standard 3000), Assurance other than Audits or Reviews of Historical Financial Information, and we carried out the external Sharia audit work according to the followings:

1. Planning for external Sharia audit based on the potential Sharia risks.
2. Examine the **Bank's** internal Sharia control system, not to express opinion on the efficiency and effectiveness of the system, but with the aim to design appropriate external Sharia audit procedures that enable us to obtain a reasonable and independent assurance.
3. Assessment of the potential Sharia risks based on the **Bank's** Sharia risks matrix.
4. Design external Sharia audit programs based on the results of the potential Sharia risks assessment.
5. Using external Sharia audit programs in examining transactions on products, operations and activities executed by **the Bank**, on a sample basis.
6. Gathering the findings of the examinations and audits we conducted, discussing those findings – if any – with the departments responsible for execution such transactions at **the Bank**.

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Shura Sharia Consultancy

7. Issue a draft of the external Sharia audit report and discuss it with the concerned executive departments at the Bank.
8. Issue of the final external Sharia audit report.

We conducted several field audit visits to the concerned executive departments at **the Bank**. We conducted a number of 85 field audit visits. The first visit was on 11/09/2024 and the last one was on 05/01/2025.

Our External Sharia Audit included, mainly, the following concerned executive departments:

- **Sharia Supervisory Sector :**

(Secretariat of SSB - Research and Sharia Consultations - Internal Sharia Audit)

- **Kuwait KFH Sector**

(Corporate / Retail Banking -Marketing and Corporate Communication – Media and PR)

- **Treasury Sector**

(Financial Institutions – Kuwait Treasury)

- **Financial Control and Supervisory Reports Sector**

(Accounting and Financial Reporting -Investments, Planning and Reporting)

- **Group Compliance and Governance Sector**

(Regulations Compliance -Surveillance and Monitoring of Regulatory Information)

- **Human Resources and Group Transformation Sector**

(Human Resources & Remuneration Operations - Recruitments - General Services)

- **Group Transformation, Technology & Operations Sector**

(Banking Operations -Finance Operations)

- **Legal Group Sector**

(Legal of Banking Services – Legal of Real Estate - Legal of Credit & Corporate Finance)

- **Risk Management Sector**
- **Kuwait KFH Internal Audit Sector**

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Our External Sharia Audit basically included the following:

1. Conduct discussions with the **Bank's** management on the Sharia supervisory and control system and the **Bank's** organizational and administrative structure.
2. Review the documents, systems, policies, and procedures adopted by **the Bank** to establish the framework for **the Bank's internal** Sharia control system, which included:
   - Review the minutes of **Sharia Supervisory Board** meetings.
   - Review the manuals of policies and procedures for the internal Sharia control system.
   - Review **the Bank's** policies and procedures related to recruitment and employees training procedures.
   - Review internal Sharia audit reports.
   - Review **the Bank's** policy related to reporting on Sharia violations - if any - in the executed activities and operations.
   - Review the policies and procedures related to correcting Sharia violations - if any -.
3. Review the resolutions and fatwas issued by the **Sharia Supervisory Board** during the fiscal year ended 31/12/2024, related to concluded contracts, and products, operations and activities provided by or entered by the Bank and to ensure that they are implemented by concerned departments at **the Bank**, in accordance with the **Sharia Supervisory Board's** approvals.
4. Review the manuals of policies and procedures related to the operations, products and activities carried out by the concerned departments at the Bank and reviewing them to ensure that they are approved by the **Sharia Supervisory Board**.
5. Review the terms, conditions, contracts, and documents related to banking and financing products and operations provided by **the Bank** and reviewing them to ensure that they are approved by the **Sharia Supervisory Board**.
6. Review the contracts concluded with external parties by the concerned executive departments at **the bank** and reviewing them to ensure that they are approved by the **Sharia Supervisory Board**.
7. Review **the Bank's** investment activities and operations to ensure that they are approved by the **Sharia Supervisory Board**.

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8. Examining the transactions executed by the concerned executive departments at **the Bank** - on a sample basis - of the banking and financing products, operations, and contracts of **the Bank** to ensure that they were carried out according to the Sharia terms of reference established for those transactions, as follows:

   - The forms and contracts approved by the **Sharia Supervisory Board**.
   - Manuals of policies and procedures that have been approved by the **Sharia Supervisory Board**.
   - Policies, terms, and conditions that have been approved by the **Sharia Supervisory Board**.

9. The banking, financing and investment contracts, operations and products that have been examined and reviewed include, for example but are not limited to the following:

   - Banking accounts.
   - Banking cards.
   - Treasury products, operations, and contracts.
   - Corporate finance contracts.
   - Retail financing contracts.
   - Investment funds and portfolios.
   - Contracts concluded with external parties.

10. Reviewing **Sharia Supervisory Board's** report for the fiscal year ended 31/12/2024.

Dr. Yazeed M. Alqattan

Shura Sharia Consultancy

05 Rajab 1446 H
05 January 2025

State of Kuwait

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First: World economic outlook

Economic growth painted a mixed picture across the globe. While many countries struggled to regain pre-pandemic momentum, some regions, particularly the United States, showed signs of improvement, prompting the IMF to increase its growth projections. This growth was driven by a surge in production, consumer demand, and employment opportunities. The IMF revised its growth forecasts upward for Indonesia, the Philippines, Malaysia, Singapore, and Thailand. This positive outlook is attributed to a surge in demand for semiconductors and electronics, and substantial investments in AI. IMF, however, has revised its growth estimates downward for advanced economies, European countries, developing economies, the Middle East and Central Asia, and Africa. The downward revision stems from geopolitical tensions in these regions throughout 2024, disrupting supply chains. The IMF's latest data from October 2024 indicates that global GDP growth at constant prices will slow to approximately 3.2% in 2024. The IMF projects that this growth rate will persist into 2025.

Second: Geopolitical crises & the world economy

Geopolitical crises within the Middle East have imposed substantial restrictions on international trade and maritime transportation, resulting in considerable economic impediments, including inhibited growth, delayed economic recovery, and a heightened risk of exacerbating existing regional crises. The ongoing conflict between Russia and Ukraine has inflicted severe economic damage, stalled growth and paralyzed global supply chains for the past two years. On the other hand, the BRICS bloc, consisting of Brazil, Russia, India, China, and South Africa, expanded its membership to new countries, two of which are Arab countries: the United Arab Emirates and Egypt; in addition to Iran, Argentina, and Ethiopia. Saudi Arabia withdrew its membership bid due to the threat of US tariffs, and so did Argentina. The BRICS bloc aspires to ascend to a dominant position in the global economy, challenging the established influence of the G7 nations, namely the United States, Canada, the United Kingdom, France, Germany, Italy, and Japan.

Global inflation: The IMF, in its most recent data released in October 2024, predicts that global inflation will average 5.8% in 2024, with advanced economies experiencing an average of 2.6%. This includes 41 countries, primarily in Europe and Asia, such as China, Japan, Singapore, Korea, the United States, and Canada. The IMF projects a slight decrease in average inflation for advanced economies, including the Eurozone, to 2.0% in 2025. This follows an expected 2.4% average inflation in the Eurozone for 2024. In developing countries, the IMF projects average inflation to reach 7.9% in 2024, subsequently declining to 5.9% in 2025. IMF forecasts that inflation in the Middle East and Central Asia will reach a high of 14.6% in 2024, before declining to 10.7% in 2025 (IMF's latest data from October 2024).

Gold: Goldman Sachs anticipates gold prices to reach $3,000 per ounce by the end of 2025. This prediction coincides with a surge in central bank gold purchases, reaching 694 tons in 2024. Alternatively, JPMorgan offers a more tempered projection for 2025, expecting an average gold price of $2,600 per ounce. This projection is driven by concerns about potential trade restrictions from the new US administration, coupled with anticipated tariffs and tax policies that could strengthen the US dollar and fuel inflation. These factors could lead to a decrease in worldwide gold demand. At the end of December 2024, the price of gold closed at $2,625.00 per ounce.

Oil market: According to data from the General Administration of Customs, China's crude oil imports fell 1.9% in 2024. Imports totalled 553.4 million tons, equivalent to 11.04 million barrels per day (bpd), compared with 2023's record of 11.28 million bpd, while U.S. oil production is on track to achieve an unprecedented high of 13.2 million bpd in 2024.

Interest rates: The Central Bank of Kuwait (CBK) is keeping a close eye on global economic trends, particularly the actions of the U.S. Federal Reserve. In late September 2024, the CBK lowered its discount rate by 25 basis points to four percent. This move brings the Kuwaiti rate in line with the lowest among its Gulf Cooperation Council (GCC) neighbors. The Federal Reserve has lowered interest rates by 100 basis points in 2024, with the most recent reduction of 25 basis points occurring on December 18, 2024. This brought the target borrowing rate range to between 4.25% and 4.75%. With a healthy US economy characterized by a 4.2% unemployment rate (November 2024) and an expected inflation rate of 2.5% in 2025, the Federal Reserve has taken steps to loosen its monetary policy.

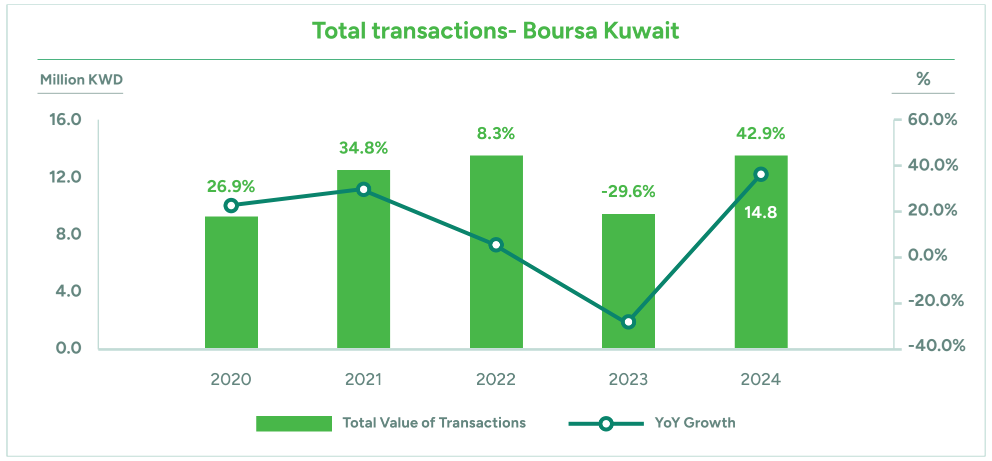
Third: Economy of Kuwait

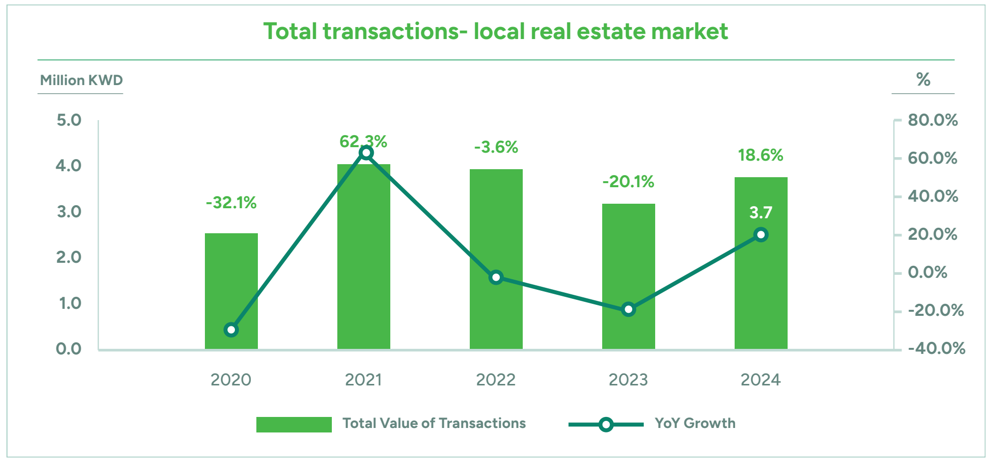
The IMF predicts that Kuwait's current account will generate a surplus of roughly $45.7 billion in 2024. This surplus is anticipated to decrease to approximately $38.3 billion in 2025, which is equivalent to 23.7% of the country's GDP. Additionally, the IMF forecasts that average inflation in Kuwait will decrease to 2.4% in 2025. Fitch Ratings highlights Kuwait's exceptional fiscal strength and substantial external assets compared to other countries it rates. The agency projects Kuwait's net foreign assets to surge to over 538% of GDP in 2024 and surpass 553% of GDP by 2025/2026. According to data from the Kuwaiti Ministry of Finance, the estimated government revenues in the general budget for the fiscal year 2024/2025 are approximately KD 18.9 billion. Oil revenues are projected to contribute KD 16.2 billion, constituting 85.8% of the estimated total. Government expenditures are estimated at approximately KD 24.5 billion. The 2024/2025 budget estimated an oil price of $70 per barrel, an exchange rate of 306 Kuwaiti fils to the US dollar, daily oil production at approximately 2.55 million barrels, and production costs of around KD 4.0 billion.

Kuwaiti banking sector: According to the Central Bank of Kuwait's data, Kuwaiti local banks concluded 2024 with assets exceeding KD 91.7 billion. Local banking credit amounted to KD 49.4 billion, comprising 53.9% of total assets and nearly all 97.9% of local bank deposits. Retail credit totalled roughly KD 19.3 billion, comprising 39.2% of all outstanding credit. At the end of 2024, local bank deposits neared KD 50.5 billion. Private sector deposits surpassed KD 39 billion, government sector deposits approached KD 4.9 billion, and public institutions held KD 6.6 billion in local banks. Non-performing loans in Kuwait accounted for 1.7% of total loans in the third quarter of 2024, according to the Central Bank of Kuwait.

Boursa Kuwait: The Boursa Kuwait experienced robust trading activity in 2024, fuelled by factors such as lower interest rates, increased speculative trading, ample liquidity, and rising foreign investment in Premier Market companies. The trading value on the Boursa Kuwait in 2024 reached approximately KD 14.8 billion, representing a 42.9% increase compared to the trading value in 2023. The market capitalisation of the Boursa Kuwait increased to KD 43.6 billion at the end of December 2024, an 8.2% increase from the end of December 2023. The Main Market index of the Boursa Kuwait rose to 6,907 points at the close of trading on December 31, 2024, representing a 24.0% increase compared to the closing value on December 31, 2023.

Local real estate transactions: The Kuwaiti real estate market experienced robust growth in 2024, with transaction values exceeding KD 3.7 billion, an 18.6% leap from the previous year, according to the Ministry of Justice's annual report. The surge was primarily attributable to a substantial increase in commercial real estate transactions, which reached KD 755 million, representing a 45.2% year-over-year growth. Investment in real estate saw a substantial surge, surpassing KD 1.2 billion, marking a significant 33.9% increase from the preceding year. Other real estate sectors also saw significant growth. Private housing transactions surged, exceeding KD 1.5 billion in 2024, a 4.3% rise from 2023.





In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet, his family, and companions.

Dear Esteemed Shareholders,

Assalamu Alaikum Warahmatu Allah Wabarakatuh,

Throughout 2024, we worked diligently to expand and develop the integrated financial services and products offered by Kuwait Finance House (KFH) Group, incorporating digitization, innovation, and sustainability into our business model and various operations. We ensured that the operating model aligned with the needs and aspirations of our retail and corporate customers across all markets where the Group operates. This alignment was tailored to the unique characteristics, capabilities, and opportunities available in each market.

Merger Success

KFH's successful completion of all merger steps with (formerly) Ahli United Bank - Kuwait (AUBK) was a highlight of 2024. KFH achieved the operational integration of the two banks with high efficiency and in record time, marking a new chapter of success, achievement, and leadership for the bank.

I am proud of the successful, smooth integration and seamless transition for shareholders, customers, and employees. This success benefits customers by leveraging our wide geographic reach in strategically important regional and global markets. In turn, shareholders benefit from enhanced profitability and improved financial performance.

It is noteworthy that the merger - coupled with the conversion of Ahli United Bank operations in Bahrain, the UK, and Egypt into Islamic banking - positions KFH to offer exceptional value to all stakeholders. The merger also leverages emerging opportunities to contribute to the growth of the Kuwaiti banking sector and expand the reach of the Islamic finance industry locally, regionally, and globally.

Despite the challenges, a large team from various sectors and departments successfully completed more than 250 phases, encompassing over 2000 tasks. Accounts and products for more than 280,000 (formerly) AUBK customers were migrated. Moreover, over 80 systems were unified across all sectors of the Bank, streamlining services and products.

Strategy

Our strategic plans during 2024 focused on expanding our role in the Islamic finance industry, emphasizing ambitious objectives that maximize our strengths. These efforts have been directed towards enhancing innovation and digital transformation, which further solidifies the position of KFH within the financial sector both domestically and globally. Through establishing strategic global partnerships and alliances, KFH has effectively financed mega developmental projects, contributing to the promotion of sustainable economic growth in alignment with the United Nations Sustainable Development Goals (SDGs) aiming to extend Takaful insurance to 100 million farmers worldwide. In addition, KFH outlined a sustainability strategy and plans to establish a green financing platform that links Islamic finance with sustainable development projects.

During the year, KFH focused on crafting strategic goals that address current challenges. Measurable indicators were established to track progress towards achieving these goals. This approach yielded tangible results, with numerous indicators demonstrating positive outcomes at the Group level, including its geographical expansion. The strategic plan enabled KFH to achieve significant milestones within a record six months, ensuring the seamless integration of operations between KFH and AUBK. This success marked one of the shortest timelines accomplished in recent years for any of the five large-scale merger banking projects within the Gulf Cooperation Council (GCC) region. Furthermore, these goals facilitated the conversion of subsidiaries in the United Kingdom and Egypt into operations compliant with Islamic Shari'a, opening doors to new opportunities for Islamic banking in the markets of Egypt and UK, which are considered promising avenues for Islamic financial activities.

Human Resources

Group Human Resources and Transformation Department played a significant role in the successful completion of the KFH-AUBK merger, the largest in Kuwaiti banking history. The department facilitated a smooth transition for (formerly) Ahli United Bank - Kuwait employees, integrating them into KFH's payroll system and unifying security systems across (formerly) AUBK`s locations.

The merger contributed to an increase in the national employment rate and the creation of quality job opportunities, particularly given that the merged entity is headquartered in Kuwait. Larger entities generally require a greater workforce, thus increasing the demand for national employment. The new workforce can also contribute to the Group's success in the markets where it operates. The acquisition enhanced KFH's capacity to recruit top talent and support the development of the national workforce. Indeed, KFH hired [149] employees, with women's representation at %23 and a Kuwaitization rate of [98%]. These achievements were realized by the grace of Allah and the dedication of our human capital.

Globally, KFH received 13 HR international awards for 2024 from the renowned Brandon Hall Group, a leading organization in evaluating and assessing the performance of institutions worldwide. This marks the highest number of awards received by any organization locally and regionally. Furthermore, KFH maintained a strong commitment to significantly investing in the professional and educational growth of its human capital. In this regard, the Group Human Resources and Transformation department effectively delivered over 115,934 training hours to 3,997 employees.

As part of KFH's leadership development initiative, 26 managers participated in the Building Leadership Excellence program this year at the group level. Also, 19 employees were accepted under full sponsorship from KFH in the scholarship program, and 39 employees graduated from Forssah program designed to attract and develop high-achieving Kuwaiti graduates. The Bank also offered online digital transformation courses and continued converting the products-related training into e-learning courses.

To streamline processes and efficiently address employee needs, the HR Help Desk platform has been developed. This platform organizes the process of receiving and fulfilling employee requests, with over 2,500 requests already processed. As for employees' wellbeing, health insurance coverage benefits for employees and their families have been enhanced. Additionally, the KFH Happiness Team has organized over 18 sports, social, and recreational activities for employees. In recognition of its distinguished employees, KFH honored 180 individuals in H1-2024 through Qadha program, a globally recognized initiative by Brandon Hall.

In line with the Group Human Resources and Transformation focus on families of employees, KFH honored the outstanding high school students of KFH employees for the fourth consecutive year. Additionally, the Arabic language initiative - now in its second year - was organized for the children of employees, with approximately 140 participants.

As part of its social commitment, KFH launched its fourth edition of a tailored training program designed for students with special needs to develop their skills and enhance their expertise in collaboration with the Kuwait Society for the Handicapped. Workshops, seminars, and sessions were also organized at universities and colleges to offer career guidance and advice to students. Additionally, the Bank opened its smart branch in Abu Fatira, the ninth among KFH smart branch series, facilitating banking services and keeping pace with the latest technology.

KFH's keenness in nurturing employees' health, professional and family needs, promoting social responsibility and developing its services stems from its goal of becoming one of the world's top 100 banks within the next decade.

KFH also paid close attention to upskilling professionals by launching its Real Estate Appraisal Program, for individuals interested in the real estate sector. The program is a fruitful result of a collaboration with the Gulf University for Science and Technology (GUST). This is the first program of its kind in Kuwait tailored to cover the latest technical and professional trends in the real estate industry.

Group Treasury

The Group Treasury successfully navigated numerous significant internal and external challenges in 2024, particularly following the acquisition of Ahli United Bank Group. On the global front, the forecasted shift in global and local interest rates, driven by the declining inflation rate, increased the focus on the decisions of the U.S. Federal Reserve and the Central Bank of Kuwait. To reduce uncertainty and enhance our assets portfolio which exceeds $125 billion, we placed a Group-wide prudent precautionary strategy to maintain a consistent solid performance. We increased our financial derivatives portfolio, in terms of size and products. Additionally, unifying the financial transactions and activities, making them a central component at the Group level, strengthened our presence in the market and reinforced the standing of KFH as a leader in the Islamic banking.

Following the acquisition, the Group Treasury was assigned to improve the Group's financing portfolio across all currencies. Leveraging KFH's expertise in the market, the Group projected to achieve synergies in the cost of financing at the Group level and consolidate AUB's entire portfolio within two years. This estimation was achieved in 8 months, exceeding the target by over 12%.

The Group Treasury continued its investments and market making activities in the Primary and Secondary Capital markets. While being one of the most active Sukuk market players, Group Treasury executed Sukuk transactions worth more than $13 billion during the year and increased its secondary market activities in the International Islamic Liquidity Management Corporation (the IILM)'s short term issuances. KFH Group Treasury maintained its top 3 position in the IILM Sukuk primary dealer list since the program's inception and continues to be the first ranked IILM secondary market dealer for the 4th consecutive year amongst several international and regional banks, thus affirming KFH's position as a core player in the short-term IILM Sukuk market.

The Group Treasury increased its network of capital market counterparties to further improve access to better pricing, diversification, competitive rates, and enhanced trade opportunities in the Sukuk market. The Group's retail client activity amounted to $267 million in 2024. This increase is due to the growing retail demand as well as the expanded retail base resulting from the acquisition of AUB. As part of the Bank's ESG initiative, the Group Treasury expanded its ESG Sukuk exposure to reach $653.2 million in 2024 compared to $249 million in 2023; an increase of 162.3%. These efforts reflect Group Treasury dedication to sustainable investment practices through its continued investments in ESG-compliant Sukuk.

Throughout the year, the Group Treasury achieved over $45 billion volume in FX transactions during the year and onboarded several new reputable corporate clients who has shown keen interest in FX Spot and Islamic derivatives hedging instruments and solutions. To further enhance the FX activities, the Group Treasury established a leading Market Maker for GCC currencies market with its global and local counterparts. KFH maintained its pioneering position in the Kuwaiti banking sector in all Shari'a-compliant treasury products and services.

Sukuk

The Group continued its leadership in issuing international Sukuk. KFH Capital, the investment arm of the Group, successfully led and arranged approximately $17.8 billion in Sukuk Issuance for sovereigns and corporates across various sectors and geographies in 2024. Furthermore, KFH Capital has emerged as a leader in Sukuk issuance, acting as a lead manager and bookrunner in the $1 billion Sukuk for Al Rajhi Bank. In addition, the Company successfully arranged Sukuk issuance for Dubai Islamic Bank worth $1 billion, and Sukuk issuance worth $800 million for First Abu Dhabi Bank (FAB). KFH Capital also played the role of a global coordinator for the issuance of $1 billion Sukuk for KFH.

KFH Capital demonstrated its leadership in the Sukuk industry, acting as a joint lead manager and bookrunner for two Sukuk issuances worth $3.5 billion for the Saudi Public Investment Fund (PIF). The Company also led and arranged the issuance of a $3 billion international Sukuk for the Saudi giant, Aramco. Additionally, Turkiye Wealth Fund (TWF), in its first international Islamic finance transaction, assigned KFH Capital to act as a joint bookrunner, allowing TWF to raise $750 million with competitive prices.

Investment Funds

In line with the Bank's ambitious growth plans, KFH Capital successfully marketed two Ijarah funds, two real estate funds, and a USD money market fund. These funds are designed to provide Private Banking clients with targeted returns. The objective of these investment funds is to achieve attractive rates of return by investing primarily in Ijarah-based assets. Meanwhile, the $55.5 million real estate fund seeks to generate stable income through investments in a diversified portfolio of residential land in major urban areas within the United States. In addition, the company is marketing a GBP 77 million UK real estate fund whose portfolio consists of two student housing properties in London.

These initiatives signify the continued expansion of KFH Capital's international investment portfolio and reflect the company's growing presence in the real estate markets of North America and the United Kingdom. This growth stems from KFH Capital's strong relationship with well-established real estate firms and asset managers, aiming to diversify the assets and provide long-term value for investors.

KFH Capital

The Asset Management Sector at KFH Capital remained committed to delivering innovative services and value-adding solutions to its clients, with a particular focus on enhancing trading services last year. This year, we are proud of the company's comprehensive approach in assets management, which emphasizes strategic portfolio diversification, robust risk management, and a balanced approach to both. Our expert team works closely with clients to understand their financial goals, ensuring that our investment strategies are aligned with their aspirations and plans. We will continue to strive to strengthen our relationships with clients and achieve sustainable growth by providing innovative investment solutions and products.

The company maintained its prestigious position during 2024, winning distinguished global awards, including: Hybrid Deal of the Year Award from the Islamic Finance News (IFN), Kuwait`s Best Investment Bank from Global Finance, Islamic Finance Deal of the Year Award for its role in the Republic of Turkiye's $2.5 billion Sukuk, and Best for Fixed Income in Kuwait from Euromoney.

In addition, 2024 marked a pivotal year for KFH Capital's digital transformation. The company's Asset Management System (AMS) went through a breakthrough, acting as a centralized platform for funds and assets management and contributing significantly to the automation of the current processes. The company has also launched two impactful initiatives. First, an integrated investment management portal that connects with internal systems, empowering employees to complete tasks that previously necessitated physical intervention and client presence. Second, a dedicated mobile application (KFH Wealth App), was meticulously designed to provide customers with a holistic view of their investments and streamline the subscription process for any public funds offered by KFH Capital.

Corporate Banking

KFH continued its role in providing necessary financing for companies and major projects at the local and regional levels. This included a syndicated financing deal involving several GCC banks to fund KD 232 million to the Saudi Electricity Company.

KFH also participated in a syndicated financing deal of KD 63 million to Ras Laffan Petrochemical Company for development and operation of the Ras Laffan Petrochemical Project in Qatar. It also participated in a syndicated financing deal providing KD 79 million to Macquarie Aviation Finance in Ireland, as well as a tranche of KD 31 million within the KD 184 million syndicated financing to the Egyptian General Petroleum Corporation.

KFH also played a pivotal role in the local economy by financing large scale complex projects across various sectors. These included the financing of real estate projects worth KD 313 million.

KFH strengthened local infrastructure development by financing KD 85 million for the telecommunication industry. KFH also provided a finance of KD 31 million to strengthen the logistics services sector. KFH also played a pioneering role in financing the first fiber optic cable manufacturing company in Kuwait (Taihan Factory).

KFH acts as a strategic partner in the development of small, medium and micro-enterprises. This is reflected in the solid growth achieved in its financing portfolio pertaining to small and medium enterprises. Further, KFH improved its customer base. Many small and medium enterprises began their success story through this financing facility.

On the operational and customer service level, KFH continued investing in supporting systems to enhance customer experience. These efforts resulted in expanding online corporate banking through (eCorp) to include trade finance applications, Tawarruq drawdowns in addition to multiple mobile e-Banking services (eCorp). KFH's achievements in the field of corporate service was appreciated and recognized by Euromoney Magazine, which designated the Bank as the Market Leader – Kuwait in the corporate banking category.

Group Operations

The year 2024 was a transformative year for KFH Group Operations teams. We have achieved a number of milestones at all levels. Our main areas of focus were ensuring operational excellence, boosting digital innovation and executing strategic initiatives that align with the Bank's general business goals.

One of 2024 highlights was the successful acquisition and merger of the (formerly) Ahli United Bank – Kuwait. The operations team played a pivotal role in executing a seamless transition for such a complex task on Operational Day 1 (OD1). The team formed and ran the Central Command Center to supervise the operational aspects of the merger. Since Legal Day 1 and up to the first day of migrating customers and operations, all activities were managed with precision, leading to seamless integration and full continuation of business. Undoubtedly, the team's ability to manage such transition without business interruption reflects its level of expertise and excellent planning skills.

We also made progress in terms of facilitating customer service and internal operations. One of the major initiatives was introducing new features on the Public Authority for Industry (PAI)'s portal. The new features allowed customers to manage new transactions and renew contracts more easily. These initiatives are an indicative of our ongoing commitment to enhancing customer experience through digital solutions. Moreover, the new trade e-financing service made it easier to authenticate the trade financing transactions for customers, improving the service and internal efficiency. We also pioneered the shift to digital printing in our divisions. This further streamlined our core processes and enhanced our efforts to reduce manual work and turnaround times.

In terms of cards, we achieved significant progress in raising the efficiency of our operations and enhance customer satisfaction. Another highlight in 2024 was the major shift in using the instant card printing devices (kiosks) located in a number of branches, minimizing customers' visits to the designated central locations. This shift led to an annual saving of KD 24 thousand. This promoted customer experience significantly by offering a quicker service and instant issuance of cards when necessary. Besides, this advancement in service allowed customers to manage their payments more effectively and reduced collection process turnaround.

Despite the extensive participation in the procurement activities during the transitional merger phase with the (formerly) AUBK, we succeeded in achieving remarkable progress by improving the procurement strategies and issuing more efficient inventory reports. The team also achieved substantial synergies in costs, a decrease of KD 53,247. This reflects our core focus on maximizing value and improving operational expenses in general.

On top of that, the Group Operations team played a critical role in pushing the operational excellence forward by focusing on automating and improving processes. In this regard, the team implemented various successful initiatives to previous manual tasks with the aim of accelerating them and cutting their costs. Major operations such as migrating the operations files and clearing the Ministry of Justice's emails are now being fully automated.

In general, 2024 was a year marked by advancement, innovation and achievements for the Group Operations. These accomplishments were characterized by strategic priorities such as process automation, digital transformation, cost management, operational capacity enhancement and customer experience improvement. Without doubt, these milestones motivate us for continued growth and success in the coming years. As we move forward, we will stay committed to operational excellence and offering value to our customers and stakeholders.

Information Technology

KFH continued its innovative streak, developing digital financial solutions tailored to the needs and aspirations of its customers. In this regard, the IT sector at KFH implemented numerous projects across banking and financing services, products, and practices along with enhancing the technological infrastructure, bolstering cybersecurity defenses, and promoting AI technology adoption.

KFH IT team successfully completed the merger activities with (formerly) Ahli United Bank, ensuring a smooth and successful transition with regards to systems operations and reports, including the Central Bank of Kuwait (CBK)'s reports. The team successfully integrated the accounts and products of over 280,000 (formerly) AUBK customers and unified more than 80 systems as well as services and products across all bank departments.

With the efforts of the IT sector, KFH spearheaded the introduction of numerous digital services in Kuwait, notably:

- Instant payment service to another account (WAMD), this covers balance transfer, refund, managing username and payment request.
- The integration of the corporate system (eCorp) with the Public Authority for Civil Information (PACI), facilitating KFH's system to register companies and adding new corporate users seamlessly. Currently, the integration with PACI ensures essential verification processes, guaranteeing that customer profiles remain consistently up to date.
- Enabling face ID authentication for eCorp users, enabling seamless and secure access to the eCorp mobile application.
- Conducting several system recovery simulation exercises on different systems according to the crisis recovery plans.
- Integrating T360 system with eCorp system, allowing customer to have a live market rate, minimizing physical communication with the account agent and ensuring quick transactions.
- The introduction of the final digital solutions of the CreditLense program in which Moody's company consolidated all the digital solutions, making them accessible on CreditLense platform tailored for KFH. The array of digital solutions includes virtual ESG form, new virtual form for the High-Net-Worth Individuals (HNWIs) category, new virtual form for projects category, updating customer's date-entry fields, updating external rating maps and Early Warning Signs (EWS) reports. The components of the solutions package are now active for use by the business and risk teams, except for ESG form for evaluating KFH customers, awaiting instructions from the CBK.

Banking services

On 8 August 2024, KFH launched Al-Hassad Account as part of its ceaseless endeavors to offer distinguished products that cater to the aspirations of customers, reinforcing its standing locally and globally and highlighting its excellence in offering products and services according to the highest quality standards. Al-Hassad offers customers, wanting to save, weekly, monthly, and quarterly draws, with a total of more than 400 prizes throughout the year. Customers can open Al-Hassad account in the Kuwaiti Dinar currency through KFH branches or the available e-channels. A minimum balance of KD 100 or more is required to be eligible for the draw. The draw offers KD 1000 weekly, for 10 winners, KD 100,000 monthly for one winner in addition to KD 250,000 quarterly for one winner.

To promote customer loyalty, we extended the campaign launched for new customers, offering cash gifts up to KD 400 upon their salary transfer. We also launched the new Baitak Concierge service for AlTamayouz customers, in addition to launching summer and back to school campaigns and special offers.

Moreover, KFH successfully completed its expertise exchange initiative with KFH-Turkiye for the third consecutive year, leading to enhanced customer relationships and increased their satisfaction. 13 employees were deployed to Turkiye for two months during the summer to assist customers and visitors of KFH-Turkiye across 13 different branches spread in 7 cities. Meanwhile, KFH-Turkiye service center continued to support customers throughout the year, allowing them to conduct selected banking transactions with KFH-Turkiye without needing to travel. Over 12 thousand customers benefited from the services of the center.

To remain closer to our customers, we have opened new branches in Jabriya, Rumaithiya and Jaber Al-Ahmad, in addition to KFH's first digital branch in the Avenues, solidifying its position at the forefront of technology adoption and customer satisfaction.

Private Banking & Wealth Management

2024 marks a step-change for Private Banking at the KFH Group. In support of the bank's vision and ambition, far-reaching changes have been implemented in structure and strategy. As a result of this, the business exhibits a transformed year-end performance (the highest Group net profit and investment sales via KFH Capital), and outlook.

The local businesses in each of the markets where the bank operates have been restructured as the Private Banking and Wealth Management (PBWM) Group, covering client needs ranging from banking, savings, financing and investment management. PBWM Group has invested in industry proven leadership and experienced technical expertise. Key hires include the Deputy Group CEO for Private Banking & Wealth Management, Head of Investments, and Head of Wealth Management Proposition. These hires were completed alongside the appointment of General Manager Private Banking and Wealth Management Kuwait, and the formation of the Group Business Development and Business Excellence function to support the development and execution of the strategy.

The Group has begun to unlock value by connecting the various markets into a seamless network, whilst meeting all regulatory requirements, and works closely with KFH Capital to bring innovative investment solutions to our clients. It is implementing a strategy built around the pillars of (a) best client experience, (b) best Islamic client proposition, (c) best people , and(d) achieving scale; all of which will help the Group achieve its ambition of becoming the leading Islamic Private Banking and Wealth Management business; and it's vision of helping clients protect and grow their wealth now and for future generations

Cards

During the completion of the merger process, we succeeded in issuing and acquiring cards without significant customer issues. We also launched a new rewards-structured campaign for Visa Signature and Infinite credit cards, which helped in accelerating card sales and spending. Additionally, various campaigns were executed throughout the year to drive customer engagement in collaboration with VISA/Mastercard, as well as local and international popular brands to enhance their loyalty. The campaigns increased the cards active usage rate significantly compared to last year.

Moreover, KFH launched many Baitak Rewards campaigns such as new salary transfer bonus points, redeeming points for Winter Wonderland free tickets and wallet recharge etc. Also, new features were introduced such as buy points. The campaigns and new features have helped to increase Baitak Rewards app rating in app stores and improve customer experience.

In addition to the foregoing, we successfully executed two mega campaigns to increase spending and raise customers interaction. In collaboration with Mastercard, we launched "With KFH Mastercard You Choose the Car" campaign for Mastercard holders, granting eight winners the opportunity to win a car of their choice. As for Visa cardholders, we launched the "Your Train is Waiting" campaign, granting twelve winners the opportunity to embark on a luxurious seven-star trip aboard the Belmond Train.

In recognition of these efforts, Mastercard awarded KFH two awards: the Highest Penetration of Tokenized Transactions in Kuwait in 2024 award and the Highest Volume Growth in Mastercard World Portfolio award.

Tam Bank

Tam is proud to be Kuwait's only fully Shari'a-compliant digital bank, offering a unique and modern banking experience tailored to the customers' needs. Tam goes beyond traditional banking by incorporating social-media-like features, helping customers feel more connected and engaged. Tam's rewards system allows customers to earn points both for transactions and engagement, creating a complete reward experience that keeps users coming back. The rewards program also offers a full 100% cashback benefit, making Tam a top choice for value-seeking customers.

Tam's success has been recognized by several industry-leading awards, highlighting its commitment to innovation and customer experience, the most prominent of which are Transformation Award-MEA, Best Visual Identity in Financial Services (Gold winner), Best New Brand Development (Silver winner), Best Naming Strategy (Silver Winner), Best Use of Technology in a Program (Incentive Awards 2024), and Euromoney's Best Digital Bank in Kuwait award.

Innovative products

To strengthen our extensive banking expertise and reaffirm our commitment to providing the best banking experience in the Kuwaiti market, and building on our banking service excellence, KFH sought to offer a wide range of banking products, services, and solutions tailored to meet the evolving needs of retail and corporate customers, ensuring maximum convenience and security.

KFH introduced an array of banking services through KFHOnline. These include the following:

Transfers via Western Union, e-mail update, Civil ID update through Kuwait Mobile ID application, enhancing cards and funds transfer services, customer push-notifications service, transfer service through AFAQ network, WAMD service for instant money transfer and KFH Pay service. These services are supported by the largest and most widespread ATM network in Kuwait, comprising over 500 machines.

Outstanding solutions

KFH rolled out numerous innovative banking services and products confirming the unprecedented success in its digital transformation strategy. KFH continued its excellence in delivering innovation in the financial and funding aspects tailored to meet the needs and aspirations of our customers. Retail Banking and IT sector launched a number of pioneering services for the first time in Kuwait. The prominent services include the first-of-its-kind instant credit and prepaid card printing service, expanding the services offered through D-POS device that enabled direct account opening at all KFH branches and through direct sales employees.

Shari'a Control

During 2024, KFH's Shari'a Control continued fulfilling its responsibilities covering all areas, projects, and plans. This included the notable endeavor of acquiring and merging with Ahli United Bank. KFH's Internal Shari'a Audit Department conducted meticulous audits of the Bank's sectors and departments, as per the 2024 approved plan. This included inspections of AUB's processes and systems until the operational integration as per the approved plan from the Fatwa and Shari'a Supervisory Board and Audit and Compliance Committee. Additionally, the Shari'a Research and Advisory Department conducted Shari'a revision on contracts, products, agreements, and policies submitted by KFH sectors and departments, addressed Shari'a-related queries and concerns, and submitted them, whenever required, to the Fatwa and Shari'a Supervisory Board to obtain their opinion.

In terms of spreading awareness and Shari'a culture among customers and employees, the department answered Shari'a related inquiries received from customers via phone. It also published economic jurisprudential bulletins circulating them to employees through the e-channels available at KFH. The department also contributed to developing KFH's products and services, providing professional support and advice to the top executive management, facilitating the day-today tasks in the different departments according to the Islamic Shari'a principles, in addition to supporting the Shari'a supervisory board in fulfilling its duties. Moreover, the Shari'a Control sector assists in social awareness initiatives, highlighting KFH's role in Islamic banking.

Legal

The Group's Legal Department diligently worked to protect the material and moral rights of the Group. This included enforcing court orders in the Group's favor and ensuring full compliance with all relevant laws and regulations. Additionally, the Department fulfilled its role in the completion of the KFH-AUBK merger.

Risk

Risk Management successfully achieved significant progress in digital transformation, relying on the latest AI techniques, machine learning, and advanced analytics to enhance the capabilities of risk assessment, monitoring, and early forecasting. This strategic approach enabled us to adopt advanced tools to support managing the financial risks according to the best global practices. Our aim through this step is to build effective abilities that can evolve, face unexpected challenges, and contribute to the Group's stability and growth in a sustainable manner. We also look forward to continuing the application of innovative strategies that promote the Group's resilience and ability to face risks with high efficiency.

Amidst the uncertainty resulting from the dynamic economic changes, such as the increased inflation and interest rates, currency fluctuations, and the subsequent changes in monetary policies at the global, regional and local levels, the Risk Management Department continued its efforts in monitoring the credit risks and working proactively to supervise the mitigation of such risks and assisting KFH Group in protecting its assets and grasping the opportunities under such circumstances. The department's approach made KFH at the forefront of the Kuwaiti and GCC banks in terms of net costs of risks which positively enhanced the Group's profitability.

The risk department successfully expanded the implementation of its comprehensive governance framework to include the recently joined subsidiary banks. This was achieved through integrating risk systems and frameworks and adopting globally recognized best practices. This strategy facilitated the continuation of the seamless integration initiatives at the group level. As a result, the group underwent strategic reviews by leading international credit rating agencies, such as Moody's and Fitch, which highlighted the robustness of its risk management frameworks and their positive impact on the Group's asset quality.

Furthermore, the Group Risk Management continued implementing its Capital Management Program throughout the year, ensuring sustainable development by diversifying risk-weighted assets as an internal capital support. In addition, external support was utilized when necessary, according to the Group's strategy and plans. By the end of the year, the Group's capital adequacy ratio reached 19.89%, exceeding regulatory requirements.

Amid the escalating geopolitical risks in the regionally and globally, the significance of business continuity risk management has become increasingly evident as a tool in preparing different scenarios as a response to these changes. The Risk department also succeeded in planning, implementing and simulating various scenarios to ensure business continuity under emergencies. Additionally, the proactive adoption of contingency measures also enhanced the Group's ability to sustain business operations in a volatile geopolitical environment. Furthermore, the risk appetite framework for the Group and subsidiaries was comprehensively updated to align with the evolving economic and financial conditions, ensuring alignment with the Group's risk strategy and its overall strategy.

Social role and sustainability

On the social responsibility front, KFH succeeded in implementing value-added community initiatives that catered to various segments of society. These initiatives encompassed supporting community capabilities, caring for individuals with special needs, launching awareness campaigns, safeguarding the environment, supporting sustainable practices, empowering the youth, in addition to supporting innovation and various health initiatives.

As part of its keenness on supporting education students and the youth due to its positive impact on the community, KFH signed a collaboration and partnership agreement with the Kuwait Technical College (K-Tech). KFH is committed to support the private and public academic institutions in fulfilling their role of preparing young national talents and improving their capabilities. The Bank also renewed its strategic partnership with the Scientific Center, a subsidiary of Kuwait Foundation for the Advancement of Sciences (KFAS), with the aim of collaborating in the field of environmental preservation and sustainability. KFH signed a Memorandum of Understanding (MoU) with Sabah Al-Ahmad Center for Giftedness and Creativity (SACGC), a center affiliated to Kuwait Foundation for the Advancement of Sciences (KFAS). The center is dedicated to facilitating the integration of creativity, technology and innovation in the community. This MoU is the first of its kind, demonstrating KFH's vision to support social development through innovation and creativity.

For the second consecutive year, KFH extended its strategic partnership for the largest cybersecurity hackathon in Kuwait (Kuwait Hackathon). The Bank participated in NEXUS 2024 – Kuwait, a premier platform that supports innovation and entrepreneurship in Kuwait. KFH also renewed its partnership with CODED Academy as part of supporting innovation.

Moreover, KFH successfully launched the inaugural edition of the KFH PR Academy. The first-of-its-kind program equipped university students and recent graduates with the fundamentals and tasks of public relations and media in general, and ways of implementing such fundamentals within KFH in particular. KFH also renewed its strategic partnership with the Touristic Enterprises Company to support the Winter Wonderland project.

KFH continued its support to Diraya campaign by disseminating purposeful publications and media contents aiming to promote financial literacy. To achieve this, the Bank utilized its social medial channels to serve customers and the public through launching awareness campaigns and educational materials. In this regard, KFH won the excellence – level one for its active role in Diraya campaign.

Reflecting its keenness towards supporting people with special needs, KFH completed the internship program with the Public Authority for Manpower (PAM). The program is part of KFH's ongoing commitment to supporting initiatives that promote the development of national talent and enhance the capabilities of Kuwaiti youth. The Bank also concluded the fourth edition of its training program for students with special needs.

The Bank succeeded in executing its immersive Ramadan program "Increase Good Deeds in Ramadan", during which 12 thousand iftar meals were distributed. KFH partnered with the Kuwait Food Bank in a collaborative agreement, pledging KD 1 million to support underprivileged families in Kuwait, reinforcing KFH's commitment to social and humanitarian responsibility.

KFH also signed the contract for the implementation of the reconstruction project of the damaged area in Al Mubarakiya. The contract, signed with the project's contractor and Kuwait Municipality, involves reconstructing approximately 17 buildings, along with the development of some neighboring structures with an estimated cost of the project is around KD 8 million. This support from KFH reaffirmed the bank's commitment to its leading social role by actively contributing to various areas to better serve the community by working collaboratively with official entities.

Moreover, KFH signed the first-of-its-kind Global Takaful Alliance agreement with the United Nations Development Programme (UNDP). The two parties also discussed establishing a strategic partnership to finance sustainable development projects in Kuwait, the region, and around the world. They also agreed in principle to create a sustainable financing platform, the Green Finance Facility. This initiative aims to connect Islamic finance with sustainable development projects across the Arab region, Africa, and beyond. KFH participated in the sixteenth session of the Conference of the Parties (COP16) to the United Nations Convention to Combat Desertification (UNCCD), held in Riyadh. It also released the first-of-its-kind Carbon Footprint report in Kuwait's banking sector and launched Keep it green campaign, the umbrella of many environmental and sustainable initiatives. Moreover, it introduced the Environmental Sustainability award to recognize the best student engineering projects that focus on the environment and sustainability. The Bank also organized various awareness campaigns to school and university students. KFH cooperated with the Green Dream Team in the greening of chalets on Al Zour Road. It also provided societal and environmental support for Sheikh Sabah Al-Ahmad Natural Reserve, aiming to safeguard its wildlife.

KFH organized the Mishkat Al-Nubuwwa Hadith Memorization Competition, the largest of its kind in Kuwait. Additionally, KFH launched the 11th annual Holy Quran recitation competition, Qurra'a Baitek.

In recognition of its exceptional efforts in social responsibility, KFH was awarded with the Corporate Social Responsibility – Middle East award from EMEA Finance Magazine.

KFH is committed to having a solid and effective governance framework. It is the first bank to have formed a committee as part of the Board of Directors specifically for governance and sustainability. KFH is also the first bank to have designed an integrated sustainability strategy covering the four pillars of economy, environment, society, and governance, aligning them with the sustainable development goals (SDGs). In addition, KFH is the first bank to have established a department assigned to monitoring sustainability; promoting green finance products and managing talents.

KFH was awarded an "A" rating by MSCI ESG Index ratings, for its exemplary performance in environmental, social, and governance (ESG) practices. This prestigious rating underscored KFH's commitment to sustainable finance and its leadership in integrating ESG principles into its operations and strategic initiatives.

In addition, KFH was included in the FTSE4Good Index Series. Created by the global index and data provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

47 Prestigious Awards

With 43 awards and four rankings, KFH-Kuwait and the Group earned wide-spread acclaim for their outstanding advanced banking innovation, services, and products. These awards also solidify KFH's pioneering position in digital transformation, Islamic finance industry, social responsibility and robust financial performance. Of the most prominent of these accolades which KFH received during 2024 are: World's Best Islamic Financial Institution 2024 Award from Global Finance, Best Islamic Bank - Middle East, Best Bank – Kuwait, Best Islamic Bank – Kuwait, Best Product Launch (Zaheb) - Middle East, and Corporate Social Responsibility – Middle East from EMEA Finance Magazine. KFH also won Best Islamic Bank in Kuwait, and Best Islamic Bank in Turkiye awards from Islamic Finance News Group (IFN). KFH also scooped Kuwait's Best Bank, Kuwait's Best Bank for ESG, Kuwait's Best Digital Bank – Tam digital bank, and Kuwait's Best Islamic Bank awards from Euromoney. In addition, EMEA Finance Group awarded KFH with the Best Islamic Finance House, and Best Financial Institution Sukuk awards. Additionally, KFH was recognized with Kuwait's Best Bank for Sustainable Finance award by Global Finance Magazine. The magazine honored KFH Group with four additional awards. The awards are: Best Islamic Corporate Bank – Global, Best Islamic Project Finance Provider – Global, and Best Islamic Financial Institution in Turkiye. Additionally, AUB, a subsidiary of KFH Group, was awarded Bahrain's Best Bank, in addition to Best SME Bank in Kuwait awards. KFH also achieved a remarkable feat, ranking as the leading Kuwaiti company on the Forbes 2024 Top 100 Listed Companies list.

At the GCC region level, KFH received an honor from the Council of Ministers of Labor and Social Affairs in GCC States for its distinction and excellence in the execution of the Manpower Nationalization and qualification programs at the private sector level in Kuwait. As for the local level, KFH won the 23rd edition of His Highness Sheikh Salem Al-Ali Al-Sabah Informatics Award for the category of excellence in digital transformation in technical financial solutions.

Thanks and Appreciation

I would like to extend my appreciation to our customers, partners and shareholders for their commitment and enduring loyalty. I must also thank our employees, the cornerstone of our success, across all areas of our operation. With your support, we shall continue delivering sustainable returns for the shareholders and contribute positively to all the communities and regions where we operate.

Finally, I would like to express my sincere gratitude and appreciation to His Highness the Amir of Kuwait Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, may Allah safeguard him, His Highness the Crown Prince, Sheikh Sabah Al-Khaled Al-Sabah, and His Highness the Prime Minister, Sheikh Ahmad Al-Abdullah Al-Sabah. Our thanks and appreciation are also extended to the Central Bank of Kuwait and all the regulatory authorities for their constant support to the banking sector in the State of Kuwait.

May Allah grant us success.

Group Chief Executive Officer
***Khaled Yousef Al-Shamlan**

***Mr. Khaled Al-Shamlan was appointed as Group Executive Officer in January 2025.**

The year 2024 was another remarkable year of achievements. Kuwait Finance House (KFH) continued its outstanding performance, achieving a net profit for shareholders of KD 601.8 million, the highest in the Kuwaiti banking sector. Despite numerous challenges, KFH Group successfully navigated them, supported by our strong strategic vision, solid capital base, and robust operational performance.

KD 601.8 million Net Profit for Shareholders

Net profit for shareholders for the year 2024 approximated KD 601.8 million, marking an increase by 3.0% compared to 2023. Earning per share reached 36.37 Fils for the year ending 2024 compared to 35.31 Fils last year i.e. an increase by 3.0%.

31.6% growth in total financing income and 18.7% growth in net financing income

Total financing income for the year ended 2024 approximated KD 2,886.5 million, marking an increase by 31.6% compared to last year. Net Financing Income for the year 2024 approximated KD 1,147.0 million i.e. an increase by 18.7% compared to last year.

11.6% growth in total operating income and 9.0% growth in net operating income

Total operating income for the year ended 2024 approximated 1,630.7 million i.e. an increase by 11.6% compared to last year, accompanied by an increase in net financing income. Net operating income for the year 2024 approximated KD 1,030.7 million, marking an increase by 9.0% compared to last year.

Total Operating Expenses/ Total Operating Income

Total operating expenses ratio to total operating income remained favorable at 36.8% for the year 2024, It has improved significantly over the past decade, having exceeded 51% in 2014.

31.8% increase in charged provisions of KFH Group for the year 2024

Total provisions and impairments increased at the group level to reach KD 58.5 million i.e., an increase by 31.8% compared to 2023.

Robust Financial Position

As of the end of 2024, total assets reached KD 36.7 billion, influenced by the sale of KFH-Bahrain and fluctuations in foreign exchange rates. Financing receivables amounted to approximately KD 19.1 billion, making up 52% of total assets and representing 99% of deposits. Investment in debt securities totaled KD 6.9 billion, accounting for 19% of the group's assets, primarily in sovereign debt instruments.

Total shareholders' equity rose to KD 5.5 billion in 2024, reflecting an increase of KD 203.1 million, or 3.8%, compared to the previous year. Depositors' accounts stood at KD 19.2 billion for the year 2024.

Non-performing Finance Ratio

NPF reached 1.74% for the year 2024 (as per CBK calculation) compared to 1.51% in 2023.

Return on Average Assets (ROAA) and Average Shareholders Equity (ROAE)

Return on Average Shareholders' Equity reached 11.2% as at the end of 2024 compared to 11.1% for the year 2023. Return on average assets reached 1.7% as at the end of 2024 compared to 1.8% for the year 2023. Return on Average Tangible Equity reached 20.0% as at the end of 2024 compared to 20.5% for the year 2023.

Capital Adequacy

Capital adequacy ratio reached 19.89% in 2024 which is higher than CBK required ratio.

Proposed Dividends to Shareholders

The strong financial position of KFH group has enhanced the Bank's ability to increase cash dividend distributions to its shareholders. The Board of Directors of KFH have proposed cash dividend of 12 Fils per share to the shareholders for the year 2024, besides what was distributed for the first half of 2024. With a total cash dividend distribution of 22% for the year 2024, compared to a cash dividend of 20% for 2023. The Board of Directors also proposed distributing 8% bonus shares (2023:9%) to the shareholders. These proposed distributions are subject to the ordinary general assembly approval as well as the regulatory and legal procedures.

The proposed board of directors' remuneration of KD 1,317 thousand for 2024 (2023: KD 1,308 thousand) falls within the permissible limits as per local regulations, and it is subject to the general assembly approval.

KD Million

	2024	2023	2022	2021	2020
Net Profit attributable to shareholders of the Bank	601.8	584.5	357.7	243.4	148.4
Earnings Per Share (Fils)	36.37	35.31	26.67	20.19	12.53
Net Financing Income	1,147.0	965.9	800.5	585.7	614.2
Total Operating Income	1,630.7	1,460.9	1,072.3	811.0	795.6
Net Operating Income	1,030.7	945.4	723.3	503.1	499.6
Total Assets	36,703	38,010	36,969	21,788	21,502
Financing Receivables	19,070	19,425	18,801	11,355	10,748
Investment in Debt Securities	6,865	7,006	6,085	2,735	2,742
Depositors' Accounts	19,220	21,813	21,030	15,038	14,056
Equity attributable to the Shareholders of the Bank	5,519	5,316	5,358	1,932	1,936

Executive Management

Mr. Abdulwahab Issa Al-Rushood

Acting Group CEO (Retired in January 2025)

Mr. Al-Rushood received his BA in Mathematics and Computer Science from Western Oregon State College in the U.S in 1987. Mr. Al-Rushood successfully completed a specialized training course on Strategic Leadership at Harvard Business School, in addition to several specialized courses in the field of the banking sector.

Mr. Al-Rushood was Acting Group CEO, possesses a vast banking experience, spanning more than 35 years. During his professional career, he held numerous prominent leadership roles starting in the Treasury Department in Gulf Bank before moving to Kuwait Finance House where his roles included General Manager - Kuwait Treasury from 2013 until 2015. In addition, he was promoted to various leadership positions within the Treasury Department from 2002 until 2013.

Mr. Al-Rushood served as Board Member for numerous leading companies including Kuwait Finance House - Malaysia from 2007 until 2013, Liquidity Management House (KFH Investment Company) from 2008 until 2013, Development Enterprises Holding Company (DEH) from 2014 until 2016, Liquidity Management Centre - Bahrain (LMC) from 2006 until 2016 and Aviation Lease & Finance Company (ALAFCO) from 2013 to 2022.

Mr. Khaled Yousef Al-Shamlan

Chief Executive Officer KFH Kuwait

Mr. Al-Shamlan received his BA in Economics from Kuwait University in 1995. He has completed numerous specialized courses in Leadership, Financial Analysis and Risk Management, such as the Managing Strategically and Leading for Results conducted by Harvard Business School and a 2-year specialized training program for graduates at Kuwait Investment Authority (KIA).

Mr. Khaled Al-Shamlan is currently serving as Group Executive Officer since January 2025 after serving as Chief Executive Officer of KFH Kuwait from August 2023 to January 2025. Also, he serves as the vice chairman of KFH Capital Investment Company, board member at the Shared Electronic Banking Company (KNET), and board member at Ahli United Bank- Bahrain.

His extensive experience in the banking industry spans over 26 years and has been accumulated over an extended professional career. He held numerous leadership roles at Kuwait Finance House including Group Chief Retail and Private Banking Officer from March 2022 to August 2023, Group General Manager Retail Banking from January 2021 to March 2022 and General Manager Corporate Banking -Kuwait from January 2018 to January 2021.

Dr. Shadi A. Zahran

Senior Deputy Group CEO - Finance

Dr. Zahran received his Doctorate in Business Administration from Hult international business school in 2024, and his Master of Business Administration (MBA) Degree in Finance from the University of Manchester in the U.K. in 2014. He received his Bachelor of Science Degree in Accounting from the University of Jordan in 1992. Dr. Zahran successfully completed the General Management Program at Harvard Business School in 2021.

He holds several professional certificates including Certified Public Accountant (CPA) from the state of Illinois in the U.S. since 1996, and (JCPA) certificate from the Jordanian Council of the Auditing Profession in 1996, Certified Bank Auditor (CBA) from Bank Administration Institute (BAI) since 1999, and Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) since 2006.

Dr. Zahran is currently the Senior Deputy Group CEO – Finance since 2023. In addition, Dr. Zahran is a Board Member of Kuveyt Turk Participation Bank, and Board member in Ahli United Bank UK. Dr. Zahran is a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI), and a Vice Chairman of the Board of Trustees of the General Council for Islamic Banks and Financial Institutions (CIBAFI).

Dr. Zahran previously held several executive positions as Group Chief Financial Officer at Kuwait Finance House from 2014 to 2023, Vice Chairman of KFH Capital Investment Company between 2016 and 2024 and Board Member at Kuwait Finance House – Bahrain from 2014 until 2024. At Ahli United Bank Group, he held the position of Chief Financial Officer in Kuwait from 2009 until 2014 and Head of Group Financial Control at Ahli United Bank in Bahrain from 2005 until 2009. Dr. Zahran previously held the position of Head of Financial Systems Management & Operations Department at Al Rajhi Bank in the Kingdom of Saudi Arabia from 2000 until 2005. In addition, he previously worked as an External Auditor at international external audit firms including Ernst & Young.

Mr. Haitham Abdulaziz Al-Terkait

Deputy Group CEO Transformation, Technology and Operations

Mr. Al-Terkait obtained his BA in Mechanical Engineering Technology from Metropolitan State University in the US in 1989. He has also participated in several leadership training programs from institutions such as Harvard Business School.

He has held the position of Deputy Group CEO Transformation, Technology and Operations at Kuwait Finance House since September 2024. In addition, he serves as a board member of International Turnkey Systems Group (ITS) since 2021, he serves as a board member of Ahli United Bank (AUB) in Bahrain since March 2023.

Mr. Al-Terkait brings more than 35 years of knowledge and experience in information technology. Throughout his professional career, he has held numerous prominent leadership positions including Group Chief Technology, Digital Transformation and PMO Officer at Kuwait Finance House since July 2023 to September 2024, and Chief Information Officer at Kuwait Finance House since 2021 to June 2023, and Infrastructure Services Department Manager at Kuwait Finance House from 2002 to 2012, board member of the Shared Electronic Banking Company (KNET) from 2014 to 2018, and Chief Technology Officer at Warba Bank from 2012 to 2021.

Mr. Alexander Liddle

Deputy Group CEO Private Banking, Wealth Management and Business Excellence

Mr. Liddle received his BSc Honours Degree in Geography - King's College - London (subsidiary courses in Economics at the London School of Economics) in 1993. He also holds several professional certificates including Private Client and Investment Managers and Advisors Certificate awarded in 2011, and the Investment Management Certificate awarded in 2007. In addition, he is a Chartered member of the Chartered Institute for Securities and Investment since 2017, and completed the Institute for Sustainability Leadership Program, Cambridge University in 2019.

He has had a distinguished career, with over 30 years of experience from his early days as a British Army Officer to many leadership roles across private banking, wealth management, and various other sectors.

Currently, he serves as the Deputy Group CEO of Private Banking, Wealth Management, and Business Excellence at Kuwait Finance House (KFH) and Charmian of KFH Capital.

Mr. David O'Loan

Deputy Group CEO Treasury and Financial Institutions

Mr. David O'Loan holds a Master of Science degree in Treasury & Investment from Dublin City University, an MBA from the University of Edinburgh, and has completed the Directors & Senior Management program at the Irish Management Institute. He is also a Fellow of the Association of Chartered Certified Accountants (FCCA).

He has successfully completed several prestigious programs, including the Leadership Engagement Program and Adaptive Leader Program at RBS Business School in 2013 and the Business Analytics for Leaders course at Berkeley School of Business – Executive Education in 2021.

He brings over 31 years of extensive banking experience, having held various prominent leadership roles including Deputy Group Chief Executive Officer - Treasury and Investments at Ahli United Bank BSC from 2016 to 2024, Director at Ahli United Bank UK and Ahli United Bank - Kuwait, Group Treasurer for J. Sainsbury plc - UK from 2015 to 2016, Deputy Group Treasurer at RBS Group - UK from 2008 to 2015, Senior Vice President at Swiss Re Asset Management - Switzerland from 2005 to 2008, Investment Director at Standard Life Investments - UK from 2003 to 2005, Head of Treasury at BGB - Ireland from 1997 to 2003 and Manager at Citibank N.A - Ireland from 1994 to 1997.

Currently, Mr. O'Loan serves at KFH as Deputy Group CEO of Treasury and Financial Institutions since 2024 and he is a Board Member of KFH Capital Kuwait.

Mr. Fahad Khaled Al-Mukhaizeem

Group Chief Strategy Officer

Mr. Al-Mukhaizeem earned his Bachelor of Science in Engineering (BSE) and BA in Economics from Tufts University in the US in 1996. He received his Master of Business Administration (MBA) and MA in Economics from Boston University in the US in 2000. He has successfully completed numerous advanced training programs, including the Leadership Development Program at Harvard Business School in 2008.

He has held the office of Group Chief Strategy Officer at Kuwait Finance House since 2015. In addition, he has served as Chairman of International Turnkey Systems Group (ITS) from 2014 to 2023. He also supervises and consults on duties related to the Head of GCEO Office Support.

Mr. Al Mukhaizeem possesses vast banking experience spanning more than 20 years. He has held multiple prominent leadership roles at Kuwait Finance House including Group General Manager of Strategy and Corporate Affairs from 2013 to 2015. He previously held several executive positions within retail banking and other areas.

Throughout his career, he has successfully supervised the execution of several initiatives concerning the Bank's business development in addition to being a valuable contributor in numerous restructuring programs and the establishment of various departments at Kuwait Finance House.

Mr. Fawaz Munawer Al-Enezi

Group Chief Legal Officer and Board Secretary

Mr. Al-Enezi received his BA in Law in 2001 from Cairo University, and his MA in Private Law in 2006 from Arab Republic of Egypt.

He has obtained many professional certificates such as Diploma in Private Law, Diploma in Administrative Sciences, and Certified Trainer. He has successfully completed many specialized courses in Corporate Governance and Judicial Arbitration from the Kuwait Bar Association - Arbitration Center, in addition to various courses in Sharia, law and administration.

Currently, Mr. Al-Enezi holds the position of Group Chief Legal Officer since 2023, and Group Board Secretary since 2013. He is also the Chairman of the Board of Directors of Al Salam International Hospital Company (K.S.C.) and Board Member of Sidra Real Estate Company in the Kingdom of Saudi Arabia.

He previously held several positions including Chairman of Modern Technology Factory for Drinking Water Bottling Company (Abraj), Board Member of Public Services Company, member of Kuwaiti Bar Association, and member of Arab Bar Association. Further, he held several positions at KFH including Deputy General Manager of Legal Group since 2020 until June 2023, Assistant Board Secretary since 2012 to 2013, and Senior Lawyer at the Legal Department since 2007 to 2011. He also served as a lawyer and legal consultant in several law firms during the period from 2001 to 2007.

Mr. Abdullah Mohammed Abu Al-Hous

Group Chief Operations Officer

Mr. Abu Al-Hous received his BA in Business Administration specializing in Finance and Banking from Kuwait University in 1987. He attended the Senior Executive Leadership Program at Harvard Business School in the US in 2008 in addition to numerous professional courses and executive programs from the world's most reputable and prestigious business schools and financial institutions, including London Business School, INSEAD and the Wharton School. In 2019, he attended courses with J.P. Morgan, and in 2022, he completed the Global Banking Program at Columbia University in New York.

He has served as Group Chief Operations Officer at Kuwait Finance House since 2015. In addition, he serves as a board member of International Turnkey Systems Group (ITS). He previously held several executive positions including Group General Manager of Operations at Kuwait Finance House from 2012 to 2015, Chief Operations Officer at Warba Bank from 2011 to 2012 and Deputy General Manager of Operations Group at the National Bank of Kuwait from 2005 to 2011.

Mr. Zeyad Abdulla Al-Omar

Group Chief Human Resources and Transformation Officer
(Retired in January 2025)

Mr. Al-Omar received his BA in English Language from Kuwait University in 1986. He possesses vast human resources experience spanning more than 31 years.

In 1986, he joined the Kuwait National Petroleum Company and was promoted to various high-level positions including the General Superintendent of Salaries and Industrial Relations in 2001.

He went on to hold several executive positions with other entities, including Human Resources Director at Wataniya Telecom from 2002 to 2009, Chief Regulatory Officer at Wataniya Telecom from 2009 to 2011 and Corporate Affairs Director and Human Resources Director at Zain Group from 2011 to 2013.

Mr. Al-Omar has since served in various prominent leadership roles at Kuwait Finance House including General Manager of Human Resources from 2013 to 2015. He served as the Group Chief Human Resources and Transformation Officer since 2021.

Mr. Gehad Mohamed El-Bendary

Group Chief Risk Officer

Mr. El-Bendary received his BA in Accounting from Egypt in 1996 and his Finance and Risk Management Diploma from the University of Wales in the UK in 2014. He has completed numerous specialized executive programs, including the Enterprise Leadership at INSEAD University, the Network Leadership Program at IMD University, the Advanced Risk Management program at the Wharton School, and the General Management Program at Harvard Business School. He also holds several professional certifications, including the International Certificate in Banking Risk and Regulation (ICBRR) from the Global Association of Risk Professionals (GARP), which he received in 2009.

He has been the Chief Risk Officer at Kuwait Finance House (KFH) since 2018. With over 24 years of experience in risk management and internal control systems in financial institutions, Mr. El-Bendary has previously held several executive positions at KFH, including Head of the Risk Unit (2007–2012), Head of the Enterprise Risk Management Unit (2012–2013), Deputy General Manager of Portfolio and Enterprise Risk Management (2013–2016), and General Manager of Risk Management (2016–2018). He is also a board member of Kuwait Turk Participation Bank (KTPB).

Mr. El-Bendary has spearheaded several initiatives, including the development of a robust enterprise-wide risk management program for KFH Group. In this role, he was responsible for establishing a comprehensive risk management framework, reviewing policies, and designing a governance structure that ensures independent oversight for assessing adherence to board-defined strategy, risk policies, and standards, including Risk Appetite. He has overseen the implementation of critical regulatory requirements, including Basel I, II, and III, IFRS9, and liquidity frameworks.

In recent years, Mr. El Bendary has led KFH's digital transformation in risk management by adopting cutting-edge technologies such as artificial intelligence, machine learning, and advanced analytics to improve risk monitoring, predictive analysis, and regulatory compliance. Under his leadership, the group has implemented digital tools to enhance real-time risk identification and streamline data governance, ensuring more agile and proactive risk management strategies across the global KFH network. This transformation has enabled KFH to respond more effectively to emerging risks and align with evolving regulatory landscapes.

Mr. Wissam Sami El-Kari

Group Chief Internal Auditor

Mr. El-Kari received his BA in Business Administration from the American University of Beirut in Lebanon in 1996 and his Master of Applied Finance from the University of Melbourne in Australia in 2002. He also earned numerous specialized professional certifications in the US, including Certified Management Accountant (CMA) and Certified Internal Auditor (CIA) in 2001, Certified Bank Auditor (CBA) in 2007, Certified Fraud Examiner (CFE) in 2008, Financial Risk Manager (FRM) in 2012, and Certified Information Systems Auditor (CISA) and Certified Anti-Money Laundering Specialist (CAMS) in 2020. He has also completed many training programs, such as the Leading Strategy Execution in Financial Services at Harvard Business School in 2015.

He has held the title of Chief Internal Auditor at Kuwait Finance House since 2017, contributing his 25 years of knowledge and experience in assessing internal controls, risk management, and governance processes. During his career, he has served in prominent leadership roles while heading the Internal Audit Department at Kuwait Finance House since 2012. Prior to his tenure at KFH, he served as Assistant General Manager of Internal Audits and Banking Operations at Burgan Bank in Kuwait from 2005 to 2012.

Mrs. Lamya Barrak Al-Tabtebai
Group Chief Data Officer

Mrs. Al-Tabtebai received her Master's degree in Computer Engineering from the University of South California in the United States of America in 1993, and her Bachelor's Degree in Computer Engineering from Kuwait University in 1989.

She has held the position of Group Chief Data Officer since 2024.

In her extended career, she held various leadership positions including the Deputy CEO IT, Digital Transformation and Operations at Ahli United Bank from 2022 until 2024, Group GM, IT Planning and Architecture and Deputy GCIO at Kuwait Finance House from 2016 until 2021, the Deputy General Manager - Corporate Support at Kuwait International Bank from 2003 until 2015, and the General Manager – IT and Operations Group in Burgan Bank from 1998 until 2003.

She has received numerous prestigious awards and recognition. In addition to being the first female member to join KFH IT group, she was selected in the Top List of Business Digital Transformation Leaders for the Year – 2021, also recognized as a Transformational Technology Leader in World CIO 200 Award – Kuwait 2021, Best Senior Level Technology Executive award at the Women in Technology Award in Dubai 2014, first place in the Arabian Computer News Award for the top 10 IT Managers in the Middle East from Dubai in 2011, and she was awarded among the top 10 Chief IT Officers in the Middle East in 2009.

Mr. Ahmad Eissa Al-Sumait
General Manager Treasury Kuwait

Mr. Al Sumait received his BA in Political Science from Kuwait University in 1999. He has attended a vast range of prestigious training programs, including the Senior Executive Leadership Program (SELP) and Decision-Making Strategies course at Harvard Business School, among others. He possesses vast banking experience spanning more than 23 years.

He has served as General Treasury Manager (Kuwait) at Kuwait Finance House from 2017 until 2025.

Throughout his career, he has held numerous prominent leadership roles at Kuwait Finance House, including both Senior and Executive Money Market Manager. He was promoted to various leadership positions within the Treasury Department from 2006 until 2015.

Additionally, Mr. Al Sumait served as a board member of Liquidity Management House from 2012 to 2013. He also held the position of Chairman of the Board of Directors of Energy House Holding Company from 2015 to 2020. He is currently Chairman of Kuwait Financial Markets Association.

Introduction

Kuwait Finance House (KFH) adopts a governance framework in line with the best global practices and adheres to the instructions of the regulatory authorities in the jurisdictions where the Group operates. KFH Board of Directors exerts persistent and continuous efforts to ensure that work within KFH Group proceeds in accordance with this framework. The Board works continuously on developing this framework to achieve the highest levels of governance and good management.

The Board also periodically reviews the applied governance policies and procedures to ensure full compliance with the governance instructions and all mandatory requirements issued by the regulators. KFH implements the Rules and Regulations of Corporate Governance in Kuwaiti Banks, as well as the Instructions on Shari'a Supervisory Governance for Kuwaiti Islamic Banks, both issued by the Central Bank of Kuwait. Also, all subsidiaries comply with the regulations imposed by respective regulatory authorities to which they are subject.

KFH Board of Directors is committed to enhancing the Bank's governance culture and implementing a robust and flexible governance framework. This will enable KFH to achieve its objectives and realize its vision for sustainable development, benefiting both shareholders and the communities it serves. This framework will ensure the smooth and secure operation of KFH's business, allowing the Bank to effectively adapt to the rapid advancements occurring in both conventional and Islamic banking.

KFH Board Governance and Sustainability Committee assists the Board in supervising the governance framework, enhancing the transparency and disclosure principles, and supervising the implementation of the sustainability strategy, as well as the development of internal systems of ESG practices and supervising the periodic sustainability reports process. In 2024, the Governance and Sustainability Committee supervised the issuance of KFH Sustainability Report 2023 in accordance with GRI Sustainability Reporting Standards, and the first to be audited by an independent third party. The committee also supervised the issuance of the carbon footprint report 2023. To strengthen governance, sustainability, and transparency, the Committee monitored various 2024 initiatives and conducted comprehensive revisions of governance procedures within KFH and its subsidiaries. These reviews ensured compliance with the Group's governance policies and all relevant regulatory guidelines in Kuwait and abroad.

KFH reviews regularly governance updates and the standards issued by global organizations on governance. It also conducts a periodical review on governance and disclosure applications to assess their efficiency at the Group level to protect the interests and rights of shareholders and stakeholders and ensure the availability of all information in a timely manner with transparency and neutrality in implementation of KFH approved disclosure policy.

The governance practices of subsidiaries are subject to audit and periodic review according to the Group's approved corporate governance policy. Additionally, they must comply with the regulations of the respective authorities whether inside Kuwait or abroad.

Furthermore, KFH places paramount importance on its adherence to the teachings and provisions of Islamic Shari'a in all its transactions. To fulfill this commitment, KFH has established a robust Shari'a supervisory system that aligns with the nature of its business and adheres to the highest international standards in this field. This system encompasses the following:

1- Fatwa and Shari'a Supervisory Board:

KFH Fatwa & Shari'a Supervisory Board enjoys full independence and support of the Board to conduct its activities of monitoring the Bank's business and ensuring its compliance with the Shari'a principles.

The Committee consists of highly esteemed and renowned scholars with extensive expertise in Shari'a. The General Assembly of the Bank appoints the members and determines their remuneration. The Fatwa and Shari'a Supervisory Board issues its ruling on the consensus of the majority of its members. In the case of a tie and unresolved disagreement the Board of Directors shall refer the issue to the Central Bank of Kuwait's Higher Committee of Shari'a Supervision.

2- Shari'a Research and Advisory

KFH Shari'a Research and Advisory Department is responsible for the preparation of research and development of products and services offered by KFH. It also provides technical support and guidance to the Executive Management, oversees the daily operations of various departments in accordance with the provisions of Shari'a, and assists the Fatwa and Shari'a supervisory Board in conducting its duties effectively.

3- Group Internal Shari'a Audit

KFH has a specialized Shari'a team that supports the Fatwa & Shari'a Supervisory Board. Through its direct and constant supervision conducted by its supervisors deployed in all business units, the department ensures KFH's compliance with Shari'a provisions, as well as the Fatwa & Supervisory Board's Committee resolutions and Fatwas in all the Bank's businesses, activities, products, services, and contracts.

4- External Shari'a Audit

KFH assigns an independent external Shari'a auditor to verify that Fatwa & Shari'a Supervisory Board decisions are being implemented properly to ensure more impartiality and the implementation of regulatory instructions. This supports the Shari'a regulatory system at KFH and preserves the integrity of the approach, and the good implementation of Shari'a rules and Fatwas.

KFH Corporate Governance framework is published on KFH's website. Overall, KFH has taken the lead in implementing all various aspects of governance principles and standards, ensuring adherence to all new standards, and continuing its ongoing efforts to develop governance systems and mechanisms at the Group level by applying the best global practices.

Highlights of KFH's Governance and Sustainability Practices in 2024

In 2024, KFH continued to enhance its standing as one of the leading financial institutions in sustainability and governance. This commitment was demonstrated through a series of initiatives that support the United Nations Sustainable Development Goals (SDGs) and align with the State of Kuwait 2035 vision. These endeavors included updating the ESG strategy to align with the best global practices in a manner that strengthens the Bank's capability to attain its environmental and social strategy. KFH also announced a joint project with the UNDP on Impact Measurement & Management. The project focuses on measuring the impact and through operational processes and managing their impact on society and the environment. It also identifies the implications of KFH's procedures and decisions through products, services, processes, supply chain and its value. Additionally, it works towards minimizing the negative effects and increasing the positive influences. This project commenced with the Procurement and Contracts department and SME Banking department to develop their policies and procedures.

On the sustainability front, KFH issued the Sustainability Report and Carbon Footprint Report for the year 2023, publishing them on the Bank's website. 2024 was a distinctive year for the Bank marked with KFH being included in the FTSE4Good index and awarded an "A" rating by MSCI index. These recognitions affirm KFH's position and leadership in the field of sustainability.

KFH also participated in various conferences and events in 2024. Participation included the Horticultural Expo 2023 in Doha, and the Conference of the Parties (COP16) to the United Nations Convention to Combat Desertification (UNCCD) in Riyadh.

Governance:

KFH has adopted a model with three independent lines of defense that integrate with each other to safeguard KFH from potential risks. These are:

First line: Functions comprising risks.

Second line: Risk management functions and Regulatory Compliance functions.

Third Line: The Internal Audit function.

This model led to resilience and flexibility in conducting business and meeting regulatory requirements, as well as carrying through the vision of the KFH Board of Directors in achieving its strategic objectives, and maintaining balance and harmony among stakeholders.

KFH's adoption of sustainable business principles over the past years contributed to enhancing leadership and ability to overcome obstacles while maintaining business excellence while delivering value to all stakeholders.

In 2024, KFH undertook initiatives to enhance governance, sustainability, and transparency across its business. Most notable of these initiatives are the following:

During 2024, KFH continued its endeavors to strengthen corporate governance by conducting a comprehensive review of governance practices within the Bank and across all its subsidiaries to ensure compliance with all regulatory requirements.

1- Disclosure and Transparency

KFH's disclosure policy constitutes one of the pillars of corporate governance. KFH adopts a clear framework that enhances the principle of disclosure and transparency and ensures fairness and equality in the timely delivery of information to stakeholders as required by the regulatory authorities and in line with the best international practices. Additionally, the Board reviews this policy periodically and ensures its implementation accordingly.

Our external auditors of the Group are EY and Deloitte & Touche. In addition to the audit and review of our financial reports, EY and Deloitte provide other services throughout the year comprising of other assurance and non-assurance services including audit and review of subsidiaries, other statutory assurance and agreed upon procedures services to Group, tax services etc. Total remuneration of the external auditors for group audit and other services was KD 2,777 thousand, comprising of audit fees of KD 1,698 thousand, and other assurance and services of KD 1,079 thousand. We have processes in place to maintain the independence of our external auditor, including the nature of expenditure on non-audit services.

2- Enhancing the Code of Business Conduct

KFH upholds the highest standards of adherence to the Code of Business Conduct, applying these principles from the members of the Board of Directors to all employees of KFH. Therefore, the Board of Directors has been keen to strengthen the framework of the Code of Business Conduct through strict policies and procedures to ensure that KFH enjoys integrity, credibility, and maintains the Group's strong reputation. The Board annually reviews the policies and procedures regulating the framework for professional behavior, which consists of the following:

- Code of Business Conduct policy
- Conflict of Interest policy
- Related Party policy
- Information Security policy
- Whistle Blowing policy
- Anti-Bribery and Corruption policy

The Board of Directors reviews, signs, and commits to these policies. KFH employees are also required to review and sign these policies. At KFH, we are committed to promoting the culture of adherence to ethical standards through periodic training programs and awareness publications.

3- Taking Care of KFH employees

At KFH-Kuwait, we take pride in fostering an ethical, fair, and balanced work environment to prepare our employees to become future leaders in alignment with Islamic principles and our corporate values. Accordingly, our business model is based on value creation to empower and actively engage our employees at all levels of management. Their needs and feedback are reflected in all our strategic initiatives and practices, which can be summarized in five main pillars:

- Attractive and engaging work environment.
- Professional growth and career development.
- Effective communication between the Executive Management and employees.
- Professional culture and transparency.

In KFH, we believe that human capital is the basis of our success and employees are partners in that success. Therefore, we ensure the development of our human capital and attraction of the best talents to carry on our leadership legacy. We invest in training and development through our partnerships with the best service providers in the world, offering the best training programs for our employees.

In this respect, KFH has provided programs and training courses using modern technology. Throughout the year, 28405 employees received training programs and courses at a rate of 115,934 training hours. We have contracted with world-class training service providers such as:

- Headspring Executive Development
- LinkedIn
- Gartner
- Moody's
- Harvard Business School

The Training Department evaluates the programs periodically to ensure their effectiveness. It also assesses employees' need for training relative to each employee's field, competence, and experience, in order to provide tailored programs that cover the Bank's business. In addition, the department arranges leadership programs to develop KFH human capital according to the approved succession plans for qualifying future leaders.

Each year, KFH grants opportunities for employees to continue their studies by providing scholarships for Master's degree. KFH also supports newly graduated employees by enrolling them in its Forssah training program in which KFH trains and refines their skills, preparing them to assume leadership positions within the Bank in the future. The program includes practical training in the Bank as well as intensive training courses inside and outside the State of Kuwait.

KFH is committed to maintain professional and flexible communication tools to represent employees, support their requirements and respond to their inquiries. The Bank has 6 business partners assigned by the Bank's various departments. They represent a point of contact between multiple business areas.

In recognition of the vital role women play in the workplace and the economic arena, KFH takes pride in its female employees who comprised 22.92% of the total workforce by the end of 2024, while emphasizing its endeavor to increase the percentage by attracting and recruiting female talents who align with KFH's strategic vision.

4- Social Responsibility

Social responsibility is a cornerstone of KFH's strategy. Indeed, KFH is committed to implementing high-quality initiatives that deliver added value and positively impact all segments of society. Moreover, KFH strives to support and enhance the goals and pillars of sustainable development across all levels of society.

As part of its endeavors, KFH implemented a diverse array of initiatives, encompassing comprehensive community outreach. A wide range of areas were covered, including health, education, culture, sports, youth development, student support, scientific research, innovation, digital transformation, care for individuals with special needs, environmental protection, volunteerism, awareness programs, and other pertinent domains. Prominent initiatives are:

- Launching the KFH PR Academy, the first-of-its-kind program designed to equip undergraduate students and fresh graduates with the fundamental aspects of the public relations and media department at KFH.
- Strategic partnership for 'Hackathon Kuwait,' the largest cybersecurity competition in Kuwait, for the second consecutive year.
- Signing a Memorandum of Understanding with the Sabah Al-Ahmad Center for Giftedness and Creativity to foster and support creative and innovative initiatives within the community.
- Participation in the 5TH Gulf Conference and Exhibition for Cybersecurity Challenges, themed "A Secure Digital Environment."
- KFH renewed its strategic partnership with the Kuwait Codes initiative.
- KFH participated in NEXUS 2024, a premier technology and innovation event in Kuwait.
- KFH participated in the second edition of the National Leadership Conference 2024, titled "Breaking Barriers II: A Strong Mind. Strong Body. Strong Leader."
- KFH renewed its strategic partnership with the Kuwait Sea Sport Club (KSSC) to support Kuwait's national jet ski team in their participation in the World Championship held in the United States. KFH is the most prominent strategic partner in sponsoring the team annually.
- KFH continued to support and foster strategic partnerships with entities dedicated to supporting individuals with disabilities, such as the Kuwait Society for the Handicapped and the national initiative "Partners in Employing Them."
- The "Keep it Green" campaign encompasses a range of exceptional initiatives, programs, and projects dedicated to fostering sustainability, greening, and environmental awareness.
- Commencement of the reconstruction project for the fire-damaged area in Mubarakiya, reflecting KFH's pioneering role on social and national levels.
- Signing an agreement with the Kuwait Food and Relief Bank, through which KFH contributed KD 1 million to support food assistance for needy families in Kuwait.
- Organization of the largest public walking challenge competition throughout the holy month of Ramadan, in collaboration with the bank's strategic partner, the (V-Thru) application.
- The Ramadan program "Increase Good Deeds in Ramadan" achieved unprecedented success in its message about the importance of strengthening social cohesion. The program encompassed a diverse range of activities, most notably: a campaign to provide Iftar meals, the distribution of Ramadan baskets and Eid clothing to needy families in collaboration with the Kuwait Red Crescent Society, hospitality services within mosques, and a series of awareness videos. These videos featured insights from doctors and nutritionists on health and wellness, in collaboration with the Ministry of Interior, KFH addressed traffic safety, emphasizing the importance of not speeding during Iftar time. Furthermore, the program included initiatives to share Iftar meals with various entities whose work continues during the Iftar period.
- KFH launched Mishkat Al-Nubuwwa Hadith Memorization competition, the largest of its kind in Kuwait.
- KFH launched the 11th edition of the annual competition for memorizing the Holy Quran.
- KFH continued its support for student graduation projects at the Engineering Design Exhibition for Graduate Students during the 2024 academic year.
- KFH renewed its strategic partnership with Kuwait Tourism Enterprises Company, supporting the Winter Wonderland Kuwait project.
- KFH supported and assisted the Diraya campaign by providing publications and impactful content to enhance financial literacy among customers and the public.
- KFH continued the success of its annual "You Are Stronger" campaign to raise awareness of breast cancer during October 2024. The campaign encompassed a variety of awareness events and educational seminars.
- KFH continued to support the integrated health campaign observed on World Diabetes Day in November. Additionally, the bank participated in Movember, a global campaign to raise awareness of men's health.
- Renewing the strategic partnership with Coded Academy in the Coded Juniors initiative.

KFH's Social Contributions in 2024:

"value in Kuwaiti Dinar"

Zakat and Humanitarian contributions & donations	Contribution made to KFAS	National labor Support tax (NLST)	Contribution made to Institute of Banking Studies
30,721,592	5,559,000	19,182,000	2,627,478

5- Environment protection

KFH pays special attention to issues related to climate change and the environment for their significant impact on the economy and sustainable development of society. Therefore, KFH works closely with local and international bodies and institutions interested in environmental issues. This is achieved through our partnerships with respective international and local bodies such the United Nations Development Program (UNDP) and Kuwait's Environment Public Authority, to provide many important contributions to various projects and initiatives focusing on preserving the environment and mitigating the negative impacts of climate change. The Bank also supports the efforts towards a zero-carbon economy at the Group level and its units in different countries.

6- Shareholders and stakeholders' rights

At KFH, we guarantee the protection of the rights of shareholders and stakeholders by implementing policies and procedures that ensure fair treatment of all shareholders, including those in the minority, through two units. The first unit manages shareholders' affairs while the second unit handles investors' affairs. Both units work continuously to serve KFH shareholders and investors.

KFH shareholders enjoy equal rights without discrimination. They have the right to participate in the general assembly meetings (ordinary and extraordinary), vote on agenda items, elect members of the Board of Directors, receive dividends, obtain information and data on the Bank's activities and all other due rights as provided in KFH's Memorandum and Articles of Association and in accordance with Laws and regulations issued by the regulatory authorities.

We also ensure the protection of stakeholders' rights including employees, depositors, creditors, vendors and others by adhering to policies and procedures that ensure the protection of their rights.

Governance requirements in the annual report

Ownership shares as on 31/12/2024

Authority	Ownership form	Country	Ownership ratio
Kuwait investment Authority	Direct	Kuwait	15.67%
Public Institution for Social Securities	Direct and indirect	Kuwait	9.08%
Public Authority for Minor Affairs	Direct	Kuwait	6.823%

*The table above shows the ownership shares of owners who own 5% of the capital and more.

Board Members' Duties and Responsibilities

1- General responsibilities of the Board of Directors

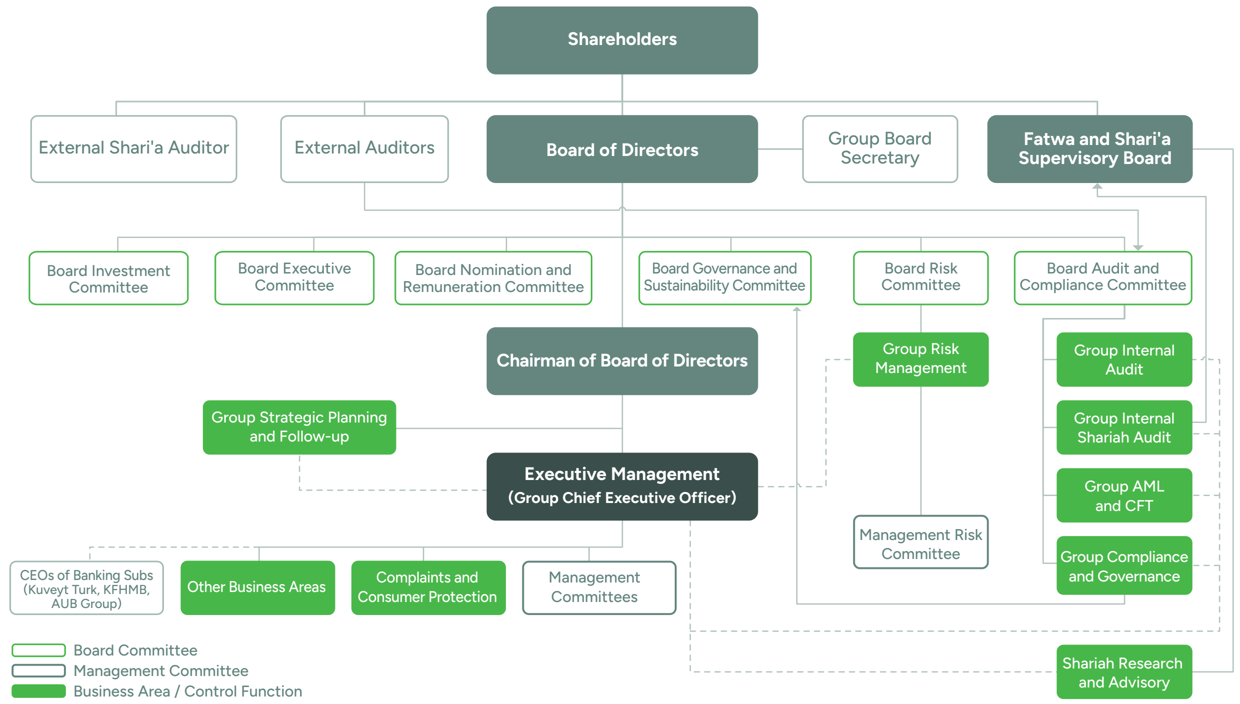
It sets strategic goals, risk strategy and all matters related to governance systems. The Board is responsible for supervising the Executive Management and ensures KFH's compliance with the requirements of Central Bank of Kuwait, Capital Market Authority, and relevant laws. The Board ensures to preserve the interests of the shareholders, depositors, creditors, employees and other stakeholders. Also, the Board ensures that KFH is managed in a professional and prudent manner in line with KFH's applicable rules, regulations, and bylaws while fully complying with Islamic Shari'a principles.

Governance Structure

Board structure

Pursuant to KFH Articles of Association, the Board of Directors shall comprise fourteen (14) members including four (4) independent members. The Ordinary General Assembly shall, by a secret ballot, elect the members for a three renewable years term in the Board. The term of membership of the independent member shall expire upon the expiry of the Board's term for which the members were selected. The Ordinary General Assembly may select them for one another term subject to the Companies Law and its amendments in addition to the instructions of the other regulatory authorities. The Board of Directors shall, by a secret ballot, elect a Chairman and a Vice Chairman for a term of three years.

KFH Board Governance Structure



1- Chairman role

Considering the significance of this role, the Chairman ensures proper functioning of the Board, maintains mutual trust and collaboration among Board members, and ensures that the decision–making process is based on sound principles and information. Also, the Chairman encourages effective discussions, fosters the exchange of viewpoints within the Board, and ensures timely reporting of sufficient information to the Board members. Furthermore, the Chairman plays a key role in maintaining a productive relationship between the Board of Directors and the Executive Management.

2- The relationship between the Board of Directors and the Executive Management

KFH maintains cooperation and clear segregation of powers between the Board of Directors and Executive Management. As such, the Board's responsibility is to provide guidance and leadership, and adopt strategies, plans, and policies. The Executive Management, on the other hand, takes responsibility for implementing the strategies and policies approved by the Board while ensuring that the Board and its members are totally independent from the Executive Management. The Board also ensures that Executive Management is implementing the policies preventing and limiting the activities and relations which might affect or limit sound principles of corporate governance i.e., Conflict of Interests and the Remuneration Policy.

3- Organizing the Board of Directors activities

The Board of Directors held (14) meetings in 2024 during its current 16th session, whereas it held (21) meetings in 2023. The meetings are held whenever the need arises. The number of meetings exceeded the regulatory requirements stipulated in the Companies Law and the corporate governance guidelines issued by CBK. According to these requirements, a minimum of (6) meetings is required per annum, with at least one meeting every quarter. The decisions made during these meetings shall be binding and part of KFH's records.

In 2024, the Board of Directors adopted (33) resolutions by passing, while the Board committees adopted (31) resolutions by passing during the same period.

The Chairman of the Board consults with the Senior Executive Management on important matters to be incorporated in the Board meetings' agenda and provides Board members with sufficient information well in advance of the meetings to facilitate necessary decision-making. The Board secretary records all Board discussions, recommendations, and voting results in the meeting. The responsibilities of the Chairman and Board members are set in writing and determined as per applicable legislations and regulations.

4- Board meetings

Date of meeting	11 Jan.	12 Feb.	20 Mar.	31 Mar.	8 Apr.	13 May	10 Jun.	11 Jul.	29 Jul.	9 Sep.	10 Oct.	11 Nov.	9 Dec.	26 Dec.	Total attendance	Total absence	Total meetings
Name/meeting number	18	19	20	21	22	23	24	25	26	27	28	29	30	31			
Hamad Abdulmohsen Al-Marzouq	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Abdulaziz Yacoub Al-Nafisi	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Ahmad Abdullah Al-Omar	√	√	√	√	√	√	√	√	√	√	√	X	√	√	13	1	14
Sheikh/ Salem Abdulaziz Al-Sabah	√	X	√	√	√	√	X	√	√	X	√	√	√	√	11	3	14
Noorur Rahman Abid	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Salah Abdulaziz Al-Muraikhi	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Mohammad Naser Al-Fouzan	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Ahmad Hamad Al-Thunayan	√	√	√	√	√	√	√	√	√	X	√	√	√	√	13	1	14
Hamad Abdellatif Al-Barjas	√	√	√	√	√	√	√	X	X	√	X		*		8	3	11
Khalid Salem Al-Nisf	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Fahad Ali Al-Ghanim	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Ahmad Meshari Al-Fares	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Muad Saud Al-Osaimi	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14	0	14
Nasser Abdullatif Al-Roudan	Joined the Board on 7 November 2024											√	√	√	3	0	3
Dalal Mahmoud Al-Nouri	Joined the Board on 7 November 2024											√	√	√	3	0	3

*** Replaced on 15 October 2024**

5- Board committees

KFH Board of Directors formed subcommittees to assist in carrying out the Bank's activities and enhancing control on the Bank's core operations. The committees were formed based on KFH's various lines of business. All Board members are fully involved in these committees. The Board has also endorsed the sub-committees' covenants, highlighting responsibilities, duties, and scope of these committees' functions.

The Board sub-committees are:

- Audit and Compliance Committee
- Nominations and Remuneration Committee
- Risk Committee
- Governance and Sustainability Committee
- Executive Committee
- Investment Committee

Formation of the Board committees		Sub-committees					
Board of Directors		Executive	Audit & Compliance	Nomination & Remuneration	Risk	Governance & Sustainability	Investment
Chairman	Hamad Abdulmohsen Al-Marzouq	•				•	
Vice Chairman	Abdulaziz Yacoub Al-Nafisi	•		•			
Members	Sheikh/ Salem Abdulaziz Al-Sabah					•	
	Ahmad Abdullah Al-Omar			•			•
	Fahad Ali Al-Ghanim	•	•				•
	Muad Saud Al-Osaimi	•	•				•
	Khalid Salem Al-Nisf	•			•		•
	Noorur Rahman Abid		•	•			
	Dalal Mahmoud Al-Nouri		•			•	
	Salah Abdulaziz Al-Muraikhi	•	•			•	
	Ahmad Hamad Al-Thunayan			•	•		•
	Mohammad Naser Al-Fouzan				•		•
	Ahmad Meshari Al-Fares				•	•	
	Nasser Abdullatif Al-Roudan			•	•		

For additional details, kindly refer to the specific section on the Board of Directors in this report.

5.1 Audit and Compliance Committee

The Audit and Compliance Committee was formed to assist the Board in fulfilling its supervisory responsibilities over the Bank's accounting operations, financial and control systems, internal audit function, compliance, AML/CTF, in addition to the management of financial reports in coordination with internal and external auditors to ensure compliance with regulatory requirements.

The Audit Committee consists of six (6) Board members and chaired by one of the independent members. At least two of the members must possess knowledge of financial matters to perform their duties as members of the committee.

Meetings are held whenever the need arises, provided that the number of meetings in one year is not less than four meetings. During 2024, the committee held (5) meetings and issued (11) resolutions by passing.

The key duties of the committee include but are not limited to the following:

- Supervise KFH's internal controls and systems and ensure sufficiency of human resources required for control functions.
- Provide recommendations concerning external auditors' appointment, dismissal, fees, qualifications, and objectivity of their professional opinion and circulate auditing partners in accordance with regulatory requirements.
- Ensure the Bank's compliance with the laws and instructions issued by the regulatory authorities.
- Appointing or dismissing the head of the internal audit, head of compliance and head of Anti-Money Laundering and Combating the Financing of Terrorism AML/CFT and make recommendations to the Board in this respect as well as assess their performance and determine their remunerations.
- Review the quarterly and annual financial statements with the Executive Management and the external auditor.
- Review accounting issues having significant impact on the financial statements.
- Review the required provisions and ensure their adequacy. Arrange discussions with Executive Management regarding these provisions.

The Audit and Compliance Committee is authorized to acquire any information from the Executive Management. Also, it is entitled to invite, through official channels, any executive or Board member to attend its meetings. The committee shall monitor the adequacy of internal controls at KFH.

Names of the Audit and Compliance Committee members and the number of meetings held in 2024

Date of meeting	10 Jan.	7 Apr.	10 Jul.	9 Oct.	8 Dec.	Total attendance	Total absence	Total meetings
Name/meeting number	5	6	7	8	9			
Mr. Noorur Rahman Abid (Chairman)	√	√	√	√	√	5	0	5
Mr.Salah Abdulaziz Al-Muraikhi	√	√	√	√	√	5	0	5
Mr. Hamad Abdellatif Al-Barjas	√	√	X	X	Replaced on 15 October 2024	2	2	4
Mr. Fahad Ali Al-Ghanim	√	√	√	√	√	5	0	5
Mr. Muad Saud Al-Osaimi	√	√	√	√	√	5	0	5
Dalal Mahmoud Al-Nouri	Joined the Board on 7 November 2024				√	1	0	1

5.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed to assist the Board of Directors in meeting its obligations regarding the selection of qualified individuals for the Board and Senior Management membership and assess the performance of the Board and its committees. The committee assists the Board in supervising short- and long-term remuneration systems. The committee also recommends the remunerations of the Board members and employees. It is comprised of six (6) members and chaired by one of the independent members.

Committee meetings are held whenever the need arises, provided that the number of meetings in one year is not less than two meetings. During 2024, the committee held (8) meetings and issued (4) resolutions by passing.

The key functions of the Committee include but are not limited to the following:

- Recommend nomination of persons qualified to act as Board members based on CBK approved policies, standards, and instructions regarding membership nominations.
- Recommend appointment of the CEO and his deputies, except the Chief Risk Management who shall be elected by the Risk Committee and the Chief of Audit and the Chief of Compliance who shall be elected by the Audit and Compliance Committee.
- Conduct an annual review of the required Board membership skills, determining the skills to be enjoyed by the Board members and the subcommittees, as well as present suggestions on the organizational structure.
- Conduct an annual review for the skills required for the board membership and identify the skills required for the members of the board and its committees in addition to providing recommendations relating to the organizational structure.

- Annual evaluation of the overall performance of the Board and the performance of members individually and provide recommendations on the members' remunerations.
- Provide suggestions on Bank fixed and variable remuneration policy structure and submit the same to the Board for approval.
- Conduct periodical review on the remuneration policy or when recommended by the Board and present recommendations to the Board to amend/ update such policy.
- Conduct independent annual revision of the remuneration system to evaluate the Bank's compliance with the financial remuneration practices, either through internal Audit Department or an outsource consultancy bureau.
- Study the replacement plan and apply election and evaluations standards for possible replacements of high officials at the Bank including changes in emergency cases and in case of any vacant posts, and present the same to the Board of Directors for approval.
- Recommend to the Board of Directors, the nomination, renomination or termination of the membership in the Fatwa and Shari'a Supervisory Board and ensure transparency of appointment and reappointment of members of the Fatwa and Shari'a Supervisory Board.

Names of the Nominations and Remuneration Committee members and the number of meetings held in 2024

Date of meeting	9 Jan.	11 Feb.	09 Jun.	24 Jul.	08 Sep.	09 Oct.	21 Nov.	08 Dec.	Total attendance	Total absence	Total meetings
Name/meeting number	7	8	9	10	11	12	13	14			
Noorur Rahman Abid	√	√	√	√	√	√	√	√	8	0	8
Abdulaziz Yacoub Al-Nafisi	√	√	√	√	√	√	√	√	8	0	8
Ahmad Abdullah Al-Omar	√	√	√	√	√	√	√	√	8	0	8
Hamad Abdellatif Al-Barjas	√	√	√	√	√	X	Replaced on 15 October 2024		5	1	6
Ahmad Hamad Al-Thunayan	√	√	√	√	X	√	√	√	7	1	8
Nasser Abdullatif Al-Roudan	Joined the Board on 7 Nov. 2024						√	√	2	0	2

5.3 Risk Committee

The Risk Committee was formed to support the Board in meeting its responsibilities of overall supervision of the risk conditions, risk strategies and the Bank's risk appetite towards credit, banking, real estate, and investment activities. The committee comprises (5) members chaired by one of the independent members. It holds its meetings whenever the need arises provided that the total number of meetings in a year is not less than (4). During 2024, the committee held (6) meetings and issued (3) resolutions by passing.

The committee performs several duties and responsibilities as follows:

- Ensure the adequacy of the risk appetite adopted by the Bank with the Board's tendencies in this respect and ensure identification of key risks.
- Review adequacy of the Bank's risk management practices on at least quarterly basis.
- Review risk management standards and internal controls to ensure proper management of material risks in the Bank's businesses and provide supervision over credit risk, capital market risk, liquidity risk, asset and liability management risks, legal risks in addition to all relevant risks.
- Review internal audit results for capital adequacy, stress tests, and liquidity to ensure the Bank's resilience to emerging or new risks.
- Review and supervise Risk Department structure, duties, and responsibilities, in addition to assessing the performance of the department's head.

Names of the Risk Committee members and the number of meetings held in 2024

Date of meeting	25 Jan.	7 Mar.	9 May	28 Jul.	19 Sep.	3 Nov.	Total attendance	Total absence	Total meetings
Name/meeting number	6	7	8	9	10	11			
Ahmed Meshari Al-Faris	√	√	√	√	√	√	6	0	6
Mohammed Nasser Al-Fouzan	√	√	√	√	√	√	6	0	6
Ahmad Hamad Al-Thunayan	√	√	√	√	√	√	6	0	6
Khaled Salem Al-Nisf	√	√	√	√	√	√	0	0	0
Nasser Abdullatif Al-Roudan	Joined the Board on 7 November 2024						2	0	2

5.4 Governance and Sustainability Committee

The Board Governance and Sustainability Committee was formed to assist the Board in meeting its supervisory responsibilities of implementing the Governance rules and standards, developing governance policies, monitoring compliance with these policies as well as monitoring compliance with the governance framework adopted by the Board.

The Board Governance and Sustainability Committee comprises (6) members chaired by an independent member. Meetings are held whenever the need arises, provided that the number of meetings in one year is not less than two meetings. During 2024, the committee held (5) meetings and issued (3) resolutions by passing.

The Governance and Sustainability Committee duties include the following:

- Review and develop the governance framework.
- Ensure KFH and its subsidiaries' compliance with the Group's Governance Policy.
- Review and assess the professional code of ethics and code of conduct in addition to other approved policies.
- Review of the governance section in KFH's annual report.
- Supervise the implementation of the Bank's sustainability strategy and prepare sustainability periodic reports.

Names of the Governance and Sustainability Committee members and the number of meetings held in 2024

Date of meeting	29 Jan.	6 May.	15 Jul.	17 Oct.	27 Nov.	Total attendance	Total absence	Total meetings
Name/meeting number	6	7	8	9	10			
Sheikh/ Salem Abdulaziz Al-Sabah	√	√	√	√	√	5	0	5
Salah Abdulaziz Al-Muraikhi	√	√	√	√	√	5	0	5
Hamad Abdul Mohsen Al-Marzouq	X	X	√	√	√	3	2	5
Hamad Abdullateef Al-Barjas	√	√	X	Replaced on 15 Oct. 2024		2	1	3
Ahmed Meshari Al-Faris	√	√	√	√	√	5	0	5
Dalal Mahmoud Al-Nouri	Joined the Board on 7 Nov. 2024				√	1	0	1

5.5 Executive Committee

The Executive Committee is formed to assist the Board in fulfilling its supervisory obligations regarding investment and banking activities according to the authorities delegated by the Board. The Board may assign to the committee any other duties that may assist the Board in performing its duties and responsibilities. The Executive Committee comprises (6) members and holds its meetings whenever the need arises, provided that the number of meetings in one year is not less than (4). During 2024, the committee held (10) meetings and issued (12) resolutions by passing.

The key duties of the Executive Committee include but are not limited to the following:

- Review and approve finance transactions and investment offers presented by the Executive Management according to the authorizations and delegation protocols set by the Board.
- Periodic revision of the diversity and solidity of the financing portfolio.
- The Executive Committee may make exceptions during the periods between the Board meetings to take the following actions:
  - Grant, renew or temporarily extend credit facilities, regular review thereof, and amend granting conditions to customers whether retail, corporate or institutions regarding amounts exceeding the Board Executive Committee authorities.
  - Approve entry, exit, and settlement of KFH investments or transfer assets at the Group level.
  - View and endorse periodic reports presented by the Executive Management.
  - Sale and purchase of treasury shares.

Names of the Executive Committee members and the number of meetings held in 2024

Date of meeting	22 Jan.	21 Feb.	24 Apr.	26 Jun.	9 Jul.	18 Sep.	2 Oct.	22 Oct.	6 Nov.	20 Nov.	Total attendance	Total absence	Total meetings
Name/meeting number	9	10	11	12	13	14	15	16	17	18			
Hamad Abdulmohsen Al-Marzouq	√	√	√	√	√	√	√	√	√	√	10	0	10
Abdulaziz Yacoub Al-Nafisi	√	√	√	√	√	√	√	√	√	√	10	0	10
Khaled Salem Al-Nisf	√	√	√	√	√	√	√	√	√	√	10	0	10
Muad Saud Al-Osaimi	√	√	√	√	√	√	√	√	√	√	10	0	10
Fahad Ali Al-Ghanim	√	√	√	√	√	√	X	√	√	√	9	1	10
Salah Abdulaziz Al-Muraikhi	√	√	√	√	√	√	√	√	√	√	10	0	10

5.6 Investment Committee

The committee was formed with the aim of assisting the Board in meeting its supervisory obligations on investment operations and the investment activities of KFH and its subsidiaries as per the authorities entrusted to the committee by the Board. The committee comprises (6) members and holds its meeting whenever the need arises, provided that the meetings are not less than (4) meetings in one year. During 2024, the committee held (4) meetings.

The key duties of the Investment Committee include but are not limited to the following:

- Review the reports related to the development and changes in the Bank's investments and the conditions of the local and international financial markets.
- Follow up the implementation of the strategic policies and goals set by the Board regarding all investment activities.
- View all newly proposed investments and submit a recommendation to the Board in this respect.
- Submit a recommendation to the Board should the committee view it necessary to increase or decrease the capital of the companies in which the Bank is a shareholder.

Names of the Investment Committee members and the number of meetings held in 2024

Date of meeting	10 Mar.	29 May.	25 Sep.	28 Nov.	Total attendance	Total absence	Total meetings
Name/meeting number	4	5	6	7			
Fahad Ali Al-Ghanim	√	√	√	√	4	0	4
Ahmad Abdullah Al-Omar	√	√	√	√	4	0	4
Mohammed Nasser Al-Fouzan	√	√	√	√	4	0	4
Ahmad Hamad Al-Thunayan	√	√	√	√	4	0	4
Khaled Salem Al-Nisf	√	√	√	√	4	0	4
Muad Saud Al-Osaimi	√	√	√	√	4	0	4

Meetings of the Fatwa & Shari'a Supervisory Board During 2024

The General Assembly of KFH appointed the honorable members of the Fatwa & Shari'a Supervisory Committee for the year 2024. The Committee consists of 5 members. It issues Shari'a opinions and decisions and ensures KFH compliance with Shari'a regulations. During 2024, the Fatwa & Shari'a Supervisory Committee held 28 meetings.

Names of Members of the Fatwa and Shari'a Supervisory Committee and number of Meetings held during 2024.

Meetings of the Fatwa and Shari'a Supervisory Committee held during 2024		Attendance Percentage %
Name	Attendance Frequency	
Sheikh/ Professor Dr Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e Chairman, Fatwa & Shari'a Supervisory Board	28	100%
Sheikh/ Dr. Anwar Shuaib Al-Abdulsalam Member, Fatwa & Shari'a Supervisory Board	28	100%
Sheikh/ Professor Dr. Mubarak Jeza Al-Harbi Member, Fatwa & Shari'a Supervisory Board	27	96%
Sheikh/ Dr. Esam Abdulrahim Al-Ghareeb Member, Fatwa & Shari'a Supervisory Board	27	96%
Sheikh/ Dr. Khaled Shujaa' Al-Otaibi Member, Fatwa & Shari'a Supervisory Board	25	89%

Financing value received by members of the Fatwa & Shari'a Supervisory Board comprise the following:

- Total Financing Facilities: **KD 418,202**

- Total Credit Cards: **None**

Board of Directors Statement on the Internal Control Systems

Internal Control Systems

The Board acknowledges the value of strong internal control systems to the effectiveness and efficiency of operations, quality of internal and external reporting, compliance with the applicable laws and regulations and to KFH Group's overall governance. The Board has established an organizational structure that sets clearly the lines of authorities. Senior Management is responsible for establishing and operating the internal control systems to ensure the risks are managed and KFH Group's objectives are achieved. However, such internal control system is designed to provide reasonable assurance against the risk of material loss.

The Board, through its committees, reviews regularly the effectiveness of the internal control systems as assessed by the various internal control functions. The Board also ensures that these functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively.

The Board played an active oversight role in crisis management to ensure that the executive management had put in place the required controls that instill the bank's resilience to the changing environment and secure the business continuity to the best interests of the stakeholders.

The Board also reviews the management letters issued by the Bank's external auditors and reviews the report on Accounting and Other Records and Internal Control System (ICR) issued by the ICR external auditors; the ICR report did not refer to any observation that has a material impact on the fair presentation of the financial statements for the year ended 31 December 2023.

The Board believes that the internal control systems adopted and operated during the year ended 31 December 2024 are adequate to provide reasonable assurance regarding the achievement of KFH Group's objectives.

External Auditor Report about Internal Control Systems

June 26, 2024

Board of Directors
Kuwait Finance House K.S.C.P.
State of Kuwait

Subject: **Report on Internal Controls Review for the year ended December 31, 2023**

Purpose of this Report
In accordance with our letter of engagement dated April 3, 2024, we have examined and evaluated the internal control systems of Kuwait Finance House K.S.C.P, referred to as "the Bank" or the "Group" and its banking and financial subsidiaries, which were applied during the year ended December 31, 2023.
We covered the following departments / areas of the Bank:

- Corporate Governance
- Corporate Banking
- Retail Banking
- Group Treasury and Financial Institutions
- Group Private Banking, Wealth Mgmt. and Business Excellence
- Technology
- Group Operations
- Group Human Resources and Transformation
- Group Financial Control
- Corporate Marketing and Communication
- Group Legal
- Group Internal Shariah Audit
- Group Internal Audit
- Group Risk Management
- Group Strategic Planning and Follow-up
- Complaints and Consumer Protection
- Group Compliance and Governance Department
- Group Anti Money Laundering and Combating Financing Terrorism
- Fraud
- Finance Securities Activities
- Digital Transformation and Innovation Public Relations and Media

In addition to the above, we have also covered the following banking and financial subsidiaries of Kuwait Finance House K.S.C.P as follows:

- Kuwait Finance House Malaysia (Berhad)
- Kuwait Finance House Turkey
- Ahli United Bank (B.S.C) - Bahrain
- Saudi Kuwait Finance House S.S.C. (Closed)
- KFH Capital Investment Company K.S.C.C (Closed)

Our approach and procedures carried out in accordance with the requirements of the letter issued by the Central Bank of Kuwait (CBK) to the bank dated January 9, 2024 and CBK requirements contained in the manual of General Directives concerning Internal Controls Review (ICR) issued by the CBK dated June 15, 2003 and Pillar 4 of the regulations related to corporate governance and risk management issued by the CBK on June 20, 2012, and which was updated on September 10, 2019, instructions dated February 16, 2023 concerning anti money laundering and combating financing of terrorism related, instructions dated February 9, 2012 regarding confidentiality of customer's information and financial securities activities of the Bank.

Responsibilities of Bank
We would like to point out that among the responsibilities of the Board of Directors and the Bank management is to establish appropriate internal control systems at the level of the Bank and Group, and in order to undertake these responsibilities, judgments and estimates will be made to assess the expected benefits and costs related to management information and control procedures.

Our Responsibilities
The aim is to provide a reasonable, but not absolute, and here for example assurance that the assets are protected from any losses arising from the unauthorized use or disposal of those assets, and that risks are adequately monitored and evaluated, and that the transactions are carried out in accordance with the approved policies and procedures, and that they are appropriately recorded, and the work is carried out properly.

Because of inherent limitations in control system, and despite the levels of controls identified, there are still instances where these may not always be effective, and errors or irregularities may nevertheless occur and not be detected or traced. This may be due to human error, incorrect management judgment, management override, controls being by-passed or a reduction in compliance.

Our report is based on the findings and conclusion from the work undertaken, the scope of which has been agreed with the management, Also, projection of any evaluation of the systems to future periods is subject to the risk that information from management and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

The factors which are considered which may influence our report are:
- Inherent risk in the areas being examined/evaluated;
- Limitations in the individual area being examined/evaluated;
- The adequacy and effectiveness of the risk management and governance control framework;
- The impact of weakness identified.
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

Procedures and Findings
In regard to the nature and scale of its business, during the year ended December 31, 2023, the internal control systems in the areas examined by us were evaluated and maintained in proportion to the size of the risks and business in Bank, except for the matters specified in the report presented to the Board of Directors.

The findings raised do not have a material impact on the fair presentation of the financial statements of the Bank for the year ended December 31, 2023, and the actions taken by the Group to address the findings referred in the report are considered satisfactory.

Thank you and best regards,

RSM Albazie & Co.

Dr. Shuaib A. Shuaib
License No. 33-A

Remuneration Report

Remuneration Policy:

KFH's Remuneration Policy is in line with its strategies and objectives and the Kuwaiti Labor Law in the private sector, and incorporates all the requirements of the CBK Corporate Governance Instructions issued in June 2012. The employees' remuneration includes both fixed and variable components, which include their current and deferred remunerations, short-term & long-term incentives and end of service indemnity. The policy is designed to attract, retain and competitively reward those individuals with experience, skill, values and behaviors in order to achieve the Bank's overall goals.

Rewarding employees is directly linked to the Bank's short / long term performance. It also aligns the components of the remuneration packages with the Bank's short / long-term risk appetite. The policy has mechanisms in place to control the total remuneration based on the financial performance of the Bank, and in the case of poor performance, implementing a Claw Back mechanism in order to safeguard the Bank's interests.

The Bank's Board of Directors, with the assistance of the Remuneration and Nominations Committee, approves the Bank's remuneration policy design and its modifications, and periodically reviews the process of its implementation and effectiveness to ensure that it is operating as intended.

Remuneration Components

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the employee's grade in the Bank and the job function as well as market practice. The employee remuneration components are:

a. Basic salary.
b. Benefits and allowances.

The salaries reflect the individuals' skills and experience and are reviewed annually in the context of annual performance assessment. The salary packages are periodically benchmarked against comparable roles in other banks and other financial institutions. They are increased, where justified, by role change, increase in responsibility or where justified by the latest available market data. Salaries may also be increased in line with local regulations.

The Bank has a formal performance management process for evaluating and measuring staff performance at all levels. In the beginning of the year, the staff and their superiors plan and document the annual performance goals, required competencies and personal development plans for the staff. At the annual performance appraisal interview, the superiors of the staff and the reviewers evaluate and document performance against the documented goals.

Decisions on adjustment of the employee's fixed salary and on performance-based incentives are made on the basis of annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical / life insurance, annual tickets, and allowances are provided on the basis of individual employment contracts, local market practice and applicable laws.

First: Remuneration Disclosures as per the CBK Corporate Governance Instructions

As per the CBK's Corporate Governance Instructions, we have disclosed the remuneration cost of certain staff categories and the amounts cost to each category. The analysis includes the fixed and variable parts of the remuneration package and methods of payment.

The financial remunerations cost of the Board of Directors are disclosed in Note (26) of the Annual Financial Statements.

Second: Remuneration of the Highest Paid Executives at Kuwait Finance House

As per the CBK Corporate Governance Instructions, this section must include the total remuneration charged for the year 2024 to the 5 highest paid senior executive officers, which includes their salaries and short and long-term incentives for the year. However, the group must also include the Chief Executive Officer (CEO), the Chief Risk Officer (CRO), the Chief Financial Officer (CFO) and the Head of Internal Audit if any of them are not part of the top 5.

Hence, this section includes the total remuneration cost in 2024 of the top five highest executives at KFH as well as three mandatory positions which were not part of the top 5. The total for this group (top 5+3) amounted to KD 3,504,325 The remuneration package of each executive includes fixed and variable pay components including salary (basic and benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives and end of service benefits.

Third: Remuneration by Specific Staff Categories at Kuwait Finance House

- **CEO and his deputies and/or other Senior Executives whose appointment is subject to the approval of the regulatory and supervisory authorities:**

  For 15 respective executives, the total remuneration charged for the year 2024 to this category amounted to KD 5,902,688 The remuneration package of each executive in this category includes fixed and variable pay components including salaries (basic and benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives and end of service benefits.

- **Financial Control and Risk Staff:**

  For 208 respective staff, the total remuneration charged for the year 2024 to this category amounted to KD 9,974,413 The remuneration package of the staff in this category differed based on their grades as well as their individual employment contracts. The pay components includes fixed and variable components including salaries (basic and benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives for eligible senior executives and end of service benefits.

- **Material Risk Takers:**

  For 5 respective executives, the total remuneration charged for the year 2024 to this category amounted to KD 2,596,226. The category includes the top management and the divisional heads of the business functions with financial authorities and who delegate responsibilities to their respective divisional staff and are ultimately responsible and accountable for the risks taken by them. The total remuneration includes fixed and variable pay components including salary (basic and benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives and end of service benefits.

Risk Management and Governance Requirements

Overview

Kuwait Finance House has given special attention and meticulous care to risk management and governance requirements as they are considered amongst the most significant pillars of prudent management in banking. The Group Risk Management Department has made a clear imprint at Group level as it plays a vital role in decision-making based on the principle of risk and return trade-off. It has the primary role of identifying, evaluating, and mitigating risks.

As economic and geopolitical developments continued to dominate the public scene, tremendous fluctuations were noticed in the fundamental risk factors of the global economy. Nonetheless, the Group Risk Management Department has succeeded in completing its strategic initiatives to enhance the Group's capital and improve asset quality.

Risks at the Group are managed in a predetermined and integrated manner by applying the best practices in identifying, measuring, and mitigating both financial and non-financial risks. As per the Group governance frameworks, all risk exposures are monitored, analyzed, and discussed with the executive management through the Management Risk Committee, the Board Risk Committee, and the Board of Directors to ensure that the three lines of defense principle is applied starting from the responsibility of each employee to identify, evaluate, and control potential risks while carrying out his or her duties.

The main responsibility of the risk department is to drive continuous improvements in the field of risk management and development of business practices at KFH Group level to cope with the accelerating changes in the regulatory requirements and best practices. Accordingly, the Group Risk Management Department has adopted significant and effective procedures by applying unified methodology and standard business frameworks, updating measurement systems, predicting risk models, and automating reporting and follow-up systems. The Group Risk Management Department has also conducted, on a regular basis, stress tests and capital adequacy estimations at KFH Group and continued development of stress test methods in the most conservative ways to calculate prospective financial and non-financial risks considering the economic changes. In addition, the department has regularly updated the Group's risk appetite and increased the number of main risk indicators control reports to ensure comprehensive risk controls at the Group level.

Maintaining a robust capital base adequate to promote business growth, absorb unexpected losses, and comply with regulatory requirements is one of the main pillars of risk strategy at KFH. Thus, the Group Risk Management Department continued to apply the capital management program, which includes internal initiatives to assess risk-weighted assets to improve capital adequacy ratio, through internal levers and external levers, in line with the Group's strategy and plans. At the end of the year, the Group's capital adequacy ratio reached 19.89%, which is well above the minimum regulatory requirement.

Despite the current economic changes, the credit risk department has succeeded in dealing with the related financial risks by adopting the best practices and processes in accordance with international credit risk practices and standards in terms of measurement, management, and mitigation. As a result, the group asset quality level was maintained.

The market and liquidity risks are governed by the Assets/Liabilities Committee. Reports in this respect are issued at the Group level to ensure compliance with liquidity ratios, namely the Net Stable Funding Ratio and Liquidity Coverage Ratio to achieve regulatory compliance and the ability to fulfill depositors' needs.

KFH lays great emphasis on compliance with the laws and instructions issued by regulatory authorities. In this respect, KFH has an independent department, reporting to the Audit & Compliance Committee, to ensure that all business and services are executed in accordance with the regulatory authorities' instructions.

The Group Compliance and Governance works side by side with other business departments to provide consultations on the new products and services provided to KFH customers and ensure that they are approved by regulatory authorities. In addition, the department has ensured that KFH's various activities are performed in accordance with the regulatory authorities' instructions through a predetermined plan to examine the functions of the concerned departments, provide necessary support, and take any necessary actions to protect KFH and its shareholders.

The Compliance and Governance Department has overseen the business course of the Group through the reports presented by subsidiaries to ensure the compliance of the Group with the laws and regulations applicable in the jurisdictions where KFH operates.

In addition, KFH has anchored several functions under the umbrella of the Non-Financial Risk Department in accordance with the KFH Group Risk Management Department strategy and business framework. Non-financial risks at KFH are managed by several specialized units including Operational Risk Unit, Business Continuity Management Unit, Technology Risk Unit, and Cyber and Information Security Risk Unit.

Managing non-financial risk includes the responsibility for supervising the development and execution of business frameworks related to non-financial risks across KFH sectors. It also includes the responsibility to identify non-financial risks, verify the efficiency of control factors and business resilience, and prepare necessary administrative reports in accordance with industry standards and best practices.

The Operational Risk Unit focuses on enhancing the ability to manage and identify main risks at KFH Group level. Possible weak areas are identified, while appropriate plans and regulations are put in place to process and mitigate excessive risks.

The Technology Risk Unit supports IT in achieving extreme efficiency of IT services and oversight implementation of compliance requirements within an effective internal control environment.

The Business Continuity Management Unit is actively involved in the development and implementation of the business continuity frameworks including business recovery strategies, crisis management plans, and business resilience programs to provide the ability to effectively respond to disruptive events whilst protecting the interests of the Bank, customers, and shareholders. Furthermore, the crisis management plans are regularly aligned with any requirements change.

Concerning the management of cybersecurity and information security risks, the responsible unit is carrying out high-level independent oversight over information security management across the Bank. The unit focused its efforts on compliance with the CBK Cybersecurity Framework by developing the procedures and methodologies required for cybersecurity risk management, assessing existing cybersecurity posture, determining current maturity levels, and planning to strengthen the posture to an optimized level. Accordingly, in coordination with Business Continuity Management, cybersecurity crisis management simulation exercises have been planned and conducted as a continuous activity aiming to enhance the Bank's preparedness and response capabilities to cybersecurity incidents, in addition to ensuring that reliable framework and robust infrastructure are in place.

Likewise, KFH has a strong and comprehensive framework for Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) including policies, procedures, risk assessment, proper systems, and training to ensure compliance with the related laws and regulators' instructions.

Strategic Initiatives and Achievements

Despite the fluctuations of fundamental risk factors globally due to economic and geopolitical developments, the Group Risk Management has successfully completed numerous strategic initiatives to enhance the Group's capital and improve asset quality.

Extensive Risk Governance Framework: The department has successfully extended its comprehensive risk governance framework to newly joined subsidiaries. By integrating risk systems, frameworks, and best practices, KFH has seamlessly completed integration initiatives across the Group. This strategic move has earned the Group glowing reviews from global credit rating agencies including Moody's and Fitch, who praised KFH for its prudent risk management frameworks and their positive impact on asset quality.

Proactive Risk Monitoring: In the face of dynamic global economic shifts - not least of which rising inflation, climbing interest rates, fluctuating currency prices, and changing monetary policies - the Risk Management Department has been a proactive sentinel, vigilantly monitoring credit risks. Their efforts have not only safeguarded KFH Group's assets but also seized opportunities amidst the uncertainty, catapulting the Group to the forefront of Kuwaiti and Gulf banks in terms of net cost of risk, thereby boosting profitability. Additionally, the risk appetite framework for the group and its affiliated banks has been comprehensively updated to navigate volatile economic conditions. This update ensures alignment with the Group's overarching risk strategy and its strategic goals.

Business Continuity Despite Volatile Global Conditions: Amidst the current geopolitical turbulence, the importance of managing business continuity risks has never been more evident. The Risk Management Department has adeptly planned, implemented, and simulated various scenarios to ensure the Group's operations remain uninterrupted. Their proactive measures have been crucial in maintaining business continuity despite geopolitical upheavals.

Digital Transformation and Technological Advancements: Group Risk Management has made a groundbreaking leap into digital transformation, harnessing cutting-edge technologies like artificial intelligence, machine learning, and advanced analytics. These innovations have supercharged the ability to measure, monitor, and predict risks early. This strategic move has empowered the Risk Management Department to adopt state-of-the-art tools that align with global best practices in financial risk management. The goal is to build robust and scalable capabilities to tackle unexpected challenges, ensuring the Group's stability and sustainable growth. The Risk Management Department is determined to continue implementing innovative strategies that boost the Group's agility and efficiency in managing risks.

Qualitative and quantitative disclosures related to the Capital Adequacy Standard under Basel III have been prepared in accordance with Central Bank of Kuwait (CBK) instructions and regulations issued as per its circular 2/RB, RBA/336/2014 dated 24 June 2014. General disclosures related to the Capital Adequacy Standard under Basel III rely on calculating the minimum capital required to cover credit and market risks using the standardized approach and the minimum capital required to cover operational risk using the Basic Indicator Approach.

First: Group structure

Kuwait Finance House Group comprises the Bank head office in Kuwait in addition to banking and non-banking (wholly or partially owned) subsidiaries. The Bank owns certain other strategic investments. The subsidiaries are fully consolidated into the Bank's financial statements. Details regarding subsidiaries are as follows:

Principal operating material subsidiaries

1.1 Kuwait Turkish Participation Bank:

58% (2023: 62%) owned Islamic bank registered in Turkey since 1989. Its main activities include providing Islamic banking and finance services, and investment of funds on a profit/loss sharing basis.

1.2 Ahli United Bank B.S.C.(C) (AUB)*:

100% (2023: 100%) owned bank registered in the Kingdom of Bahrain. Its main activities include providing retail banking, corporate banking, treasury and investment services, private banking and wealth management services.

1.3 Kuwait Finance House B.S.C.**:

0% (2023: 100%) owned Islamic bank registered in the Kingdom of Bahrain since 2002. Its activities include providing Shari'a compliant products and banking services, management of investment accounts on a profit-sharing basis, and corporate finance.

1.4 Kuwait Finance House (Malaysia) Berhad:

100% (2023: 100%) owned Islamic Bank registered in Malaysia since 2006. Its main activities include providing Islamic finance products, investment in real estate, and corporate finance.

1.5 Saudi Kuwaiti Finance House S.S.C. (Closed):

100% (2023: 100%) owned subsidiary, registered in the Kingdom of Saudi Arabia. The main activities of the company are to provide services as a principal or as an agent of underwriting, management, arrangement, advisory services and custody in relation to securities.

1.6 KFH Capital Investment Company K.S.C. (Closed)****:

99.9% (2023: 99.9%) owned investment company. Its activities comply with Islamic Shari'a including investments, Islamic finance services, equity trading, private equity investments, real estate investments, and asset management services.

1.7 KFH Real Estate Company K.S.C (Closed)****:

99.9% (2023: 99.9%) owned subsidiary.

The company's activities include the provision of real estate rental and development services.

1.8 Al Enma'a Real Estate Company K.S.C.P:

56% (2023: 56%) owned subsidiary. The company's main activities include real estate development, investment, and trading.

1.9 Baitak Real Estate Investment Company S.S.C.:

100% (2023: 100%) owned real estate investment company registered in the Kingdom of Saudi Arabia. Its main activities comprise investments and real estate development.

1.10 International Turnkey Systems Company K.S.C. (Closed):

98% (2023: 98%) owned subsidiary. Its main activities include hardware and software maintenance and provision of specialized technical consultancies.

1.11 Al Salam Hospital K.S.C. (Closed):

76% (2023: 76%) owned subsidiary engaged in all activities related to the field of healthcare services.

1.12 Ahli United Bank (U.K.) PLC (AUBUK):

100% (2023: 100%) owned bank registered in the United Kingdom. Its activities include providing banking services, management of investment accounts, and corporate finance.

1.13 Ahli United Bank K.S.C.P. (AUBK)***:

0% (2023: 85.6%) owned bank registered in Kuwait. Its main activities include providing Islamic finance products, real estate investment, and corporate finance.

1.14 Ahli United Bank (Egypt) S.A.E. (AUBE):

95.7% (2023: 95.7%) owned bank registered in the Arab Republic of Egypt. Its activities include providing banking services, management of investment accounts, and corporate finance.

1.15 Commercial Bank of Iraq P.S.C. (CBIQ):

85.3% (2023: 80.3%) owned bank registered in the Republic of Iraq. Its activities include providing banking services, management of investment accounts, and corporate finance.

*** AUBUK, AUBK, AUBE, and CBIQ are indirectly held subsidiaries through AUB.**

**** KFH Bahrain has been sold during the year**

***** AUB Kuwait has been merged with KFH Kuwait during the year, Effective ownership percentage in 2023 was 95.1%.**

****** Effective ownership percentage is 100% (2023: 100%).**

Second: Regulatory capital structure and balance sheet reconciliation

A. Regulatory capital structure

The Bank's regulatory capital comprises the following:

1. Tier 1 (T1) capital, which comprises:

- Common Equity Tier 1 (CET1) comprising shareholder's equity, retained earnings, reserves, and eligible portion of non-controlling interests.
- Additional Tier 1 (AT1) comprising the eligible Tier1 perpetual Sukuk and eligible portion of non-controlling interests.

2. Tier 2 (T2) capital comprising the eligible portion of non-controlling interests and eligible portion of general provisions (limited to a maximum of 1.25% of credit risk-weighted assets).

As of 31 December 2024, Tier (1) "core capital" amounted to KD 3,826,197 thousand (2023: 3,591,896 thousand), Tier (2) "supplementary capital" amounted to KD 391,923 thousand (2023: 382,154 thousand).

KD 000's

Regulatory capital components	2024	2023
CET1: Common Equity Tier 1 capital (before regulatory adjustments)	6,624,113	5,703,943
Regulatory adjustments for CET1	3,341,327	2,657,013
Total Common Equity Tier 1 (CET1)	**3,282,786**	**3,046,930**
Additional Tier 1 capital (AT1)	561,388	555,809
Regulatory adjustments for AT1	17,977	10,843
Total Tier 1 (T1=CET1+AT1)	**3,826,197**	**3,591,896**
Tier 2 capital (T2)	391,923	382,154
Total capital (TC=T1+T2)	**4,218,120**	**3,974,050**
Total risk-weighted assets	**21,203,579**	**21,865,093**
Capital adequacy ratios		
Common Equity Tier 1 (as percentage of risk-weighted assets)	15.48%	13.94%
Tier 1 (as percentage of risk-weighted assets)	18.05%	16.43%
Total capital (as percentage of risk-weighted assets)	19.89%	18.18%
Minimum capital ratio		
Common Equity Tier 1 minimum ratio	11.5%	11.5%
Tier 1 minimum ratio	13.0%	13.0%
Total capital minimum ratio	15.0%	15.0%

B. Reconciliation of regulatory capital:

1. Common disclosure template:

The following table serves as a detailed breakdown of the Bank's regulatory capital in a clear and consistent format.

KD 000's

	Common Equity Tier 1 capital: Instruments and reserves	2024	2023
1	Directly issued qualifying common share capital plus related stock surplus	5,978,291	5,088,210
2	Retained earnings	452,338	329,873
3	Reserves	(152,770)	(32,844)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	209,386	177,442
6	Proposed issuance of bonus shares	136,868	141,262
	Common Equity Tier 1 capital before regulatory adjustments	**6,624,113**	**5,703,943**
	Common Equity Tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	2,067,451	2,098,980
9	Other intangibles (net of related tax liability)	260,552	298,888
10	Proposed Cash dividends	191,165	146,042
11	Deferred tax assets relying on future profitability, excluding those arising from temporary differences (net of related tax liability)		
12	Cash flow hedge reserve		
13	Shortfall of provisions to expected losses		
14	Taskeek gain on sale (as set out in para 72 of these guidelines)		
15	Gains and losses due to changes in own credit risk on fair valued liabilities		
16	Defined benefit pension fund net assets (para 68)		
17	Investments in treasury shares (if not already netted off paid-in capital on reported balance sheet)	822,159	113,103
18	Reciprocal cross holdings in common equity		
19	Investments in the capital of banking, financial, and insurance entities which are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold of the Bank's CET1 capital)		
20	Significant investments in the common stock of banking, financial, and insurance entities which are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of the Bank's CET1 capital)		
21	Mortgage servicing rights (amount above 10% threshold of the Bank's CET1 capital)		
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
23	Amount exceeding the 15% threshold		
24	of which: significant investments in the common stock of financials		

25	of which: mortgage servicing rights		
26	of which: deferred tax assets arising from temporary differences		
27	National specific regulatory adjustments		
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
29	Total regulatory adjustments to Common Equity Tier 1	3,341,327	2,657,013
	Common Equity Tier 1 capital (CET1)	**3,282,786**	**3,046,930**
	Additional Tier 1 capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	504,059	502,381
31	of which: classified as equity under applicable accounting standards	504,059	502,381
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	57,329	53,428
35	of which: instruments issued by subsidiaries subject to phase-out		
	Additional Tier 1 capital before regulatory adjustments	**561,388**	**555,809**
	Additional Tier 1 capital: Regulatory adjustments		
36	Investments in own Additional Tier 1 instruments		
37	Reciprocal cross holdings in Additional Tier 1 instruments	17,977	10,843
38	Investments in the capital of banking, financial, and insurance entities which are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
39	Significant investments in the capital of banking, financial, and insurance entities which are outside the scope of regulatory consolidation (net of eligible short positions)		
40	National specific regulatory adjustments		
41	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
42	**Total regulatory adjustments to Additional Tier 1 capital**	**17,977**	**10,843**
	Additional Tier 1 capital (AT1)	**543,411**	**544,966**
	Tier 1 capital (T1 = CET1 + AT1)	**3,826,197**	**3,591,896**
	Tier 2 capital: Instruments and provisions		
43	Directly issued qualifying Tier 2 instruments plus related stock surplus		
44	Directly issued capital instruments subject to phase-out from Tier 2		
45	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	154,294	137,463
46	of which: instruments issued by subsidiaries subject to phase-out		
47	General provisions included in Tier 2 capital	237,629	244,691
	Tier 2 capital before regulatory adjustments	**391,923**	**382,154**
	Tier 2 capital: Regulatory adjustments		
48	Investments in own Tier 2 instruments		

49	Reciprocal cross holdings in Tier 2 instruments		
50	Investments in the capital of banking, financial and insurance entities which are outside the scope of regulatory consolidation; net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
51	Significant investments in the capital banking, financial, and insurance entities which are outside the scope of regulatory consolidation (net of eligible short positions)		
52	National specific regulatory adjustments		
53	Total regulatory adjustments to Tier 2 capital		
	Tier 2 capital (T2)	**391,923**	**382,154**
	Total capital (TC = T1 + T2)	**4,218,120**	**3,974,050**
	Total risk-weighted assets (after applying 50% additional weighting)	**21,203,579**	**21,865,093**
	Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.48%	13.94%
55	Tier 1 (as a percentage of risk-weighted assets)	18.05%	16.43%
56	Total capital (as a percentage of risk-weighted assets)	19.89%	18.18%
57	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk-weighted assets)	11.5%	11.5%
58	of which: capital conservation buffer requirement	2.5%	2.5%
59	of which: bank specific countercyclical buffer requirement		
60	of which: D-SIB buffer requirement	2.0%	2.0%
61	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	8.48%	6.94%
	Minimum capital ratios		
62	Common Equity Tier 1 minimum ratio	11.5%	11.5%
63	Tier 1 minimum ratio	13.0%	13.0%
64	Total capital minimum ratio	15.0%	15.0%
	Amounts below the thresholds for deduction (before risk-weighting)		
65	Non-significant investments in the capital of other financials		
66	Significant investments in the common stock of financials		
67	Mortgage servicing rights (net of related tax liability)		
68	Deferred tax assets arising from temporary differences (net of related tax liability)	85,370	74,630
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 with respect to exposures subject to standardized approach (prior to the application of the cap)	783,241	757,083
70	Cap on inclusion of provisions in Tier 2 under standardized approach	237,629	244,691
71	Provisions eligible for inclusion in Tier 2 with respect to exposures subject to internal ratings-based approach (prior to the application of the cap)		
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

2. Reconciliation requirements form:

A full reconciliation of all regulatory capital elements with the audited financial statements.

Step 1

For the year ending 31-12-2024: KD 000's

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	2024	2024	
Assets			
Cash and balances with banks and financial institutions	3,695,324	3,695,324	
Due from banks	2,227,173	2,227,173	
Financing receivables	19,069,673	19,069,673	
of which: General Provisions (netted above) capped for Tier 2 inclusion	237,629	237,629	A
Investment in debt securities	6,864,854	6,864,854	
Trading properties	92,168	92,168	
Investments	241,618	241,618	
Investment in associates and joint ventures	383,919	383,919	
Investment properties	366,035	366,035	
Other assets	1,059,019	1,059,019	
Intangible assets and goodwill	2,328,003	2,328,003	
of which: goodwill	2,067,451	2,067,451	B
of which: other intangibles	260,552	260,552	C
Property and equipment	375,640	375,640	
Total assets	**36,703,426**	**36,703,426**	
Liabilities			
Due to banks	5,643,696	5,643,696	
Due to financial institutions	3,030,485	3,030,485	
Sukuk payable and term financing	986,639	986,639	
Depositor accounts	19,219,942	19,219,942	
Other liabilities	1,404,764	1,404,764	
Total liabilities	**30,285,526**	**30,285,526**	
Equity attributable to the shareholders of the Bank			
Share capital	1,710,844	1,710,844	D
Share premium	4,267,447	4,267,447	E
Treasury shares	(822,159)	(822,159)	F
Proposed issuance of bonus shares	136,868	136,868	G
Reserves	34,823	34,823	
of which: statutory reserve	528,433	528,433	H
of which: voluntary reserve	269,553	269,553	I
of which: treasury share reserve	17,715	17,715	J
of which: fair value reserve	(25,660)	(25,660)	
of which: eligible as CET1 capital	(28,619)	(28,619)	K
of which: eligible as depositor accounts	2,959	2,959	
of which: foreign currency translation reserve	(927,343)	(927,343)	
of which: eligible as CET1 capital	(864,075)	(864,075)	L
of which: eligible as depositor accounts	(63,268)	(63,268)	
of which: other reserves	(89,048)	(89,048)	
of which: eligible as CET1 capital	(75,777)	(75,777)	M
of which: eligible as depositor accounts	(13,271)	(13,271)	
of which: retained earnings	261,173	261,173	
of which: modification loss on financing receivables	-	-	
of which: retained earnings of previous years	261,173	261,173	N
Proposed cash dividends	191,165	191,165	O
Total equity attributable to the shareholders of the Bank	**5,518,988**	**5,518,988**	
Perpetual capital securities and Sukuk – Tier1	504,059	504,059	P
of which: Perpetual capital securities and Sukuk – Tier1	486,082	486,082	
of which: Reciprocal cross holdings in capital of FIs	17,977	17,977	Q
Non-controlling interests	394,853	394,853	
Non-controlling interests eligible as CET1 capital	209,386	209,386	R
Non-controlling interests eligible as AT1 capital	57,329	57,329	S
Non-controlling interests eligible as Tier 2 capital	154,294	154,294	T
Total equity	**6,417,900**	**6,417,900**	
Total liabilities and equity	**36,703,426**	**36,703,426**	

For the year ending 31-12-2023: KD 000's

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
	2023	2023	
Assets			
Cash and balances with banks and financial institutions	3,612,104	3,612,104	
Due from banks	2,971,422	2,971,422	
Financing receivables	19,425,221	19,425,221	
of which: general provisions (netted above) capped for Tier 2 inclusion	244,691	244,691	A
Investment in debt securities	7,006,323	7,006,323	
Trading properties	105,267	105,267	
Investments	310,241	310,241	
Investment in associates and joint ventures	542,948	542,948	

Investment properties	376,616	376,616	
Other assets	903,238	903,238	
Intangible assets and goodwill	2,397,868	2,397,868	
of which: goodwill	2,098,980	2,098,980	B
of which: other intangibles	298,888	298,888	C
Property and equipment	358,692	358,692	
Total assets	**38,009,940**	**38,009,940**	
Liabilities			
Due to banks	4,777,278	4,777,278	
Due to financial institutions	3,206,512	3,206,512	
Sukuk payable and term financing	635,532	635,532	
Depositor accounts	21,812,815	21,812,815	
Other liabilities	1,414,464	1,414,464	
Total liabilities	**31,846,601**	**31,846,601**	
Equity attributable to the shareholders of the Bank			
Share capital	1,476,445	1,476,445	D
Share premium	3,611,765	3,611,765	E
Treasury shares	(113,103)	(113,103)	F
Proposed issuance of bonus shares	141,262	141,262	G
Reserves	53,499	53,499	
of which: statutory reserve	464,864	464,864	H
of which: voluntary reserve	261,995	261,995	I
of which: treasury share reserve	15,028	15,028	J
of which: fair value reserve	(11,698)	(11,698)	
of which: eligible as CET1 Capital	(14,657)	(14,657)	K
of which: eligible as depositor accounts	2,959	2,959	
of which: foreign currency translation reserve	(790,198)	(790,198)	
of which: eligible as CET1 capital	(726,930)	(726,930)	L
of which: eligible as depositor accounts	(63,268)	(63,268)	
of which: other reserves	(46,415)	(46,415)	
of which: eligible as CET1 capital	(33,144)	(33,144)	M
of which: eligible as depositor accounts	(13,271)	(13,271)	
of which: retained earnings	159,923	159,923	
of which: modification loss on financing receivables	(23,908)	(23,908)	
of which: retained earnings of previous years	183,831	183,831	N
Proposed cash dividends	146,042	146,042	O
Total equity attributable to the shareholders of the Bank	**5,315,910**	**5,315,910**	
Perpetual capital securities and Sukuk – Tier1	502,381	502,381	P
of which: Perpetual capital securities and Sukuk – Tier1	491,538	491,538	

of which: Reciprocal cross holdings in capital of FIs	10,843	10,843	Q
Non-controlling interests	345,048	345,048	
Non-controlling interests eligible as CET1 capital	177,442	177,442	R
Non-controlling interests eligible as AT1 capital	53,428	53,428	S
Non-controlling interests eligible as Tier 2 capital	137,463	137,463	T
Total equity	**6,163,339**	**6,163,339**	
Total liabilities and equity	**38,009,940**	**38,009,940**	

Step 2 of reconciliation requirements

KD 000's

	Common Equity Tier 1 capital: Instruments and reserves	Component of regulatory capital	Component of regulatory capital	Source based on reference letters of the balance sheet from step 1
		2024	2023	
1	Directly issued qualifying common share capital plus related stock surplus	5,978,291	5,088,210	D + E
2	Retained earnings	452,338	329,873	N + O
3	Reserves	(152,770)	(32,844)	H+I+J+K+L+M
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	209,386	177,442	R
5	Proposed issuance of bonus shares	136,868	141,262	G
6	**Common Equity Tier 1 capital before regulatory adjustments**	**6,624,113**	**5,703,943**	
	Common Equity Tier 1 capital: Regulatory adjustments			
7	Goodwill	(2,067,451)	(2,098,980)	B
8	Other intangible assets	(260,552)	(298,888)	C
9	Treasury shares	(822,159)	(113,103)	F
10	Proposed cash dividends	(191,165)	(146,042)	O
11	**Total regulatory adjustments to Common Equity Tier1**	**(3,341,327)**	**(2,657,013)**	
12	**Common Equity Tier 1 capital (CET1)**	**3,282,786**	**3,046,930**	
	Additional Tier 1 capital: Instruments			
13	Common share capital issued by subsidiaries and held by third parties (minority interest)	57,329	53,428	S
14	Perpetual capital securities and Sukuk – Tier1	504,059	502,381	P
15	**Additional Tier 1 capital before regulatory adjustments**	**561,388**	**555,809**	
	Additional Tier 1 capital: Regulatory adjustments			
16	Reciprocal cross holdings in capital of FIs	(17,977)	(10,843)	Q
17	**Total regulatory adjustments to Additional Tier 1**	**(17,977)**	**(10,843)**	

18	**Additional Tier 1 capital**	**543,411**	**544,966**	
19	**Total Tier 1 capital**	**3,826,197**	**3,591,896**	
	Tier 2 capital: Instruments and provisions			
20	Common share capital issued by subsidiaries and held by third parties (minority interest)	154,294	137,463	T
21	General provisions included in Tier 2 capital	237,629	244,691	A
22	Total Tier 2 capital	**391,923**	**382,154**	
	Total capital	**4,218,120**	**3,974,050**	

3. Main features template:

Disclosure template for main features of regulatory capital instruments			
1	Issuer	Kuwait Finance House Tier 1 Sukuk Limited	Ahli United Bank B.S.C.
2	Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier for private placement)	XS2338912665	XS1133289832
3	Governing law(s) of the instrument	English law	English law
	Regulatory treatment		
4	Type of Capital (CET1, AT1 or T2)	Additional Tier 1	Additional Tier 1
5	Eligible at solo/group/group and solo	Group and solo	Group and solo
6	Instrument type	Subordinated debt – Mudaraba Sukuk	Perpetual capital instruments
7	Amount recognized in regulatory capital	USD 750 million (KWD 385.441 million)	USD 400 million (KWD 118.618 million)
8	Par value of instrument	USD 1,000/-	USD 1,000/-
9	Accounting classification	Equity Tier 1	Equity Tier 1
10	Original date of issuance	30 June 2021	29 April 2015
11	Perpetual or dated	Perpetual	Perpetual
12	Original maturity date	No maturity	No maturity
13	Issuer call subject to prior supervisory approval	Yes	Yes
14	Optional call date, contingent call dates and redemption amount	30 June 2026	Any periodic distribution
15	Subsequent call dates, if applicable	30 June beginning from 30 June 2026 or on any Periodic Distribution	Any Periodic Distribution
	Coupons/dividends		
16	Fixed or floating dividend/coupon	Fixed	Fixed
17	Coupon rate and any related index	3.6%	5.839%
18	Existence of a dividend stopper	Yes	Yes
19	Fully discretionary, partially discretionary, or mandatory	Fully discretionary	Fully discretionary
20	Existence of step up or other incentive to redeem	No	No
21	Noncumulative or cumulative	Noncumulative	Noncumulative
22	Convertible or non-convertible	Non-convertible	Non-convertible
23	If convertible, conversion trigger(s)	Not applicable	Not applicable
24	If convertible, fully or partially	Not applicable	Not applicable
25	If convertible, conversion rate	Not applicable	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
29	Write-down feature	Yes	Yes
30	If write-down, write-down trigger(s)	A contractual approach: A Non-Viability Event means that the financial regulator has informed the Bank that it has determined that a triggering event has occurred. A triggering event would have occurred if any of the following events occur: **a)** The Bank is instructed by the Financial Regulator to write off or convert such instruments into common equity, on the grounds of non-viability; or **b)** An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.	A contractual approach: A Non-Viability Event means that the financial regulator has informed the Bank that it has determined that a triggering event has occurred. A triggering event would have occurred if any of the following events occur: **a)** the Bank is instructed by the financial regulator to write off or convert such instruments into common equity, on the grounds of non-viability; or **a)** An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.
31	If write-down, full or partial	Partially/Fully	Partially/Fully
32	If write-down, permanent or temporary	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated, senior to ordinary shares and liabilities related to Common Equity Tier 1 capital	Deeply subordinated, senior to ordinary shares and liabilities related to Common Equity Tier 1 capital
35	Non-compliant transitioned features	No	No
36	If yes, specify non-compliant features	Not applicable	Not applicable

Third: Risk-weighted assets and minimum capital requirement

a) Credit risk

KFH credit risk management follows a specific framework to ensure:

- **Clearly defined credit policies** for financing different types of corporate and individual clients, covering all economic sectors such as real estate, shares, and financial or commercial entities. These policies articulate the requirements for the approval of new, renewed, and amended credit facilities in terms of financial requirements and documentation.
- **A credit authority matrix** which ensures (1) authorities are commensurate with the experience and job levels of employees and managers, (2) the Risk Management Department reviews and challenges credit requests, (3) large credit exposures are approved by credit committees or the Board and its committees as per the delegation of authority matrix, and (4) the Risk Management Department reviews and studies subsequently approved credit applications and periodically reviews credit portfolios to ensure compliance with the instructions of CBK and the credit approvals, to ensure that they do not violate any of the credit policies or the approved delegation of authority, and to identify and address any expired credit limits and/or exposures and the reasons for arrears in payments, if any.
- **A credit rating system** for corporate, SME, financial institutions, real estate, and high net worth individuals.
- **A system of limits** to ensure that the Bank undertakes risks within the approved appetite and within regulatory requirements / limits.
- **A process to ensure credit policies are compliant with regulatory requirements** by ensuring that the required data and documentation are in place and that the required approvals are obtained.
- **Effective follow-up processes** to mitigate arrears through early detection of deterioration in the financing portfolios and associated management actions to handle such credits.

KFH's approach when granting credit facilities is based primarily on an assessment of the customers' capacity to repay, with supplementary support from credit risk mitigation. Depending on the customer's creditworthiness and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management and takes many forms as approved by CBK. The Bank's policy for collaterals defines the list of accepted collaterals and the protection of credits. The collaterals accepted by the Bank include financial collaterals (cash and securities) and non-financial collaterals (real estate, bank guarantees, and third-party agreements).

KFH has adopted the standardized approach to measuring the capital required for credit risk under Pillar 1. However, credit risk arising from name concentration, sector concentration, and those remaining from credit mitigation techniques are captured under Pillar 2 as they are not covered under Pillar 1.

1- Credit risk capital requirements:

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Total exposures	Net exposures	Risk-weighted assets	Required capital
1	Cash item	216,390	216,390	-	-
2	Claims on sovereigns	7,051,077	7,051,077	2,086,638	312,996
3	Claims on public sector entities	1,540,877	1,540,877	601,563	90,234
4	Claims on MDBs	144,468	144,468	2,014	302
5	Claims on banks	4,026,114	4,026,114	1,057,443	158,616
6	Claims on corporates	10,732,176	9,924,161	6,862,594	1,029,389
7	Regulatory retail exposure	5,946,780	5,789,678	3,618,079	542,712
8	Qualifying residential housing financing facilities	221,583	180,484	44,410	6,662
9	Past due exposures	315,758	283,491	134,989	20,248
10	Inventory and commodities	20,246	20,246	26,688	4,003
11	Real estate investments	1,527,932	541,140	760,871	114,131
12	Investment and financing with customers	2,007,096	1,792,180	1,885,013	282,752
13	Other exposures	1,723,523	1,723,523	1,384,424	207,664
	Total	**35,474,020**	**33,233,829**	**18,464,726**	**2,769,709**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Total exposures	Net exposures	Risk-weighted assets	Required capital
1	Cash item	286,871	286,871	-	-
2	Claims on sovereigns	8,004,311	8,004,311	2,371,674	355,751
3	Claims on public sector entities	1,576,135	1,572,192	563,093	84,464
4	Claims on MDBs	153,119	153,119	804	121
5	Claims on banks	4,373,861	4,373,861	1,075,931	161,390
6	Claims on corporates	12,026,855	10,751,713	7,801,997	1,170,300
7	Regulatory retail exposure	5,894,918	5,599,780	3,738,148	560,722
8	Qualifying residential housing financing facilities	350,510	219,573	56,496	8,474
9	Past due exposures	400,827	300,234	130,202	19,530
10	Inventory and commodities	15,975	15,975	22,020	3,303
11	Real estate investments	1,287,480	515,802	758,376	113,756
12	Investment and financing with customers	1,103,923	875,100	958,576	143,786
13	Other exposures	1,790,788	1,790,788	1,585,604	237,841
	Total	**37,265,573**	**34,459,319**	**19,062,921**	**2,859,438**

2- Total credit risk exposures classified as self-financed or financed from investment accounts:

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Total exposures	Self-financed	Finance from investment accounts
1	Cash item	216,390	96,856	119,534
2	Claims on sovereigns	7,051,077	3,156,062	3,895,015
3	Claims on public sector entities	1,540,877	691,107	849,770
4	Claims on MDBs	144,468	64,664	79,804
5	Claims on banks	4,026,114	1,802,089	2,224,025
6	Claims on corporates	10,732,176	4,802,310	5,929,866
7	Regulatory retail exposure	5,946,780	2,661,779	3,285,001
8	Qualifying residential housing financing facilities	221,583	99,181	122,402
9	Past due exposures	315,758	141,333	174,425
10	Inventory and commodities	20,246	9,062	11,184
11	Real estate investments	1,527,932	683,902	844,030
12	Investment and financing with customers	2,007,096	898,376	1,108,720
13	Other exposures	1,723,523	771,449	952,074
	Total	**35,474,020**	**15,878,170**	**19,595,850**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Total exposures	Self-financed	Finance from investment accounts
1	Cash item	286,871	146,248	140,623
2	Claims on sovereigns	8,004,311	4,080,640	3,923,671
3	Claims on public sector entities	1,576,135	803,522	772,613
4	Claims on MDBs	153,119	78,061	75,058
5	Claims on banks	4,373,861	2,229,818	2,144,043
6	Claims on corporates	12,026,855	6,131,355	5,895,500
7	Regulatory retail exposure	5,894,918	3,005,261	2,889,657
8	Qualifying residential housing financing facilities	350,510	178,692	171,818
9	Past due exposures	400,827	204,344	196,483
10	Inventory and commodities	15,975	8,144	7,831
11	Real estate investments	1,287,480	656,364	631,116
12	Investment and financing with customers	1,103,923	562,786	541,137
13	Other exposures	1,790,788	912,953	877,835
	Total	**37,265,573**	**18,998,188**	**18,267,385**

3- Net credit exposures classified as rated or unrated

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Net credit exposures	Rated exposures	Unrated exposures
1	Cash item	216,390	-	216,390
2	Claims on sovereigns	7,051,077	7,040,286	10,791
3	Claims on public sector entities	1,540,877	1,536,897	3,980
4	Claims on MDBs	144,468	144,468	-
5	Claims on banks	4,026,114	3,785,113	241,001
6	Claims on corporates	9,924,161	1,132,745	8,791,416
7	Regulatory retail exposure	5,789,678	-	5,789,678
8	Qualifying residential housing financing facilities	180,484	-	180,484
9	Past due exposures	283,491	-	283,491
10	Inventory and commodities	20,246	-	20,246
11	Real estate investments	541,140	-	541,140
12	Investment and financing with customers	1,792,180	-	1,792,180
13	Other exposures	1,723,523	-	1,723,523
	Total	**33,233,829**	**13,639,509**	**19,594,320**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Net credit exposures	Rated exposures	Unrated exposures
1	Cash item	286,871	-	286,871
2	Claims on sovereigns	8,004,311	8,004,311	-
3	Claims on public sector entities	1,572,192	1,565,691	6,501
4	Claims on MDBs	153,119	153,119	-
5	Claims on banks	4,373,861	3,998,823	375,038
6	Claims on corporates	10,751,713	1,233,519	9,518,194
7	Regulatory retail exposure	5,599,780	-	5,599,780
8	Qualifying residential housing financing facilities	219,573	-	219,573
9	Past due exposures	300,234	-	300,234
10	Inventory and commodities	15,975	-	15,975
11	Real estate investments	515,802	-	515,802
12	Investment and financing with customers	875,100	-	875,100
13	Other exposures	1,790,788	-	1,790,788
	Total	**34,459,319**	**14,955,463**	**19,503,856**

4- Average credit risk exposures, average self-financed assets, and average assets financed from investment accounts on a quarterly basis:

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Average credit risk exposure	Average self-financed	Average finance from investment accounts
1	Cash item	-	121,556	130,000
2	Claims on sovereigns	7,005,706	3,359,613	3,646,093
3	Claims on public sector entities	1,604,859	771,479	833,380
4	Claims on MDBs	152,124	73,091	79,033
5	Claims on banks	4,189,159	2,015,464	2,173,695
6	Claims on corporates	11,222,213	5,401,233	5,820,980
7	Regulatory retail exposure	5,854,719	2,808,272	3,046,447
8	Qualifying residential housing financing facilities	206,348	98,714	107,634
9	Past due exposures	308,825	148,086	160,739
10	Inventory and commodities	17,105	8,146	8,959
11	Real estate investments	1,453,574	694,531	759,043
12	Investment and financing with customers	1,461,875	685,816	776,059
13	Other exposures	2,141,620	1,039,876	1,101,744
	Total	**35,869,683**	**17,225,877**	**18,643,806**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Average credit risk exposure	Average self-financed	Average finance from investment accounts
1	Cash item	334,729	180,802	153,927
2	Claims on sovereigns	7,742,348	4,202,710	3,539,638
3	Claims on public sector entities	1,514,030	819,636	694,394
4	Claims on MDBs	139,050	75,110	63,940
5	Claims on banks	4,157,325	2,252,779	1,904,546
6	Claims on corporates	11,637,348	6,321,685	5,315,663
7	Regulatory retail exposure	5,990,740	3,260,400	2,730,340
8	Qualifying residential housing financing facilities	401,014	219,330	181,684
9	Past due exposures	402,591	218,616	183,975
10	Inventory and commodities	16,856	9,167	7,689
11	Real estate investments	1,314,568	713,959	600,609
12	Investment and financing with customers	924,613	500,421	424,192
13	Other exposures	1,825,327	986,843	838,484
	Total	**36,400,539**	**19,761,458**	**16,639,081**

5- Excess concentration risk:

Concentration risk arises when several counterparties are engaged in similar activities in the same geographical area or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular industry sector or geographical location.

To avoid excessive concentration risk, the Bank's policies and procedures include specific guidelines that focus on maintaining diversified financial portfolios, thus establishing control over certain credit concentration risks. Credit mitigation techniques are used by the Bank to manage concentration risk both at the relationship and industry levels.

a. Geographical distributions for credit risk exposure

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	MENA	North America	Europe	Asia	Other	Total
1	Cash item	107,066	-	104,215	5,109	-	216,390
2	Claims on sovereigns	3,670,298	-	2,707,416	673,363	-	7,051,077
3	Claims on public sector entities	1,540,877	-	-	-	-	1,540,877
4	Claims on MDBs	96,429	-	-	-	48,039	144,468
5	Claims on banks	2,102,787	505,296	1,316,269	36,349	65,413	4,026,114
6	Claims on corporates	6,432,804	84,619	3,722,993	418,840	72,920	10,732,176
7	Regulatory retail exposure	4,626,900	-	1,223,032	96,848	-	5,946,780
8	Qualifying residential housing financing facilities	31,621	-	119,378	70,584	-	221,583
9	Past due exposures	244,200	-	55,662	15,896	-	315,758
10	Inventory and commodities	20,246	-	-	-	-	20,246
11	Real estate investments	1,476,424	3,771	4,835	29,075	13,827	1,527,932
12	Investment and financing with customers	1,994,956	-	12,140	-	-	2,007,096
13	Other exposures	1,048,060	38,755	603,177	31,993	1,538	1,723,523
	Total	**23,392,668**	**632,441**	**9,869,117**	**1,378,057**	**201,737**	**35,474,020**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	MENA	North America	Europe	Asia	Other	Total
1	Cash item	144,248	-	136,317	6,306	-	286,871
2	Claims on sovereigns	4,630,756	61,709	2,797,771	514,075	-	8,004,311
3	Claims on public sector entities	1,431,969	-	144,166	-	-	1,576,135
4	Claims on MDBs	41,095	-	-	-	112,024	153,119
5	Claims on banks	2,446,253	546,197	1,231,632	82,085	67,694	4,373,861
6	Claims on corporates	7,812,317	314,782	3,309,043	588,637	2,076	12,026,855
7	Regulatory retail exposure	4,658,147	-	1,130,189	106,582	-	5,894,918
8	Qualifying residential housing financing facilities	178,776	-	105,421	66,313	-	350,510
9	Past due exposures	360,205	-	22,706	17,916	-	400,827
10	Inventory and commodities	15,975	-	-	-	-	15,975
11	Real estate investments	1,253,534	3,833	1,816	28,297	-	1,287,480
12	Investment and financing with customers	1,088,856	-	15,067	-	-	1,103,923
13	Other exposures	1,268,395	90,005	414,065	16,744	1,579	1,790,788
	Total	**25,330,526**	**1,016,526**	**9,308,193**	**1,426,955**	**183,373**	**37,265,573**

b. Maturities of total credit risk exposures

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	216,390	-	-	216,390
2	Claims on sovereigns	4,422,086	316,825	2,312,166	7,051,077
3	Claims on public sector entities	88,355	194,603	1,257,919	1,540,877
4	Claims on MDBs	66,452	2,648	75,368	144,468
5	Claims on banks	2,482,379	994,679	549,056	4,026,114
6	Claims on corporates	4,400,407	2,827,573	3,504,196	10,732,176
7	Regulatory retail exposure	736,936	924,223	4,285,621	5,946,780
8	Qualifying residential housing financing facilities	1,827	4,162	215,594	221,583
9	Past due exposures	100,028	98,741	116,989	315,758
10	Inventory and commodities	-	-	20,246	20,246
11	Real estate investments	56,204	399,023	1,072,705	1,527,932
12	Investment and financing with customers	1,682,394	257,648	67,054	2,007,096
13	Other exposures	157,635	26,109	1,539,779	1,723,523
	Total	**14,411,093**	**6,046,234**	**15,016,693**	**35,474,020**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	286,871	-	-	286,871
2	Claims on sovereigns	5,032,214	835,671	2,136,426	8,004,311
3	Claims on public sector entities	379,049	329,740	867,346	1,576,135
4	Claims on MDBs	-	8,300	144,819	153,119
5	Claims on banks	2,629,928	597,565	1,146,368	4,373,861
6	Claims on corporates	2,835,426	2,576,320	6,615,109	12,026,855
7	Regulatory retail exposure	608,552	930,907	4,355,459	5,894,918
8	Qualifying residential housing financing facilities	2,735	9,320	338,455	350,510
9	Past due exposures	93,903	56,832	250,092	400,827
10	Inventory and commodities	-	-	15,975	15,975
11	Real estate investments	129,236	244,462	913,782	1,287,480
12	Investment and financing with customers	609,949	276,966	217,008	1,103,923
13	Other exposures	160,754	64,940	1,565,094	1,790,788
	Total	**12,768,617**	**5,931,023**	**18,565,933**	**37,265,573**

c. Main sectors of total credit risk exposures

For the year ending 31-12-2024: **KD 000's**

Ser.	Credit risk exposures	Manufacturing and trade	Banks and financial institutions	Construction and real estate	Government	Other	Total
1	Cash item	-	216,390	-	-	-	216,390
2	Claims on sovereigns	-	-	-	7,051,077	-	7,051,077
3	Claims on public sector entities	316,915	-	107	-	1,223,855	1,540,877
4	Claims on MDBs	-	144,468	-	-	-	144,468
5	Claims on banks	-	4,026,114	-	-	-	4,026,114
6	Claims on corporates	3,864,859	1,576,404	2,585,164	-	2,705,749	10,732,176
7	Regulatory retail exposure	399,492	-	341,539	-	5,205,749	5,946,780
8	Qualifying residential housing financing facilities	-	-	29,344	-	192,239	221,583
9	Past due exposures	36,134	-	159,398	-	120,226	315,758
10	Inventory and commodities	-	-	-	-	20,246	20,246
11	Real estate investments	-	-	232,028	-	1,295,904	1,527,932
12	Investment and financing with customers	-	-	1,708,979	-	298,117	2,007,096
13	Other exposures	198,109	267,427	117,109	-	1,140,878	1,723,523
	Total	**4,815,509**	**6,230,803**	**5,173,668**	**7,051,077**	**12,202,963**	**35,474,020**

For the year ending 31-12-2023: **KD 000's**

Ser.	Credit risk exposures	Manufacturing and trade	Banks and financial institutions	Construction and real estate	Government	Other	Total
1	Cash item	-	286,871	-	-	-	286,871
2	Claims on sovereigns	-	-	-	8,004,311	-	8,004,311
3	Claims on public sector entities	436,649	-	3,355	-	1,136,131	1,576,135
4	Claims on MDBs	-	153,119	-	-	-	153,119
5	Claims on banks	-	4,373,861	-	-	-	4,373,861
6	Claims on corporates	3,964,746	1,202,361	3,559,420	-	3,300,328	12,026,855
7	Regulatory retail exposure	495,346	-	379,950	-	5,019,622	5,894,918
8	Qualifying residential housing financing facilities	-	-	149,845	-	200,665	350,510
9	Past due exposures	82,607	-	165,269	-	152,951	400,827
10	Inventory and commodities	-	-	-	-	15,975	15,975
11	Real estate investments	-	-	466,558	-	820,922	1,287,480
12	Investment and financing with customers	-	-	930,424	-	173,499	1,103,923
13	Other exposures	308,926	581,546	175,127	-	725,189	1,790,788
	Total	**5,288,274**	**6,597,758**	**5,829,948**	**8,004,311**	**11,545,282**	**37,265,573**

6- Past due and impairment provisions

Credit facilities are classified as past due if the profit or principal instalment is past due 1 to 90 days. A credit facility is considered as past due and impaired if the profit or a principal instalment is past due for more than 90 days.

Past due and impaired facilities are classified into the following four categories, which are then used to guide the provisioning process:

Category	Criteria
Watchlist	Irregular for a period up to 90 days
Substandard	Irregular for a period between 91 and 180 days
Doubtful	Irregular for a period between 181 days and 365 days
Bad	Irregular for a period exceeding 365 days

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

As of 31 December 2024, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 355,275 thousand (2023: KD 321,845 thousand). A specific provision of KD 170,725 thousand (2023: KD 208,124 thousand) has been made, as detailed below:

a. Exposures based on standard portfolios

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Claims on sovereigns	-	-	-	35,784
2	Claims on corporate	196,406	128,539	58,505	259,106
3	Regulatory retail exposure	55,382	34,862	22,471	301,470
4	Qualifying residential housing financing facilities	15,863	345	2,279	16,300
5	Investments properties	-	-	-	80,316
6	Investment and financing with customers	87,624	6,979	48	150,141
	Total	**355,275**	**170,725**	**83,303**	**843,117**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Claims on sovereigns	-	-	-	22,206
2	Claims on corporate	213,206	152,662	24,920	183,092
3	Regulatory retail exposure	58,372	35,782	13,430	245,641
4	Qualifying residential housing financing facilities	5,931	357	2,547	17,796
5	Investments properties	16,981	16,981	-	52,980
6	Investment and financing with customers	27,355	2,342	3,294	61,403
	Total	**321,845**	**208,124**	**44,191**	**583,118**

b. Exposures based on geographical region

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Middle East and North Africa	280,764	129,927	70,121	718,866
2	Europe	65,448	35,135	12,209	104,586
3	Asia	9,063	5,663	973	19,665
	Total	**355,275**	**170,725**	**83,303**	**843,117**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Middle East and North Africa	280,342	154,897	32,961	512,906
2	Europe	29,234	49,033	7,865	38,918
3	Asia	12,269	4,194	3,365	31,294
	Total	**321,845**	**208,124**	**44,191**	**583,118**

c. Exposures based on Industrial sector

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Manufacturing and trade	53,719	28,753	53,065	138,076
2	Banks and financial institutions	2,798	3,150	-	24,767
3	Construction and real estate	160,289	60,174	9,156	312,545
4	Other	138,469	78,648	21,082	367,729
	Total	**355,275**	**170,725**	**83,303**	**843,117**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Impaired	Specific provision	Specific provision write-off	Past due
1	Manufacturing and trade	37,562	34,518	33,521	149,510
2	Banks and financial institutions	143	171	-	34
3	Construction and real estate	145,194	76,302	1,294	165,688
4	Other	138,946	97,133	9,376	267,886
	Total	**321,845**	**208,124**	**44,191**	**583,118**

d. General provision allocation

KD 000's

Ser.	Credit risk exposures	2024	2023
1	Claims on sovereigns	13,206	15,089
2	Claims on PSEs	18,603	23,605
3	Claims on banks	25,372	21,296
4	Claims on corporates	370,557	396,312
5	Regulatory retail exposures	217,431	209,914
6	Investment Properties	43,138	35,573
7	Investment and financing with customers	74,792	37,789
	Total	**763,099**	**739,578**

7- Applicable risk mitigation methods

KFH ensures the diversification of exposures according to standard portfolios, business sectors, and geographical distributions. In addition, it ensures the continuous evaluation of risk mitigation methods against finance obligations and credit limits of the customer based on analytical study of the customer's financial position.

Eligible collaterals and guarantees are calculated as per CBK instructions. Netting is applied for the exchange of deposits with banks and financial institutions, bank guarantees are used to redirect risks to the bank claims portfolio. Standard supervisory haircuts are applied on the eligible collaterals according to the CBK regulations.

The Bank's compliance with credit concentration limits per customer and maintaining adequate ratios of liquid assets provides several methods to measure the quality and effectiveness of risk mitigation methods used to mitigate capital requirements.

Residual risk resulting from credit risk mitigation: The Bank uses financial and non-financial collaterals as a credit risk mitigation method. In case of default or rescheduling due to financial deterioration, provisions are generated to absorb future losses. The Bank employs formulated models (used in calculating provisions as per IFRS9) to forecast the expected losses arising from cases in which existing collaterals and calculated provisions are not fully able to absorb losses under a conservative scenario to calculate the residual risk from credit risk mitigation.

Main types of collateral: KFH's credit policy has clearly stated all acceptable forms of collateral and the terms and conditions specific to each type. The credit risk policy has also determined the mechanism and tool to calculate the applicable haircut of each collateral and the necessity of conducting evaluations regularly, according to the collateral's nature.

KFH only accepts collaterals that are Shari'a compliant and has stated the acceptable forms of collateral, which include:

- Cash items: E.g., "Hamish Al Jiddiyyah" (collateral deposit, "Urbūn" and "Hawamish," "Musharakah" investment accounts, or cash deposits in the Bank).
- Securities for listed and unlisted entities.
- Real estate (private property): Real estate owned through authuntication from the Real Estate Registration Department in the Ministry of Justice. These include several types of real estate (e.g. commercial, investment, and industrial real estate.)
- Real estate (state property/ usufruct): Real estate owned by the state but leased for industrial, commercial complex, or agricultural use and funded through the "Ijarah" product. Examples include real estate leased from the Public Authority for Industry or the Public Authority for Agriculture and Fisheries. The only options considered as guarantees are buildings and the right to use them. The land, however, belongs to the state.
- Assignments of proceeds and guarantees.
- Machinery and equipment.
- Cars/vehicles.

Forms of collaterals other than those mentioned above may be accepted as initial collaterals but subject to the approval of the Board Risk Committee.

a. Risk mitigation means of total credit risk exposures

For the year ending 31-12-2024: KD 000's

Ser.	Credit risk exposures	Gross credit exposures	Eligible collaterals
1	Cash item	216,390	-
2	Claims on sovereigns	7,051,078	-
3	Claims on public sector entities	1,544,029	-
4	Claims on MDBs	144,468	-
5	Claims on banks	4,026,114	-
6	Claims on corporates	10,729,022	808,015
7	Regulatory retail exposure	5,946,780	157,102
8	Qualifying residential housing financing facilities	221,583	41,099
9	Past due exposures	315,758	32,267
10	Inventory and commodities	20,246	-
11	Real estate investments	1,527,932	986,792
12	Investment and financing with customers	2,007,096	214,916
13	Other exposures	1,723,523	-
	Total	**35,474,019**	**2,240,191**

For the year ending 31-12-2023: KD 000's

Ser.	Credit risk exposures	Gross credit exposures	Eligible collaterals
1	Cash item	286,871	-
2	Claims on sovereigns	8,004,311	-
3	Claims on public sector entities	1,576,135	3,943
4	Claims on MDBs	153,119	-
5	Claims on banks	4,373,861	-
6	Claims on corporates	12,026,855	1,275,141
7	Regulatory retail exposure	5,894,918	295,139
8	Qualifying residential housing financing facilities	350,510	130,937
9	Past due exposures	400,827	100,593
10	Inventory and commodities	15,975	-
11	Real estate investments	1,287,480	771,679
12	Investment and financing with customers	1,103,923	228,823
13	Other exposures	1,790,788	-
	Total	**37,265,573**	**2,806,255**

b) Market risk

Market risk-weighted exposure during the financial year 2024 amounted to KD 241,107 thousand (2023: KD 261,194 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 36,166 thousand (2023: KD 39,179 thousand).

One of the methods used to mitigate exchange rate risks, to which an Islamic bank is exposed, includes netting the exchange of deposit transactions with banks and financial institutions.

c) Operational risk

Operational risk-weighted exposures calculated during the year 2024 amounted to KD 2,497,746 thousand (2023: KD 2,540,978 thousand), as per the Basic Indicator Approach. The amount calculated for operational risk-weighted exposures is adequate to cover any projected risks to maintain a reasonable profit ratio for shareholders and investment account owners. The minimum required capital for operational risk exposures amounts to KD 374,662 thousand (2023: KD 381,147 thousand).

KFH views the Internal Capital Adequacy Assessment Process (ICAAP), along with stress tests, as a major managerial tool for assessing the adequacy of capital against the different risks faced by KFH during normal and difficult conditions (i.e., stressful situations). The results of stress tests are used to help conduct an effective study to put risks and capital adequacy at the highest levels in the Bank. KFH has in place an effective risk management framework to ensure an improved level of risk control and effective coordination of risk management activities and initiative at the group level. The internal capital adequacy assessment process and stress tests also cover Kuwait Finance House as a group, including its subsidiaries. Stress tests are applied at the level of the subsidiary banks as well as at the Group level.

KFH calculates Pillar 2 risks taking into consideration the following major risks:

1. Credit concentration risk arising from the concentration of lending to specific names or sectors.
2. Residual credit risk
3. Residual Market risk resulting from potential market loss due to changes in currency rates and prices of equities and sukuk.
4. Liquidity risk in case of shortfall of assets to cover maturing liabilities in adverse scenarios.
5. Profit rate risk arising from adverse changes in interest rates over long and short terms.
6. Non-financial risks which include:
   - a- Compliance and residual operational risk.
   - b- Legal risk due to violations of laws, regulations, policies and procedures, or ethical standards.
   - c- Strategic risk arising from the possibility that changes in market conditions, results of business decisions, and competitor strategies could impact earnings and capital.
   - d- Reputational risk arising from negative perception from stakeholders such as customers, shareholders, and regulators.
   - e- Shari’a risk in terms of losing reputation due to lack of conformity with Shari’a laws and principles.
   - f- Information & Cybersecurity risk of suffering business disruptions and system failures such as utility disruptions, software, and hardware failures due to breaches or attacks on information systems.

Fourth: Risk management

Risk management is an integral part of the Group’s decision-making processes. It is implemented through a governance process that emphasizes independent risk assessment, control, and monitoring, overseen directly by the Board and senior management. KFH continues to upgrade its risk management capabilities in the light of developments in the business, banking and stock market regulations, and risk management best practices. KFH operates a “three lines of defense” system for managing risk:

- The first line of defense: recognizes that risks are raised by business units and within their business. KFH requires all employees (credit officers, dealers, operators, etc.) to ensure the effective management of risks within their organizational responsibilities.
- The second line of defense: comprises the Financial Control Department and the Risk Management Department. Both departments are responsible for ensuring that risks are managed in accordance with the stated risk appetite.
- The third line of defense: is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Audit Committee. The findings from these internal audits are reported to all relevant management and governance bodies. The Internal Audit function provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

Risk Strategy is formulated under three pillars:

Group capital planning and risk-weighted assets optimization:

- The focus is to have a solid capital base that supports planned business growth, absorbs potential losses (if any), and complies with regulatory requirements.
- Under this pillar, initiatives have been taken to employ a capital adequacy ratio.

Improving asset quality and risk appetite:

- Enhancing Group risk appetite to support management to maintain/improve asset quality alongside business growth.
- Asset quality has been significantly improved as a result of enhancing financing underwriting criteria and establishing appropriate governance in line with best practices.

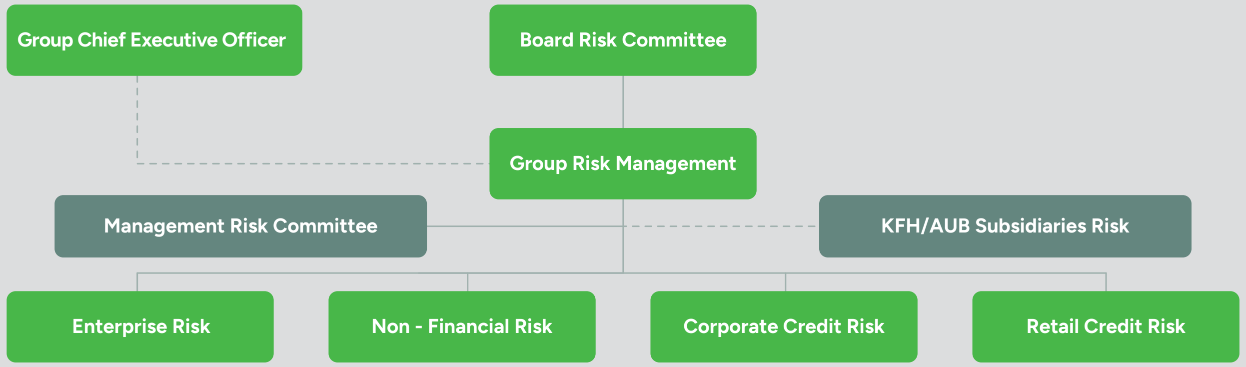
Group integration:

- Enhancing risk governance, culture, and integration across the Group.
- Policies are being reviewed on a regular basis for any potential enhancement from the governance perspective and to reflect regulatory requirements.
- Best practices which improve governance are being implemented across KFH banking subsidiaries.

Organizational structure

Kuwait Finance House has in place an organizational structure that enhances effectiveness, enabling the bank to seamlessly transition between current and future business needs while capitalizing on available opportunities.

Risk management organizational structure of Kuwait Finance House, Kuwait



In line with the best practices in risk management, KFH has adopted a hybrid mechanism in credit and investment decision making where both businesses and risk management play an active role. This integration of risk management in these decisions ensures an independent and experienced risk-conception and compliance with the Bank's internal risk management guidelines and strategy.

Under the framework of KFH's overall risk governance, a specialized unit was established to manage information security and cybersecurity risks considering the increasing importance of information security in banking and financial sectors, and to face the challenges arising from risks resulting from the rapid development of modern technologies used in the banking industry. In compliance with CBK instructions issued on 9 October 2019 regarding governance and regulations in Kuwaiti banks, the Cybersecurity Risk Management unit assumed responsibility for continuous monitoring, detection, and prevention of external security threats which may impact the availability and integrity of both internal and external data. Robust policies, procedures, and standards have been implemented to prevent cybersecurity incidents and ensure a swift recovery in the event of any cybersecurity breaches.

Culture of risk management, training, and awareness-raising

KFH strives to promote awareness of and strengthen the risk management culture across the Group. With the strong support of the Board, KFH regularly upgrades its risk management policies and procedures in addition to clarifying roles and responsibilities for managing risk. The aim is to ensure that risk is considered in all key financing, investment, and funding decisions as well as key operations to protect the Bank from future losses and strengthen the value of its commitments to shareholders and depositors. The Risk Management Department actively organizes workshops and awareness sessions across the Group to improve staff understanding of the risks inherent in their activities and the steps required to mitigate such risks.

Risk management by risk type

Kuwait Finance House and its subsidiaries could be exposed to various risk types. The main types of risk include credit risk, market risk, assets and liabilities management and liquidity risk, operational risk, and profit rate risk.

a) Credit risk

Credit risk is the largest risk faced by KFH. the Bank is exposed to credit risk primarily through its financing portfolio. KFH's credit risk sources can be broken down into:

- **Counterparty risk/default risk** arising from the various exposures in its financing portfolio, as well as from its sukuk portfolio, as follows:
  - **Corporate financing:** Financing instruments (other than real estate financing) extended to corporate clients.
  - **Retail financing:** Financing instruments (other than real estate financing) extended to retail clients.
  - **Business banking and microfinancing:** Financing instruments (other than real estate financing) that are less than KD 250,000.
  - **Real estate financing:** Real estate financing extended to both corporate and individual clients.
  - **Financial institution placement/financing:** Direct financing or through treasury activities.
  - **Corporate/sovereign Sukuk default risk:** Risk of default of the issuers of corporate/sovereign Sukuk.
- **Concentration risk** due to large exposures to single or groups of counterparties or sectors which, in the event of a deterioration in credit conditions, would expose the bank to significant losses.

The Bank is also exposed to credit risk through its investment portfolio as counterparties fail to deliver the security or its value in cash as per the agreement when the security was traded.

Governance and organizational structure

The responsibility to manage credit risk resides with different groups within the organization. The role of the credit risk governance structure is to ensure that the credit approval and risk appetite frameworks are effectively in place and that all risks are undertaken within these frameworks. This, together with strong independent oversight and challenge, enables KFH to maintain a sound credit-granting environment within its approved risk appetite.

Under the adopted risk governance structure at KFH, the following bodies within the organization are responsible for managing credit risk:

Board of Directors/Board Risk Committee: The Board has the ultimate responsibility for credit risk oversight. It exercises this by defining the risk appetite for the Bank and approving major policies for managing credit risk (including the Credit Policy). The Board is also the ultimate source of credit authority; it delegates part of this authority to management. The Board & the Board Risk Committee also oversee the risk profile of the Bank.

Board Executive Committee/Credit Committee: Reviews and acts on the credit risk profile of the Bank while ensuring alignment with the Board-approved risk appetite. The committee ensures, at a high level, that all approved credit risk policies are met, and exceptions are duly approved. It reviews and approves credit applications within the credit approval authority limits delegated by the Board. In addition to the responsibility for overseeing problems/potential problem exposures and recommending a course of action. The committee also governs the credit enhancement framework of the Bank.

Special Purpose Committee: Held once a month, this committee performs a detailed review of the portfolio of clients of the banking department and reviews past due clients, collateral coverage, exceptions granted, limits expiry… etc.

Retail Credit Risk Committee: Held once a month, this committee aims to monitor and optimize KFH Group retail credit risk exposure within the context of KFH Group approved strategy, risk appetite, and regulatory requirements.

Business lines: The different lines of business at KFH share the responsibility of managing credit risk by undertaking risks within the approved limits and tolerance as well as by approving credit applications within their delegated credit approval authority limits delegated by the Board.

Risk Management Department: The Enterprise Risk Management Department oversees the overall asset portfolio at KFH and ensures its alignment with the approved risk appetite. However, the responsibility for credit risk management mainly lies in the credit risk department, which includes several work teams. The pre-fact risk review team undertakes the analysis of each credit application separately to ensure that it meets the approved Risk Appetite. The post-fact assessment team, on the other hand, ensures all the approved credit lines and portfolios are in line with their approvals and reports on credit quality. This enables the risk management department to review and challenge all applications for new, renewed, and restructured financing facilities and define the methodologies and policies for managing credit risk and the models required for measurement.

Internal Audit: Provides the Board and senior management with an independent assurance process for credit risk controls across the organization.

Methods and processes

KFH credit risk management follows a specific framework to ensure:

- **Clearly defined credit policies** for financing different types of corporate and individual clients, covering all economic sectors such as real estate, shares, and financial or commercial entities. These policies articulate the requirements for the approval of new, renewed, and amended credit facilities in terms of financial requirements and documentation.
- **A credit authority matrix** which ensures (1) authorities are commensurate with the experience and job levels of employees and managers, (2) the Risk Management Department reviews and challenges credit requests, (3) significant credit exposures are approved by credit committees or the Board and its committees as per the delegation of authority matrix, and (4) the Risk Management Department reviews and studies subsequently implemented credit applications and periodically reviews credit portfolios to ensure compliance with the instructions of CBK. The department also reviews and studies the credit approvals to ensure that they do not violate any of the credit policies or the approved delegation of authority, identify and address any expired credit limits and/or exposures, and determine the reasons for arrears in payments if any.
- **A credit rating system** for corporate, SME, financial institutions, real estate, and high net worth individuals.
- **A system of limits** to ensure that the Bank undertakes risks within the approved appetite and within regulatory requirements.
- **A process to ensure credit policies are compliant with regulatory requirements** by ensuring that the required data and documentation are in place, and that the required approvals are obtained.
- **Effective follow-up processes** to mitigate arrears through early detection of deterioration in the financing portfolios and take the associated management actions in order to handle such credits.

KFH's approach when granting credit facilities is based primarily on an assessment of the customers' capacity to repay, with supplementary support from credit risk mitigation. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management and takes many forms as approved by CBK. The Bank's policy for collaterals defines the list of accepted collaterals and the protection of credits. The collaterals used by the Bank include financial collaterals (cash and securities) and non-financial collaterals (real estate, bank guarantees, and third-party agreements).

KFH regularly reviews and enhances its corporate financing credit process. The main enhancements to the process include:

(a) Streamlining of the process itself to ensure efficient and effective decision-making and clear assignment of responsibilities.

(b) Enhancing and realigning the credit authority matrix to ensure proper and clear escalation of decisions and the involvement of all relevant parties from the business, Risk Management, and the Board.

(c) Activating a credit committee with an adequate level of membership and authority to review, approve, or recommend credit requests from the Board and higher-level committees.

KFH adopts the standardized approach to measuring the capital required for credit risk under Pillar 1. However, credit risk arising from name concentration, sector concentration, and those remaining from credit mitigation techniques are captured under Pillar 2 as they are not covered under Pillar 1.

b) Market risk

Sources of risk

Market risk is defined as the risk that arises from the Bank's investment transactions, including investments in equity shares (both listed and unlisted), Sukuk, real estate, and other investments. These risks are classified into three main areas through which the market risk is being measured and managed as it directly impacts the performance of the Bank's investment portfolio. These risks include:

Price risk: The risk arising from the fluctuation in the market value of investments, including equity (trading and banking book including strategic investments), Sukuk, real estate, and other assets.

FX risk: The risk of incurring losses due to changes in currency exchange rates which affect both the banking book (including structural positions arising from cross-border investments) and the trading book.

Profit rate risk: Given the Shari'a-compliant activities of the Bank, profit rate risk results from the effect of the changes in market profit rates that would distress KFH's future cash flow and the fair value of some available-for-sale financial assets.

Governance and organization

The Treasury Department primarily undertakes the management of market risk. However, other related parties across the organization also play a role in the management of market risk. Under the Bank governance structure, the following parties within the organization are responsible for managing market risk:

Board of Directors / Board Risk Committee: The board is ultimately responsible for ensuring effective market risk management. It sets the market risk appetite for the Bank and approves major policies for managing market risk. The Board also oversees the risk profile of the Bank throughout the Board Risk Committee.

Assets and Liabilities Committee (ALCO) and Group Assets and Liabilities Committee (GALCO): Responsible for maintaining oversight and managing the structure/composition of the balance sheet (Group and Kuwait standalone) to ensure alignment with the Board-approved risk appetite and bank wide strategy. ALCO/GALCO also sets the treasury strategy. ALCO/GALCO is held on a regular basis with the option of meeting more frequently if required. The committee ensures, at a high level, that all approved market risk policies are complied with, and that exceptions are duly approved. It also decides on the hedging policy of the Bank and on the hedging mechanisms and products.

Treasury Department/Investment arm of KFH: Executes the overall bank strategy and mitigates risks undertaken by the Bank. Starting in 2015, KFH Capital (subsidiary) became the investment arm for KFH Group. KFH Capital's function is to manage the Bank's investment portfolio through service level agreement (SLA) within the approved risk appetite limits.

Risk Management Department: Independently monitors, follows up, and controls the treasury and investment activities and proposes the necessary limits. Market Risk Management identifies and measures market risk exposure to the Bank. Such risks are presented and discussed in more than one committee. It also manages market risk from a comprehensive Bank perspective to track potential concentrations and to raise necessary recommendations to mitigate risk when necessary. It also oversees compliance with market risk policies and limits.

Internal Audit: Provides the Board and senior management with an independent assurance process for market risk controls across the organization.

Methods and processes

The objective of KFH's market risk management processes is to manage and control market risk exposures to optimize return on risk while maintaining a market risk profile consistent with risk appetite.

The market risk framework operates within the Bank's strategy, approved risk appetite, and related risks, taking into consideration the following:

- Earnings at risk.
- Economic value of equity.
- FX open positions.
- Investment exposure by type.
- Value at Risk (VaR).
- Duration and convexity.

KFH employs an end-to-end review of its investment process and performance management framework on a regular basis. This includes defining target sectors and geographies, limits on exposures within sectors, and geographical areas.

KFH also develops restructuring plans for activities and investment portfolios. These plans include assessing consolidation or exit/divestment options, especially when investments underperform towards expectations, as well as increasing the Group's profitability.

The Bank also conducts a periodic valuation of its real estate investments using two different valuation sources as per CBK requirements.

KFH adopts the standardized approach to measuring the capital required for market risk under Pillar 1. However, market risk arising from FX positions, price risk, and profit rate risk are further captured under Pillar 2.

c) Assets and liabilities management and liquidity risk

Assets and liabilities management risk

Sources of risk

Asset Liability Management risk (ALM) is a means of managing the risk that can arise from changes in the relationship between assets and liabilities. Accordingly, the main source of risk in the ALM framework is profit rate risk.

Profit rate risk is the exposure of a bank's financial condition to adverse movements in benchmark rates. Changes in benchmark rates such as the local central bank discount rate or Intrabank Offer Rate (IBOR) affect a bank's earnings by changing its net profit and the level of other profit rate-sensitive income and operating expenses. Changes in discount rates also affect the underlying value of a bank's assets, liabilities, and off-balance sheet instruments because the economic value of future cashflow (and in some cases, the cashflow itself) changes when profit rates change.

Governance and organization

The Bank has instituted a sound governance structure for ensuring that risk arising from the structure of assets and liabilities is effectively managed. The organizational setup within KFH for managing assets and liabilities includes the following committees and key individuals:

Board of Directors and Board Risk Committee: Responsible for establishing and reviewing the Assets and Liabilities Management Policy and assuring that the Bank's balance sheet is managed in accordance with this policy.

Group Asset and Liabilities Committee and Assets and Liabilities Committee GALCO/ ALCO: Assets and Liabilities Committees are the senior management committees of the Bank within the Group responsible for managing the asset and liability profile. The Board has delegated the task of overseeing the management of the Bank's profit rate and capital to ALCO and GALCO.

Group Chief Risk Officer: Ensure the development of sound policies, profit rate risk, and capital management at the Bank and identify profit rate mismatch in the Bank's balance sheet in conjunction with the Group Chief Treasury Officer and Head(s) of Treasury.

Group Chief Treasury Officer and Head(s) of Treasury: Responsible for treasury business activities. The GCTO and Head(s) of Treasury are responsible for ensuring that the Bank has a sound organizational and governance framework to manage ALM risks.

Group Chief Financial Officer and Chief Financial Officer(s): Responsible for ensuring application of appropriate accounting standards for the Bank's portfolios, including transaction accounting, hedge effectiveness, and adjustments.

Head(s) of Assets and Liabilities Management and Liquidity Risk: Reflect changes to the profit rate risk management policy in alignment with changes in the Bank's product portfolio and present the changes to the ALCO and escalate any violations to the GALCO, ALCO, GCRO, and CRO(s).

Methods and processes

The ALM risk framework operates within the Bank's strategy and approved Risk Appetite and related risks, taking into consideration the following:

- Earnings at risk.
- Economic value of equity.

KFH is applying the Interest Rate Risk in the Banking Book (IRRBB) framework published by Basel committee as an additional layer of stress testing based on this framework's stress scenarios. Moreover, other scenario analyses and techniques are implemented to evaluate the potential effects of a specific event and/or movement of a set of variables on an institution's financial condition.

Liquidity risk

Sources of risk

KFH identifies the following sources of liquidity risk:

Funding liquidity risk: Risk arising from KFH's inability to meet its commitments when they become due because of unavailability of funding options and depositors systematically withdrawing their funds.

Displaced commercial risk: Risk that deposit holders withdraw their money in pursuit of more attractive returns because KFH pays a return on deposits that is lower than competitors.

Market liquidity risk: Risk that the Bank is unable to clear a position at the current market price revealed due to market disruption or deficiencies in market depth.

Governance and organization

The KFH Board, ALCO/GALCO, and the Treasury Department are ultimately responsible for the management of the Group liquidity risk. However other parties within the organization contribute to ensuring the liquidity risk management framework is in place and operating effectively:

Board of Directors / Board risk Committee: The Board is ultimately responsible for ensuring effective liquidity risk management. It sets the liquidity and funding risk appetite for the Bank and approves major policies concerning liquidity risk management and funding. The Board also oversees the liquidity and funding risk profile of the Bank.

ALCO/GALCO: Tasked with the active oversight of funding and liquidity risk management for KFH Kuwait and KFH Group. They approve the policy framework and monitor its implementation at regular meetings.

Treasury: Executes strategies to mitigate and manage liquidity risk. Treasury also monitors liquidity positions.

Risk Management: The Liquidity Management Unit's methodology is based on following up with the Treasury Department through identifying, measuring, and monitoring liquidity risk on a regular, active, and independent basis. KFH is committed to all liquidity regulatory limits through its prudent liquidity management framework.

Internal Audit: Provides the Board and senior management with an independent assurance process for liquidity risk controls across the organization.

Methods and processes

To manage liquidity risk, the Bank has adopted the policies of liquidity risk including operational management of liquidity risk, a contingency financing plan, and the distribution of responsibilities. The framework of liquidity risk at KFH undertakes to ensure sufficient liquidity to meet expected or unexpected demands of customers and money markets at an acceptable price for KFH and in compliance with Shari'a. The contingency plan has been implemented to enable KFH to manage liquidity in case of liquidity crisis.

As set out in Basel III guidelines and in reference to the best practices of managing and monitoring the Bank's liquidity risk, KFH has adopted the Basel III liquidity ratios: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR and NSFR are measured frequently throughout KFH Kuwait and KFH Group as per the CBK guidelines to ensure that KFH always manages liquidity risks, remains well-funded, and complies with regulatory liquidity limits of those ratios.

KFH ensures that liquidity risk is adequately mitigated through the following liquidity strategies:

- Maintaining a stock of high-quality liquid assets that can be used (liquidated or borrowed against) to provide cash in the event of an unexpected demand for cash by customers.
- Diversifying funding resources in terms of source, tenor, and re-pricing characteristics to mitigate the risk of not being able always to access cash at an acceptable price.
- Monitoring movements in both on and off-balance sheet assets and liabilities to identify points of pressure for liquidity management.
- Implementing stress scenarios to identify periods of reduced liquidity and incorporate these into the assessment of liquidity requirements.
- Identifying and ranking all funding sources available to the Bank and establishing a plan for calling on these to ensure adequate liquidity at all times (funding contingency plan).
- Assigning responsibility for the actions required to ensure an effective liquidity risk management framework is in place.

KFH believes it is adequately funded. In the pursuit of prudential management, the bank has a funding contingency plan approved by its Board that allows it to monitor the liquidity and funding position under forecasted and stressed business assumptions; the results of which are reported to the ALCO/GALCO, the Executive Committee, and the Board Risk Committee on a regular basis. The funding contingency plan requires the establishment of funding sources to be called on in progressively worsening situations and to set clear responsibilities for the executives tasked with managing liquidity under the plan. Furthermore, capital required to cover liquidity risk due to increases in funding costs is captured under KFH's Pillar 2 capital requirements.

d) Operational risk

Sources of risk

Kuwait Finance House defines operational losses as losses resulting from inadequate or failed internal processes, people, systems, or external events, including legal risks. Based on this, operational risks can be categorized as follows:

Operational Risks: Risks of losses arising from the management of execution and delivery, operations, damage to physical assets, non-compliance with regulations, employment practices, workplace safety, products, or business practices.

Legal and Compliance Risks: Risks related to losses resulting from violations of laws, rules, regulations, policies, procedures, contractual obligations, ethical standards, or ambiguous practices.

Technology Risks: Risks related to business interruption or system failures, such as facility outages, software and hardware malfunctions, and procedural deficiencies, as well as unauthorized or illegal use of the institution's systems, which may negatively impact the confidentiality, availability, and integrity of systems and data.

Fraud Risks: Risks related to losses resulting from internal fraud such as employee fraud, and external fraud such as theft and forgery by external parties.

Business Continuity Risks: Risks concerning the Bank's ability to continue providing its services and products during crises or after significant disruptions.

Governance and organization

The primary responsibility for managing operational risks lies with all employees and business units. Each department manager is accountable for maintaining and supervising operational risks and internal controls across all operations under their purview.

The following entities within the bank are responsible for operational risk governance:

Board of Directors / Board Risk Committee: primarily responsible for ensuring effective management of operational risks. It defines the Bank's risk appetite and approves key policies for managing these risks.

Risk Management Department: The department assists management in overseeing operational risks within their respective areas. It maintains the operational risk management framework, monitors operational losses, evaluates the effectiveness of the control environment, and prepares operational risk reports.

Internal Audit: Provides the board and senior management with an independent audit of the Bank's operational risk controls.

Methodologies and Procedures

Kuwait Finance House conducts a self-assessment for risk management and control, helping the management to identify and assess key risks related to operations and activities, as well as the efficiency and effectiveness of control measures. These practices provide necessary assurances for achieving business objectives and properly assessing daily responsibilities within business units. Potential risks from operations, individuals, systems, or external events are considered.

The operational risk management department supports and supervises business units in developing their self-assessment of risks and controls and preparing operational risk reports.

The bank has identified several key operational risk indicators that are measured and monitored for major business activities.

Operational risk incident data is systematically recorded through the operational risk incident management process, involving business departments and/or support units.

The Bank's Business Continuity Risk Management unit develops business continuity plans, including risk assessment, business impact analysis, disaster recovery strategies, and employee training for emergency response.

The Fraud Risk Management unit adopts strategies and procedures to detect, prevent, manage, and effectively mitigate fraud. It also regularly trains employees and enhances internal communication to ensure awareness of risks.

Kuwait Finance House has adopted the Basic Indicator Approach to measure the capital required for operational risks under Pillar1.

Fifth: Investment accounts-related information

KFH offers a variety of investment savings accounts designed to encourage customers to save and plan for their future while benefitting from the profits generated by their savings. These accounts are available to different age groups with various features and advantages. Accounts can be opened in Kuwaiti Dinars or foreign currencies. The available accounts include (Investment Savings Account in Kuwaiti Dinar and foreign currencies – Al-Rabeh account – Baiti investment account for children – Al-Hassad account – "Wakala" based corporate call account.(

All investment savings accounts are invested according to the Shari'a principles of "Mudarabah" and "Wakala" as per the conditions of the investment contract and profit-sharing ratios.

Information on Long Term Investment Plans and Deposits

KFH provides many investment deposits to clients with the aim of providing several investment tools that help the client invest and achieve profits in a safe and stable manner. Therefore, KFH offers different types of investment deposits whether in terms of investment duration, profit distribution mechanism, or currency, be it in Kuwaiti Dinars or foreign currencies. These deposit accounts include (Al-Nuwair investment deposit – Al-Dima investment deposit – Continuous investment deposit – Al-Khumasiya investment deposit – Al-Kawther investment deposit – Foreign Currencies investment deposit – Al-Sidra investment deposit – Al-Khair long-term investment deposit.)

Long-term investment plans are split into different types (Jameati higher education investment plan – Injaz achievement investment plan – Rafaa marriage investment plan – Thimar retirement investment plan – Shifaa special health care investment plan.)

All such investment deposits can be opened by all individuals who have reached the legal age of 21 years. Legal guardians or guardians by court ruling are allowed to open deposits in the name of their minors. These deposits, except for the long-term investment plans, can be opened by all corporate and legal entities (committees, associations, institutions, etc.)

The importance of investment deposits arises from providing greater stability for the Bank's operations. Hence, KFH can invest such investment deposits in various productive projects, either directly or through providing financing to third parties, noting that all accounts are invested in accordance with the Shari'a principles of "Mudarabah" contracts or investment "Wakala" contracts.

Gold Account

Out of KFH's keenness on diversifying product activities and keeping pace with global economic changes, which have coincided with increasing global interest in buying and selling gold bullions, KFH has been the first in Kuwait to launch a gold account. This account enables customers to buy, sell, withdraw, and deposit gold safely, effectively, and with peace of mind. The gold offered by KFH is the finest with 999.9 purity. KFH customers can open this account, buy and sell KFH gold bullions, and request account statements through all branches, online services, KFH mobile application, or KFH ATMs.

Having the option to invest either in Suisse or Turkish Gold, customers will have their digital experience elevated by the newly added following features:

Send gold via message: This service allows customers to create and send/share a link with the beneficiary to receive gold bullions in the gold account or transfer the gold amount to the account. This service is available through the KFH Online mobile application (iPhone, Android, Huawei) free of charge for KFH customers only.

Gold delivery service: Gold delivery service for KFH customers through a specialized company based on customer's approval. Customers can use this service through KFH Online. The gold is delivered within two working days with a delivery fee of KD 5 for all areas in Kuwait. The gold is only received by the account owners who have made their purchase with their original civil ID.

Live gold rates: Live prices updated automatically in line with the international market prices.

Gold purchase via KNET: Enables KFH customers to buy gold from KFH Online through local bank accounts using the KNET payment gateway, where the amount is transferred from local banks to customer's account at KFH, then the purchase process takes place.

Lastly, as part of the chain of digital banking services that KFH has initiated, and to comply with customers' need for change to a new generation of easy digital banking services that offer easy and safe around-the-clock services, KFH has launched a service by which customers may buy a 10-gram gold bullion and receive it immediately from KFH interactive XTMs.

Sixth: Shari'a controls

Fatwa and Shari'a Supervisory Board

The Fatwa and Shari'a Supervisory Board (FSSB) follows regulatory policies and procedures to ensure the compliance of all KFH's sectors and departments to its decisions. To achieve this goal, FSSB may adopt the following:

1. Ensure compliance of KFH's sectors and departments with presenting all their activities to the FSSB to review and approve contracts and agreements, policies, procedures and financing structures, ensuring they do not violate any Shari'a prohibitions.
2. Review the Shari'a review reports on contracts, agreements, policies, and procedures by the Shari'a Research and Advisory Department, in accordance with the decisions of the FSSB.
3. Review the periodical Shari'a Audit Reports related to all KFH sectors and departments as raised by the Internal Shari'a Audit, to ensure compliance with Islamic Principles of Shari'a and the relevant decisions of the FSSB.
4. Ensure that all revenues recognized from non-Shari'a compliant sources or by means prohibited by Shari'a have been disposed of, to be used for charity purposes.
5. Calculate Zakat following CBK approval of KFH financial statements.
6. The General Assembly shall determine the remuneration of the FSSB members.
7. Develop Shari'a training programs for KFH employees at both basic and advanced levels in coordination with the Human Resources Department and General Services Department.

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
Burj Alshaya, 16th & 17th Floor
Al Soor Street, Mirqab
Safat 13001, State of Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
https://www.ey.com

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20184, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT FINANCE HOUSE K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Finance House K.S.C.P. ("the Bank") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the Central Bank of Kuwait ("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 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Credit losses on financing receivables

The recognition of credit losses on financing receivables ("financing facilities") is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: *Financial Instruments* ("IFRS 9"), determined in accordance with the CBK guidelines, or the provision required by the CBK rules based on classification of financing facilities and calculation of their provision (the "CBK instructions") as disclosed in the accounting policies in Note 2.6 and Note 12 to the consolidated financial statements.

The recognition 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 judgement in assessing significant increase in credit risk and classification of financing facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

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

Due to the significance of financing facilities and the related estimation uncertainty and management's judgement in assessing significant increase in credit risk and classification of financing facilities into various stages, adjustment to ECL models, if any 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 models, its governance and review controls performed by the management in determining the stage classification and adequacy of credit losses.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Credit losses on financing receivables (continued)

With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected a sample of financing facilities outstanding as at the reporting date, which included rescheduled financing facilities, and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the financing facilities into various stages. We involved our specialists to review the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") and the overlays, if any, considered by management, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have computed ECL including the eligibility and value of collateral considered in the ECL models used by the Group.

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, if required, it has been computed accordingly. For the samples selected, which included rescheduled financing facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired financing facilities, we have assessed the valuation of collateral and reperformed the resultant provision calculations.

b) Impairment assessment of goodwill

The Group had goodwill with a carrying value of KD 2,050,772 thousand as at 31 December 2024, recognised on the acquisition of Ahli United Bank in 2022. IFRS Accounting Standards requires management to assess goodwill for impairment at each reporting date with any impairment loss to be charged to profit or loss. Goodwill was allocated to individual cash-generating units during 2022 and there has been no change in the allocation since then. Management engaged an external expert to assist them in performing the impairment assessment of goodwill. The impairment assessment of goodwill is significant to our audit because the assessment of the recoverable amount of goodwill, based on the higher of fair value less cost to sell ("FVLCTS") and the value-in-use ("VIU"), is complex and requires management to apply significant judgements. Estimates of future cash flows used in VIU includes estimates such as management's view of the growth in the banking sector and economic conditions, for example economic growth and expected inflation rates and yield rates. For FVLCTS, the estimation of comparable market transactions required management to apply considerable judgement. Therefore, we have considered the impairment assessment of goodwill as a key audit matter.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

***b) Impairment assessment of goodwill* (continued)**

As part of our audit procedures, where management applied the VIU basis to determine the recoverable amount, we have obtained management's impairment calculations and assessed the key assumptions, including profit forecasts, growth rates and discount rates. We have evaluated whether the external expert appointed by management has the necessary competency, capabilities and objectivity, and reviewed their terms of engagement with the Group to determine whether it was sufficient for audit purposes. We have also involved our valuation specialists and challenged management to substantiate the assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts. We have reperformed the mathematical accuracy of the calculations and corroborated certain information with third party sources. We have agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison with third party information, the Group's cost of capital and relevant risk factors.

For FVLCTS, we have challenged management's use of comparable transactions. We have further evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions. We have agreed the results and inputs into the calculations to the amounts disclosed in the consolidated financial statements. We have also assessed the controls over the impairment process to determine if they had been appropriately designed and implemented.

We have also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in note 15 to the consolidated financial statements, against the requirements of IFRS Accounting Standards.

Other Information included in the Group's 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by CBK for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's 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 KUWAIT FINANCE HOUSE K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit; and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments; and 2/I.B.S./343/2014 dated 21 October 2014 and its amendments, respectively; the Companies Law No.1 of 2016, as amended and its executive regulations, as amended and by the Bank's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments, and 2/I.B.S./ 343/2014 dated 21 October 2014 and its amendments, respectively; the Companies Law No.1 of 2016, as amended and its executive regulations, as amended or of the Bank's Memorandum of Incorporation and Articles of Association, as amended have occurred during the year ended 31 December 2024 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 Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.

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

BADER A. AL-WAZZAN
LICENCE NO. 62A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

28 January 2025
Kuwait

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2024

	Notes	2024 KD 000's	2023 KD 000's
INCOME			
Financing income		**2,886,460**	2,194,191
Finance cost and distribution to depositors		**(1,739,486)**	(1,228,263)
Net financing income		**1,146,974**	965,928
Investment income	5	**137,798**	184,231
Net fees and commission income		**177,223**	136,463
Net gain from foreign currencies		**153,807**	140,174
Other income	6	**14,850**	34,063
TOTAL OPERATING INCOME		**1,630,652**	1,460,859
OPERATING EXPENSES			
Staff costs		**(347,307)**	(286,746)
General and administrative expenses		**(168,490)**	(150,123)
Depreciation and amortisation		**(84,183)**	(78,578)
TOTAL OPERATING EXPENSES		**(599,980)**	(515,447)
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT AND NET MONETARY LOSS		**1,030,672**	945,412
Provisions and impairment	7	**(58,486)**	(44,372)
Net monetary loss	35	**(155,322)**	(72,813)
OPERATING PROFIT BEFORE TAXATION AND PROPOSED DIRECTORS' FEES		**816,864**	828,227
Taxation	8	**(173,640)**	(151,818)
Proposed directors' fees	22	**(1,317)**	(1,308)
PROFIT FOR THE YEAR		**641,907**	675,101
Attributable to:			
Shareholders of the Bank		**601,802**	584,516
Non-controlling interests		**40,105**	90,585
		641,907	675,101
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	9	**36.37 fils**	35.31 fils

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	KD 000's	
	2024	*2023*
Profit for the year	**641,907**	675,101
Items that will not be reclassified to consolidated statement of income in subsequent periods:		
Revaluation (loss) gain on equity investments at fair value through other comprehensive income	**(4,090)**	652
Net change in pension fund reserve	**1,270**	(2,735)
Items that are or may be reclassified subsequently to consolidated statement of income:		
Investments in Sukuk at fair value through other comprehensive income:		
Net change in fair value during the year	**(33,076)**	(97,426)
Net transfer to consolidated statement of income	**(5,711)**	(344)
Net loss on investments in Sukuk at fair value through other comprehensive income	**(38,787)**	(97,770)
Share of other comprehensive income (loss) of associates and joint ventures	**5,183**	(181)
Net change in fair value of cash flow hedges	**67**	6
Exchange differences on translation of foreign operations	**(237,066)**	(262,630)
Other comprehensive loss for the year	**(273,423)**	(362,658)
Total comprehensive income	**368,484**	312,443
Attributable to:		
Shareholders of the Bank	**404,151**	341,589
Non-controlling interests	**(35,667)**	(29,146)
	368,484	312,443

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		KD 000's	
	Notes	***2024***	*2023*
ASSETS			
Cash and balances with banks and financial institutions	10	**3,695,324**	3,612,104
Due from banks	11	**2,227,173**	2,971,422
Financing receivables	12	**19,069,673**	19,425,221
Investment in debt securities	13	**6,864,854**	7,006,323
Trading properties		**92,168**	105,267
Investments		**241,618**	310,241
Investment in associates and joint ventures		**383,919**	542,948
Investment properties		**366,035**	376,616
Other assets	14	**1,059,019**	903,238
Goodwill and intangible assets	15	**2,328,003**	2,397,868
Property and equipment		**375,640**	358,692
TOTAL ASSETS		**36,703,426**	38,009,940
LIABILITIES			
Due to banks		**5,643,696**	4,777,278
Due to financial institutions		**3,030,485**	3,206,512
Sukuk payables and term financing	17	**986,639**	635,532
Depositors' accounts	18	**19,219,942**	21,812,815
Other liabilities	19	**1,404,764**	1,414,464
TOTAL LIABILITIES		**30,285,526**	31,846,601
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK			
Share capital	21	**1,710,844**	1,476,445
Share premium	21	**4,267,447**	3,611,765
Proposed issue of bonus shares	22	**136,868**	141,262
Treasury shares	21	**(822,159)**	(113,103)
Reserves	20	**34,823**	53,499
		5,327,823	5,169,868
Proposed cash dividends	22	**191,165**	146,042
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK		**5,518,988**	5,315,910
Perpetual Tier 1 Capital Securities and Sukuks	23	**504,059**	502,381
Non-controlling interests		**394,853**	345,048
TOTAL EQUITY		**6,417,900**	6,163,339
TOTAL LIABILITIES AND EQUITY		**36,703,426**	38,009,940

HAMAD ABDOUL MOHSEN AL-MARZOUQ
(CHAIRMAN)

KHALED YOUSEF ALSHAMLAN
(GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

KD 000's

	Attributable to the shareholders of the Bank								Perpetual Tier 1 Capital Securities and Sukuks	Non-controlling interests	Total equity
	Share capital	**Share premium**	**Proposed issue of bonus shares**	**Treasury shares**	**Reserves (Note 20)**	**Subtotal**	**Proposed cash dividends**	**Subtotal**			
Balance as at 1 January 2024	**1,476,445**	**3,611,765**	**141,262**	**(113,103)**	**53,499**	**5,169,868**	**146,042**	**5,315,910**	**502,381**	**345,048**	**6,163,339**
Profit for the year	-	-	-	-	**601,802**	**601,802**	-	**601,802**	-	**40,105**	**641,907**
Other comprehensive loss	-	-	-	-	**(197,651)**	**(197,651)**	-	**(197,651)**	-	**(75,772)**	**(273,423)**
Total comprehensive income (loss)	-	-	-	-	**404,151**	**404,151**	-	**404,151**	-	**(35,667)**	**368,484**
Issuance of ordinary shares (Note 3)	**93,137**	**655,682**	-	-	-	**748,819**	-	**748,819**	-	-	**748,819**
Issue of bonus shares (Note 22)	**141,262**	-	**(141,262)**	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	**(56,011)**	**(56,011)**	-	**(56,011)**		-	**(56,011)**
Cash dividends paid (Note 22)	-	-	-	-	-	-	**(146,042)**	**(146,042)**	-	-	**(146,042)**
Interim cash dividend (Note 22)	-	-	-	-	**(159,304)**	**(159,304)**	-	**(159,304)**	-	-	**(159,304)**
Distribution of profit (Note 22)											
Proposed issue of bonus shares	-	-	**136,868**	-	**(136,868)**	-	-	-	-	-	-
Proposed cash dividends	-	-	-	-	**(191,165)**	**(191,165)**	**191,165**	-	-	-	-
Net movement on treasury shares (Note 3)	-	-	-	**(709,056)**	**2,687**	**(706,369)**	-	**(706,369)**	-	-	**(706,369)**
Net movement on Perpetual Tier 1 Capital securities and Sukuks	-	-	-	-	**(2,122)**	**(2,122)**	-	**(2,122)**	**1,678**	-	**(444)**
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	**(22,625)**	**(22,625)**	-	**(22,625)**	-	-	**(22,625)**
Group's share of associate adjustments	-	-	-	-	**(4,815)**	**(4,815)**	-	**(4,815)**	-	-	**(4,815)**
Impact of application of IAS 29 (Note 35)	-	-	-	-	**136,877**	**136,877**	-	**136,877**		**99,893**	**236,770**
Acquisition of non-controlling interest (Note 3)	-	-	-	-	**(4,528)**	**(4,528)**	-	**(4,528)**	-	**(28,751)**	**(33,279)**
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	**(21,909)**	**(21,909)**
Change in ownership of subsidiaries without loss of control	-	-	-	-	**15,047**	**15,047**	-	**15,047**	-	**46,070**	**61,117**
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	-	**(9,831)**	**(9,831)**
Balance as at 31 December 2024	**1,710,844**	**4,267,447**	**136,868**	**(822,159)**	**34,823**	**5,327,823**	**191,165**	**5,518,988**	**504,059**	**394,853**	**6,417,900**

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

KD 000's

	Attributable to the shareholders of the Bank								Perpetual Tier 1 Capital Securities and Sukuks	Non-controlling interests	Total equity
	Share capital	Share premium	Proposed issue of bonus shares	Treasury shares	Reserves (Note 20)	Subtotal	Proposed cash dividends	Subtotal			
Balance as at 1 January 2023	1,342,223	3,611,765	134,222	(41,763)	111,451	5,157,898	199,907	5,357,805	501,666	426,630	6,286,101
Profit for the year	-	-	-	-	584,516	584,516	-	584,516	-	90,585	675,101
Other comprehensive loss	-	-	-	-	(242,927)	(242,927)	-	(242,927)	-	(119,731)	(362,658)
Total comprehensive income (loss)	-	-	-	-	341,589	341,589	-	341,589	-	(29,146)	312,443
Issue of bonus shares (Note 22)	134,222	-	(134,222)	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	(51,340)	(51,340)	-	(51,340)		-	(51,340)
Cash dividends paid (Note 22)	-	-	-	-	-	-	(199,907)	(199,907)	-	-	(199,907)
Interim cash dividend (Note 22)	-	-	-	-	(146,063)	(146,063)	-	(146,063)	-	-	(146,063)
Distribution of profit (Note 22)											
Proposed issue of bonus shares	-	-	141,262	-	(141,262)	-	-	-	-	-	-
Proposed cash dividends	-	-	-	-	(146,042)	(146,042)	146,042	-	-	-	-
Net movement on Perpetual Tier 1 Capital securities and Sukuks	-	-	-	-	(338)	(338)	-	(338)	715	-	377
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	(21,729)	(21,729)	-	(21,729)	-	(353)	(22,082)
Group's share of associate adjustments	-	-	-	-	(4,941)	(4,941)	-	(4,941)	-	-	(4,941)
Impact of application of IAS 29 (Note 35)	-	-	-	-	124,479	124,479	-	124,479	-	75,520	199,999
Acquisition of non-controlling interest	-	-	-	-	(12,305)	(12,305)	-	(12,305)	-	(114,210)	(126,515)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(18,056)	(18,056)
Net movement on treasury shares	-	-	-	(71,340)	-	(71,340)	-	(71,340)	-	-	(71,340)
Net other change in non-controlling interests	-	-	-	-	-	-	-	-	-	4,663	4,663
Balance as at 31 December 2023	1,476,445	3,611,765	141,262	(113,103)	53,499	5,169,868	146,042	5,315,910	502,381	345,048	6,163,339

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 KD 000's	2023 KD 000's
OPERATING ACTIVITIES			
Profit for the year		**641,907**	675,101
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		**84,183**	78,578
Provisions and impairment	7	**58,486**	44,372
Dividend income	5	**(5,231)**	(5,280)
Gain on sale of investments	5	**(134,695)**	(100,396)
Gain on sale of real estate investments	5	**(17,497)**	(60,400)
Share of results from investment in associates and joint ventures	5	**(35,421)**	(30,432)
Net monetary loss from hyperinflation	35	**155,322**	72,813
		747,054	674,356
Changes in operating assets and liabilities:			
(Increase) decrease in operating assets:			
Financing receivables and due from banks		**635,117**	84,333
Investment in debt securities		**105,761**	(944,395)
Trading properties		**13,099**	(10,157)
Other assets		**(155,781)**	96,001
Statutory deposit with Central Banks		**708,337**	(407,725)
Increase (decrease) in operating liabilities:			
Due to banks and financial institutions		**690,391**	350,487
Depositors' accounts		**(2,592,873)**	782,407
Other liabilities		**(122,453)**	(48,410)
Net cash flows from operating activities		**28,652**	576,897
INVESTING ACTIVITIES			
Net movement in investments		**105,308**	(40,455)
Purchase of investment properties		**(10,049)**	(5,036)
Proceeds from sale of investment properties		**24,178**	102,103
Purchase of property and equipment		**(50,706)**	(35,222)
Proceeds from sale of property and equipment		**11,047**	2,610
Intangible assets, net		**(8,017)**	(1,888)
Capital injection of investments in associates and joint ventures		**(792)**	(14,278)
Proceeds from sale/ redemption of investments in associates and joint ventures		**148,811**	-
Dividend received		**55,328**	15,023
Acquisition of non-controlling interest		**-**	(126,515)
Proceeds from sale of subsidiary, net of cash disposed	4	**100,466**	-
Net cash flows from (used in) investing activities		**375,574**	(103,658)
FINANCING ACTIVITIES			
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks		**(22,625)**	(22,082)
Cash dividends paid		**(301,792)**	(343,331)
Dividends paid to non-controlling interest		**(21,909)**	(18,056)
Movement in Sukuk payable and term financing	17	**351,107**	(148,659)
Zakat paid		**(20,787)**	(22,502)
Net movement in treasury shares		**9,171**	(71,340)
Net cash flows used in financing activities		**(6,835)**	(625,970)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**397,391**	(152,731)
Cash and cash equivalents as at 1 January		**3,048,291**	3,201,022
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	**3,445,682**	3,048,291

The attached notes 1 to 35 form part of these consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2024

1 CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 9 January 2025. The general assembly of the shareholders of the Bank has the power to amend these consolidated financial statements after issuance.

The Group comprises Kuwait Finance House K.S.C.P. ("the Bank") and its consolidated subsidiaries (collectively "the Group") as noted in Note 16.1. The Bank was incorporated in Kuwait on 23 March 1977 and is registered as an Islamic bank with the Central Bank of Kuwait ("CBK"). The Bank is a public shareholding company listed in Kuwait Boursa and Bahrain Bourse, and is engaged in all Islamic banking activities for its own account as well as for third parties, including financing, purchase and sale of investments, leasing, project construction and other trading activities without practising usury. The Bank's registered head office is at Abdulla Al-Mubarak Street, Murqab, Kuwait.

All activities are conducted in accordance with Islamic Shari'a, as approved by the Bank's Fatwa and Shari'a Supervisory Board.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the IFRS Accounting Standards with an amendment for measuring the expected credit loss ("ECL") on credit facilities at the higher of ECL computed under IFRS 9 – 'Financial Instruments' in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of financial assets at fair value, venture capital at fair value through profit or loss, derivative financial instruments, all of which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest thousand Dinars, except when otherwise indicated.

2.2 PRESENTATION OF FINANCIAL STATEMENTS

The Group presents its statement of consolidated financial position in order of liquidity.

2.3 CHANGES IN ACCOUNTING POLICIES

New standards, interpretations, and amendments adopted by the Group
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no material impact on the Group's consolidated financial statements.

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2024

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no material impact on the Group's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no material impact on the Group's consolidated financial statements.

Other amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2024 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2024

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)
Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18 and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed.

IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

Lack of exchangeability – Amendments to IAS 21
In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.5 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year and its subsidiaries as at the same date or a date not earlier than three months from 31 December. The financial statements of subsidiaries are prepared using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the Group. All significant intercompany balances and transactions, including unrealised profit or loss arising from intra-group transactions have been eliminated on consolidation.

a. Subsidiaries
Subsidiaries are all entities over which the Group has control. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Refer Note 16 for the list of material subsidiaries, their principal businesses and the Group's effective holding.

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2024

2.5 BASIS OF CONSOLIDATION (continued)

b. Non-controlling interest
Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. A change in ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.6 MATERIAL ACCOUNTING POLICY INFORMATION

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment in associates and joint ventures (continued)
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in an associate and joint ventures are initially recognised at cost and subsequently accounted for by the equity method of accounting. The Group's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associate and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of income. Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Gain or loss on such transaction is computed by comparing the carrying amount of the associate or joint venture at the time of loss of significant influence or joint control with the aggregate of fair value of the retained investment and proceeds from disposal. Such gain or loss is recognised in the consolidated statement of income.

Foreign currency translation
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are included within net gain/loss from foreign currencies in the consolidated statement of income.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

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

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

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition
The following specific recognition criteria must also be met before revenue is recognised:

i) Financing income includes the following:

- Income from murabaha, istisna'a, leased assets, tawarruq, mudaraba, wakala investments, other financing receivablesand advances and investment in debt securities, and is determined by using the effective profit method. The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating the financing income over the relevant period.

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

ii) Fees and commission income are recognised when the Group satisfies the performance obligation by transferring the promised service to customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time. Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised at a point in time on completion of the underlying transaction.

iii) Rental income from investment properties is recognised on an accrual basis.

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

v) Operating lease income is recognised on a straight-line basis in accordance with the lease agreement.

vi) Gain from real estate investments includes gains from sale of investment properties and trading properties. Real estate gain is recognised when the significant risks and returns have been transferred to the buyer including satisfaction of all conditions of a contract.

IAS 29 Financial Reporting in Hyperinflationary Economies
The financial information of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the consolidated statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated by applying appropriate conversion factors. The result of the application of this remeasurement method is recognized as a "net monetary loss" in the consolidated statement of income.

The financial information of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation prior to their translation to Kuwaiti Dinars. Once restated, all items of the financial statements are converted to Kuwaiti Dinars using the closing exchange rate. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, (a) the restatement effect resulting from restating the group interest in the equity of the hyperinflation foreign operations is presented in the consolidated statement of changes in equity and (b) the translation effect resulting from translating the group interest in the equity of the hyperinflationary foreign operation (excluding the effect any restatement required by IAS 29) at a closing rate that differs from previous closing rate is presented in the consolidated statement of other comprehensive income.

Trading properties
Trading properties are measured initially at cost. Subsequent to initial recognition, trading properties are carried at the lower of cost or net realizable value determined on an individual basis.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at depreciated cost less impairment.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the investment property is recognised in the consolidated statement of income in the year of derecognition as gain of sale of real estate investment.

Kuwait Finance House K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

Depreciation is provided on a straight-line basis over the estimated useful lives, that range from 20 – 40 years other than freehold land which is deemed to have an indefinite life.

Properties under construction
Properties under construction or development for future use as investment properties are classified as investment properties and are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of the asset.

Precious metals inventory
Precious metals inventory primarily comprises gold, which is carried at the fair value less cost to sell.

Financial instruments
Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market-place.

Classification on initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value. Except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at initial recognition and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the investment income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

Financial liabilities, other than financing commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

Assessment of whether contractual cash flows are solely payments of principal and yield (SPPY test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Yield (the "SPPY test").

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

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

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

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

The Group classifies its financial assets upon initial recognition into the following categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to consolidated statement of income on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of income on derecognition
- Financial assets carried at fair value through profit or loss (FVTPL)

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2024

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
Debt instruments at amortised cost:
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset meet the SPPY test.

Cash and balances with banks and financial institutions, due from banks, certain investment in debt securities and financing receivables are classified as debt instruments at amortised cost.

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

Debt instruments at FVOCI:
A debt instrument is carried at FVOCI if it meets both of the following conditions:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPY test

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

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

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

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity (fair value reserve). Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity investments 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 other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Kuwait Finance House K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Changes in fair values, profit income and dividends are recorded in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established. Included in this classification are certain debt securities, equities and derivatives that are not designated as hedging instruments in a hedge relationship.

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

i. Cash and cash equivalents
Cash and cash equivalents comprise cash, balances with Central Banks, balances with banks and financial institutions, cash in transit and exchange of deposits maturing within three months of contract date. Cash and cash equivalents are carried at amortised cost using effective profit rate.

ii. Due from banks
Due from banks are financial assets originated by the Group and represent commodity murabaha transactions with high credit quality banks and treasury bills and deposits with central banks. These are stated at amortised cost using effective profit rate.

iii. Financing receivables
Financing receivables are financial assets with fixed or determinable payments that are not quoted in an active market and principally comprise of Islamic financing facilities including murabahas, istisna'a, ijara, tawarruq, mudaraba, wakala receivables and leased assets, as well as other financing receivablesand advances. The financing receivables are stated at amortised cost using effective profit rate.

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

Istisna'a
Istisna'a is a sale contract concluded between a buyer and a manufacturer, whereby the manufacturer undertakes, at the request of the buyer, to manufacture the subject matter of the contract (the product) according to the stipulated specifications, at an agreed upon price and method of payment, whether by paying in advance, by installments, or by deferring payment to a specific date in the future.

Ijara
The lease contract is concluded between the Group (the lessor) and the customer (the lessee), whereby the Group achieves a return by charging rents on the leased assets to the customers.

Tawarruq
It is a product in which a customer buys goods from the group on a deferred payment basis and then sells them immediately for cash to another party.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)
Mudaraba
It is an agreement between two parties whereby one of them provides funds (rabb al-mal) and the other makes efforts and provides expertise (mudarib) and he is responsible for investing these funds in a specific company or special activity in exchange for a pre-agreed percentage of the mudaraba revenues if there are profits, while in the event of a normal loss, the rabb al-mal will bear the loss of his money while the mudarib will bear the loss of his efforts. However, in case of negligence or breach of any of the terms and conditions of the mudaraba agreement, only the mudarib will bear the losses. The Group acts as a mudarib when accepting funds from depositors and as a rabb al-mal when investing these funds on a mudaraba basis.

Wakala
Wakala is an agreement whereby the Group provides an amount of money to a client under a wakala agreement, who invests this amount according to specific conditions in exchange for agreed fees. The agent is obligated to return the amount in case of negligence or violation of any of wakala's terms and conditions.

Other financing receivables and advances
Other financing receivables and advances are financial assets with fixed or determinable payments and fixed maturities. After initial recognition, they are subsequently measured at amortized cost using the effective profit rate method, adjusted to reflect actual fair value hedges, less any amounts written off and allowance for credit losses. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortization is included within 'finance income' in the consolidated statement of income.

Trade receivables
Trade receivables that primarily relate to subsidiaries in businesses other than financing are carried at amounts due, net of expected credit losses and are stated at amortised cost.

iv. Investments in debt securities
Investments in debt securities are classified at FVOCI, FVTPL and amortized cost based on the business model in which these securities are managed. These include investment in bonds, sukuks, notes and certificate of deposits issued by banks and other financial institutions and corporates.

v. Investments
Group's financial investments consists of investment in equity instruments and investment in funds. Investment in equity instruments are carried at FVTPL or FVOCI based on the business model in which these securities are managed. Investment in funds are carried at FVTPL.

vi. Venture capital at fair value through profit or loss
Certain investments in joint ventures held directly or indirectly through venture capital segment are not accounted for using equity method, as the Bank has elected to measure these investments at fair value through profit or loss in accordance with IFRS 9, using the exemption of IAS 28: Investments in associates and joint ventures.

Venture capital at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recorded as unrealized gain (loss) in the consolidated statement of income.

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

i. Due to banks, depositors' accounts and Sukuk payables and term financing
These are measured at amortised cost. Where investments are sold subject to a commitment to repurchase them at a predetermined price, they remain on the consolidated balance sheet and the consideration received is included in "financing under repurchase agreements". The difference between the sale price and repurchase price is treated as finance costs and is accrued over the life of the agreement using the effective profit method.

ii. Trade payables
Trade payables mainly relates to non-banking subsidiaries of the Group. Liabilities are recognised for amounts to be paid in the future for goods whether or not billed to the Group.

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

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

iv. Financial guarantees

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income, and the provisions required by the CBK. Undrawn financing commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a financing with pre-specified terms to the customer. Similar to financial guarantee contracts, a provision is measured, if they are an onerous contract, according to the CBK guidelines.

Derecognition of financial assets and financial liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Derecognition due to substantial modification of terms and conditions

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

When assessing whether or not to derecognise a financing receivable, amongst others, the Group considers the following factors:

- Change in currency of the financing
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPY criterion

Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at original effective profit rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

In the context of IBOR, the Phase 2 amendments provide practical relief from certain requirements in IFRS Accounting Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

Derivatives financial instruments and hedge accounting

i. Derivatives not designated as hedges:

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

ii. Derivatives designated as hedges:

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

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

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

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

Hedges of a net investment:
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity are transferred to consolidated statement of income.

The Bank applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing profit rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Derivatives financial instruments and hedge accounting (continued)
IBOR reform Phase 1 also requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the profit rate is not altered as a result of IBOR reform. Further, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

Impairment of financial assets
The Group recognises ECL for financing receivable, due from banks, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, bank acceptances, undrawn cash and non-cash credit facilities (revocable and irrevocable) (together "financing facilities") and investment in debt securities carried at FVOCI and amortised cost.

Balances with CBK is low risk and fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

Impairment of financing facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines or the provisions required by the CBK instructions.

Expected Credit Losses
The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective profit rate of the financing facility.

The Group applies a three-stage approach to measure the ECL based on the applied impairment methodology, as described below:

Stage 1: 12-month ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals determined in accordance with CBK guideline.

Except for consumer and instalment financing, transfer of credit facility from Stage 2 to Stage 1 is made after a period of 12 months from the satisfaction of all conditions that triggered classification of the financial assets to Stage 2. Transfer of financial assets from Stage 3 to Stage 2 or Stage 1 is subject to approval of CBK.

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Expected Credit Losses (continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to credit loss expense.

When estimating ECL for undrawn financing commitments, the Group estimates the expected portion of the financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down.

The Group measures ECLs on guarantees based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted profit rate relevant to the exposure.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. 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. Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The Group considers an exposure to have significantly increased in credit risk when there is significant deterioration in customer rating compared to rating at origination, restructured due to financial difficulties of the customers and other conditions mentioned below.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for financial assets, such as moving a customer/facility to the watch list, or the account becoming forborne. The Group also consider that events explained below (and not restricted to) as indicators of significant increase in credit risk as opposed to a default.

- All financial assets 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 and by 1 grade for those with Non-Investment Grade;
- All rescheduled financial assets are classified under the Stage 2 unless it qualifies for Stage 3 classification.
- Internal rating of the customer indicating default or near-default
- The customer requesting emergency funding from the Group;
- The customer having past due liabilities to public creditors or employees;
- The customer is deceased;
- A material decrease in the underlying collateral value where the recovery of the financing is expected from the sale of the collateral;
- A material decrease in the customer's turnover, loss of major customers or deterioration of customer financial position;
- A covenant breach not waived by the Group;
- The obligor (or any legal entity within the obligor's group) filing for bankruptcy application / protection or liquidation;
- Obligor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties;
- Legal measures and action against customer by other creditors;
- Clear evidence that the customer is unable to pay financing receivable on maturity dates;

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to Stage 2 even if other criteria do not indicate a significant increase in credit risk.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Expected Credit Losses (continued)

Determining the stage of impairment (continued)

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

Objective evidence that financial assets is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, 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. The Group assess whether objective evidence of impairment exists on an individual basis for each individually significant financial asset and collectively for others not deemed individually significant.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD ("PITPD") to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and Banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financing (except for credit cards).

- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including payments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor ("CCF") on utilized non-cash facilities. For unutilized facilities CCF is applied based on the CBK requirements for leverage ratio issued on 21 October 2014.

- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. CBK guidelines have prescribed list of eligible collaterals and minimum hair-cuts that are applied in determination of LGD.

Further, as per CBK guidelines, for unsecured senior and subordinate financing facilities minimum LGD threshold applied is 50% and 75% respectively.

The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier except for financial assets in Stage 2, the Group considers a minimum maturity of 7 years for all financing facilities (excluding consumer financing & credit cards and personal housing financing which is regulated by CBK based on salary) unless financing facilities have non-extendable contractual maturity and final payment is less than 50% of the total facility extended. For consumer financings & credit cards and personal housing financings which is regulated by CBK based on salary in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Expected Credit Losses (continued)
Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, unemployment rates, Central Bank base rates, oil prices, commodity price index and equity price index and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Renegotiated financing receivables
In the event of a default, the Group seeks to restructure financing to customers rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. When the financing to customers has been renegotiated or modified but not derecognised, any impairment is measured using the original effective yield method as calculated before the modification of terms. Management continually reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur. Derecognition decisions are determined on a case-by-case basis.

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

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

Category	*Criteria*	*Specific provisions*
Watch list	Irregular for a period of 31 to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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

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

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

▸ Buildings	up to 50 years
▸ Furniture, fixtures and equipment	3 to 10 years
▸ Motor vehicles	3 years

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

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

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

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

i. Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date of the underlying asset if available of use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, and is included under 'property and equipment' in the consolidated statement of financial position. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets ranging up to 25 years.

If the ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with the Group's impairment of non-financial assets policy.

ii. 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 incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

iii. Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
i. Leased assets
This represents net investment in assets leased for periods which either approximate or cover a major part of the economic lives of such assets. The lease agreements provide a purchase option to lessees at a price equal or expected to be equal or lower than fair value of such assets at the time when such option is exercised.

Leased assets are stated at amounts equal to the net investment outstanding in the leases.

ii. Operating leases
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is recognised in 'other income' in the consolidated statement of income.

Intangible assets
An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

▸ Core deposits	12 years
▸ Brand/ trademark	3 years
▸ License	assessed to have an indefinite useful life
▸ Software development cost	3 to 5 years
▸ Software license right	15 years
▸ Other rights	3 to 7 years

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Kuwait Finance House K.S.C.P. and Subsidiaries

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Taxation
Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation enacted at the reporting date.

The Bank calculates shareholders Zakat at 2.577% on net working capital on completing fiscal year and is paid under the direction of the Bank's Fatwa and Shareea'a Supervisory Board, and netting the amount paid by 1% of net profit attributed to the Zakat paid to the Ministry of Finance as per the Zakat Law. Such Zakat is charged to voluntary reserve.

International Tax Reform – Pillar Two Model Rules
Income taxes arising from tax law enacted or substantively enacted to implement the Pillar II (Minimum tax) model rules published by the OECD Base Erosion and Profit Shifting sets out a top-up tax liability calculation based on the principles in the Pillar II model rules which describes tax law that implements qualified domestic minimum top-up taxes. IASB have issued a series of amendments to IAS 12 "Income Taxes". In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. In accordance with the provisions of these amendments, the Group applies the mandatory and temporary exception not to recognise deferred taxes associated with this additional taxation. Refer note 8 for further information.

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, in the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets at a bid price and liabilities at an ask price.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Financial assets carried at FVOCI or FVTPL

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.

For financial assets where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, book value multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts

The fair value of currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are determined based on valuations obtained from counterparty/third parties.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Investment properties

For investment properties, fair value is determined by registered real estate valuers who have relevant experience in the property market.

Due from/to customers for contract work

Due from/to customers of contracting subsidiaries for uncompleted contracts represents costs, which comprises direct materials, direct labour and an appropriate allocation of overheads, plus attributable profit to the extent that it is reasonably certain less provision for contingencies and any losses incurred or foreseen in bringing contracts to completion, and less any amounts received or receivable as progress billings.

Share based payments

The Group operates an employees' share purchase plan for certain eligible employees, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (Reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share based payments (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of income represents the movement in cumulative expense recognised during the year.

Finance cost

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

Other provisions and reserves

Other provisions and reserves are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any reserve provision is recorded in the consolidated statement of income net of any reimbursement.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard ("IAS") 19 – Employee Benefits are charged to the consolidated statement of income in the year to which they relate.

Treasury shares

The Group's holding of its own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in equity (treasury share reserve) which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. No cash dividends are distributed on these shares. 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.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position. These are disclosed separately in the consolidated financial statements.

Significant judgments

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

Classification of financial assets

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

Classification of real estate

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

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

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant judgments (continued)
Classification of real estate (continued)
The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

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

The Group has 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 (e.g., a change in business strategy).

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Fair value of financial instruments
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 34.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

Impairment of investment properties and trading properties
The Group reviews the carrying amounts of its investment and trading properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. The Group management determines the appropriate techniques and inputs required for measuring the fair value using observable market data and as appropriate, the Group uses reputed valuers qualified to do the valuation.

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2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

Impairment losses on financing receivables – as per CBK guidelines
The Group reviews its financing receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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

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

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3 MERGER

On 21 January 2024, the CMA Kuwait approved the merger of the Parent Company and Ahli United Bank K.S.C.P. ("AUB Kuwait") by way of amalgamation through share swap at the exchange ratio of 0.3723118279 shares of the Parent Company against every share of AUB Kuwait.

On 22 February 2024, the share swap deal of the Parent Company's share capital with the shareholders of AUB Kuwait was completed, as well as the execution of the merger by amalgamation was finalized. The increase of the Parent Company's authorized, issued and paid-up capital from 14,764,456,572 shares to 15,695,823,374 shares was affected through issuing 931,366,802 shares at the nominal value of 100 fils per share amounting to KD 93,137 thousand and share premium of KD 655,682 thousand representing the difference between the nominal value of the issued shares and their market value on the merger execution date. The additional shares issued includes 889,974,356 shares that have been allocated to Kuwait Finance House K.S.C.P. against its total ownership of the issued and paid-up capital of AUB Kuwait at a value of KD 715,539 thousand, which has been recognized as treasury shares in the Group's consolidated statement of financial position and included in the net movement in treasury shares in the consolidated statement of changes in equity. Further, as part of the merger, the stake held by non-controlling shareholders of AUB Kuwait was also acquired, having a carrying value of KD 28,751 thousand and the difference between the carrying value and the market value of the Parent Company's shares offered to them on the merger's execution date amounting to KD 4,528 thousand was recognised in 'Other reserve'.

4 SALE OF KUWAIT FINANCE HOUSE (BAHRAIN) B.S.C. (C)

On 14 May 2024, the Parent Company and Al Salam Bank B.S.C. ('buyer') completed the agreement for the sale and purchase of the entire issued share capital of Kuwait Finance House (Bahrain) B.S.C. (C) ("KFH Bahrain") for a net consideration of KD 100,466 thousand, resulting in a net gain of KD 70,113 thousand, of which KD 74,215 thousand has been included under 'investment income', partially offset by an impairment charge against certain identified assets of KFH Bahrain amounting to KD 4,102 thousand, included under 'provisions and impairment' in the consolidated statement of income.

The results of KFH Bahrain till the date of disposal included in the consolidated statement of income are presented as below:

	KD 000's	
	2024	*2023*
Income	**10,373**	34,543
Expenses	**(7,813)**	(18,532)
Profit for the period/ year	**2,560**	16,011

The net cash flows generated from the sale of KFH Bahrain are, as follows:

	KD 000's
	2024
Cash received from sale of KFH Bahrain	178,056
Cash disposed off as part of the sale of KFH Bahrain	(77,590)
Net cash inflow	**100,466**

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5 INVESTMENT INCOME

	KD 000's	
	2024	*2023*
Gain on sale of real estate investments	**17,497**	60,400
Rental income from investment properties	**5,571**	4,176
Dividend income	**5,231**	5,280
Gain on sale of investments	**134,695**	100,396
Share of results of investment in associates and joint ventures	**35,421**	30,432
Others	**(60,617)**	(16,453)
	137,798	184,231

6 OTHER INCOME

	KD 000's	
	2024	*2023*
Income from sale of property and equipment	**4,708**	11,296
Real estate trading, development and construction income	**1,052**	62
Income from maintenance, services, and consultancy	**14,942**	18,061
Rental income from lease contracts	**4,786**	4,797
Other loss	**(10,638)**	(153)
	14,850	34,063

7 PROVISIONS AND IMPAIRMENT

	KD 000's	
	2024	*2023*
Reversal of expected credit losses for investment in debt securities (Note 13)	**(5,711)**	(344)
Expected credit losses for other financial assets	**3,963**	3,547
Impairment on financing receivables (Note 12)	**95,618**	66,848
Recovery of written-off debts	**(23,201)**	(78,281)
(Reversal) impairment of investment properties	**(12,142)**	2,949
Impairment of investment in associates	**7,771**	3,784
Impairment of trading properties	**771**	1,931
(Reversal) charge of impairment of non-cash facilities	**(1,156)**	11,545
Other (reversals) provisions and impairment	**(7,427)**	32,393
	58,486	44,372

8 TAXATION

	KD 000's	
	2024	*2023*
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	**5,559**	5,275
National Labour Support Tax (NLST)	**19,182**	16,489
Zakat	**7,825**	7,570
Taxation related to subsidiaries	**141,074**	122,484
	173,640	151,818

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8 TAXATION (continued)

Pillar 2 – Income Taxes
In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate. The jurisdictions in which the Group operates including the State of Kuwait have joined the IF. The Group's earnings in certain jurisdictions, primarily in Kuwait and Bahrain, are currently subject to a lower effective tax rate compared to the proposed global minimum tax.

The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of issue of the Law. The Law effectively replaces the existing National Labour Support Tax (NLST) and Zakat tax regimes in Kuwait for MNEs within the scope of this Law. Similar DMTT laws are enacted or announced in low tax jurisdictions such as the Kingdom of Bahrain. Additionally, some jurisdictions where the Group operates, have Pillar 2 legislation in effect in 2024 due to adoption of a domestic minimum top-up tax and an income inclusion rule (IIR). Further some of those jurisdictions have also adopted the Undertaxed Profits rule (UTPR) whereby undertaxed profits in any of the Group's jurisdictions will be brought to an effective global minimum tax rate of 15% starting from the year 2025.

The Group has performed an analysis of its Pillar 2 position for 2024 based on OECD guidelines. The Group doesn't have any material Pillar 2 top up tax exposure for 2024 in jurisdictions where the Pillar 2 legislation is in effect, since majority of the relevant jurisdictions are already paying tax above the global minimum tax rate. The Group's effective tax rate is expected to increase in 2025 due to the applicability of the Pillar 2 legislation in low tax jurisdictions such as Kuwait and Bahrain. In the absence of Executive Regulations in Kuwait, the expected impact in 2025 cannot be reasonably estimated at this time. The Group continues to assess the impact of evolving Pillar 2 tax regulations on its future financial performance.

9 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Bank after profit payment on Perpetual Tier 1 Capital Securities and Sukuks, by the weighted average number of ordinary shares outstanding during the year after adjusting for treasury shares held by the Group.

Basic and diluted earnings per share:	***2024***	*2023*
Profit for the year attributable to shareholders of the Bank (thousand KD)	**601,802**	584,516
Less: Profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	**(22,625)**	(21,729)
Profit for the year attributable to shareholders of the Bank after profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	**579,177**	562,787
Weighted average number of shares outstanding during the year, net of treasury shares (thousands share)	**15,923,148**	15,936,381
Basic and diluted earnings per share attributable to the shareholders of the Bank	**36.37 fils**	35.31 fils

The comparative basic and diluted earnings per share have been restated for bonus shares issued (Note 22).

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10 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	KD 000's	
	2024	*2023*
Cash	**200,329**	269,499
Balances with Central Banks	**2,277,906**	2,277,019
Balances with banks and financial institutions – current accounts	**1,217,089**	1,065,586
Cash and balance with banks and financial institutions	**3,695,324**	3,612,104
Due from banks within 3 months of contract date	**897,748**	1,291,914
Less: Statutory deposits with Central Banks	**(1,147,390)**	(1,855,727)
Cash and cash equivalents	**3,445,682**	3,048,291

Statutory deposits with Central Banks represent balances that are not available for use in the Group's day-to-day operations.

11 DUE FROM BANKS

	KD 000's	
	2024	*2023*
Due from banks	**1,478,060**	1,574,786
Due from central banks including treasury bills	**749,113**	1,396,636
	2,227,173	2,971,422

The fair value of due from banks is not materially different from their respective carrying value.

12 FINANCING RECEIVABLES

Financing receivables principally comprises of murabaha, wakala, leased assets, istisna'a balances and other financing receivables and advances. Balances are stated net of impairment as follows:

	KD 000's	
	2024	*2023*
Financing receivables		
Murabaha and wakala	**19,434,801**	18,232,567
Leased assets	**2,654,641**	2,921,204
Istisna'a and other receivables	**216,984**	1,365,197
	22,306,426	22,518,968
Less: deferred and suspended profit	**(2,302,929)**	(2,146,045)
Net financing receivables	**20,003,497**	20,372,923
Less: impairment	**(933,824)**	(947,702)
	19,069,673	19,425,221

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12 FINANCING RECEIVABLES (continued)

Movement in provision for impairment as per CBK instructions is as follows:

	Specific		*General*		*Total*	
	2024	*2023*	*2024*	*2023*	*2024*	*2023*
					KD 000's	
Balance as at beginning of year	**208,124**	206,745	**739,578**	719,157	**947,702**	925,902
Provided during the year (Note 7)	**52,247**	45,570	**43,371**	21,278	**95,618**	66,848
Related to disposal of subsidiary (Note 4)	**(6,343)**	-	**(8,299)**	-	**(14,642)**	-
Amounts written off and foreign currency translation	**(83,303)**	(44,191)	**(11,551)**	(857)	**(94,854)**	(45,048)
Balance as at end of year	**170,725**	208,124	**763,099**	739,578	**933,824**	947,702

The available provision balance on non-cash facilities of KD 43,378 thousand (2023: KD 44,534 thousand) is included under other liabilities (Note 19).

The fair value of the financing receivables do not materially differ from their respective book values.

The future minimum lease payments receivable in the aggregate are as follows:

	2024	*2023*
		KD 000's
Within one year	**1,561,728**	1,345,305
One to five years	**648,737**	762,883
More than five years	**444,176**	813,016
	2,654,641	2,921,204

Non-performing financing facilities

As at 31 December 2024, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 355,275 thousand (2023: KD 321,845 thousand).

Total provision for ECL is accounted as per CBK regulation which require ECL to be measured at higher of the ECL computed under IFRS 9 in accordance with CBK or the provision required by CBK instructions. Total provision for credit losses recorded as per CBK instructions for utilized and unutilized cash and non-cash financing facilities as at 31 December 2024 is KD 977,202 thousand (2023: KD 992,236 thousand) which exceeds the ECL for financing receivables under IFRS 9 by KD 538,833 thousand (2023: KD 548,595 thousand).

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

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12 FINANCING RECEIVABLES (continued)

31 December 2024	***Stage 1 KD 000's***	***Stage 2 KD 000's***	***Stage 3 KD 000's***	***Total KD 000's***
High	**13,040,170**	**379,642**	**-**	**13,419,812**
Standard	**3,637,882**	**1,639,784**	**153,428**	**5,431,094**
Past due or impaired	**587,462**	**255,655**	**309,474**	**1,152,591**
	17,265,514	**2,275,081**	**462,902**	**20,003,497**
Financing commitments and contingent liabilities (Note 24)	**2,429,594**	**406,623**	**40,691**	**2,876,908**
ECL provision for credit facilities	**62,364**	**95,589**	**280,416**	**438,369**
31 December 2023				
High	13,637,089	357,242	-	13,994,331
Standard	3,835,640	1,550,319	87,670	5,473,629
Past due or impaired	352,559	230,559	321,845	904,963
	17,825,288	2,138,120	409,515	20,372,923
Financing commitments and contingent liabilities (Note 24)	2,222,443	296,108	38,152	2,556,703
ECL provision for credit facilities	83,433	119,909	240,299	443,641

Aging analysis of past due but not impaired finance facilities by class of financial assets:

	Less than 30 days	***31 to 60 days***	***61 to 90 days***	***Total***
				KD 000's
31 December 2024				
Financing receivables	**587,462**	**158,789**	**96,866**	**843,117**
31 December 2023				
Financing receivables	352,559	117,411	113,148	583,118

An analysis of the changes in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines is as follows:

	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 2024	**83,433**	**119,909**	**240,299**	**443,641**
Transfer between stages:				
Transfer from / to Stage 1	**26,118**	**(9,502)**	**(16,616)**	**-**
Transfer from / to Stage 2	**(2,363)**	**6,374**	**(4,011)**	**-**
Transfer from / to Stage 3	**(692)**	**(9,966)**	**10,658**	**-**
Net (decrease) increase in ECL for the year	**(36,756)**	**4,871**	**130,795**	**98,910**
Amounts written off	**-**	**-**	**(66,260)**	**(66,260)**
Related to disposal of subsidiary	**(994)**	**(2,733)**	**(4,359)**	**(8,086)**
Foreign exchange adjustments	**(6,382)**	**(13,364)**	**(10,090)**	**(29,836)**
At 31 December 2024	**62,364**	**95,589**	**280,416**	**438,369**

12 FINANCING RECEIVABLES (continued)

Aging analysis of past due but not impaired finance facilities by class of financial assets: (continued)

	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 2023	83,848	115,187	208,707	407,742
Transfer between stages:				
Transfer from / to Stage 1	7,914	(4,407)	(3,507)	-
Transfer from / to Stage 2	(1,331)	2,803	(1,472)	-
Transfer from / to Stage 3	(2,741)	(1,194)	3,935	-
Net increase in ECL for the year	6,711	31,059	71,468	109,238
Amounts written off	-	-	(22,553)	(22,553)
Foreign exchange adjustments	(10,968)	(23,539)	(16,279)	(50,786)
At 31 December 2023	83,433	119,909	240,299	443,641

Sensitivity
For measuring the overall sensitivity of the forward-looking information and key economic variables on the Group's ECL on financing receivables, the Group conducts stress tests by allocating a higher weightage to the downside scenario which results in an increase in the Bank's ECL allowance for financing receivables in Stage 1 and Stage 2. However, the ECL so determined after incorporating the aggregate impact of these sensitivity adjustments, continues to remain lower than the total provision for credit losses recorded as per CBK instructions, and accordingly will not have an impact on the Group's consolidated statement of income as well as on the carrying value of these assets.

13 INVESTMENT IN DEBT SECURITIES

	KD 000's	
	2024	*2023*
FVOCI	**4,226,225**	3,179,817
Amortised cost	**2,467,572**	3,377,891
FVTPL	**171,057**	448,615
	6,864,854	7,006,323

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification (excluding debt securities carried at FVTPL).

				KD 000's
2024	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
High grade	**4,198,555**	**352,994**	**-**	**4,551,549**
Standard grade	**2,136,506**	**42,472**	**-**	**2,178,978**
Gross carrying amount	**6,335,061**	**395,466**	**-**	**6,730,527**
ECL allowance	**(25,116)**	**(11,614)**	**-**	**(36,730)**
Carrying value	**6,309,945**	**383,852**	**-**	**6,693,797**

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13 INVESTMENT IN DEBT SECURITIES (continued)

				KD 000's
2023	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
High grade	3,747,717	575,391	-	4,323,108
Standard grade	2,256,575	26,267	-	2,282,842
Gross carrying amount	6,004,292	601,658	-	6,605,950
ECL allowance	(31,537)	(16,705)	-	(48,242)
Carrying value	5,972,755	584,953	-	6,557,708

Movement in the gross carrying amount and the corresponding expected credit losses in relation to the Group's investment in debt securities (excluding debt securities carried at FVTPL) is as follows:

				KD 000's
2024	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount as at 1 January 2024	**6,004,292**	**601,658**	**-**	**6,605,950**
Net movement during the year	**330,769**	**(206,192)**	**-**	**124,577**
At 31 December 2024	**6,335,061**	**395,466**	**-**	**6,730,527**

				KD 000's
2024	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL allowance as at 1 January 2024	**31,537**	**16,705**	**-**	**48,242**
Re-measurements during the year (Note 7)	**(974)**	**(4,737)**	**-**	**(5,711)**
Related to disposal of subsidiary	**(1,916)**	**-**	**-**	**(1,916)**
Amounts written off and foreign currency translation	**(3,531)**	**(354)**	**-**	**(3,885)**
At 31 December 2024	**25,116**	**11,614**	**-**	**36,730**

				KD 000's
2023	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2023	5,254,536	594,005	45,407	5,893,948
Net movement during the year	749,756	7,653	(45,407)	712,002
At 31 December 2023	6,004,292	601,658	-	6,605,950

				KD 000's
2023	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2023	37,855	30,658	41,224	109,737
Re-measurements during the year (Note 7)	64	(3,201)	2,793	(344)
Amounts written off and foreign currency translation	(6,382)	(10,752)	(44,017)	(61,151)
At 31 December 2023	31,537	16,705	-	48,242

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14 OTHER ASSETS

	KD 000's 2024	KD 000's 2023
Precious metals inventory	**210,260**	65,969
Trade receivable, net	**62,833**	112,100
Clearing accounts	**153,133**	171,661
Deferred tax	**87,445**	74,630
Advances and prepayments	**40,291**	36,307
Derivative assets (Note 25)	**207,060**	178,645
Other miscellaneous assets	**297,997**	263,926
	1,059,019	903,238

15 GOODWILL AND INTANGIBLE ASSETS

Movement of goodwill and intangible assets is as follows:

	KD 000's 2024	KD 000's 2023
Cost		
As at 1 January	**2,474,690**	2,510,272
Additions	**8,679**	2,918
Disposal	**-**	(27)
Hyperinflation adjustment	**1,004**	13,794
Impairment during the year	**-**	(946)
Foreign exchange translation	**(59,241)**	(51,321)
As at 31 December	**2,425,132**	2,474,690
Accumulated amortization		
As at 1 January	**76,822**	47,647
Charge for the year	**23,043**	29,850
Disposals	**(5)**	(14)
Hyperinflation adjustment	**178**	8,748
Foreign exchange translation	**(2,909)**	(9,409)
As at 31 December	**97,129**	76,822
Net book value as at 31 December	**2,328,003**	2,397,868

	KD 000's 2024	KD 000's 2023
Goodwill	**2,067,451**	2,098,980
Core deposits and brands	**226,336**	263,745
Other intangibles	**34,216**	35,143
	2,328,003	2,397,868

15 GOODWILL AND INTANGIBLE ASSETS (continued)

The carrying amount of goodwill has been allocated to CGU's, represented by the Group's geographical banking operations in Kuwait, Bahrain, Egypt, and United Kingdom, which consists of identifiable net assets including intangible assets comprising of core deposits, brands, and licences. The goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis.

Recoverable amount of each CGU is determined using higher of value in use ("VIU") and fair value less cost to sell ("FVLCTS"). In determination of VIU, the Group has applied discount rates ranging from 7.1% to 29.0% (2023: 8.8% to 28.8%) and a terminal growth rate ranging of 1.8% to 6.8% (2023: 1.9% to 8.6%). The Group has also performed a sensitivity analysis by varying these input factors by a reasonable margin. Based on such analysis, there are no indications that the goodwill or intangible assets with indefinite useful life are impaired.

Other intangibles include license of an Islamic brokerage company amounting to KD 14,671 thousand (2023: KD 14,671 thousand) and is considered as an intangible asset with an indefinite useful life. The carrying value of the Islamic brokerage license is tested for impairment on an annual basis by estimating the recoverable amount of the CGU. The recoverable amount of the license has been determined using a discount rate of 10.82% (2023: 10.7%) and a terminal growth rate of 2.7% (2023: 2.7%). As a result, the management believes there are no indications of any impairment in value. Intangible assets with finite lives are amortised over their useful economic life.

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16 SUBSIDIARIES

16.1 Details of principal operating material subsidiaries

Name	*Country of registration*	*Interest in equity %*		*Principal activity*	*Financial statements reporting date*
		2024	*2023*		
Kuwait Turkish Participation Bank (KTPB)	Turkey	**58**	62	Islamic banking services	31 December 2024
Ahli United Bank B.S.C.(C) (AUB) *	Bahrain	**100**	100	Islamic banking services	31 December 2024
Kuwait Finance House B.S.C. **	Bahrain	**-**	100	Islamic banking services	31 December 2024
Kuwait Finance House (Malaysia) Berhad	Malaysia	**100**	100	Islamic banking services	31 December 2024
Ahli United Bank (U.K.) PLC ("AUBUK")	United Kingdom	**100**	100	Islamic banking services	31 December 2024
Ahli United Bank K.S.C.P. ("AUBK")***	Kuwait	**-**	85.6	Islamic banking services	31 December 2024
Ahli United Bank (Egypt) S.A.E. ("AUBE")	Egypt	**95.7**	95.7	Islamic banking services	31 December 2024
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	Iraq	**85.3**	80.3	Islamic banking services	31 December 2024
Saudi Kuwait Finance House S.S.C. (Closed)	Saudi Arabia	**100**	100	Islamic investment	31 December 2024
KFH Capital Investments Company K.S.C. (Closed) ****	Kuwait	**99.9**	99.9	Islamic finance and investments	31 October 2024
KFH Real Estate Company K.S.C. (Closed) ****	Kuwait	**99.9**	99.9	Real estate development and leasing	31 October 2024
Al Enma'a Real Estate Company K.S.C.P.	Kuwait	**56**	56	Real estate, investment, trading and real estate management	31 October 2024
Baitak Real Estate Investment Company S.S.C.	Saudi Arabia	**100**	100	Real estate development and investment	30 September 2024
International Turnkey Systems Company K.S.C. (Closed) ****	Kuwait	**98**	98	Computer maintenance, consultancy and software services	30 September 2024
Al Salam Hospital K.S.C. (Closed)	Kuwait	**76**	76	Healthcare services	30 September 2024

* *AUBUK, AUBE, and CBIQ are indirectly held subsidiaries through AUB.*
** *KFH Bahrain has been sold during the year (Note 4).*
*** *AUB Kuwait has been merged with KFH Kuwait during the year (Note 3), Effective ownership percentage in 2023 was 95.1%.*
**** *Effective ownership percentage is 100% (2023: 100%).*

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16 SUBSIDIARIES (continued)

16.2 Material partly-owned subsidiaries
Financial information of subsidiary that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation & operation	*Non-controlling interest percentage*	
		2024	*2023*
Kuwait Turkish Participation Bank (KTPB)	Turkey	**42%**	38%

The summarised financial information of the subsidiary are provided below. This information is based on amounts before intra-Group eliminations and adjustments.

Summarised consolidated statement of income and comprehensive income for the year ended:

	KTPB	
		KD 000's
	2024	*2023*
Revenues	**1,586,359**	928,092
Expenses	**(1,518,358)**	(777,995)
Profit for the year	**68,001**	150,097
Profit attributable to non-controlling interest	**28,690**	56,677
Total comprehensive loss for the year	**(114,512)**	(162,743)
Total comprehensive loss attributable to non-controlling interest	**(42,407)**	(61,452)

Summarised consolidated statement of financial position as at:

	KTPB	
		KD 000's
	2024	*2023*
Total assets	**7,949,816**	7,338,401
Total liabilities	**(7,036,320)**	(6,598,683)
Total equity	**913,496**	739,718
Attributable to non-controlling interests	**385,404**	279,318

Summarised consolidated statement of cash flows for year ended:

	KTPB	
		KD 000's
	2024	*2023*
Operating	**214,615**	283,133
Investing	**313,610**	(85,808)
Financing	**(78,827)**	(18,958)
Net increase in cash and cash equivalents	**449,398**	178,367

Kuwait Finance House K.S.C.P. and Subsidiaries

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17 SUKUK PAYABLES

On 17 January 2024, the Parent Company concluded the issuance of a 5-year senior unsecured Sukuk of USD 1,000,000 thousand which is listed on the London Stock Exchange. The Sukuk bears an expected profit rate of 5.011% per annum to be paid semi-annually in arrears, on each periodic distribution date, in accordance with the terms of the issue.

The Parent Company has hedged the profit rate risk arising from the fixed profit rate Sukuk payables, by entering into a profit rate swap ("PRS") arrangement having notional amounts and maturity dates similar to the principal and maturity dates of the Sukuk payables.

18 DEPOSITORS' ACCOUNTS

a) The depositors' accounts of the Bank comprise the following:

1) Non-investment deposits in the form of current accounts: These deposits are not entitled to any profits nor do they bear any risk of loss as the Bank guarantees to pay the related balances on demand. Accordingly, these deposits are considered Qard Hasan from depositors to the Bank under Islamic Shari'a.

2) Investment deposits: These have fixed maturity as specified in the term of the contract and are automatically renewable for the same periods unless notified to the contrary in writing by the depositor. Investment savings accounts are valid for an unlimited period.

In all cases, the investment deposits receive a proportion of the profit as the board of directors of the Bank determines, or bear a share of loss based on the results of the financial year.

b) The fair values of depositors' accounts do not differ from their carrying book values.

19 OTHER LIABILITIES

	KD 000's	
	2024	*2023*
Trade payables	**299,956**	339,620
Accrued expenses	**204,755**	192,130
Certified cheques	**55,941**	62,972
Due to customers for contract work	**9,790**	10,387
Employees' end of service benefits	**133,277**	117,270
Provision on non-cash facilities (Note 12)	**43,378**	44,534
Derivative liabilities (Note 25)	**69,373**	95,481
Other miscellaneous liabilities *	**588,294**	552,070
	1,404,764	1,414,464

*Amount payable to KFAS as of 31 December 2024 is KD 5,559 thousand (2023: KD 5,275 thousand) and is included in other miscellaneous liabilities.

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20 RESERVES

KD 000's

	Statutory reserve	*Voluntary reserve*	*Retained earnings*	*Treasury shares reserve*	*Fair value reserve*	*Foreign exchange translation reserve*	*Other reserves*	*Total*
Balance as at 1 January 2024	**464,864**	**261,995**	**159,923**	**15,028**	**(11,698)**	**(790,198)**	**(46,415)**	**53,499**
Profit for the year	-	-	601,802	-	-	-	-	601,802
Other comprehensive income (loss)	-	-	-	-	(8,912)	(190,076)	1,337	(197,651)
Total comprehensive income (loss)	-	-	601,802	-	(8,912)	(190,076)	1,337	404,151
Zakat	-	(56,011)	-	-	-	-	-	(56,011)
Interim cash dividend	-	-	(159,304)	-	-	-	-	(159,304)
Transfer to reserves	63,569	63,569	(127,138)	-	-	-	-	-
Proposed issuance of bonus shares (Note 22)	-	-	(136,868)	-	-	-	-	(136,868)
Proposed cash dividends (Note 22)	-	-	(191,165)	-	-	-	-	(191,165)
Transfer of fair value reserve of equity investment at FVOCI	-	-	6,608	-	(6,608)	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(2,122)	-	-	-	-	(2,122)
Profit payment on Perpetual Tier 1 Capital Securities & Sukuks	-	-	(22,625)	-	-	-	-	(22,625)
Impact of application of IAS 29 (Note 35)	-	-	136,877	-	-	-	-	136,877
Profit on sale of treasury shares	-	-	-	2,687	-	-	-	2,687
Change in ownership of subsidiary without loss of control	-	-	-	-	1,558	52,931	(39,442)	15,047
Acquisition of non-controlling interest	-	-	-	-	-	-	(4,528)	(4,528)
Group's share of associate adjustments	-	-	(4,815)	-	-	-	-	(4,815)
Balance as at 31 December 2024	**528,433**	**269,553**	**261,173**	**17,715**	**(25,660)**	**(927,343)**	**(89,048)**	**34,823**

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20 RESERVES (continued)

KD 000's

	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance as at 1 January 2023	403,348	251,206	29,608	15,028	47,135	(603,493)	(31,381)	111,451
Profit for the year	-	-	584,516	-	-	-	-	584,516
Other comprehensive loss	-	-	-	-	(53,493)	(186,705)	(2,729)	(242,927)
Total comprehensive income (loss)	-	-	584,516	-	(53,493)	(186,705)	(2,729)	341,589
Zakat	-	(50,727)	(613)	-	-	-	-	(51,340)
Interim cash dividend	-	-	(146,063)	-	-	-	-	(146,063)
Transfer to reserves	61,516	61,516	(123,032)	-	-	-	-	-
Proposed issuance of bonus shares (Note 22)	-	-	(141,262)	-	-	-	-	(141,262)
Proposed cash dividends (Note 22)	-	-	(146,042)	-	-	-	-	(146,042)
Transfer of fair value reserve of equity investment at FVOCI	-	-	5,340	-	(5,340)	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	(338)	-	-	-	-	(338)
Profit payment on Perpetual Tier 1 Capital Securities & Sukuks	-	-	(21,729)	-	-	-	-	(21,729)
Impact of application of IAS 29 (Note 35)	-	-	124,479	-	-	-	-	124,479
Acquisition of non-controlling interest	-	-	-	-	-	-	(12,305)	(12,305)
Group's share of associate adjustments	-	-	(4,941)	-	-	-	-	(4,941)
Balance as at 31 December 2023	464,864	261,995	159,923	15,028	(11,698)	(790,198)	(46,415)	53,499

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20 RESERVES (continued)

Statutory reserve

In accordance with the Companies' Law, as amended, and the Bank's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before KFAS, NLST, Zakat, and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Bank may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

Voluntary reserve

In accordance with the Companies' Law, as amended, and the Bank's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year before KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

Voluntary reserve is available to be distributed to shareholders at the discretion of the Bank's Board of Directors in ways that may be deemed beneficial to the Bank, except for the amount of KD 822,159 thousand (2023: KD 113,103 thousand) which is equivalent to the cost of purchasing treasury shares and is not available for distribution throughout the holding period of the treasury shares (Note 21). The ordinary general assembly meeting of the shareholders of the Bank held on 16 March 2015 approved to restrict the balance of statutory reserve and voluntary reserve up to 50% of the issued share capital.

Other reserves

Other reserves include cashflow hedge reserve, pension fund reserve and changes in ownership interest without loss of control.

Fair value reserve, foreign currency translation reserve and other reserve are attributable to both shareholders and deposit account holders.

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

On 22 February 2024, the Parent Company's authorized, issued and paid-up capital was increased from 14,764,456,572 shares to 15,695,823,374 shares, through issuing 931,366,802 shares at the nominal value of 100 fils per share amounting to KD 93,137 thousand, pursuant to the merger (Note 3).

The ordinary general assembly of the Bank's shareholders held on 18 March 2024 approved to distribute bonus shares of 9% (2022: 10%) of the issued, and fully paid share capital, and cash dividends of 10 fils per share (2022: 15 fils per share) to the Bank's shareholders, for the year ended 31 December 2023 (Note 22).

The Extra-ordinary general assembly of the Bank's shareholders held on 18 March 2024 also approved to increase the authorised share capital to be comprised of 17,108,447,477 shares (31 December 2023: 14,764,456,572 shares) of 100 fils each.

The authorised, issued, and fully paid share capital as at 31 December 2024 comprise of 17,108,447,477 shares (31 December 2023: 14,764,456,572) shares of 100 fils each.

The Board of Directors approved distribution of an interim cash dividend of 10 fils per share on the outstanding shares as of 30 June 2024 (30 June 2023: 10 fils per share), which was paid during the period.

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

Share capital

	KD 000's	
	2024	*2023*
Authorised, issued and fully paid in cash and bonus shares:		
17,108,447,477 (2023: 14,764,456,572) shares of 100 fils each	**1,710,844**	1,476,445

The movement in ordinary shares in issue during the year was as follows:

	2024	*2023*
Number of shares in issue as at 1 January	**14,764,456,572**	13,422,233,248
Bonus shares issued	**1,412,624,103**	1,342,223,324
New shares issued in consideration for the merger (Note 3)	**931,366,802**	-
Number of shares in issue at 31 December	**17,108,447,477**	14,764,456,572

Share premium
The share premium balance is not available for distribution.

Treasury shares and treasury share reserve.
The Group held the following treasury shares at the year-end:

	2024	*2023*
Number of treasury shares	**1,178,002,307**	201,687,987
Treasury shares as a percentage of total shares in issue	**6.9%**	1.4%
Cost of treasury shares (KD thousand)	**822,159**	113,103
Market value of treasury shares (KD thousand)	**878,790**	146,022

The balance in the treasury share reserve account is not available for distribution.

The average market price of the Bank's shares for the year ended 31 December 2024 was 742 fils (2023: 762 fils) per share.

22 PROPOSED CASH DIVIDENDS, BONUS SHARES, AND DIRECTORS' FEES

The Board of Directors of the Bank has proposed a cash dividend of 12% for the year ended 31 December 2024 (2023: 10%) and issuance of bonus shares of 8% (2023: 9%) of the paid up share capital as follows:

	2024		*2023*	
		Total KD 000's		*Total KD 000's*
Proposed cash dividends (per share)	**12 fils**	**191,165**	10 fils	146,042
Proposed issuance of bonus shares (per 100 shares)	**8 shares**	**136,868**	9 shares	141,262

This proposal is subject to the approval of the ordinary general assembly of the shareholders of the Bank and completion of legal formalities. Proposed cash dividends and proposed issued of bonus shares are shown separately within equity.

The Board of Directors approved distribution of interim cash dividend of 10 fils per share on the outstanding shares as of 30 June 2024, which was paid during the current period.

The Board of Directors of the Bank has proposed Directors' fees of KD 1,317 thousand (2023: KD 1,308 thousand), (Note 26) which is within the amount permissible under local regulations and subject to the approval of the annual general assembly of the shareholders of the Bank.

23 PERPETUAL TIER 1 CAPITAL SECURITIES AND SUKUKS

	KD 000's	
	2024	*2023*
Perpetual Tier-1 Sukuk issued by the Bank (a)	**385,441**	225,734
Perpetual Tier I Sukuk-2021 issued by AUB Kuwait (a)	**-**	158,548
Perpetual Tier I Capital securities issued by AUB (b)	**118,618**	118,099
	504,059	502,381

(a) On 30 June 2021, the Bank through a Sharia's compliant Sukuk arrangement issued Perpetual Tier 1 Sukuk amounting to USD 750 million. The Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Perpetual Tier 1 Sukuk is listed on the London Stock Exchange and callable by the Bank after five-year period ending June 2026 (the "First Call Date") or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of the Perpetual Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Perpetual Tier 1 Sukuk bears an expected profit rate of 3.6% per annum to be paid semi-annually in accordance with the terms of the issue. Transaction costs incurred on the issue of the Perpetual Tier 1 Sukuk is accounted as a deduction from equity.

During the year ended 31 December 2021, AUB Kuwait completed a US$ 600 million Basel III compliant Additional Tier 1 Perpetual Capital Sukuk issue that bears a profit rate of 3.875% per annum, which are eligible to be classified under equity. These are subordinated, unsecured and carry a periodic distribution amount, payable semi-annually in arrears, is callable after five years period of issuance until the first call date ending June 2026 or any profit distribution date thereafter subject to certain redemption conditions, including prior CBK approval. The securities are listed on the Irish Stock Exchange and NASDAQ Dubai.

On 22 September 2023, an Extraordinary General Meeting ("EGM") of the Sukuk holders approved changing the obligor ('Mudareb') name from AUB Kuwait to the Parent Company which has been disclosed on NASDAQ, Dubai and Euronext stock exchanges. The Parent Company has taken over as obligor of the perpetual Tier 1 Sukuk, post obtaining relevant approvals and completion of the merger. (Note 3)

(b) Basel III compliant Additional Tier I Perpetual Capital Securities issued by a subsidiary Ahli United Bank B.S.C.(C) (AUB) during 2015 carried an initial distribution rate of 6.875% per annum payable semi-annually with a reset after every 5 years. On completion of the initial 5 years period, during 2020, distribution rate was reset to 5.839%. These securities are perpetual, subordinated and unsecured. The securities are listed on the Irish Stock Exchange. AUB can elect to make a distribution at its own discretion. The holders of these securities do not have a right to claim the same and such an event will not be considered an event of default. The securities carry no maturity date and have been classified under equity.

24 CONTINGENCIES AND CAPITAL COMMITMENTS

At the financial position date, there were outstanding contingencies and commitments entered into in the ordinary course of business in respect of the following:

	KD 000's	
	2024	*2023*
Acceptances and letters of credit	**423,040**	390,868
Letter of guarantees	**2,453,868**	2,165,835
Contingencies	**2,876,908**	2,556,703

	KD 000's	
	2024	*2023*
Capital commitments and others	**893,211**	535,691

25 DERIVATIVE FINANCIAL INSTRUMENTS

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

For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency thru series of transactions to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future based on Wa'ad (promise) structure.

The currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are being used for hedging purpose. Embedded swaps and profit rate contracts are balances with banks and financial institutions with rates of return tied to changes in value of precious metals.

Derivatives held for trading purposes
Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products

Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall balance sheet exposures.

The Group uses options and currency swaps to hedge against specifically identified currency and equity risks. In addition, the Group uses profit rate swaps and forward rate agreements to hedge against the profit rate risk arising from specifically identified, or a portfolio of, fixed profit rate investments and financing receivables. The Group also uses profit rate swaps to hedge against the cash flow risks arising on certain floating rate deposits. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as derivatives held for hedging purposes.

25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

The table below shows the positive and negative fair values of these instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of currency swap instruments' underlying asset, reference rate or index and is the basis upon which changes in the value of these instruments are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

			KD 000's
	Positive fair value	***Negative fair value***	***Notional amount***
31 December 2024			
Derivatives held for trading			
Profit rate swaps	**21,624**	**16,788**	**580,260**
Forward contracts	**13,313**	**7,123**	**1,957,368**
Others	**19**	**19**	**616**
Derivatives held as fair value hedges			
Profit rate swaps	**135,840**	**22,662**	**4,150,456**
Forward contracts	**7,260**	**1,362**	**75,655**
Currency swaps	**28,221**	**18,792**	**2,445,038**
Others	**-**	**725**	**188,675**
Derivatives held as cash flow hedges			
Forward contracts	**783**	**1,902**	**344,241**
	207,060	**69,373**	**9,742,309**

			KD 000's
	Positive fair value	*Negative fair value*	*Notional amount*
31 December 2023			
Derivatives held for trading			
Profit rate swaps	20,410	19,458	633,342
Forward contracts	7,324	8,358	1,785,094
Currency swaps	10,769	1,448	1,016,687
Others	4,685	4,267	381,699
Derivatives held as fair value hedges			
Profit rate swaps	112,593	59,560	3,480,855
Currency swaps	22,104	2,264	337,472
Derivatives held as cash flow hedges			
Forward contracts	760	126	68,972
	178,645	95,481	7,704,121

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25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In respect of derivative instruments including currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts, the notional amount represents the gross cash flows. However, the amounts may be settled net. The following table shows the gross and net cash flows:

				KD 000's
	Notional amount	*Within 3 months*	*3 to 12 months*	*More than 12 months*
31 December 2024				
Cash inflows	**9,742,309**	**4,727,148**	**1,765,875**	**3,249,286**
Cash outflows	**9,542,227**	**4,560,769**	**1,728,093**	**3,253,365**
Net cash flows	**200,082**	**166,379**	**37,782**	**(4,079)**
31 December 2023				
Cash inflows	7,704,121	3,131,543	1,129,913	3,442,665
Cash outflows	(7,771,809)	(3,221,095)	(1,119,798)	(3,430,916)
Net cash flows	(67,688)	(89,552)	10,115	11,749

26 RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, directors and executive employees, officers of the Group, their immediate relatives, associated companies, joint ventures and companies of which they are the principal owners) are depositors and financing facilities, customers of the Group, in the ordinary course of business. Such transactions were made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

Transactions with related parties included in the consolidated statement of income are as follows:

					KD 000's	
					Total	
	Major shareholders	*Associates and joint ventures*	*Board members and executive officers*	*Other related party*	*2024*	*2023*
Financing income	**-**	**2,828**	**161**	**673**	**3,662**	8,153
Fee and commission income	**1**	**463**	**234**	**1**	**699**	757
Finance costs and distribution to depositors	**59,665**	**5,884**	**475**	**454**	**66,478**	62,294

Balances with related parties included in the consolidated statement of financial position are as follows:

					KD 000's	
					Total	
	Major shareholders	*Associates and joint ventures*	*Board members and executive officers*	*Other related party*	*2024*	*2023*
Financing receivables and Due from banks	**-**	**39,244**	**3,667**	**12,139**	**55,050**	148,875
Due to banks and financial institutions	**1,411,561**	**17,100**	**-**	**-**	**1,428,661**	1,482,123
Depositors' accounts	**-**	**82,440**	**25,847**	**15,466**	**123,753**	90,100
Contingencies and commitments	**1,903**	**14,144**	**-**	**4**	**16,051**	15,678

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26 RELATED PARTY TRANSACTIONS (continued)

Details of the interests of Board Members and Executive Officers are as follows:

					KD 000's	
	The number of board members or executive officers		*The number of related parties (Relatives of board members or executive officers)*			
	2024	*2023*	***2024***	*2023*	***2024***	*2023*
Board Members						
Finance facilities	**26**	31	**32**	31	**12,505**	12,351
Depositors' accounts	**57**	83	**113**	120	**19,103**	24,063
Collateral against financing facilities	**5**	4	**5**	4	**20,851**	18,870
Executive officers						
Finance facilities	**81**	96	**21**	21	**3,201**	2,277
Depositors' accounts	**91**	111	**122**	123	**13,326**	12,396
Collateral against financing facilities	**8**	6	**5**	5	**4,143**	2,621

Salaries, allowances and bonuses of key management personnel, termination benefits of key management personnel and remuneration of board members of the Bank and all consolidated subsidiaries are as follows:

	KD 000's	
	Total	
	2024	*2023*
Salaries, allowances and bonuses of key management personnel	**18,701**	18,365
Termination and long-term benefits of key management personnel	**1,305**	1,848
Board of directors' remuneration *	**3,349**	2,580
	23,355	22,793

* Board of director's remuneration include amount of KD 1,317 thousand (2023: KD 1,308 thousand) related to the Bank. The board of director's remuneration is subject to the approval of the Annual General Assembly (Note 22).

27 SEGMENTAL ANALYSIS

Primary segment information

For management purposes, the Group is organized into four major business segments. The principal activities and services under these segments are as follows:

Treasury:	Liquidity management, murabaha investments, investment in debt securities, exchange of deposits with banks and financial institutions and international banking relationships.
Retail and Private Banking:	Consumer banking provides a diversified range of products and services to individual. Private banking provides comprehensive range of customised and innovative banking services to high net worth individuals
Corporate Banking:	Providing a range of banking services and investment products to corporates, providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities.
Investment:	Managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

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27 SEGMENTAL ANALYSIS (continued)

31 December 2024	*Treasury*	*Retail and private Banking*	*Corporate Banking*	*Investment*	*Total*
					KD 000's
Total assets	**13,628,152**	**7,510,060**	**11,654,918**	**3,910,296**	**36,703,426**
Total liabilities	**10,229,016**	**14,626,728**	**4,639,097**	**790,685**	**30,285,526**
Operating income	**155,930**	**564,395**	**730,494**	**179,833**	**1,630,652**
Profit for the year	**111,908**	**234,413**	**430,109**	**(134,523)**	**641,907**

31 December 2023	*Treasury*	*Retail and private Banking*	*Corporate Banking*	*Investment*	*Total*
					KD 000's
Total assets	12,508,801	8,996,118	11,959,469	4,545,552	38,009,940
Total liabilities	8,184,478	15,804,834	6,669,966	1,187,323	31,846,601
Operating income	219,684	471,277	546,484	223,414	1,460,859
Profit for the year	149,004	172,280	430,779	(76,962)	675,101

Secondary segment information
The Group operates in different geographical areas. A geographical analysis is as follows:

	Assets		*Contingencies and commitments*	***KD 000's***
	2024	*2023*	***2024***	*2023*
Geographical areas:				
Middle East	**24,587,150**	26,175,275	**1,480,001**	1,556,185
Europe	**10,024,064**	8,705,291	**2,167,142**	1,411,450
Others	**2,092,212**	3,129,374	**122,976**	124,759
	36,703,426	38,009,940	**3,770,119**	3,092,394

	Local		*International*		*Total*	***KD 000's***
	2024	*2023*	***2024***	*2023*	***2024***	*2023*
Operating income	**487,429**	381,700	**1,143,223**	1,079,159	**1,630,652**	1,460,859
Profit for the year	**198,944**	139,519	**442,963**	535,582	**641,907**	675,101

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28 RISK MANAGEMENT

Risk management is an integral part of Group decision-making processes. It is implemented through a governance process that emphasizes on independent risk assessment, control and monitoring, overseen directly by the Board and senior management.

KFH continues to upgrade its risk management capabilities in the light of developments in the business, banking and market regulations and risk management best practices. KFH operates a “three lines of defence” system for managing risk.

The first line of defence recognizes that risks are raised by the business units and within their business. In KFH, all employees (credit officers, dealers, operations, etc.) are required to ensure the effective management of risks within their organizational responsibilities.

The second line of defence comprises the Risk Management Department and the Financial Control Department, which are responsible for ensuring that the risks are managed in accordance within the stated risk appetite.

The third line of defence is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Audit Committee. The findings from the Internal Audit audits are reported to all relevant management and governance bodies. The Internal Audit function provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

The risk management department is responsible for managing and monitoring risk exposures. It also, measures risk using risk models and presents reports to Top Management, the Board Risk Committee and the Board of Directors. The models use probabilities based on historical experiences adjusted to reflect the current economic environment.

Monitoring and controlling risks are managed through limits set by the Board of Directors. These limits reflect the business strategy and market environment of the Group as well as the Bank’s risk appetite.

Risk mitigation
As part of its overall risk management, the Group could utilize sharia-compliant hedging instruments to manage exposures and emerging risks resulting from changes yields, foreign currencies and equity risks. Moreover, the Group actively uses collateral to reduce its credit risks.

Excessive risk concentration
In order to avoid excessive concentrations of risk, the Bank’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. thus, establishing control over certain credit concentration risks. Credit mitigation techniques are used by the Bank to manage concentration risk both at the relationship and industry levels..

In addition, each of the banking subsidiaries of the Group has similar risk management structures, policies and procedures as overseen by the Bank’s Board of Directors.

29 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for single counterparty. industry concentrations, and by monitoring exposures related to such limits.

The Group is applying Early Warning Signals “EWS” approach to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by using credit risk rating model, which assigns each counterparty a risk rating. Risk ratings are subject to regular review. The EWS allows the Group to assess the potential loss as a result of the risks to which is exposed to and take proactive corrective actions.

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29 CREDIT RISK (continued)

Assessment of expected credit losses

Definition of default and cure

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

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

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

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

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess whether there has been a significant increase in credit risk since initial recognition. The Group applies a consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take into account of all aspects of perceived risk. The Group uses various internal credit-rating engine. The tools provide the ability to analyze a business and produce risk ratings. The analysis supports the usage of financial factors as well as non-financial subjective factors.

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

The Group uses PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. The through the cycle ("TTC") PDs are generated from MRA based on the internal credit ratings. or from external credit rating by recognised rating agencies for externally rated portfolios. The Group converts the TTC PD to a point in time ("PIT") PD term structures using appropriate models and techniques. The Group assesses the PD for its retail portfolio through application scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility.

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 Group employs statistical models to incorporate macro-economic factors impact on ECL. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

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29 CREDIT RISK (continued)

Maximum exposure to credit risk without taking account of any collateral

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown (before impairment, net of deferred and suspended profit), before the effect of mitigation through the use of master netting and collateral agreements.

			KD 000' s
	Notes	***2024***	*2023*
Balances with banks and financial institutions	10	**3,494,995**	3,342,605
Due from banks	11	**2,227,173**	2,971,422
Financing receivables	12	**20,003,497**	20,372,923
Investment in debt securities	13	**6,901,584**	7,054,565
Trade and other receivables		**608,181**	590,979
Total		**33,235,430**	34,332,494
Contingencies	24	**2,876,908**	2,556,703
Capital commitments and others	24	**893,211**	535,691
Total		**3,770,119**	3,092,394
Total credit risk exposure		**37,005,549**	37,424,888

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by counterparty by geographical region and by industry sector. The maximum credit exposure to a single counterparty as of 31 December 2024 was KD 454,376 thousand (2023: KD 353,475 thousand) before taking account of any collaterals. The Group's financial assets, before taking into account any collateral held can be analysed by the following geographical regions:

				KD 000's
	Middle East	*Europe*	*Others*	*Total*
31 December 2024				
Balances with banks and financial institutions	**581,210**	**2,414,886**	**498,899**	**3,494,995**
Due from banks	**1,582,877**	**594,994**	**49,302**	**2,227,173**
Financing receivables	**14,812,404**	**4,682,740**	**508,353**	**20,003,497**
Investment in debt securities	**4,187,070**	**1,632,052**	**1,082,462**	**6,901,584**
Trade and other receivables	**400,867**	**195,270**	**12,044**	**608,181**
	21,564,428	**9,519,942**	**2,151,060**	**33,235,430**
31 December 2023				
Balances with banks and financial institutions	1,033,832	1,797,995	510,778	3,342,605
Due from banks	2,676,605	158,331	136,486	2,971,422
Financing receivables	15,545,901	4,251,187	575,835	20,372,923
Investment in debt securities	3,284,122	1,901,856	1,868,587	7,054,565
Trade and other receivables	376,407	112,721	101,851	590,979
	22,916,867	8,222,090	3,193,537	34,332,494

29 CREDIT RISK (continued)

An industry sector analysis of the Group's financial assets, before taking into account collateral held is as follows:

	KD 000's	
	2024	*2023*
Trading and manufacturing	**8,939,776**	8,722,259
Banks and financial institutions	**11,162,510**	11,648,676
Construction and real estate	**5,362,619**	5,336,152
Others	**7,770,525**	8,625,407
	33,235,430	34,332,494

Credit quality per class of financial assets
Credit exposures classified as 'High grade' are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. Credit exposures classified as 'Standard grade' comprise all other facilities whose payment performance is fully compliant with contractual conditions, and which are not 'impaired'.

Details of credit quality for financing receivables is disclosed in Note 12 and for investment in debt securities is disclosed in Note 13. Balances with banks and financial institutions, due from banks and trade and other receivables are classified as High grade.

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines initiated by the Group's risk management and credit committee are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted include real estate, securities, cash and bank guarantees. The Group also obtains guarantees from parent companies for finance facilities extended to their subsidiaries.

Management monitors the fair value of collateral and requests additional collateral in accordance with the underlying agreements when necessary.

The fair value of collateral that the Group holds relating to past due or impaired finance facilities as at 31 December 2024 was KD 471,438 thousand (2023: KD 402,364 thousand). The collateral consists of cash, securities, sukuk, letters of guarantee and real estate assets.

Country risk
Country risk is the risk that incidents within a country could have an adverse effect on the Group directly in impairing the value of the Group or indirectly through an obligor's inability to meet its obligations to the Group. Generally, these occurrences relate, but are not limited to: sovereign events such as defaults or restructuring; political events such as contested elections; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

30 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management arranges diversified funding sources in addition to its core deposit base while manages assets and monitors future cash flows within the regulatory and internal liquidity limits, on daily basis. Moreover, the Group monitors and assess the impact of the existing and new operations' expected cash flows and ensures the availability of high quality liquid assets, which could be used to secure additional funding, when required.

In addition, the Group maintains a robust liquidity buffers which consists of a mix of readily available cash, sharia compliant short-term money market instruments and a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has in place committed lines of credit that can be accessed in order to meet liquidity needs.

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30 LIQUIDITY RISK (continued)

The overall liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors during a systemically contagion market and a specific idiosyncratic stress events impacted by the Group.

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year-end are based on contractual payment arrangement and planned exit dates.

The maturity profile of assets and liabilities at 31 December 2024 is as follows:

				KD 000's
Assets	*Up to 3 months*	*3 to 12 months*	*After one year*	***Total***
Cash and balances with banks and financial institutions	**3,575,531**	**2,371**	**117,422**	**3,695,324**
Due from banks	**1,881,788**	**345,385**	**-**	**2,227,173**
Financing receivables	**6,586,081**	**3,993,721**	**8,489,871**	**19,069,673**
Investment in debt securities	**482,248**	**572,093**	**5,810,513**	**6,864,854**
Trading properties	**-**	**37,536**	**54,632**	**92,168**
Investments	**-**	**32,781**	**208,837**	**241,618**
Investment in associates and joint ventures	**-**	**37,691**	**346,228**	**383,919**
Investment properties	**-**	**52,901**	**313,134**	**366,035**
Other assets	**427,393**	**229,974**	**401,652**	**1,059,019**
Goodwill and intangible assets	**-**	**-**	**2,328,003**	**2,328,003**
Property and equipment	**2,099**	**-**	**373,541**	**375,640**
	12,955,140	**5,304,453**	**18,443,833**	**36,703,426**

				KD 000's
Liabilities	*Up to 3 months*	*3 to 12 months*	*After one year*	***Total***
Due to banks	**2,412,617**	**1,257,663**	**1,973,416**	**5,643,696**
Due to financial institutions	**2,674,162**	**288,675**	**67,648**	**3,030,485**
Sukuk payables and term financing	**10,044**	**15,784**	**960,811**	**986,639**
Depositors' accounts	**12,235,879**	**2,803,335**	**4,180,728**	**19,219,942**
Other liabilities	**320,152**	**271,501**	**813,111**	**1,404,764**
	17,652,854	**4,636,958**	**7,995,714**	**30,285,526**

30 LIQUIDITY RISK (continued)

The maturity profile of assets and liabilities at 31 December 2023 is as follows:

				KD 000's
Assets	*Up to 3 months*	*3 to 12 months*	*After one year*	*Total*
Cash and balances with banks and financial institutions	3,527,660	8,928	75,516	3,612,104
Due from banks	2,289,202	659,918	22,302	2,971,422
Financing receivables	5,855,026	4,446,374	9,123,821	19,425,221
Investment in debt securities	798,436	448,510	5,759,377	7,006,323
Trading properties	-	30,149	75,118	105,267
Investments	409	69,063	240,769	310,241
Investment in associates and joint ventures	2,046	188,483	352,419	542,948
Investment properties	-	88,963	287,653	376,616
Other assets	209,705	83,393	610,140	903,238
Goodwill and intangible assets	-	-	2,397,868	2,397,868
Property and equipment	332	-	358,360	358,692
	12,682,816	6,023,781	19,303,343	38,009,940

				KD 000's
Liabilities	*Up to 3 months*	*3 to 12 months*	*After one year*	*Total*
Due to banks	1,739,566	769,167	2,268,545	4,777,278
Due to financial institutions	2,790,487	348,131	67,894	3,206,512
Sukuk payables and term financing	-	76,614	558,918	635,532
Depositors' accounts	12,951,390	2,917,842	5,943,583	21,812,815
Other liabilities	339,302	168,557	906,605	1,414,464
	17,820,745	4,280,311	9,745,545	31,846,601

The table below shows the contractual expiry by maturity of the Group's contingencies and commitments:

				KD 000's
2024	***Up to 3 months***	***3 to 12 months***	***Over 1 year***	***Total***
Contingencies (Note 24)	**2,123,201**	**516,864**	**236,843**	**2,876,908**
Capital and irrevocable undrawn financing commitments and others (Note 24)	**45,875**	**84,041**	**763,295**	**893,211**
Total	**2,169,076**	**600,905**	**1,000,138**	**3,770,119**

				KD 000's
2023	*Up to 3 months*	*3 to 12 months*	*Over 1 year*	*Total*
Contingencies (Note 24)	914,188	875,991	766,524	2,556,703
Capital and irrevocable undrawn financing commitments and others (Note 24)	18,602	67,891	449,198	535,691
Total	932,790	943,882	1,215,722	3,092,394

The Group expects that the vast majority of all the contingencies or capital commitments will not be drawn before expiry of the commitments.

31 MARKET RISK

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to change in market prices. These risks are classified into three main areas as follows:

Profit rate risk
The Group's assets and liabilities generate cash flows, and their fair values are sensitive to fluctuations in profit rates. The Group manages the risk from these exposures by proactively adjusting its strategies based on various market profit rate scenarios to optimize returns for shareholders and depositors . Further, the Group measures and manages the profit rate risk by setting limits on the sensitivity of assets and liabilities repricing gaps. These sensitivity limits are reviewed periodically, and hedging strategies are employed to ensure that profit rate risks remain within the Group's Risk Appetite as approved by the Bank's Board of Directors.

Currency risk
This is the risk of incurring losses due to changes in currency exchange rates which affects both the banking book (including structural positions arising from cross-border investments) and trading book.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2024 and 31 December 2023 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinar, with all other variables held constant on the profit and the fair value reserve (due to the change in fair value of equity investments at FVOCI).

						KD 000's
	31 December 2024			*31 December 2023*		
Currency	***Change in currency rate %***	***Effect on profit***	***Effect on fair value reserve***	*Change in currency rate %*	*Effect on profit*	*Effect on fair value reserve*
USD	+1	**2,135**	**58**	+1	1,990	120
BHD	+1	**91**	**154**	+1	(617)	181

Price risk
This is the risk arising from the fluctuation in the market value of investments in equity, Sukuks and debt securities, or other investments.

The effect on fair value reserve (as a result of a change in the fair value of equity investments at FVOCI on 31 December) due to a reasonably possible change in equity indices, with all other variables held constant is as follows:

				KD 000's
	2024		*2023*	
	Change in equity price %	***Effect on fair value reserve***	*Change in equity price %*	*Effect on fair value reserve*
Market indices				
Boursa Kuwait	+1	**212**	+1	313
Other GCC indices	+1	**-**	+1	147

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people, systems or from external events. Operational risk events are categorized in accordance with Basel committee guidelines into the following classifications:

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31 MARKET RISK (continued)

Operational Risk (continued)

- Internal fraud
- External fraud
- Employment practices and workspace safety
- Damage to physical assets
- Business disruption and system failures
- Clients, products and business practices
- Execution, delivery and process management

While it is not feasible to eliminate all operational risks, the Group effectively manages these risks by implementing the three lines of defence approach within a robust control framework.

Operational Risk Management is responsible for establishing the risk management framework, setting policies approved by the Board of Directors, and defining procedures. It provides the necessary tools to enable the business and support units (the first line) to effectively manage their risks. Operational Risk Management offers oversight and review of the operational risk elements handled by the first line. Furthermore, it supports by raising awareness, assisting with risk assessments, recommending controls, and monitoring and reporting risks to management.

Operational Risk Management aligns with CBK guidelines and best practices for managing and monitoring operational risks

32 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that compliance with regulatory capital requirements, maintain sufficient buffers for business growth, and uphold strong credit ratings and healthy capital ratios. These measures support the Group's business operations and maximize shareholders value.

The Group actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Group.

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

	KD 000's	
Capital adequacy	*2024*	*2023*
Risk Weighted Assets	**21,203,579**	21,865,093
Capital required	**3,180,537**	3,279,764
Capital available		
Tier 1 capital	**3,826,197**	3,591,896
Tier 2 capital	**391,923**	382,154
Total capital	**4,218,120**	3,974,050
Tier 1 capital adequacy ratio	**18.05%**	16.43%
Total capital adequacy ratio	**19.89%**	18.18%

The Group's financial leverage ratio for the year ended 31 December 2024 is calculated in accordance with CBK circular number 2/RBA/343/2014 dated 21 October 2014 is shown below:

	KD 000's	
	2024	*2023*
Tier 1 capital	**3,826,197**	3,591,896
Total exposure	**43,970,332**	44,100,423
Financial leverage ratio	**8.70%**	8.14%

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33 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 December 2024 amounted to KD 3,143,768 thousand (2023: KD 2,845,516 thousand).

Fees and commission income include fees of KD 8,716 thousand (2023: KD 8,554 thousand) arising from trust and fiduciary activities.

34 FAIR VALUES

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

Level 1: quoted (unadjusted) prices in active markets.
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: other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2024.

				KD 000's
Financial assets measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*Total*
Venture capital at FVTPL	**-**	**15,247**	**-**	**15,247**
Equities at FVTPL	**27,757**	**76,751**	**18,421**	**122,929**
Equities at FVOCI	**33,526**	**14,055**	**55,861**	**103,442**
Debt securities at FVTPL (Note 13)	**171,057**	**-**	**-**	**171,057**
Debt securities at FVOCI (Note 13)	**4,095,697**	**124,241**	**6,287**	**4,226,225**
Derivative financial assets:				
Forward contracts	**-**	**21,356**	**-**	**21,356**
Profit rate swaps	**-**	**157,464**	**-**	**157,464**
Currency swaps	**-**	**28,221**	**-**	**28,221**
Others	**-**	**19**	**-**	**19**
Non-financial assets:				
Investment properties	**-**	**482,454**	**-**	**482,454**
	4,328,037	**919,808**	**80,569**	**5,328,414**

				KD 000's
Financial liabilities measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*Total*
Derivative financial liabilities:				
Forward contracts	**-**	**10,387**	**-**	**10,387**
Profit rate swaps	**-**	**39,450**	**-**	**39,450**
Currency swaps	**-**	**18,792**	**-**	**18,792**
Others	**-**	**744**	**-**	**744**
	-	**69,373**	**-**	**69,373**

34 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2023.

				KD 000's
Financial assets measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*Total*
Venture capital at FVTPL	-	16,277	-	16,277
Equities at FVTPL	43,713	77,767	9,114	130,594
Equities at FVOCI	77,709	18,998	66,663	163,370
Debt securities at FVTPL (Note 13)	448,615	-	-	448,615
Debt securities at FVOCI (Note 13)	3,120,122	18,985	40,710	3,179,817
Derivative financial assets:				
Forward contracts	-	8,084	-	8,084
Profit rate swaps	-	133,003	-	133,003
Currency swaps	-	32,873	-	32,873
Others	-	4,685	-	4,685
Non-financial assets:				
Investment properties	-	545,820	-	545,820
	3,690,159	856,492	116,487	4,663,138

				KD 000's
Financial liabilities measured at fair value:	*(Level 1)*	*(Level 2)*	*(Level 3)*	*Total*
Derivative financial liabilities:				
Forward contracts	-	8,484	-	8,484
Profit rate swaps	-	79,018	-	79,018
Currency swaps	-	3,712	-	3,712
Others	-	4,267	-	4,267
	-	95,481	-	95,481

Investments classified under level 1 are valued based on the quoted bid price. Investments classified under level 2 are valued based on the reported NAVs.

Level 3 investments included unquoted debt securities of KD 6,287 thousand (2023: KD 40,710 thousand) and unquoted equity investments of KD 74,282 thousand (2023: KD 75,777 thousand). Investment in debt securities included in this category represent investment in debt securities issued by sovereign entities, financial institutions and corporates. The fair values of unquoted investment in debt securities are estimated using discounted cash flow method using discount rate ranging from 5.9% to 6.2% (2023: 5.8% to 14.7%). Unquoted equity investments are fair valued using valuation technique that is appropriate in the circumstances. Valuation techniques include discounted cash flow models, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue and profit estimates. The impact on the consolidated statement of financial position or the consolidated statement of income or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used for fair value estimates to fair value the unquoted equity investments were altered by 5%.

Instruments disclosed in Note 25 are valued by discounting all future expected cash-flows using directly observable and quoted rate curves and spot/forward FX rates from recognised market sources.

Investment properties have been valued based on valuations by valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued. The valuation reflects market conditions at the reporting date.

34 FAIR VALUES (continued)

All investment properties are valued using observable market inputs. Market comparable approach is used for all investment properties, where market price per square meter and annual income are significant inputs to the valuation.

During the year ended 31 December 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table below shows a reconciliation of the opening and the closing amount of Level 3 financial assets measured at fair value:

		KD 000's
	2024	*2023*
As at 1 January	**116,487**	143,572
Re-measurement	**2,776**	(10,514)
Disposal, net	**(38,694)**	(16,571)
As at 31 December	**80,569**	116,487

35 HYPERINFLATION ACCOUNTING

The subsidiary Kuwait Turkish Participation Bank (KTPB) has banking operations in Turkey. The Turkish economy has been assessed as a hyperinflationary economy based on cumulative inflation rates over the previous three years, in April 2022. The Group determined the Consumer Price Index ("CPI") provided by the Turkish State Institute of Statistics to be the appropriate general price index to be considered in the application of IAS 29, *Financial Reporting in Hyperinflationary Economies* on the subsidiary's financial statements. The level and movement of the price index during the current and previous reporting period is as below:

Reporting period	***Index***	***Conversion factor***
31 December 2024	**2657.23**	**1.471**
31 December 2023	1806.50	1.620

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