

# Annual Report 2025

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



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**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 Khalid Al-Hamad Al-Sabah**  
Crown Prince of Kuwait



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

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## Kuwait Finance House

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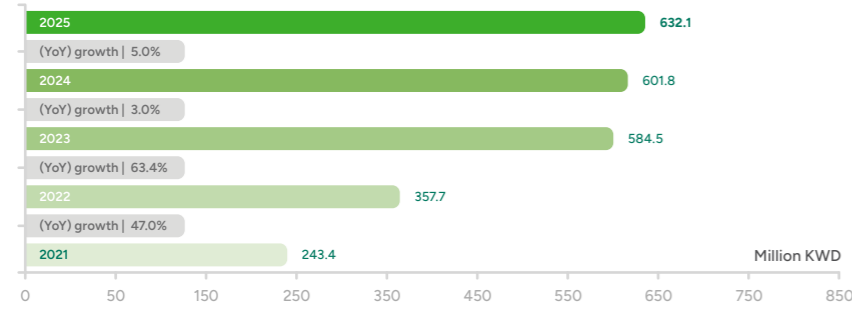
 @KFHGroup

 @KFHGroup

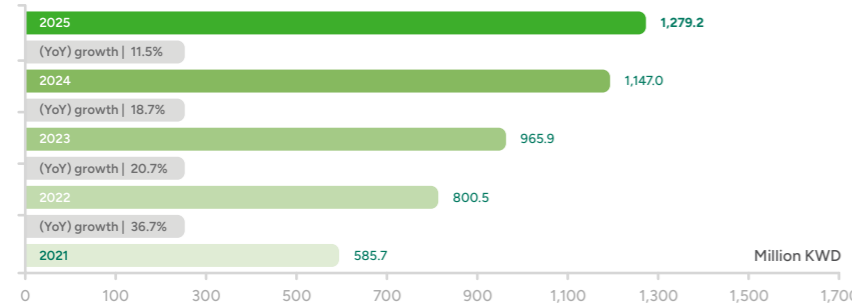
 Kuwait Finance House (KFH)

# Financial Indicators

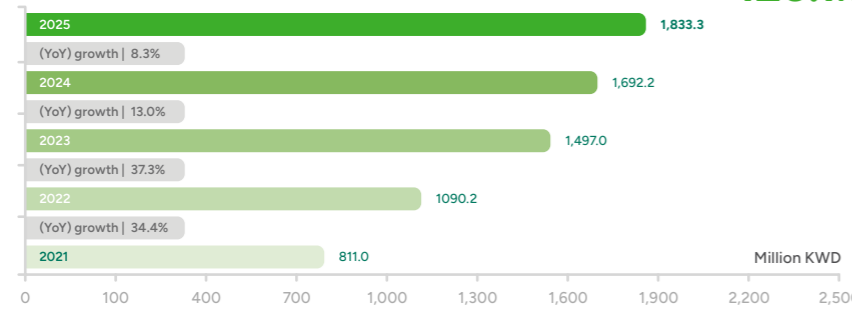
## Net Profit attributable to shareholders of the Bank **159.7%**



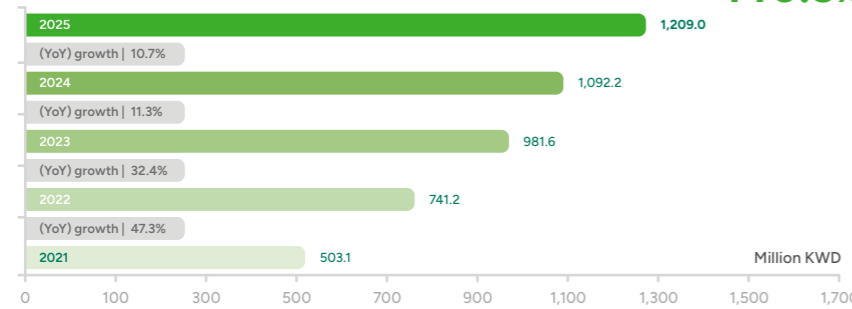
## Net Financing Income **118.4%**



## Total Operating Income **126.1%**

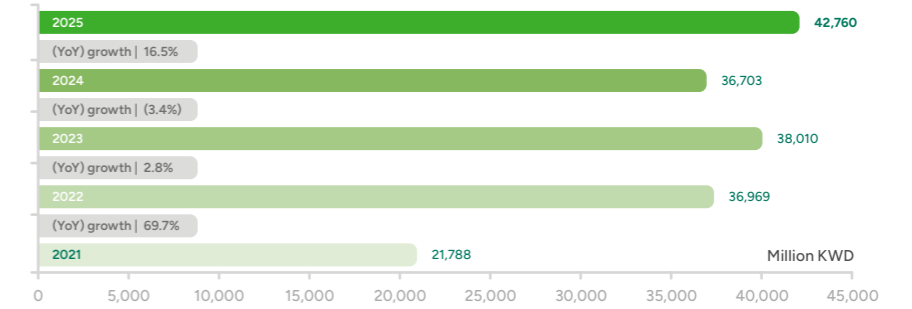


## Net Operating Income **140.3%**

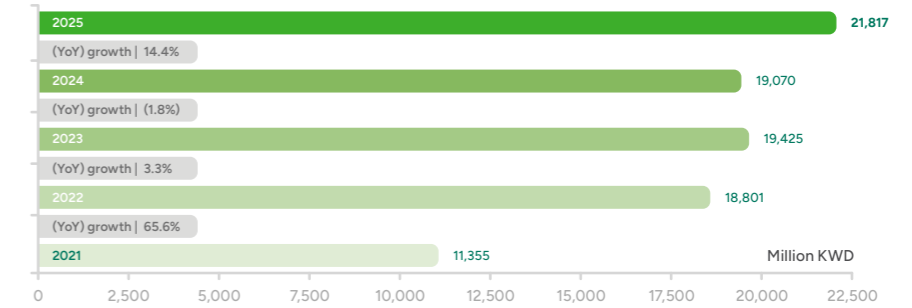


\*Growth Ratio Reflects the change in 2025 compared to 2021

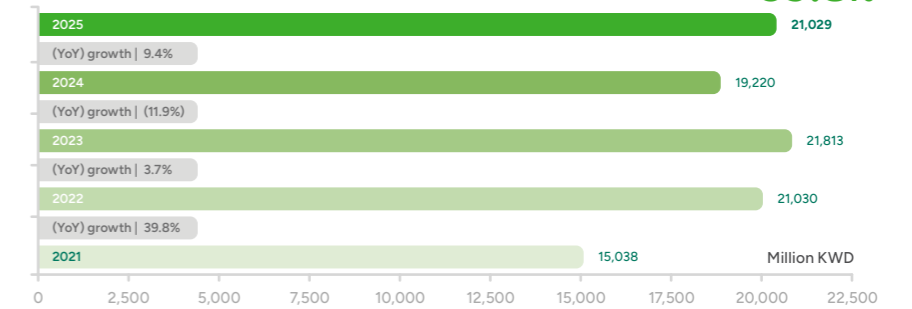
## Total Assets **96.3%**



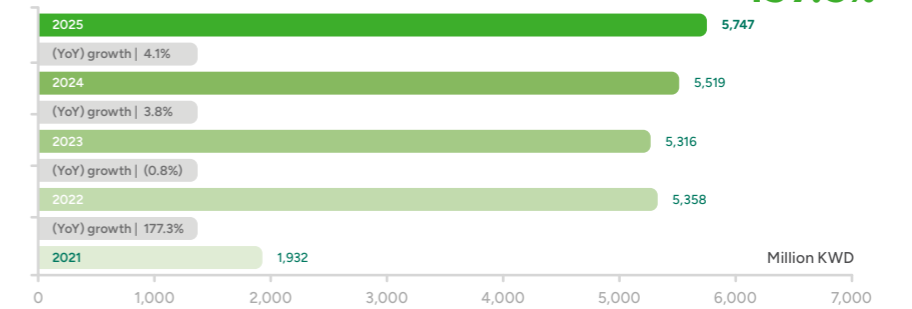
## Financing Receivables **92.1%**



## Depositors' Accounts **39.8%**

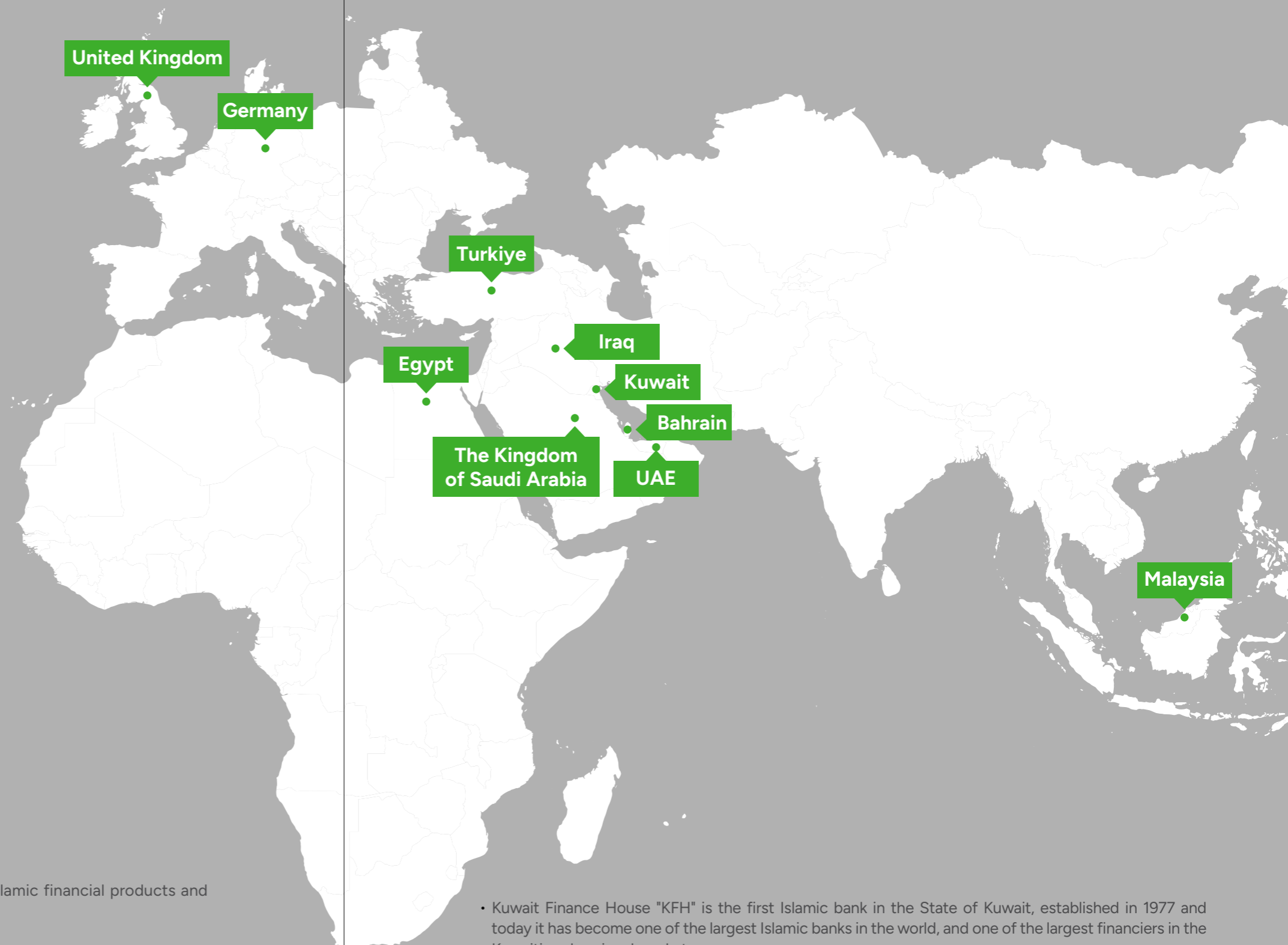


## Equity attributable to the Shareholders of the Bank **197.5%**



\*Growth Ratio Reflects the change in 2025 compared to 2021

# KFH Group Overview



**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 interests of all our stakeholders

- Values**
- Leadership
  - Accountability
  - Partnership
  - Sustainable Growth
  - Cybersecurity

**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.

Over  
**600**  
Banking Branches

Over  
**1,800**  
ATMs

Over  
**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".



Chairman's  
Message

Chairman  
 Hamad Abdulmohsen Al-Marzouq



## Chairman's Message

**In the name of Allah, the Most Gracious, the 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 to you the 2025 KFH Group Annual Report, including major achievements, consolidated financial statements, and other reports.

KFH continued the pursuit of its ambitious strategy, reinforcing its leadership in the financial and Islamic banking sector. KFH reaffirmed its commitment to providing the best banking and financing solutions by leveraging the latest digital innovations and Artificial Intelligence technologies. This approach is designed to deliver integrated and innovative services and products that meet the needs of its corporate, institutional, and retail clients across various sectors, enhancing its competitive edge and expanding its geographical footprint in key markets.

KFH achieved outstanding financial performance, highlighted by the sustained delivery of record net profits, positioning us as the leader among Kuwaiti banks and across the broader market. This performance was underpinned by our success in preserving asset quality through the adoption of prudent credit and robust risk management policies. These measures proved essential in mitigating the impact of global economic fluctuations and operational difficulties within our markets. Furthermore, we substantially strengthened our customer confidence and deposit base, ensuring both a powerful profitability foundation and stable, robust levels of capital adequacy and liquidity. This performance led to KFH securing the rank of the country's best-performing bank in The Banker magazine's prestigious 2025 ranking of the top 1000 global banks.

Our success stems not only from positive financial indicators but also from the effective execution of several strategic pillars. These include the diversification of activities, funding sources, and revenues, strengthened cooperation and coordination across the Group, and successful digital transformation. This transformation was realized through ongoing investment in Fintech solutions, the launch of new digital banking products, a focus on operational efficiency and cost rationalization, and the establishment of robust safety and financial stability buffers against operational challenges. These initiatives are managed under a comprehensive framework emphasizing sustainability, green finance, transparency, strong governance, and social responsibility.

### **The most important financial statements and indicators for 2025 are as follows:**

KFH, by the grace of Allah, reported a net profit for its shareholders of KD 632.1 million up to the end of 2025, an increase of 5.0% compared to last year. Earnings per share reached 35.64 Fils; an increase of 5.8%, compared to last year.

Net financing income increased to KD 1.3 billion; an increase of 11.5% compared to last year. Net operating income increased to KD 1.2 billion; an increase of 10.7% compared to last year. Total assets reached KD 42.8 billion; an increase of 6.1 billion or 16.5%, compared to last year.

Depositors' accounts reached KD 21.0 billion, while the Capital Adequacy Ratio recorded a rate of 19.81%, which is above the regulatory requirement, compared with 19.89% as of December 31, 2024.

The Board of Directors considered the distribution of cash dividends to shareholders of 24% (including 10% in H1 2025). The Board of Directors also considered the distribution of bonus shares of 7% 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	2025 (%)	2024 (%)
Investment Deposit "Al-Khumasiya"	4.600	4.650
Investment Deposit "Continuous"	4.150	4.200
Investment Deposit "Al-Dimah" 12 Months	3.750	4.000
Investment Deposit "Al-Dimah" 6 Months	3.575	3.825
Long Term Investments Plans	3.450	3.700
Investment Deposit "Al-Sedra"	3.150	3.350
Investment Saving Account	0.250	0.250

At the start of last year, Kuwait Finance House (KFH) unveiled its new visual identity under the slogan "Beyond Horizons". This strategic move reflected KFH's trajectory of growth, success, and global expansion, and underscored its dedication to technology, innovation, and enhanced leadership and excellence in Islamic banking. The new identity was also adopted by KFH – Egypt and KFH – Bahrain, respectively. To further recognize and manage the increasing strategic importance of our international presence, the Group established the International Banking Unit. Operating from the Mishref branch, this unit is tasked with spearheading the next phase of growth and value creation for the Group.

Driven by our commitment to supporting the ambitious economic transformation plans in Kuwait and the wider region and leveraging our ability to meet the diverse financing needs of various economic sectors, KFH actively led and participated in several prominent deals. These deals focused on financing Kuwaiti companies, major development projects, SMEs, and entrepreneurs. KFH's contribution in key sectors in Kuwait, including oil, gas, energy, water desalination, and infrastructure, amounted to approximately KD 500 million.

Regionally, KFH led, arranged, and participated in sovereign financings and deals across the real estate development, trade, industry, retail services, and energy sectors in the Middle East, North Africa, and South Asia. These deals totaled more than USD 3 billion, confirming KFH's diverse and influential role in driving regional economic growth.

KFH Capital, the investment arm of Kuwait Finance House (KFH), has successfully arranged and led over USD 29 billion in Sukuk issuances for governments, institutions, and companies across various sectors and markets. KFH Capital has also established two real estate funds in the U.S. valued at USD 145 million, introduced Equity Trading Finance product on Boursa Kuwait, and launched KFH Wealth e-application to facilitate remote wealth monitoring and transaction execution for its clients.

KFH Group treasury has increased its foreign exchange activities within the year to reach a total volume of USD 165+ billion. To meet growing client demand, precious metals services and products were expanded. The Group's total Sukuk investment portfolio size reached more than USD 23 billion, including USD 2.38 billion in ESG Sukuk, a growth of more than 30%. The newly launched KFH Sukuk Trading Portfolio achieved over USD 6.8 billion in trade during its first nine months, confirming its role as an active market maker.

KFH intensified its efforts to invest in its employees, enhance their efficiency, and develop their capabilities. Consequently, the Group achieved a remarkable 91% participation rate in its annual employee engagement survey for 2025.

KFH's commitment to developing and empowering Kuwaiti competencies is reflected in the increased percentage of national employment to 83.7%. This focus is reinforced by comprehensive training programs across all job levels, delivering a total of 96,474 training hours to 2592 employees.

In 2025, KFH significantly developed its work environment, improving both employee experience and job satisfaction. The bank achieved a new milestone by winning nine Brandon Hall Group awards for excellence in human resources, education, and development.

In line with our digital transformation strategy and efforts to enhance technical infrastructure and cybersecurity, we launched several advanced systems. These include the automation of credit card collection and profit distribution, AI-based screening for letters of credit, and features like facial recognition and a fraud detection model.

We launched a suite of innovative digital products and competitive services. Key offerings include the addition of QR codes to letters of guarantee, a virtual prepaid card, and an investment management platform. We also introduced Financing Against Gold Account Collateral, toll-free calls to some Group subsidiaries, real-time foreign currency pricing, trading on our e-channels, and mobile payment services for corporates. Internally, digitization covered the operations of the Legal, Private Banking, and Financial Control Departments.

The Group's automation and AI initiatives have contributed to improved efficiency and the integration of technological innovation with operational expertise in finance and card services. The introduction of the Afaq payment system and the implementation of automated processes using robotics stand out as the most prominent achievements in the digital transformation of operations.

The Group Strategic Planning and Follow-up department played a pivotal role in updating the annual strategic business plan and ensuring its implementation through the application of the Balanced Scorecard and the standardization of Key Performance Indicators (KPIs). Furthermore, Sharia Research and Advisory significantly contributed to developing services and products by offering professional support and Sharia advice.

KFH restructured all local activities and operations across its markets, placing them under the Group Private Banking and Wealth Management umbrella. This move enabled the launch of new initiatives, including Discretionary Portfolio Management and an expansion of the bank's wealth management product suite.

Our customers demonstrated strong trust and loyalty in many of our products. This is highlighted by Gold Account, which recorded its highest level of sales and purchases since its launch, with total trading volumes reaching about 2.8 tons of gold. The investment deposits portfolio also posted a notable growth of 4.9%, while the Financing Against Gold Account Collateral product witnessed strong demand. Meanwhile, the strong demand for the Zafafi financing product reflected the distinctiveness of its objective: covering the essential requirements of marriage. By improving the E-Corp platform, we were able to accommodate the steady increase in our corporate clients' utilization of digital banking services.

Utilizing AI and e-channels, we introduced Kuwait's first AI virtual assistant, Fahad, to handle customer inquiries, coinciding with a redesign of the KFH online application and ATMs. The app was further enhanced with a customer profile and benefits page. We also launched the Hybrid Branch in The Avenues mall, blending digital and human banking services. Internally, the Speech Analytics system improved call center quality, while the Sharia Research and Advisory utilized the Smart Sharia Bot Program to enhance the mechanism for Sharia research and responses.

As a result of successive achievements, KFH secured around 60 awards from international providers and maintained positive ratings from international rating agencies. The bank also strengthened its social responsibility practices through numerous contributions, most notably providing KD 15 million to build a cardiac diseases and research center, establishing the tenth ward in the Addiction Treatment Center, and contributing to a campaign to pay off the debts of defaulting debtors.

Furthermore, I would like to emphasize that KFH is proceeding with its integrated corporate strategy and future vision, which are based on sustainability, innovation, and digital excellence, in order to meet the aspirations of its shareholders and customers. KFH will continue to implement decisions and reforms that enhance growth and sustain high profitability, while simultaneously strengthening its sectoral and geographical presence. The bank will also accelerate efforts to rank among the top 100 global banks and consolidate Environmental, Social, and Governance (ESG) practices across its operations.

**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 Khalid Al-Hamad Al-Sabah, and His Highness the Prime Minister, Sheikh Ahmad Abdullah Al-Ahmad 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 Abdul Mohsen 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-seven years. He has served as Chairman of Kuwait Turk Participation Bank (Kuveyt Türk) in Türkiye since 2015, Chairman of KFH Bahrain since 2023 and Chairman of KFH Egypt since 2023.

Mr. Al-Marzouq has held many prominent positions in various banking, financial and regulatory institutions. He has served as Chairman of Kuwait Banking Association (KBA) from 2010 to 2016 and since February 2025, a board member of KBA since 2002, 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, 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 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 US in 1977. He currently holds the position of Vice Chairman of KFH - 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 companies in Iraq, Jordan and Sudan as well as 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.

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. He started his career as the Head of the Credit Facilities Department at Burgan Bank from 1978 to 1981.



**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 positions 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. He served also 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, financial markets, and monetary policy 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, member 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 (KIA) 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 and of Kuwait Finance House – UK since 2025. 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. 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 Kuwait Finance House – 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 Al-Nisf 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 general trading, real estate investments and financial services sectors.



**Mrs. Eng. Dalal Mahmoud Abdulkhaleq Alnouri**

**Board member representing the General Authority for Minors Affairs in alliance with Awqaf Public Foundation since November 2024 till November 2025**

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

Mrs. Alnouri received her bachelor's degree in civil engineering from Kuwait University in 1996.

She served as the Acting Director General of the General Authority for Minors Affairs since September 2024 till October 2025, and the head of the Department of External Branches at the General Authority for Minors Affairs since 2018 till 2025. She also served as a member of the Board of Directors of the Zakat House and Al-Durra for Domestic Workers Company since September 2024 till 2025.

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 finally served as the Acting Director General of the General Authority for Minors Affairs.

She coupled her vast expertise with advanced training and leadership programs, focusing on leadership, supervision, real estate, architecture, planning, and formulating strategic goals.



**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, Kuwait Finance House - Egypt since 2023, Chairman of Ali Al-Ghanim and Sons Automotive Company (K.S.C.P) since 2021, 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, Vice Chairman of Ali Alghanim Sons Holding Company (K.S.C.C.) since 2019, Chairman of Milton Keynes Dons Football Club – London since August 2024 and Board Member of Young Arab Leaders, Dubai since December since 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 the Chairman of the Merger Committee (Kuwait Finance House – Ahli United Bank) from 2018 to 2022, Vice Chairman and CEO of Ali Alghanim Sons Automotive (KSCC) from 2018 to 2020 (before listing on Kuwait Bourse), 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, CEO of Ali Mohammed Thunayan Al-Ghanim and Sons Automotive Company W.L.L. from 2005 to 2022 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 Kuwait Finance House - 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 Nomination and Remuneration 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 holds 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.



**Mr. Abdullah Falah Al-Mdaires**

**Board Member representing The Public Institution for Social Security since 2025**

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

Mr. Al-Mdaires received his BA in Finance from Bentley University, Boston, Massachusetts in 2011.

He has been a member of the Board of Directors of Wafra Intervest since 2021, and Kuwait Medical Company since 2022, member of the Limited Partners Advisory Committee (LPAC) of Hellman and Friedman X Fund, AGC Partners Funds, Macquarie Infrastructure Partners 5 Fund, and EQT Exeter Industrial Core-Plus 4 Fund.

Mr. Al-Mdaires currently holds the position of Acting Deputy Director General for Investment, Finance and Administration Affairs since August 2025, and acting Head of the Non-Liquid Investments Sector since 2022, as well as Director of the Private Equity Department since 2022 at the Public Institution for Social Security. He previously held the position of Supervisor of the Private Equity Department at the Public Institution for Social Security from 2021 to 2022. He also held several positions at the Kuwait Fund for Development from 2014 to 2021, including Analyst, Senior Analyst, Assistant Chief Analyst, and Head of the Infrastructure Department. Further, he served as an Analyst in the Securities Department at Asia Investment Company - Hong Kong from 2012 to 2013.

In addition, Mr. Al-Mdaires has enhanced his expertise through training programs and professional certifications, including the Chartered Financial Analyst (CFA) in 2019 and the "Improving Negotiation Effectiveness" workshop from the Negotiation Institute at Harvard University, Cambridge in 2012.



**Mrs. Alyaa Fahed Abdulrahman Al-Saqer**

**Board member representing the Public Authority for Minors Affairs in alliance with Kuwait Awqaf Public Foundation since November 2025**

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

Mrs. Al-Saqer received her bachelor's in administrative sciences (Accounting) from Kuwait University in 2004.

She is currently serving as the Acting Director General of the Public Authority for Minors Affairs since October 2025. In addition to this role, she has held the position of Director of Financial Affairs since 2024, Deputy Director General for Administrative, Financial, and Administrative Development Affairs since June 2025, and Deputy Director General for Legal Affairs and Charitable Endowments since July 2025 at the Public Authority for Minors Affairs. She possesses extensive experience, having begun her professional journey at the Ministry of Education from August 2004 to October 2007, before moving to the Public Authority for Minors Affairs in November 2007, where she continues to serve to this day.

Mrs. Al-Saqer complemented her experience with numerous training programs in International Accounting Standards, Internal Control Systems, Corporate Governance, Social Insurance, Financial Planning, Government Budget Preparation, as well as Leadership and Management Skills, delivered by renowned institutions.





Fatwa & Shari'a  
Supervisory  
Board's Report

## 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, 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 PhD in Islamic Jurisprudence and Usul Al-Fiqh from Birmingham University in the United Kingdom in 2000. He received his master's degree in the same field from the same university in 1997. Dr. 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 position of member of the Shari'a Law Implementation Committee.

# The Annual Report Fatwa & Shari'a Supervisory Board's 2025

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, his family and his companions.

We have reviewed and endorsed the policies, products, services and activities that KFH had carried out in 2025. 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 27 meetings during the year 2025, 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.

Through the process and steps that we followed to ascertain the compliance of KFH to the Shari'a rules, we confirm the following:

First; the contracts and transactions which KFH had entered into during the financial year ending on 31 December 2025 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, Fatwa & Shari'a Supervisory Board



Shaikh/ Dr. Anwar Shuaib Al-Abdulsalam

Member, Fatwa & Shari'a Supervisory Board



Shaikh/Professor Dr. Mubarak Jeza Al-Harbi

Member, Fatwa & Shari'a Supervisory Board



Shaikh/ Dr. Esam Abdulrahim Ghareeb

Member, Fatwa & Shari'a Board Member



Shaikh/ Dr. Khaled Shujaa Al-Otaibi

Member, Fatwa & Shari'a Supervisory Board



Date : 15 Rajab 1447 H  
Corresponding : 04 January 2026

# External Shari'a Audit Report

During 2025



شورى للاستشارات الشرعية  
Shura Sharia Consultancy

## External Sharia Audit Report of KUWAIT FINANCE HOUSE (K.S.C.P) for the Fiscal Year Ended 31 December 2025

### 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 2025, 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 2025 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**.



شورى للاستشارات الشرعية  
Shura Sharia Consultancy

### 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 maintaining an efficient and effective system for internal Sharia control that 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. Examining 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. Designing 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, and discussing those findings – if any – with the departments responsible for execution such transactions at **the Bank**.



شورى للاستشارات الشرعية  
Shura Sharia Consultancy

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

We conducted several field audit visits to the concerned executive departments at **the Bank**, totaling 89 field audit visits, including 15 official meetings with the Bank's management and departments. The visits commenced on 18/08/2025 and concluded on 31/12/2025.

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

- **Sharia Supervisory Sector :**  
(Secretariat of SSB - Research and Sharia Consultations - Internal Sharia Audit)
- **Group Retail Banking Sector:**  
(Products, Banking Cards, Banking Sales & Marketing, Marketing and Tam Digital Bank)
- **Group Corporate Banking Sector:**  
(Corporate Finance and Syndicated Finance, SME Finance, Credit Control, and Corporate Transformation)
- **Group Treasury and Financial Institutions Sector:**  
(Kuwait Treasury and Group Financial Institutions)
- **Financial Control and Supervisory Reports Sector**  
(Finance Control & 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**
- **PR and Media Sector**
- **Kuwait KFH Internal Audit Sector**



شورى للاستشارات الشرعية  
Shura Sharia Consultancy

**Our External Sharia Audit basically included the following:**

1. Conducting discussions with the **Bank's** management on the Sharia supervisory and control system and the **Bank's** organizational and administrative structure.
2. Review of 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 of the minutes of **Sharia Supervisory Board** meetings.
  - Review of the manuals of policies and procedures for the internal Sharia control system.
  - Review of **the Bank's** policies and procedures related to recruitment and employees training procedures.
  - Review of internal Sharia audit reports.
  - Review of **the Bank's** policy related to reporting on Sharia violations - if any - in the executed activities and operations.
  - Review of the policies and procedures related to correcting Sharia violations - if any -.
3. Review of the resolutions and fatwas issued by the **Sharia Supervisory Board** during the fiscal year ended 31/12/2025, 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 of 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 of 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 of 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 of **the Bank's** investment activities and operations to ensure that they are approved by the **Sharia Supervisory Board**.






شورى للاستشارات الشرعية  
Shura Sharia Consultancy

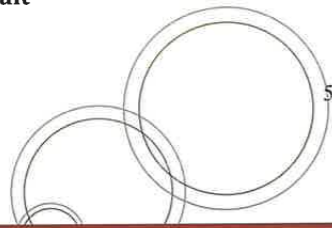
8. Examining the transactions executed by the concerned executive departments at **the Bank** - on a sample basis - of the banking and financing products, operations, and contracts of **the Bank** to ensure that they were carried out according to the Sharia terms of reference established for those transactions, 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 included, but were 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 31/12/2025.

**Dr. Yazeed M. Alqattan**

**Shura Sharia Consultancy**

15 Rajab 1447 H  
04 January 2026

**State of Kuwait**





Economic  
Developments  
During 2025

# Economic Landscape and Operating Environment in 2025

## Overview of the Economic Landscape

The year 2025 was characterized by a global economic environment of relatively stable GDP growth, despite escalating structural pressures. Against this backdrop, the Kuwaiti economy demonstrated strong resilience, driven by expansion in the non-oil sector, renewed momentum in government capital projects, a robust banking sector, and stable monetary conditions.

With growth prospects expected to improve in 2026, supported by the gradual easing of OPEC+ production cuts and ongoing structural reforms, economic diversification and fiscal sustainability remain the primary pillars for securing long-term growth. These efforts are essential for navigating the risks of a volatile external environment. Across its diverse markets, KFH Group faces varying economic and monetary conditions, offering a balanced mix of operational opportunities and risks.

## First: The Global Economy

### Stable Growth Amid Rising Structural Pressures

The global economy maintained a stable growth rate throughout 2025 despite trade tensions, geopolitical risks, and persistent monetary tightening in several countries. These restrictive conditions raised financing costs, which in turn constrained demand and investment growth. According to the International Monetary Fund (IMF), global GDP growth is projected to hold steady at 3.3% through 2025 and 2026, matching the rate recorded in 2024.

According to IMF classifications, growth trajectories diverged by economic group. Advanced economies are projected to see limited growth (1.7% in 2025; 1.8% in 2026) as structural constraints linger despite easing monetary conditions. The US, however, remains more resilient with projected growth of 2.1% and 2.4% respectively. Technological and AI-driven investments are expected to bolster the US outlook, even as it navigates a cooling labor market and trade tariffs.

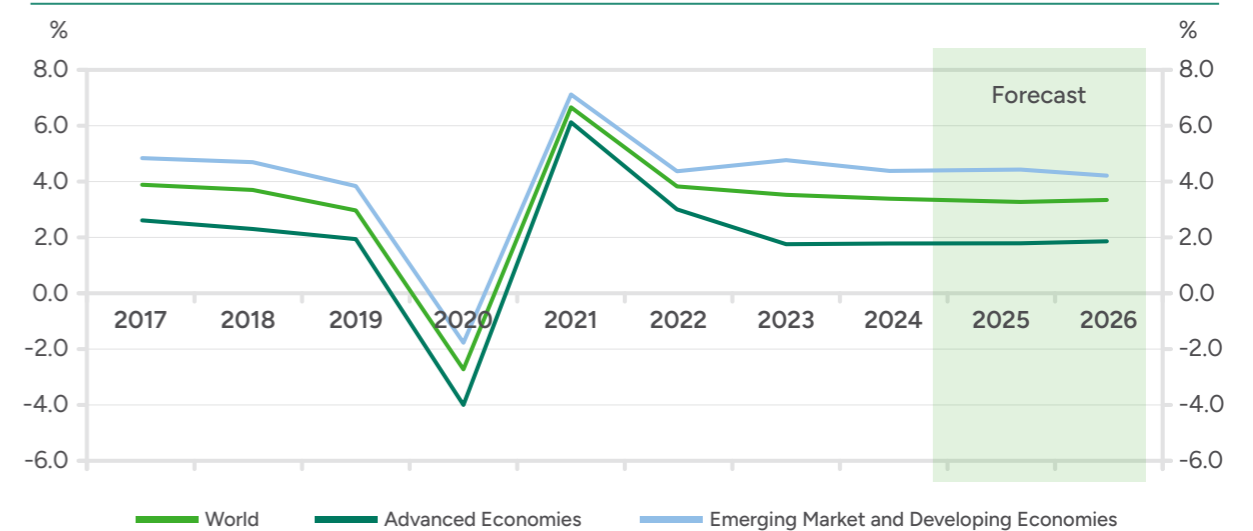
Eurozone growth momentum remains subdued; GDP is estimated to reach 1.4% in 2025 and dip to 1.3% in 2026, hampered by structural bottlenecks, low productivity growth, and tighter credit.

Conversely, emerging and developing market economies continue to bolster global growth, driven by robust domestic demand and efforts to close investment gaps, even amid a tighter financial environment. Growth for these regions is estimated at 4.4% in 2025 and 4.2% in 2026. China, however, is experiencing a steady slowdown, with projected growth of 5.0% and 4.5% respectively, hampered by structural hurdles, a cooling housing market, and a sustained decline in specific industrial activities.

The IMF expects global inflation to continue its downward trend, reaching an annual average of 4.1% in 2025 and 3.8% in 2026. However, this trajectory remains subject to upside risks, most notably commodity price volatility.

Despite the apparent stability of financial markets, structural risks persist. These are driven by mounting challenges to sovereign debt sustainability, ongoing geopolitical and trade uncertainties, the systemic risks associated with non-bank financial institutions, and the potential for price corrections within the technology sector.

Annual Growth Rate of Real Gross Domestic Product (GDP)



Source: International Monetary Fund (IMF)

## Second: Global Oil Markets

### Price Declines Amid Continuous Tensions

Global oil prices declined significantly throughout 2025. Brent crude saw a steady downward trend, closing at \$60.9 per barrel on December 31, 2025, representing a 18.5% decline from approximately \$74.6 per barrel at the end of December 2024. This decline reflects mounting downward pressure on prices driven by slowing global demand, expanding supply from non-OPEC+ producers, and persistent global economic dynamics.

To support market stability, the OPEC+ alliance agreed in December 2025 to extend voluntary production cuts through the first quarter of 2026. Consequently, the gradual unwinding of these cuts has been deferred from January to April 2026.

Despite these precautions, the International Energy Agency (IEA) warns of a potential supply surplus of approximately 3.84 million barrels per day in 2026. This imbalance is driven by a widening gap between robust non-OPEC supply growth and slowing global demand, a trend likely to keep downward pressure on prices. Consequently, the US Energy Information Administration (EIA) projects Brent crude will drop to around \$55 per barrel during the coming year.

### Brent Crude Oil Closing Prices



Source: Refinitiv, LSEG

## Third: GCC economies

### Uneven Growth Amid Non-Oil Momentum

The GCC's GDP is projected to grow by approximately 3.9% in 2025, according to IMF estimates, before accelerating to 4.3% in 2026. This trajectory is expected to be driven by an anticipated rise in oil production, as OPEC+ restrictions are gradually eased, alongside robust domestic demand and sustained economic reforms. The non-oil sector remains a key driver of activity, particularly in Saudi Arabia and the UAE, where it is fueled by capital spending and a burgeoning services sector. This strengthened performance persists despite a volatile external environment and heightened geopolitical tensions.

Supported by stable exchange rates and disciplined fiscal policy, GCC inflation is projected to average just 1.7% in 2025 and 2.0% in 2026. These factors effectively contain imported inflation, thereby protecting households' real purchasing power of both households and corporate sector.

## Fourth: Kuwait's Economy

### 1. Economic Growth

#### A Gradual, Non-Oil Led Recovery

Kuwait's economy is undergoing a gradual recovery led by the non-oil sector, even as the country maintains its commitment to OPEC+ production quotas. Following a 2.6% contraction in real GDP in 2024 due to output cuts, the economy rebounded in the third quarter of 2025 with a 4.7% year-on-year increase. This was bolstered by a 6.5% expansion in non-oil activities. According to IMF estimates, this positive trajectory will persist through 2025, with overall GDP growth reaching 2.6%. This momentum is underpinned by a 2.7% acceleration in the non-oil sector, fueled by robust domestic demand and an uptick in government capital expenditure.

The IMF forecasts an acceleration in growth to 3.9% in 2026, fueled by the gradual easing of OPEC+ supply curbs and robust non-oil momentum. Non-oil growth is projected to reach 3.0% as investment surges and major projects move forward. Nevertheless, the region's continued oil reliance underscores the need for structural reforms to ensure this recovery evolves into a sustainable economic model.

### 2. Public Finances

#### Deficit Challenges and a Return to Debt Markets

The Kuwaiti government substantially improved its public finances during the 2024/2025 fiscal year, with the actual deficit narrowing to approximately KD 1.056 billion (2.2% of GDP), down from KD 1.562 billion the previous year. This progress stemmed from disciplined current expenditure and rationalized spending, coupled with an 18.7% reduction in capital expenditure (Capex). Simultaneously, non-oil revenues surged by 27.5%, driven by enhanced collection efficiency and the repricing of various government service fees.

Public finances are expected to face pressure during the 2025/26 fiscal year, with the budget deficit projected to widen to approximately 8.7% of GDP, according to IMF estimates. In response, the Kuwaiti government is moving to further bolster non-oil revenues. A successful return to international capital markets, highlighted by the issuance of \$11.3 billion in sovereign bonds in October 2025, will be instrumental in managing liquidity and meeting these financing requirements.

### 3. Government Capital Projects

#### A Contracting Surge Led by the Energy Sector

Kuwait's government capital projects experienced a significant surge in 2025, with the total value of awarded contracts rising to approximately \$10.2 billion. This represents a 16.2% annual growth rate from the \$8.8 billion recorded in 2024, marking the highest level in nine years. While investments spanned the transportation, construction, and water industries, the power and oil sectors remained the primary drivers. The power sector alone accounted for over 53% of the total contract value, exceeding \$5.4 billion. Meanwhile, contract values in the oil sector more than quadrupled compared to 2024, reflecting a strategic focus on modernizing energy infrastructure and expanding production capacity.

Approximately 70% of the total value of contracts awarded in 2025 was concentrated in the second half of the year. This spike reflects a renewed momentum in government capital expenditure, bolstering non-oil economic activity and improving the outlook for medium-term growth.

### 4. Monetary and Banking Developments

#### 4.1 Monetary Policy

##### Inflation Retreat and Prudent Easing

The Central Bank of Kuwait (CBK) maintained its balanced approach to monetary easing, leveraging the flexibility provided by the Kuwaiti dinar's peg to a weighted basket of currencies. During 2025, the CBK reduced the discount rate by a total of 50 basis points, bringing it to 3.50% as of December 11, 2025. This move was designed to align with local economic conditions, contain inflation, preserve the attractiveness of the national currency, and remain in sync with the global monetary easing cycle.

Kuwait's inflation remained stable in 2025, recording approximately 2.1% year-on-year as of December. These levels remain low by regional and global standards, reflecting the country's moderate inflationary environment.

Annual inflation by commodity group by end of 2025 showed a disparity in price increases across the consumer basket. For instance, the food and beverage group recorded a high inflation rate of 5.4%. In contrast, inflation in basic services remained relatively low: housing stood at 0.49%, health at 1.36%, education at 1.1%, communications at 0.40%, while transportation showed a slight decrease of 0.14%.

The IMF expects the average annual inflation rate to remain moderate, settling at around 2.3% by late 2025 and 2.1% by 2026. This stable price environment allows monetary policy to safeguard financial stability without stifling non-oil growth or eroding household purchasing power.

## 4.2 Kuwaiti Banking Sector

### Financial Strength and Credit Expansion

During 2025, the Kuwaiti banking sector continued to strengthen its financial position and enhance its shock absorption capacity, supported by robust capital and liquidity levels. In terms of asset quality, according to the data of the Central Bank of Kuwait as of September 2025, the non-performing loans (NPLs) ratio stood at a low level of 1.6%, supported by high coverage rate of 239.3% in addition to the capital adequacy ratio reaching a sound level of 18.1%.

On the growth front, the consolidated financial position of local banks showed significant expansion with the total assets reaching approximately KD 101.8 billion by the end of 2025, recording a yearly growth of 11.1%. This was primarily driven by a 17.1% increase in foreign assets to KD 32.7 billion, reflecting the banks' success in expanding their activities in external markets to diversify risks and income sources and enhance the structure of their balance sheets. This approach is expected to support profitability and provide more flexibility in liquidity management, while taking into consideration the additional requirements associated with cross-border risk management.

As for the credit activity, local banks demonstrated clear resilience in adapting to the easing monetary environment. Credit facilities granted to residents grew by 7.6% year-on-year to reach KD 53.2 billion by the end of 2025. This growth was led by the business sector, which expanded by 10.2% year-on-year to reach KD 33.2 billion by the end of 2025, accounting for about 62.3% of total credit extended to residents. Credit was notably concentrated on financial activities, securities, real estate, and construction sectors, indicating a relative improvement in the business climate and investment confidence.

As for liquidity, the banking sector maintained sufficient levels of liquidity supported by a strong deposits base. Resident deposits increased by 4.7% on a yearly basis to reach KD 52.9 billion by the end of 2025. Public institutions' deposits recorded significant growth of 28.9%, reaching KD 8.5 billion, partially compensating for the decline in government deposits. Meanwhile, private sector deposits continued to grow by 3.8% year-on-year, acquiring around 76.6% of the total local deposits, providing a stable and flexible funding base to support economic activity.

### Total Assets of the Local Banks



Source: Central Bank of Kuwait

## 5. Real Estate and Financial Assets Markets

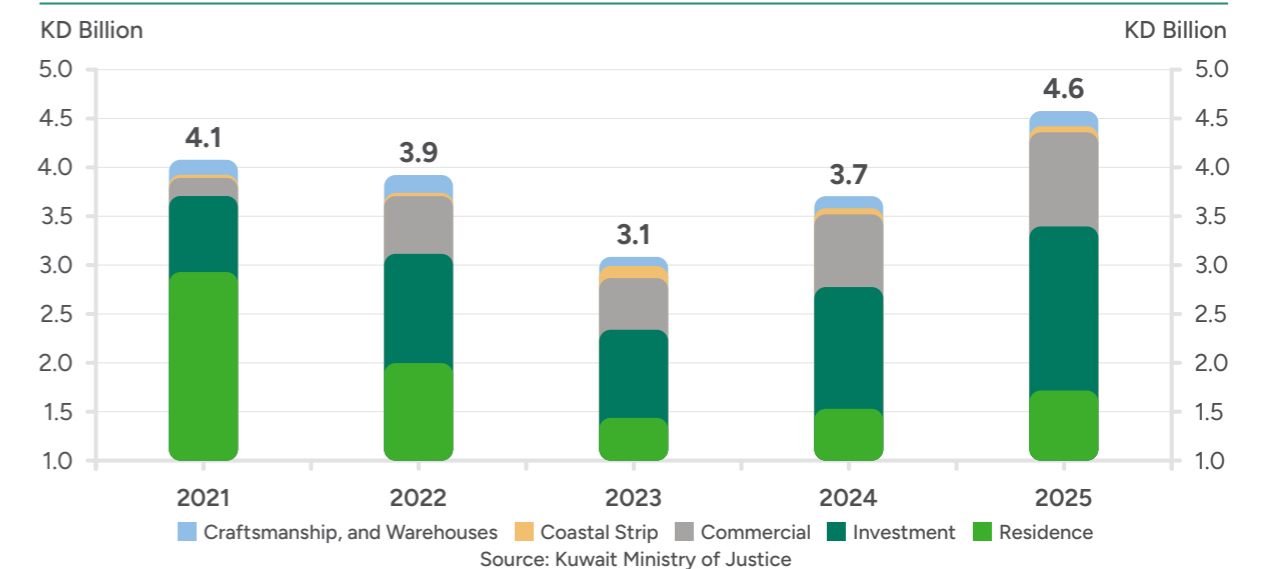
### 5.1 Real Estate Market

#### Trading Momentum and Recovery in the Investment Sector

During 2025, the Kuwaiti real estate market witnessed a notable recovery in trading activity with the total value of sales rising by 22.8% to reach approximately KD 4.6 billion (according to the Ministry of Justice data). Private housing and investment properties accounted for about 74.6% of the total market liquidity. This resurgence was driven by strong momentum in the investment sector, which recorded an annual growth of 36.4%, followed by the commercial sector with an increase of 28.4%, while the private housing sector registered a growth of 12.4%.

This variance reflects the impact of regulatory measures aimed at curbing speculative activity in the private housing sector, which has contributed to readjusting the market and creating a more balanced environment. Such developments pave the way for the activation of anticipated structural legislation, most notably the mortgage law, which is expected to gradually and sustainably stimulate genuine demand, while enhancing financial stability.

### Real Estate Trading Values in Kuwait



Source: Kuwait Ministry of Justice

### 5.2 Bursa Kuwait

#### Record Liquidity and Local Momentum Driving Growth

Bursa Kuwait maintained strong performance in 2025, with the market's All-Share Index reaching approximately 8,908 points by the end of December 2025, recording an annual growth of 21.0% compared to the end of 2024. Market capitalization of listed companies increased to around KD 53.2 billion by the end of December 2025, compared to approximately KD 43.6 billion by the end of December 2024, representing a growth of 22.1%. Trading volume reached about KD 26.6 billion in 2025, compared to around KD 14.8 billion by the end of December 2024, registering a strong annual growth of 79.3%.

Blue-chip stocks dominated liquidity within the Premier Market, accounting for approximately 56% of the total trading value. Activity in the Main Market continued to grow, supported by a broader investor base that enhanced market depth and strengthened overall resilience. In this context, the leading role of institutional entities became increasingly evident. The contribution value of Kuwaiti institutions rose from KD 6.9 billion in 2024 (representing 46% of total transaction value) to KD 13.87 billion by the end of 2025, accounting for 51% of the total transaction value, despite recording net selling in both years.

Conversely, non-Kuwaiti institutions (classified as 'Others') recorded a surge in net buying, rising from approximately KD 227.8 million in 2024 to KD 562.5 million in 2025. This indicates heightening external institutional interest in Bursa Kuwait, even as local investors continue to dominate the market, accounting for roughly 86% of total trading activity.

### Trading Values in Bursa Kuwait



Source: Bursa Kuwait

## Fifth: Economic Environment in Some of the Group's Subsidiaries

KFH Group operates across several international and regional markets with diverse economic structures and financial systems. This diversity results in a well-balanced profile of operational opportunities and risks. The following sections highlight the key features of the economic environment in these primary markets:

### 1. United Kingdom

According to the IMF, real GDP growth is estimated at around 1.4% during the year 2025 amid the structural challenges associated with weak productivity and investment slowdown, in addition to the impact of the tight monetary conditions during most of the year. Estimates also indicate a slowing growth at 1.3% with the same growth rate in 2026. This estimation is supported by gradual improvement in domestic demand. Inflation is projected to continue its downward trajectory, recording annual average around 3.4% by the end of 2025, which provides a limited margin for monetary easing with the monetary policy expected to remain cautious in light of the labor market and energy prices developments.

### 2. Egypt

Real GDP continued to grow during the fiscal year ending in June 2025, recording a 4.4% growth rate. This was supported by structural reforms and improved performance in the tourism and services sectors, alongside a gradual recovery in investment activity. The IMF expects GDP growth to accelerate to 4.7% in the 2025/2026 fiscal year. Monetary conditions have remained relatively stable as inflation rates gradually slow. IMF estimates indicate that average annual inflation will continue to decline from 20.4% in FY 2024/2025 to 11.8% in FY 2025/2026, bolstered by previous monetary policy tightening and exchange rate stability. Despite ongoing external financing pressures, Egypt remains a promising market with a steadily improving business environment.

### 3. Turkey

According to IMF estimates, real GDP growth is projected to reach approximately 4.1% in 2025, driven by robust domestic demand, expansion in the tourism and services sectors, and a moderate recovery in investment. Additionally, the IMF expects growth to accelerate to 4.2% in 2026, supported by ongoing structural reforms and restored fiscal discipline. In this context, monetary policy has remained relatively stringent to promote financial stability and contain inflation. Consequently, the average annual inflation rate fell to 34.9% in 2025, down from 58.5% in 2024. While inflation remains elevated, this decline has helped rectify certain macroeconomic imbalances. Nevertheless, the operating environment in Turkey continues to be characterized by greater volatility in stability indicators compared to peer markets.

### 4. Bahrain

The IMF estimates indicate that real GDP is expected to grow by approximately 2.9% in 2025, driven by the expansion of non-oil activities, particularly in the financial services, tourism, and industrial sectors. This growth is projected to accelerate to about 3.4% in 2026, supported by ongoing economic diversification and increased investment, despite challenges related to public finances, an elevated fiscal deficit, and high public debt levels. The average annual inflation rate is projected to decline from 0.9% in 2024 to 0.3% by the end of 2025, the lowest rate among GCC countries. This decline is underpinned by stable monetary policies, the pegging of the Bahraini Dinar to the US Dollar, and price stability for essential goods and services.



**Group Chief  
Executive Officer's  
Message**

Group Chief Executive Officer  
 Khaled Yousef Al-Shamlan



## Group Chief Executive Officer's Message

**In the Name of Allah, Most Gracious, Most Merciful  
 Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet,**

**Dear Esteemed Shareholders,  
 Assalamu Alaikum Warahmatu Allah Wabarakatuh**

In 2025, Kuwait Finance House (KFH) solidified its position as a leading global Islamic financial institution. This success was underpinned by robust operational and financial performance, a disciplined and well-defined strategy, and seamless integration across the Group's subsidiaries in key markets. KFH successfully aligned its growth plans with evolving economic developments by expanding its core business and enhancing operational efficiency through the adoption of FinTech. Furthermore, by continuously investing in its workforce, specifically in national talent, KFH ensures sustainable leadership and the delivery of consistent value.

### Operational and financial performance

The Group sustained its record financial results and growth in core business areas, while significantly improving operational performance. The Group reported net profit of KD 632.1 million attributable to the shareholders of the bank; an increase of 5.0% compared to last year 2024. These historic profits are the highest in the Kuwaiti banking sector. Net Financing income for the year 2025 reached KD 1.3 billion; an increase of 11.5% compared to last year. Net operating income reached KD 1.2 billion, an increase of 10.7% compared to last year. Financing receivables reached about KD 21.8 billion, an increase of KD 2.7 billion, or 14.4%, compared to last year.

Total assets reached KD 42.8 billion for the year 2025, an increase of KD 6.1 billion, or 16.5%, compared to last year. This growth was accompanied by an upward trend across all key financial indicators.

### Strategy pillars

The Group's strategy is founded on three core pillars, which are periodically refined to ensure alignment with market requirements and shareholder expectations. First, the Group prioritizes digital transformation by upgrading systems and platforms, enhancing infrastructure readiness, and leveraging advanced analytics to build comprehensive automation capabilities that accelerate service delivery and mitigate operational risks. Second, the Group pursues excellence in customer service by elevating the banking experience through integrated digital channels, improved turnaround times, and the development of loyalty programs that offer competitive benefits to both individual and corporate segments. Finally, the Group focuses on enhancing synergy and integration across its banks by unifying common platforms, harmonizing policies, and exchanging best practices to foster innovation and drive superior performance efficiency.

KFH established the Group International Banking Unit (GIBU) and unveiled its new visual identity, "Beyond Horizons". This new identity reaffirmed KFH's dedication to sustained growth and innovation. The Group's operations across Bahrain, Egypt, Turkey, and the United Kingdom achieved substantial advancements in both performance and services. This progress was furthered by the expansion of financial and operational integration initiatives, which aligned all entities under a unified framework for risk and performance.

### Sustainability

KFH continues to integrate Environmental, Social, and Governance (ESG) principles into its investment, financing, and operational models. The Bank also released its fifth Sustainability Report and third Carbon Footprint Report, underscoring its commitment to aligning corporate objectives with national directives and the Sustainable Development Goals.

In the financial markets, the Group increased its ESG Sukuk exposure to nearly USD 2.38 billion in 2025, up from USD 1.81 billion in 2024. This growth of more than 30% underscores the Group's leadership in sustainable finance within the Islamic finance industry.

KFH has further enriched its track record in social contributions with new initiatives, chief among them is pledging KD 15 million to fund the creation and equipping of a dedicated cardiac diseases and research center at Mubarak Al-Kabeer Hospital. Additionally, KFH contributed to the establishment of the 10th ward of the Addiction Treatment Center. KFH also contributed to launching a strategic initiative in collaboration with the Ministry of Justice and the Ministry of Social Affairs to settle the indebtedness of defaulting debtors. KFH also continued its leading role in providing social contributions to the Kuwait Foundation for the Advancement of Sciences (KFAS), the National Employment Support Program, and Kuwait Institute of Banking Studies (KIBS).

### Achievement and leadership

The Group's achievements throughout 2025 underscore its strong execution and the effective synergy maintained across its diverse business lines. Notably, the Group solidified its leadership in the Sukuk market through KFH Capital, its investment arm. KFH Capital led and arranged Sukuk issuances totaling more than USD 29 billion, serving governments, institutions, and corporations across multiple global markets, as well as managing local and regional issuances for leading financial institutions.

The Group launched two real estate funds in the United States, totaling over USD 145 million in high-quality investments designed to generate stable income and enhance asset value.

KFH successfully issued a USD 850 million Additional Tier 1 Mudaraba Sukuk, the largest of its kind in Kuwait. The issuance saw exceptional demand, with subscription orders of over USD 1.7 billion, more than twice the issue size.

KFH successfully issued a USD 1 billion Senior Unsecured Sukuk. The issuance was oversubscribed, with the order book reaching more than double the target size. This move supports the Bank's strategy to grow its capital, diversify funding, and back Kuwait's development projects.

On the corporate side, KFH led several landmark transactions in Kuwait. A key highlight was the successful underwriting of the Islamic tranche of KD 675 million for Kuwait Petroleum Corporation, as part of a broader KD 1.5 billion syndicated Islamic and conventional facility. KFH retained a final hold of KD 405 million, representing its share as the primary strategic partner of the oil sector, in addition to other facilities provided by the Bank for infrastructure and energy projects.

In digital innovation, KFH customers completed over 600 million digital transactions in 2025. This reflects strong customer trust and highlights the Bank's leadership in modern financial solutions. In addition, the Group expanded KFHOnline, upgraded the KFH Rewards program, and improved the eCorp platform for corporate clients.

Regarding human capital, KFH solidified its standing with nine Brandon Hall awards recognizing its excellence in talent development and recruitment. This success stems from a commitment to empowering Kuwaiti talent, fostering the inclusion of people with disabilities, and conducting impactful internal engagement. Additionally, the Group's global reputation was reaffirmed by winning nearly 60 international awards from major providers including Euromoney, Global Finance, MEED, and EMEA Finance. Notably, The Banker ranked KFH as the "Best Performing Bank in Kuwait for 2025".

### Outlook

KFH will remain steadfast in strengthening its financial and operational performance, achieving sustainable growth, innovating banking services and products while reinforcing integration across the Group's subsidiaries. Additionally, KFH will continue moving forward to promote digital transformation and develop its human capital, the cornerstone of the Group's success. We will also continue to integrate sustainability in operations, enhance Private Banking and Wealth Management services, increase institutional and social partnerships, as well as expand sustainable finance and leverage its tools in the Islamic finance markets.

### Thanks and appreciation

**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 Khalid Al-Hamad Al-Sabah, and His Highness the Prime Minister, Sheikh Ahmad Abdullah Al-Ahmad Al-Sabah. Our thanks and appreciation are also extended to the Central Bank of Kuwait and all the regulatory authorities, shareholders, customers, KFH Executive Management and employees for their efforts and cooperation throughout the year.**

May Allah grant us success,

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



An aerial photograph of a desert landscape, showing a vertical line down the center and a title box on the right. The terrain is a mix of light and dark brown sand dunes. The title box is a white rectangle with a vertical bar on its left side.

Financial  
Performance  
For Year 2025

# Financial Performance

## For Year 2025

The year 2025 marked another milestone of strong progress and value creation for Kuwait Finance House (KFH). Building on its solid foundations, KFH delivered robust financial results, posting a net profit attributable to shareholders of KD 632.1 million, maintaining its position at the forefront of the Kuwaiti banking sector.

Throughout the year, the Group demonstrated resilience and strategic agility, effectively navigating a range of market challenges. This performance reflects the strength of KFH's long-term vision, its sound capital position, and its consistent operational excellence, all of which continue to reinforce its leadership in the Islamic banking industry.

### KD 632.1 million Net Profit for Shareholders

Net profit for shareholders for the year 2025 amounted to KD 632.1 million, marking an increase by 5.0% compared to 2024. Earnings per share reached 35.64 Fils for the year 2025 compared to 33.68 Fils last year i.e. an increase by 5.8%.

### 12.6% growth in total financing income and 11.5% growth in net financing income

Total financing income for the year 2025 reached KD 3.25 billion, marking an increase of 12.6% compared to last year. Net Financing Income for the year 2025 reached KD 1.28 billion i.e. an increase of 11.5% compared to last year.

### 8.3% growth in total operating income and 10.7% growth in net operating income

Total operating income for the year 2025 reached KD 1.83 billion i.e. an increase of 8.3% compared to last year, driven mainly by an increase in net financing income and net fees and commissions income. Net operating income for the year 2025 reached KD 1.21 billion, marking an increase by 10.7% compared to last year.

### Total Operating Expenses/ Total Operating Income

Total operating expenses ratio to total operating income improved, reaching 34.1% for the year 2025 compared to 35.5% in 2024, It has improved significantly over the past decade, having exceeded 51% in 2014.

### 34.5% increase in charged provisions of KFH Group for the year 2025

Total provisions and impairments increased at the group level to reach KD 161.4 million i.e., an increase by 34.5% compared to 2024.

Total provision for credit losses recorded as per CBK instructions for utilized and unutilized cash and non-cash financing is KD 987.2 million, which exceeds the expected credit losses for financing receivables under IFRS 9 by KD 526.6 million.

### Robust Financial Position

During 2025, the Group continued to strengthen its financial position, with total assets rising to KD 42.8 billion, reflecting a solid 16.5% growth compared to the previous year. Financing receivables recorded expansion of 14.4%, reaching KD 21.8 billion representing 51% of total assets and equivalent to 104% of customer deposits. This reflects a high level of efficiency in resource utilization and the Group's ability to convert deposits into stable-yield financing assets, in addition to effective liquidity management that supports future revenue growth.

Investments in debt securities amounted to KD 7.6 billion, accounting for 18% of the Group's assets, with the portfolio primarily concentrated in sovereign instruments, supporting a prudent and resilient investment strategy.

Total shareholders' equity increased to KD 5.7 billion in 2025, marking a growth of KD 228.2 million 4.1% year-on-year, driven by sustained profitability. Depositors' accounts rose to KD 21.0 billion, further reinforcing the Group's stable funding base.

### Non-performing Finance Ratio

The Non-Performing Finance (NPF) ratio improved, reaching 1.51% in 2025, compared to 1.78% in 2024, reflecting continued enhancements in asset quality.

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

Return on Average Shareholders' Equity reached 11.3% as at the end of 2025 compared to 11.2% for the year 2024. Return on average assets reached 1.8% as at the end of 2025 compared to 1.7% for the year 2024.

The return on Average Tangible Equity for 2025 reached 19.43%, reflecting the true return generated on the operating capital employed in the business after excluding intangible assets. This underscores the Group's ability to deliver added value to shareholders through efficient capital utilization.

### Capital Adequacy

The Capital Adequacy Ratio reached 19.81% for the year 2025, exceeding the minimum regulatory limit required by the Central Bank of Kuwait of 15%, which reflects the strength of the Bank's capital base.

### Liquidity Indicators

The Net Stable Funding Ratio (NSFR) reached 120.98% in 2025, while the Liquidity Coverage Ratio (LCR) stood at 228.25%. These ratios exceed the regulatory requirements prescribed by the Central Bank of Kuwait, which are set at 100%, indicating a strong liquidity position and the Bank's high capacity to meet its short- and long-term obligations efficiently.

### 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 14 Fils per share to the shareholders for the year 2025, besides what was distributed for the first half of 2025. With a total cash dividend distribution of 24% for the year 2025, compared to a cash dividend of 22% for 2024. The Board of Directors also proposed distributing 7% bonus shares (2024:8%) 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 1,460 thousand for 2025 (2024: KD 1,317 thousand) falls within the permissible limits as per local regulations, and it is subject to the general assembly approval.

### Financial Data Table

KD Million

	2025	2024	2023	2022	2021
<b>Net Profit attributable to shareholders of the Bank</b>	632.1	601.8	584.5	357.7	243.4
<b>Earnings Per Share (Fils)</b>	35.64	33.68	32.70	24.27	18.23
<b>Net Financing Income</b>	1,279.2	1,147.0	965.9	800.5	585.7
<b>Total Operating Income</b>	1,833.3	1,692.2	1,497.0	1,090.2	811.0
<b>Net Operating Income</b>	1,209.0	1,092.2	981.6	741.2	503.1
<b>Total Assets</b>	42,760	36,703	38,010	36,969	21,788
<b>Financing Receivables</b>	21,817	19,070	19,425	18,801	11,355
<b>Investment in Debt Securities</b>	7,578	6,865	7,006	6,085	2,735
<b>Depositors' Accounts</b>	21,029	19,220	21,813	21,030	15,038
<b>Equity attributable to the Shareholders of the Bank</b>	5,747	5,519	5,316	5,358	1,932

# Key Achievements

Over the past year, Kuwait Finance House (KFH) strengthened its position as a leading financial institution both regionally and globally. The Bank successfully implemented its comprehensive strategy and growth plans, driven by an ambitious outlook. KFH also reinforced its presence in promising markets, seized opportunities from the changing economic environment, and addressed challenges. Simultaneously, KFH focused on developing its core business sectors, enhancing operational efficiency using the latest Fintech and AI technologies, and investing in human capital. This involved attracting top talent and equipping the workforce, particularly national cadres, with the skills needed for future challenges.

## International Subsidiaries

Recognizing the growing strategic importance of its international subsidiaries, KFH established the Group International Banking Unit (GIBU) to maximize value creation. The unit commenced operations at the Mishref branch shortly after the Bank unveiled its new visual identity, "Beyond Horizons". This new identity reaffirmed KFH's dedication to sustained growth, continuous innovation and technology adoption, and strengthening its leading position in global Islamic banking excellence. The new identity was subsequently announced for KFH-Egypt and KFH-Bahrain.

## Strategy

Throughout 2025, Group Strategic Planning and Follow-Up continued its efforts to facilitate the formation and development of the Bank's vision and mission for KFH Group shareholders and investors aspirations, while continuously updating them to match with the dynamic changes in market environment. This followed the successful preparation of the long- and medium-term Strategy, updating the annual strategic business plan continuously, in coordination with key business units across the Group. In coordination with the Board of Directors, the Group's key strategies are developed based on three pillars: AI-driven digital transformation, customer centricity and Group synergy.

The department continued its efforts to supervise, follow up and periodically improve all strategic initiatives, ensuring their implementation through the Balanced Scorecard to achieve the Bank's strategic objectives with high efficiency. The department's commitment also included setting up, coordinating, and communicating the relevant Key Performance Indicators (KPIs) while ensuring their alignment with the Bank's strategic objectives. Among the main efforts was preparing economic reports and insights for the Group, highlighting key market trends to keep all stakeholders updated with the latest development.

The department's responsibilities also included the development and timely delivery of accurate progress reports to update senior management and the Board on subsidiaries' achievements, monitoring customer satisfaction and care across all functions and touch points, and conducting ongoing market research concerning the competitive environment and market analysis. These efforts also entailed supporting the Bank's functions with the required knowledge to adopt the best practices, global benchmarking, and other leading prospects in banking industry to maintain our leadership in Islamic financing industry.

## Human Resources

Affirming its commitment to human capital and capable talents to reinforce its local and global standing, KFH won 9 Brandon Hall Group Awards in 2025. These accomplishments reflect the Bank's exceptional performance and the successful execution of its integrated group strategy. The award categories are:

Best High Potential Development – Gold, Best New Hire Onboarding Program – Gold, Best Unique or Innovative Learning and Development Program – Gold, Best Talent Acquisition Process – Silver, Best Learning Experience Platform (LXP) Implementation – Silver, Best Talent Management Strategy – Silver, Best Certification Program – Silver, Best Governance Model for Talent Management – Bronze, Best Certification Program (KFH – Egypt) – Gold.

Reflecting HR's continuous efforts to empower talent and enhance the work environment, the Employee Engagement Survey 2025 achieved an outstanding 90% participation rate across KFH-Kuwait and 91% Group-wide.

KFH remains committed to investing in its people, fostering a culture of innovation, and maintaining an inspiring work environment that support the Group's objectives, and sustain its leadership in Islamic banking. At the beginning of 2025, KFH launched its new visual identity, reflecting its modern vision and strategic direction. In line with the Bank's "Keep It Green" initiative, KFH creatively repurposed available materials featuring the previous logo, conducting a workshop for the employees' children transforming them into unique gifts promoting a culture of sustainability and environmental preservation.

Aligned with the Human Resources Transformation Strategy, KFH continued its efforts through several distinguished initiatives, including:

In recognition of employees' outstanding efforts, approximately 10% of KFH staff members were honored for their exceptional performance during 2025, under the Qadha program, a distinguished initiative that has earned international acclaim. Honoring employees' children for the fifth consecutive year who successfully graduated from high school. The Human Resources and Transformation has achieved significant accomplishments and remarkable success, with the female representation reaching 24%, the localization rate standing at 83.7%, and the recruitment of 126 national talents. The Human Resources and Transformation Area also provided over 96,474 training hours to approximately 2592 employees. Further emphasizing the HR function human-centric approach, the Bank launched the fifth edition of its specialized training program for employees with special needs, aiming to contribute to their development.

During 2025, the Safety and Security Department conducted a crisis simulation drill to evaluate emergency preparedness and response capabilities. The Automated Control Room in Shuwaikh was activated ensuring full operational continuity, with all critical systems functioning seamlessly throughout the test. Believing in the importance of effective communication between departments and employees, more than 22 internal awareness campaigns were implemented through various internal communication channels.

## Treasury

Group Treasury has increased its foreign exchange activities within the year to reach a total volume of USD 165+ billion. This affirmed the Treasury team's focus on market making regional currencies, customer sales and offering competitive foreign exchange hedging instruments to our trusted clients. KFH's precious metals offering is also a key driver of the Group's success, in which we have been increasing our reach across our Group to meet the growing demand for KFH's precious metals products. The Group Treasury increased its network of capital market counterparties, allowing it to have better pricing and enhance trade opportunities.

## Sukuk

The Group Treasury continued to strengthen its position as a leading participant in the primary and secondary capital markets. The Group's total Sukuk investment portfolio size reached more than USD 23 billion, reaffirming its role as one of the most active players in the global Sukuk market. KFH achieved top ranking as both the primary and secondary dealer in the International Islamic Liquidity Management Corporation (IILM) Sukuk program, further cementing its status as a core contributor to the IILM short-term Islamic liquidity market since the program's inception.

In line with its sustainability objectives, the Group increased its ESG Sukuk exposure to USD 2.38 billion in 2025, up from USD 1.81 billion in 2024, marking a growth of more than 30%. These efforts underscore KFH's continued commitment to integrating environmental, social, and governance (ESG) principles into its investment strategy and promoting sustainable finance across Islamic markets.

KFH Group continued its leading position in arranging and issuing international Sukuk during 2025 through KFH Capital, the investment arm of the Group. The company has succeeded in leading and arranging Sukuk issuances of an amount exceeding USD 29 billion, which included issuances for governments, institutions, and corporates across multiple sectors and countries. In addition to developing Sukuk products and working on issuing sustainable and green instruments for several entities, the Company has maintained its position among the leading organizers of Sukuk issuances globally, reflecting its efficiency and leadership of international markets.

These achievements included the issuance of prominent sovereign Sukuk with a total value of USD 11 billion by governments including the Arab Republic of Egypt, the Republic of Turkey, the Kingdom of Bahrain, the Sultanate of Oman and the Republic of Indonesia, in addition to an issuance by the State of Qatar, which achieved the best and lowest pricing compared to all historical issuances in the region. These achievements reflect the high trust that KFH Group enjoys in global markets and its capabilities in structuring and arranging Islamic debt instruments at the international level.

In the State of Kuwait, the company arranged an issuance for Boubyan Bank worth USD 500 million, and the issuance of Tier 2 capital for Kuwait International Bank for USD 300 million, in addition to two issuances for KFH Group with a total value of USD 1.850 billion. Many issuances were completed for regional banks, including Ajman Bank, Mashreq Bank, Qatar Islamic Bank, and Dubai Islamic Bank including the Tier 1 Capital issuance for the Turkish bank Vakif Katilim. Cooperation was also established with the Islamic Development Bank Group with two issuances for it, worth USD 2.25 billion, in addition to its affiliated entity, the Islamic Corporation for the Development of the Private Sector.

In the oil sector, KFH Capital contributed to arranging issuances for many companies, most notably Saudi ARAMCO with a total value of USD 3 billion which is considered their best pricing historically, in addition to Abu Dhabi National Oil Company (ADNOC) worth USD 1.5 billion which is considered the highest Sukuk issuance globally within the AA credit rating category by corporations, and Bahrain Petroleum Company (BAPCO) worth USD 1 billion.

As for other corporations, KFH Capital acted as joint lead manager and bookrunner for Sukuk guaranteed by the government of the Kingdom of Saudi Arabia for the issuance of the Saudi Real Estate Refinance Company worth USD 2.5 billion. Sukuk were also issued for Aldar Investment Properties in Abu Dhabi worth USD 500 million, as well as the first corporate issuance in Turkey for Türk Telekom, with total value of USD 600 million.

## Portfolios and Funds

In 2025, KFH also initiated a Sukuk Trading Book to provide liquidity in the market and offer competitive prices for both the Group and external market investors. Since its inception in April, the trading book's turnover has exceeded USD 6.8 billion within its first nine months of operation. This initiative further reinforces KFH's reputation as a reliable liquidity provider and active market maker in the Sukuk markets.

In line with the Bank's ambitious growth plans in asset management and providing products to its clients, KFH Capital succeeded in growing its funds in the money markets in Kuwaiti Dinar and US Dollar, achieving the highest returns in the market while maintaining the highest standards in accordance with the noble principles of Islamic Sharia.

KFH Capital successfully launched two U.S. real estate funds with a combined total size exceeding USD 145 million, marking a key milestone in the Company's continued expansion in the US markets. Through these vehicles, the Company completed the acquisition of a Class A office property in Washington, D.C., and three residential communities across key growth markets nationwide, targeting stable income generation, operational enhancements, and long-term value appreciation. These accomplishments reinforce KFH Capital's expanding real estate platform and helped the Company provide diversified investment opportunities and sustainable value for its investors.

## KFH Capital

As part of its equity capital markets activities, KFH Capital acted as the investment advisor and mandatory acquisition advisor for a transaction involving a listed company, Aayan Leasing and Investment Company, acquiring two other listed entities (Aayan Real Estate Company and Mubarrad Holding Company) on Bursa Kuwait. KFH Capital led the execution of all stages of the transaction in close coordination with regulatory authorities. As of the end of August 2025, the acquirer's approximate market capitalization stood at USD 419 million, while the combined market value of the two targeted entities was approximately USD 197 million.

KFH Capital continued to enhance its brokerage services offerings by achieving several key milestones in collaboration with KFH. A notable accomplishment was the successful launch of the Equity Trading Finance Product on Bursa Kuwait, offering clients more flexible access to trading and investment opportunities. Additionally, the company successfully completed Bursa Kuwait's market-wide tests for the sub-accounts project. Further, the Group's brokerage arm, KFH Financial Brokerage Co., successfully passed the Qualified Broker (QB) tests, positioning itself to deliver more advanced trading services. These successes underscore the company's commitment to technological readiness and market alignment, maintaining its leadership in trading and brokerage services. The year concluded with a major achievement as KFH Financial Brokerage was ranked first among all brokerage firms by Bursa Kuwait- a testament to its ongoing improvements and client-focused approach.

2025 marked a pivotal milestone in KFH Capital's digital transformation journey. Through extensive automation and system integration, the company streamlined its core operations and brought trading, accounting, portfolio management, and compliance together into one intelligent platform. What once required hours of manual work can now be accomplished in just a few clicks, drastically reducing turnaround times and enabling faster, more accurate delivery of services to clients, all without physically signing a single piece of paper.

As part of enhancing customer experience, KFH Capital introduced KFH Wealth App, which has evolved into a powerful channel for seamless client engagement, enabling them to manage their wealth. The new features includes allowing clients to initiate and execute their transactions remotely and easily. With more features on the horizon, the company aims to further enhance this journey and offer investors a fully digital, end-to-end ecosystem built for speed, security, and simplicity.

Affirming KFH Capital's renowned standing, the company scooped global prestigious awards in 2025. These included: Best Investment Bank in Kuwait award by MEED MENA Banking Excellence Awards, Kuwait's Best Investment Bank by Euromoney Awards for Excellence, Best Investment Bank in Frontier Markets and Best Investment Bank in Kuwait awards from Global Finance.

### Corporate Banking

In 2025, Corporate Banking at KFH delivered a year of exceptional performance, marked by strategic growth, regional leadership, and continued innovation in Islamic finance.

KFH led several landmark transactions that reinforced its pivotal role in supporting Kuwait's economic and infrastructure development. A key highlight was the successful underwriting and syndicated of the Islamic tranche of KD 675 million for Kuwait Petroleum Corporation, as part of a broader KD 1.5 billion syndicated Islamic and conventional facility. KFH retained a final hold of KD 405 million, underscoring its expertise in structuring and distributing large-scale financing solutions. KFH also participated in a major infrastructure project valued at KD 65.7 million, involving the provision of continuous engineering services for Combined Cycle Gas Turbines (Stage ONE) at Sabiya Power Generation & Water Distillation Plant.

Moreover, KFH contributed SAR 1.265 billion which is part of an overall SAR 11.4 billion syndicated Islamic facility for Shomoul Mall Commercial Company, to support the development of Avenues Riyadh. In addition, KFH participated in a USD 300 million facility for the General Authority for Supply Commodities (GASC) to support food security sector and essential imports, and a USD 100 million facility for the Egyptian General Petroleum Corporation (EGPC) to finance critical imports, both executed in Egypt and backed by 95% insurance from the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).

Additionally, KFH extended USD 100 million to support the Islamic Republic of Pakistan in energy imports, also secured and backed by ICIEC. Moreover, KFH's subsidiaries have demonstrated robust sectoral financing performance, reinforcing its alignment with regional development priorities across MENA region. The largest approved financing, totaling USD 790 million, was extended to government-related entities. In the real estate sector, KFH supported the largest single ticket transaction of USD 350 million, followed by notable contributions to the trading and manufacturing sector at USD 200 million, along with the energy and utilities sector at USD 140 million. These figures highlight the diversified and impactful role of KFH's regional subsidiaries in driving economic growth across the region.

Furthermore, the Group Corporate Banking advanced its innovation and inclusion agenda by continuously enhancing the E-Corp platform, expanding digital banking services for corporate clients and delivering seamless, secure, and inclusive financial solutions.

### Operations

2025 has been a year of strategic acceleration, marked by our unwavering commitment to operational excellence, digital innovation, Robotics Process Automation (RPA) and customer-centric transformation.

A key highlight has been the Group Synergy Initiative following the successful merger and acquisition of AUB, which enabled cross-subsidiary alignment and delivered cost-optimization initiatives across core operations. We focused on enhancing transparency, automation, and sustainability across all operational domains.

Trade Finance continues to set new benchmarks in delivering Sharia-compliant, technology-driven, and customer-focused solutions. We introduced transformative initiatives that elevated client experience and operational efficiency. QR codes were embedded into Letters of Credit and Guarantee Bonds, enabling real-time document verification and transaction management. The addition of Wakala contracts in Murabaha processing streamlined Islamic Trade Financing, reducing turnaround time and administrative overhead.

We expanded our offerings with Service Letters of Credit, supporting service-based transactions across industries such as IT, logistics, and equipment rentals. A comprehensive fee structure based on market studies was implemented, generating KD 400,000 in revenue while maintaining competitive pricing. Clients now benefit from a robust e-Banking dashboard for full visibility in LC processes, and newly established Trade Hubs in specialized KFH Branches providing personalized

expert support. These integrated efforts reinforce KFH's commitment to innovation, agility, and excellence in global trade.

Our Corporate Service Center achieved a significant strategic milestone through the automation of the Ministry of Justice's end-to-end due collection process for customer legal notices, utilizing RPA technology to streamline workflows from initiation to settlements.

Within Operations Control and Reconciliation, we launched an integrated operational platform providing real-time visibility and data-driven insights. This digital solution has empowered management with actionable intelligence, strengthened governance, and enhanced operational transparency across Group Operations.

Card Operations delivered measurable financial impact through strategic cost optimization and process enhancements. A new system to eliminate repetitive merchant authorization exceptions and remove inactive tokens from the MasterCard platform. This led to substantial annual savings and optimization of scheme subscription fees.

The Central Operations team introduced the AFAQ payment system, a milestone that allows KFH customers to execute real-time cross-border transfers across GCC countries directly via mobile application. This initiative reflects our strategy to deliver faster, more flexible, and cost-efficient digital payment options.

Our Procurement and Contracts successfully embedded ESG principles into contractual processes, aligning with international sustainability standards. The focus on contract optimization and vendor rationalization delivered substantial savings exceeding KD 1.75 million, demonstrating our dedication to financial prudence and sustainable business practices.

The Transformation and Excellence team launched the Automated System for Standard Operating Procedures (SOPs), aimed at streamlining bank-wide processes through automated workflows and electronic approvals. This system improves compliance, ensures version control, enhances accessibility, and reduces turnaround time. In addition, Generative AI capabilities were introduced across the bank to support policy and procedure management, enabling intelligent document handling, faster updates, and improved decision-making. These digital advancements are shaping the future of how Group Operations deliver smarter, faster, and more efficient services.

Undoubtedly, these achievements strengthen our dedication to operational efficiency, synergy-driven operations across the Group, supported by intelligent automation and data-driven management.

### Information Technology

Further underscoring its focus on banking technology, leading a new phase of digital development and building a modern technological infrastructure with cybersecurity buffers of high value, the Information Technology sector completed over 40 strategic projects, chief among them:

#### Automation

Among the main milestones this year is the In-house Credit Card Collection Automation System, which eliminated manual errors and accelerated deployment. The system offers customizable scheduling, full process automation, and seamless user control. It significantly reduced costs and minimized risks. In addition, the Auto Hold & Auto Hunt deployment of past-due amounts on customers linked deposit accounts, strengthened collection efficiency. Auto Hold & Auto Hunt are also implemented for LCM classes. Upon fund availability, the due amount is automatically collected, and any remaining balance is re-held. Furthermore, enhancing financial control operations and automation of key financial controls reduces operational risk.

### LCs and LGs

In this critical area of our business, KFH pioneered the market by becoming the first bank in Kuwait to implement QR codes for Letters of Guarantee (LGs). This distinctive service incorporates a QR code across all KFH-issued documents, transactions, and transfers, enhancing security, traceability, and verification. Furthermore, KFH introduced an integrated AI examination engine within the Letter of Credit (LC) issuance workflow to automatically review LC and CTA documents, ensuring compliance with regulatory requirements and eligibility criteria.

### Software and programs

Numerous systems were launched during the year, including the deployment of the Profit Calculation and Distribution (PCD) system into production and Disaster Recovery environments, the introduction of an AI-driven fraud detection model on KFHOnline to analyze customer behavior to flag suspicious activities, and the rollout of an ATM CxMarketing solution enabling the planning, management, and deployment of marketing campaigns and targeted offers to customers. Targeted updates have been introduced to PBWM customers including a refreshed black App logo. The Aurora system now features a Relationship Dashboard providing relationship managers with more benefits. The Automated POS and KPAY Enhancement Process was implemented. The reengineered workflow now completes in 2-3 hours, down from 9-12 hours, achieving nearly 80% reduction in processing time.

Furthermore, KFH launched the Advent Investment Management platform within the Group, connecting KFH-Kuwait and KFH Capital to the system hosted at KFH-Bahrain. The platform enables portfolio construction, risk management, and balance, in line with a unified vision. eCorp mobile has been updated to allow the initiator to initiate salary transfer, request cheque books, and more. In the same manner, KFH Rewards have been enhanced, offering redemption options to customers to convert their points into Oasis Club miles. Meanwhile, KFH Rewards loyalty program allows points redemption through POS terminals. AFAQ app has been launched, ensuring transparency and traceability in financial transactions. Additionally, Queuing Management and Facial Recognition System in HO ladies branch and HO men branch, enhanced customer experience and reduced waiting time, in addition to KCC customer journey enablement through KFH channels including branches, KFHOnline and eCorp. Besides, KFH succeeded in Adding many functions to the Aurora and its sub-systems, enhancing CCTV network for MOI requirements, and the Group rebranding project.

### Cards

With relation to cards, KFH introduced the new Foreign Currency Prepaid Card in Egyptian Pound, alongside other prepaid cards in USD, EUR, GBP, AED, SAR and TRY. Customers can load funds onto the card from a Kuwaiti Dinar account. The card is usable for local and international online purchases, in-store POS transactions, and ATM cash withdrawals. KFH introduced the Visa Account Updater (VAU), which enables KFH to send electronic updates regarding the customer's cards information changes to Visa for recurring payments. Also, the bank introduced a new feature of issuing virtual pre-paid card on KFHOnline instantly and adding it to digital wallets, in addition to adding cards through KFHOnline to Google Pay, enabling customers to add their cards to Google Wallet.

### Customer Transfers

In line with regulatory requirements, we have completed the unification of the use of WAMD across banks. In addition, the return period for WAMD payments was extended from 24 hours to 7 days, based on a request from the Central Bank of Kuwait and KNET. This was accompanied by the activation of an alternative processing mode for tokenized transactions (X-Pays) by expanding stand-in transactions to support tokenized card transactions through digital wallets (Apple Pay, Samsung Pay, and Google Pay).

### Contact Center Services

The year also witnessed deploying a speech analytics solution known as KNOVVU to process and analyze historical call recordings within the contact center environment, and the integration of external branches contacts into KFH IVR service to enable seamless, free-of-charge call transfers to KFH subsidiaries in Egypt, UK, and Bahrain, in addition to allowing access to customers with mental special needs through IVR.

### Infrastructure and Security Enhancements

New infrastructure and security enhancements significantly strengthened KFH Group's operational resilience and security posture. The initiatives include robust infrastructure, unified operations, and proactive risk management. KFH launched the KFHOnline Dashboard, WAMD, Transfers, SMS, and IVR deployment services. With the new tool, the monitoring team have real-time access to infrastructure-level data, systems, and servers to quickly resolve any issue. Also, tapeless backup environment upgrade was implemented, improving data backup efficiency, reducing recovery times, and enhancing overall data security.

### Departments Systems

Launching the new system for Group Legal, as part of the new legal system updates, replacing the legacy Alwafi platform with the new solution, Aurora Law Align. The new development also included updated Sharia Control and Financial Control systems as well as other significant departments, reinforcing commitment to governance, transparency, and digital transformation.

### Banking Products

Gold Product: The year 2025 witnessed an exceptional performance for the KFH Gold Account, marking the highest level of gold trading since the service was launched, with a total volume of 2.8 tons traded between customer purchases and sales. The achievement is attributed to the flexibility offered by KFH's gold services in buying and selling through online channels and branches, as well as the competitive pricing provided to customers.

In addition, KFH launched the innovative Gold Pledge Finance product, designed to unlock the hidden value of customers' gold holdings while ensuring their assets remain fully secured.

### KFH Group Service Center

In line with KFH's mission to deliver superior innovation and customer service excellence, the KFH Group Service Center was launched in May 2025 to facilitate transactions of our customers by offering special transactions at KFH- Egypt and Kuveyt Turk Bank in Turkey. Through the service center located in Mishref branch, customers can open new accounts, apply for and receive debit cards, update their information, and activate the mobile application without having to travel to Egypt or Turkey.

### Campaigns and Benefits

During the year, KFH extended the cash gift campaign up to KD 500 for new salary transfer customers. KFH has also introduced new premium benefits for its distinguished clients, including increased airport transfer services from twice to three times a year, complimentary valet parking service available throughout the year, local concierge service to meet customer's daily needs and a wide range of exclusive discounts in collaboration with various retail partners. In addition, KFH organized several interactive workshops and special events for Baiti and Hesabi customers to enrich their experience and strengthen their engagement with our products and services.

KFH launched “Double Your KFH Rewards Points” campaign for KFH cardholders for their international purchases during the summer of 2025. KFH conducted various flash deal offers with special discounts during the main seasons for KFH card customers at top retailers such as Emirates Airlines, Qatar Airways, Turkish Airlines, Talabat, Almosafer, Alpha Store, iHerb, and Landmark Group.

Through our participation in the Ya Hala Kuwait Shopping Festival, we offered special KFH Rewards deals and offers to customers during the festival period. With the KFH Rewards Winter Wonderland Campaign, customers received 10x KFH Reward points when they purchased entry tickets.

### Distinguished Products

To support newlyweds in pursuing their journey with confidence and financial ease, KFH introduced Zafafi Wedding Finance, a specialized product tailored to cover essential wedding-related expenses, providing affordable and tailored financial solutions to meet newlyweds’ needs.

KFH Cards launched a new Prepaid card featuring the KFH Rewards value proposition. With this product, customers earn KFH Reward points on purchases made with the card. Customers can also apply for the card online through the KFHOnline app. Since its launch, the KFH Rewards Prepaid card has become one of the top-issued KFH card products.

KFH investment deposits portfolio recorded a notable growth of 4.9% from the beginning of 2025 through the end of September. This growth reflects the continued trust of customers in KFH’s performance.

### Cards

KFH Rewards loyalty program added new redemption partners such as Kuwait Airways, Caribou, Cari, Keeta delivery and Gulf Air. As of Oct-2025, KFH Rewards has 180 retailers as KFH Rewards redemption partners. To facilitate customer experience, KFH enabled its cardholders to make on-spot redemption of their KFH Reward points at participating KFH POS terminals. Moreover, KFH Rewards introduced exclusive campaigns through the TAM Rewards program tailored for TAM Digital Banking customers, including a complimentary Talabat Pro membership, and bonus reward points.

### Digital Services

KFH introduced a dedicated “KFH Offers” page, allowing customers to view the different range of discount offers. The page was integrated with the KFH Online App. Additionally, KFH customers are enabled to conveniently apply and instantly get a digital KFH Prepaid card through KFHOnline app.

KFH launched the AI virtual assistant "Fahad" at The Avenues Phase 4 branch to respond to general customer inquiries for the first time in Kuwait. The Bank also added a customer profile page (Customer Profile and Benefits) in KFHOnline app.

Our customers can instantly replace credit and prepaid cards with KFH instant printing machines using the civil ID or QR code. They can also request money through WAMD service by sharing or scanning the QR code from KFHOnline app and transfer funds to credit and prepaid cards from local bank accounts via KNET through the app.

We launched the first hybrid branch at The Avenues, combining digital and traditional banking services. KFH introduced the new ATM car with Kiosks for instant card printing machine for the first time in Kuwait.

### Sharia and Legal

Sharia Research and Advisory Department at KFH continued fulfilling its responsibilities across all areas, projects, and plans approved by the Fatwa and Sharia Supervisory Board. This included monitoring related activities, reviewing contracts, products, agreements, and policies submitted by KFH’s sectors and departments. The department also handled Sharia-related inquiries and comments, referring them to the Fatwa and Sharia Supervisory Board when necessary to obtain its opinion.

In terms of promoting Sharia awareness and culture among customers and employees, the department responded to Sharia inquiries received via phone. It also shared economic jurisprudential bulletins and distributed them to employees through the electronic channels available at KFH. The department also contributed to the development of KFH’s products and services by providing professional Sharia support and advice to senior executive management, in addition to supporting the Fatwa and Sharia Supervisory Board in fulfilling its duties. It also participated in social awareness initiatives, highlighting KFH’s role in Islamic banking.

Regarding digital transformation, the department adopted and utilized the Smart Sharia Bot Program to enhance the mechanism for Sharia research and responses. The program facilitates access to fatwas and decisions issued by the Fatwa and Sharia Supervisory Board, helping accelerate work processes and save time and effort in Sharia research, development, and advisory, while improving the accuracy of extracted information.

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.

### Private Banking

In line with its continued focus on customers and addressing competitive pressures, Private Banking approved key objectives, most notably unlocking scale, connectivity, and global growth. Following a year of accelerated performance in 2025, where Private Banking and Wealth Management rapidly surpassed their initial benchmarks, KFH Group has approved a comprehensive strategic reset for 2026 and beyond. This decision reflects the Group’s commitment to sustained growth, innovation, and leadership in Islamic private banking and wealth management.

The approved 2026 strategy introduced a multi-dimensional transformation across the Private Banking platform including:

**Brand Refresh:** the launch of a new identity to reflect the Group’s global ambitions and enhance market positioning.

**Network Expansion:** activation of all parts of the Private Banking and Wealth Management network and deeper integration across existing geographies to serve client needs and drive revenue growth.

**Product Innovation:** introduction of strategic offerings such as Discretionary Portfolio Management (DPM), alongside an expanded suite of open architecture wealth solutions.

**Infrastructure Overhaul:** development of a unified, digital enabled backbone to augment relationship managers performance.

### Social Role and Sustainability

KFH has further enriched its track record in social contributions with new initiatives, chief among them is pledging KD 15 million to fund the creation and equipping of a dedicated cardiac diseases and research center at Mubarak Al-Kabeer Hospital. Additionally, KFH contributed to the establishment of the 10th ward of the Addiction Treatment Center, reflecting the Bank's efforts to enhance treatment and rehabilitation services and provide a comprehensive and healthy environment for recovering patients. In addition, KFH also contributed to launching a strategic initiative in collaboration with the Ministry of Justice to settle more than KD 20 million in debts to release approximately 10,000 defaulting debtors whom the court ordered to be brought before it. KFH also continued its leading role in providing social contributions to the Kuwait Foundation for the Advancement of Sciences (KFAS), the national employment support program, Kuwait Institute of Banking Studies (KIBS), and various other community contributions that reaffirmed the Bank's social responsibility leadership.

Moreover, KFH issued the fifth Sustainability Report for the year 2024. It further strengthens its leadership in sustainable finance, integration of sustainability into the Bank's operations, aligning with its mission, values and efforts through the global economic, environmental, social and governance (EESG) indicators. These efforts are also aligned with the national objectives and the sustainable development goals. The report underscores KFH's commitment to achieving sustainable development and solidifying its role as a leading global Islamic financial institution in sustainable finance.

### Awards and Rankings

In recognition of its various achievements at all levels, KFH Group earned 60 prestigious awards during 2025. These included 7 awards from the globally renowned Islamic Finance News (IFN) magazine as follows: Best Islamic Bank in Kuwait, Best Islamic Corporate Bank in Kuwait, Best Islamic Retail Bank in Kuwait, Most Innovative Islamic Bank in Kuwait, and Best Islamic Investment Bank in Kuwait. Additionally, KFH Group secured the IFN Bahrain Deal of the Year 2024. Meanwhile, KFH-UK won the Best New Islamic Bank award. KFH also won 3 awards from VISA in recognition of its outstanding performance in 2024. These awards are: Best-in-Class CIF Growth in Kuwait for 2024, Best-in-Class Commercial Card Volume Growth in Kuwait for 2024, and Best-in-Class Cross Border E-commerce Growth in Kuwait for 2024. Additionally, KFH was recognized with four prestigious awards from EMEA Finance which are, Best Islamic Bank in the Middle East, Best Bank in Kuwait, Best Islamic Bank in Kuwait, in addition to the Sustainability Award – Middle East Level. KFH also secured eight prestigious awards from Euromoney in the following categories: The Middle East's Best Islamic Bank, Kuwait's Best Islamic Bank, Kuwait's Best Bank, Kuwait's Best Bank for SMEs, Kuwait's Best Investment Bank (KFH Capital), The Middle East's Best Bank Transformation, Bahrain's Best Islamic Bank, and Bahrain's Best Digital Bank for Large Corporate. Meanwhile, KFH Capital received the Best Investment Bank in Frontier Markets and Best Investment Bank in Kuwait awards from Global Finance magazine.

Moreover, KFH was named Best Investment Bank – Kuwait from MEED and was recognized as the Best Bank for Financial Institutions in the Middle East for 2025 by Global Finance. KFH was also awarded Best Islamic Private Bank- Digital Innovation 2025 by Global Private Banker magazine.

KFH ranked 1st for Best Performing Bank in Kuwait, in The Banker's Top 1000 Global Banks Rankings 2025. This prestigious ranking underscores KFH's exceptional financial performance, highlighting the unwavering commitment to excellence, innovation, and customer satisfaction.

KFH was recognized by Legal 500 GC Powerlist as one of the most influential institutions in legal management for 2025.

The Bank was named the MENA's Most Innovative Private Bank for 2025 at MEED's MENA Banking Excellence Awards 2025 - Wealth & Private Banking. KFH also received the AI Excellence Award during the Microsoft AI Summit.

KFH was recognized with 9 prestigious awards in the Global Finance annual awards for the Best Islamic Financial Institutions in 2025. The awards are World's Best Islamic Bank, World's Best Islamic Retail Bank, World's Best Islamic SME Bank, World's Best Takaful Provider, World's Best Islamic Project Finance Provider, Best Islamic Bank in the Middle East, Best Islamic Bank in Turkiye (Kuveyt Turk), Best Islamic Bank in Kingdom of Bahrain (KFH- Bahrain), and Best Bank in Kingdom of Bahrain (KFH Bahrain).

On the local front, KFH received the Banking Excellence Award as part of its participation in the Kuwait Builders Summit 2025 (KBS). Further, it successfully received two ISO certifications for quality management system and facility management system according to international standards of service excellence and sustainability. KFH has also retained its advanced standing in the ranking of leading global rating agencies.

Looking ahead, KFH will continue its efforts to achieve the highest financial indicators and record sustainable profits, and offer unique and competitive products and services, and to foster cooperation and coordination across and within each of the Group's units. The Bank is also committed to maintaining sound performance, effective plans and high efficiency of those entrusted with their execution, high capabilities and financial strength. Additionally, KFH affirms its commitment to serving the communities in which it operates, protecting the environment and supporting governance practices, while giving utmost priority to achieving customer satisfaction and developing human capital, the cornerstone of every success.

## Executive Management



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

Mr. Al-Shamlan received his bachelor's degree in economics from Kuwait University in 1995. He has completed numerous specialized courses in Leadership, Financial Analysis and Risk Management, including Managing Strategically and Leading for Results conducted by Harvard Business School, as well as a two-year specialized training program for graduates at Kuwait Investment Authority (KIA).

Currently, Mr. Al-Shamlan serves as the Group Chief Executive Officer of KFH a position he has held since January 2025. He is also the Vice Chairman at KFH Capital Investment Company, the Chairman at KFH Real Estate, Board Member at KFH Bahrain and Board Member at KFH Egypt. He is also a board member of Kuwait Turk Participation Bank (KTPB).

With over 26 years of extensive experience in the banking industry, Mr. Al-Shamlan has held several key leadership roles at Kuwait Finance House including: Chief Executive Officer, KFH Kuwait (August 2023 - December 2024), Group Chief Retail and Private Banking Officer, Group General Manager, Retail Banking, and General Manager, Corporate Banking - and General Manager Corporate Banking, Deputy General Manager of Private Financing and Deputy General Manager of Corporate Real Estate Financing.



**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 completed several leadership training programs from prestigious institutions such as Harvard Business School.

He has held the position of Deputy Group CEO for 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, and as a board member of KFH 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. Before joining Kuwait Finance House (KFH) he had senior roles at Coutts Private Bank, where he was a Managing Director in the United Kingdom business, and before that Senior Executive Officer in their DIFC branch in the United Arab Emirates.

Currently, he serves as the Deputy Group CEO of Private Banking, Wealth Management, and Business Excellence at Kuwait Finance House (KFH) and Chairman of KFH Capital since February 2024.



**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. 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. He has served as a board member of The Shared Electronic Banking Services Company KNET, representing Kuwait Finance House, since February 2025. 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. 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 24 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. 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 over 26 years of experience and extensive knowledge in assessing internal control systems, risk management, and governance processes. During his career, he has served in prominent leadership roles; he has been heading the Group Internal Audit Department at Kuwait Finance House since 2012. Prior to his tenure at KFH, he served as Assistant General Manager of Internal Audit and Banking Operations at Burgan Bank in Kuwait, Finance Manager in a conglomerate in the Kingdom of Saudi Arabia and Risk Consultant in Arthur Anderson Kuwait Office.



**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 models, 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. 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 a Diploma in Private Law, a Diploma in Administrative Sciences, and a 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 Hospitals Company - Kuwait 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 from 2020 to June 2023, Assistant Board Secretary from 2012 to 2013, and Senior Lawyer from 2007 to 2011. He also served as a lawyer and legal advisor in several law firms during the period from 2001 to 2007.



**Ms. Lamyia Barrak Al-Tabtebai**  
Group Chief Data Officer

Ms. 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 holds the position of Group Chief Data Officer at Kuwait Finance House Group since 2024. In her 30+ years career, she held various leadership positions including the Deputy Chief Executive Officer for IT, Digital Transformation and Operations at Ahli United Bank – Kuwait from 2022 until 2024, the Deputy General Manager for IT Planning and Architecture 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 was the first female member to join KFH's IT group. Additionally, she has received numerous prestigious awards, including SHE LEADS (Technology & Beyond) award in 2025, and IDC Transformation Leader of the Year in 2023, the Best Senior Level Technology Executive award at the Women in Technology Award in Dubai 2014, 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.

She was featured in the book "Pioneers of Conversion to Islamic Economy." Ms. Al-Tabtebai also is an active member of professional organizations including the Kuwait Society of Engineers, and ISACA.



**Mr. Ahmad Eissa Al-Sumait**  
Chief Treasury Officer 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 25 years.

Currently he is serving as Chief Treasury Officer (Kuwait) since February 2025.

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

Throughout his career, he held numerous prominent leadership roles at Kuwait Finance House, including both General Manager and Senior Executive Money Market Manager. He was promoted to various leadership positions within the Treasury Department from 2006 until 2025.

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 was the Chairman of Kuwait Financial Markets Association from 2021 until 2024.



**Eng. Meshaal M. Al-Munaikh**  
Group Chief Technology and Digital Transformation Officer

He holds a Bachelor of Science in Computer Engineering from the University of Miami, USA, and has completed several prestigious executive programs, including "Leading Digital Transformation" at Columbia Business School, "Master of Negotiations" and "Decision Making Strategies under Risk and Uncertainty" at Harvard, and "Essentials of Leadership" at London Business School. Eng. Al-Munaikh's commitment to continuous learning and his ability to lead cross-functional teams have positioned him as a key figure in shaping the future of digital services in Kuwait's telecom and banking industries.

Eng. Al-Munaikh began his career at Zain Kuwait in 1999, where he held several key roles over 13 years, including Department Manager for IT Business Systems Support and Customer Support Manager. His work spanned critical areas such as billing systems, CRM upgrades, ERP integrations, and digital revamps. Known for his strategic vision and operational excellence, he has consistently delivered innovative solutions that align technology with business growth, enhance customer experience, and optimize performance.

Eng. Meshaal M. Al-Munaikh is a seasoned IT and digital transformation executive with over two decades of experience in the telecommunications and financial sectors. In April 2025, he was appointed Group Chief Technology and Digital Transformation Officer at Kuwait Finance House (KFH), where he leads enterprise-wide innovation, digital strategy, and technology modernization across the group. Prior to this, he served as General Manager of Information Technology at STC Kuwait from 2019 to 2025, following a seven-year tenure as IT Director. His leadership has been instrumental in driving large-scale transformation initiatives, including infrastructure upgrades, cybersecurity enhancements, and the digital rebranding of VIVA to STC.



**Mr. Yousef Al-Mutawa**  
 Group Chief Corporate Banking Officer

Mr. Yousef Al-Mutawa received his Bachelor of Arts from the USA in 2000. He has also completed several professional development programs at respected institutions, including Columbia Business School, INSEAD and Harvard Business School. He has built an impressive career in the banking industry and brings diverse experience and expertise in the financial sector.

He joined Group Corporate Banking at Kuwait Finance House in 2017. Prior to this, he held prominent leadership positions at various banks in Kuwait, working at the National Bank of Kuwait (NBK) from 2000 to 2009 and Head of Commercial Banking at the National Bank of Abu Dhabi (PJSC) from 2009 to 2017.



**Mr. Abdullah Sulaiman Al-Haddad**  
 Group Chief International Banking Officer

Mr. Abdullah holds a Bachelor's degree in Accounting and Auditing from Kuwait University and has completed executive programs in Negotiations, Business Mastery, Venture Capital, and AML.

Mr. Al Haddad is a seasoned banking executive with over 25 years of experience in investment banking, finance, and real estate. On July 2025, he was appointed Group Chief International Banking Officer at Kuwait Finance House (KFH), where he oversees global banking operations and strategic international initiatives. His leadership is marked by a strong focus on group synergies and aligning investment strategies with institutional growth.

Prior to this role, Mr. Abdullah served as Chief Investment Banking Officer at KFH Capital, where he led key departments including debt and equity capital markets, private equity, and direct investments. He participated in the USD \$30 billion acquisition and merger of Ahli United Bank with Kuwait Finance House. He served as a member of numerous local and regional board of directors across different industries such as Banking, Aviation, Investment, Industry and Oil & Gas. His career includes senior roles at KFH Investment Company, Diyar Al-Kuwait Real Estate, and Kuwait Finance House's International Investment Department.



**Mr. Abdulkarim Abdullah Al-Samdan**  
 Group Chief Financial Officer

Mr. Al-Samdan holds a Global Executive MBA from IESE Business School (2015) and a Bachelor's and Master's Degree in Accounting from the University of Denver (2003). He has also completed several professional programs in Strategic Financial Leadership, including courses at the Wharton School of the University of Pennsylvania and the Amsterdam Finance Institute.

Mr. Al-Samdan has served as the Group Chief Financial Officer since 2025. Over the course of his 22-year career with Ernst & Young (EY), where he held the position of Partner since 2014, he led numerous financial audit and strategic financial advisory engagements across a wide range of industries, including the banking sector, gaining extensive experience in the process. He also spearheaded multiple financial transformation projects focused on compliance with the Central Bank of Kuwait's regulations, International Financial Reporting Standards (IFRS), and Basel III requirements, in addition to enhancing governance frameworks and improving internal control systems.



**Mr. Ahmed Al-Hammad**  
 Acting Group Chief Human Resources and Transformation Officer

He holds a Bachelor's degree in computer engineering from California State University, Chico (2003–2007).

Mr. Ahmed Al-Hammad has a distinguished track record in the fields of Human Resources and Digital Transformation, backed by over 17 years of professional experience in leading financial and telecommunications institutions.

He began his career at the National Bank of Kuwait, contributing to the field of information technology through various roles, where he served until 2013. In 2013, he joined Kuwait Finance House (KFH), where he played a pivotal role in Corporate Strategy function and later moved to Group HR in developing the performance and rewards functions where he served various leadership positions until 2019.

He then moved to Kuwait Telecommunication Company (STC), where he led transformation initiatives in organizational design and total rewards. He was later appointed as Chief Human Resources Officer, a role he held until 2024.

In January 2025, he returned to Kuwait Finance House to take on the role of Acting Group Chief Human Resources and Transformation Officer, continuing his mission of driving transformation and advancing human capital in one of the region's largest Islamic banking institutions.



**Mr. Sameh El-Meligy**  
Acting Group Chief Retail Banking  
Officer

Mr. El-Meligy obtained his BA in Accounting from Alexandria University in Egypt in 1998. Additionally, he has completed various courses in executive leadership, digital transformation, control and governance, and Six Sigma certification from prestigious institutions such as Harvard Business School and IMD.

Currently, he is the Acting Group Chief Retail Banking Officer.

He commenced his banking career in 1999, gaining over 25 years of experience in the banking industry. He has worked at various banks in Egypt, the United Arab Emirates, and Kuwait, where he joined KFH in 2015. At Kuwait Finance House, he has held several key roles, including Deputy General Manager of Retail Support, and General Manager of Retail Digital Banking and Support. He has been the Acting Head of Retail Banking since October 2023.



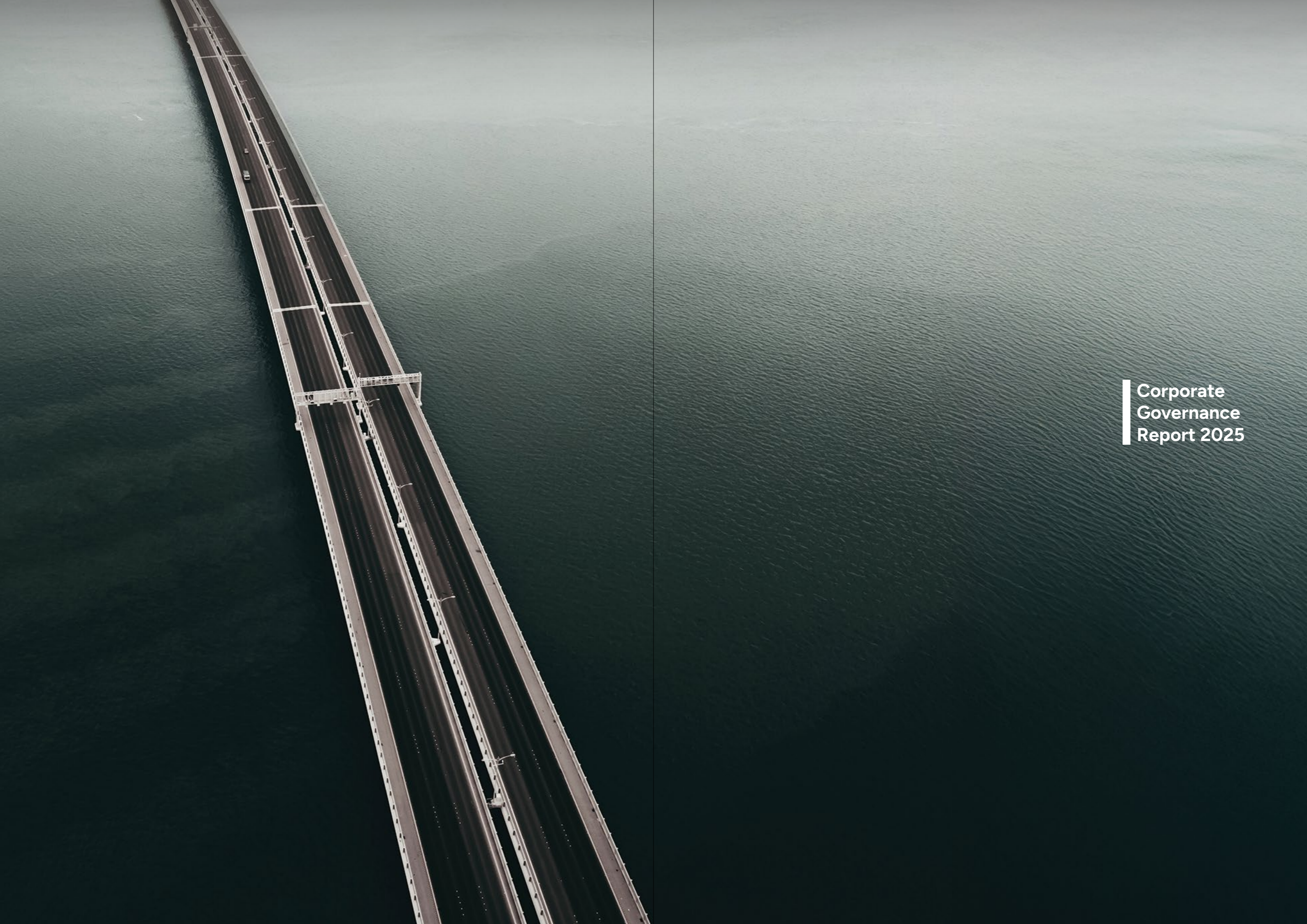
**Mr. Meshal Fahad Al-Shayee**  
Head of Group Compliance  
and Governance

He obtained a Diploma in Finance and Banking from the Newcastle College of Higher Education in the UK in 2002, and from the Institute of Management and Technical Studies in Kuwait.

Mr. Al-Shayee completed several specialized professional courses in different areas, including compliance, disclosure and corporate governance at The Netherlands Center of Governance (NCG) and the Talent United Center. Furthermore, he completed the Capital Markets Authority laws and regulations training course, the Certified Compliance Manager (CCM) program from the Kuwait Accountants and Auditors Association, Finance, Banking and Islamic banking transactions, in addition to training programs in management and leadership from the Arab Academy for Management, Banking and Financial Studies.

He possesses over 30 years of extensive banking experience at KFH. During his tenure at the Bank, he chaired various committees and held several key leadership positions, including Executive Manager Regulatory Information, Executive Manager Disclosure and Regulatory Information, and Deputy General Manager of Group Compliance and Governance. He currently serves as the Head of Group Compliance and Governance, where he leads the implementation of the Group's compliance and governance strategy, aligning local and international policies and standards across the Group.





Corporate  
Governance  
Report 2025

# Corporate Governance Report 2025

## 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 of Directors oversees the review of the framework to achieve the highest levels of governance and sound management, meet standards of efficiency and integrity, ensure the separation of administrative and executive responsibilities, prevent conflicts of interest, reduce the occurrence of money laundering, bribery, and financial and administrative corruption, and exercise due diligence to reduce the occurrence of risks related to these standards.

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 also 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, also regularly reviewing governance updates and standards set by international institutions, along with their applications, to evaluate their effectiveness for Kuwait Finance House Group, 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 2025, the Governance and Sustainability Committee conducted a review of the corporate governance framework and the charters of the board of directors and its committees. The committee has supervised the issuance of KFH Sustainability Report 2024, the report adheres to the Global Reporting Initiative (GRI) standards and the Integrated Reporting Framework. It has received independent assurance for compliance with all GRI standards. The committee also supervised the issuance of the carbon footprint report 2024. Also, this year the committee supervised several initiatives to promote governance, sustainability and transparency, and conducted a comprehensive review of governance practices in KFH and its subsidiaries to ensure compliance with the KFH Group's governance policy requirements and the instructions and controls imposed by other regulatory bodies, both within and outside the State of Kuwait.

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, Those who meets the educational qualifications and work experience requirements imposed by the Central Bank of Kuwait. 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.

### 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. Keeping up with the continuous update of banking products and services globally, and in accordance with the provisions and teachings of Islamic Sharia and taking into consideration any new and valid Sharia research and interpretations.

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

An independent external Shari'a auditor is appointed through the General Assembly 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 2025

Throughout 2025, Kuwait Finance House (KFH) continued to strengthen its position as a leading financial institution in governance and sustainability by implementing a series of initiatives that support the Sustainable Development Goals (SDGs) and Kuwait Vision 2035. The Governance and Sustainability Department developed a Business Sustainability Program for the bank's SME clients. This program, the first of its kind in the Kuwaiti banking sector, involved companies from various sectors, including those listed on the Kuwait Stock Exchange, fintech companies, and oil companies. Consequently, the program encompassed most vital sectors impacting the national economy, contributing to their vision for business sustainability. This, in turn, positively impacts the economy, particularly by enhancing the size and operations of SMEs. The program was designed as a strategic step reflecting KFH's commitment to its clients and partners, as their success is integral to KFH's own success. Through this program, KFH shared its experience with the clients to help them adopt practical and applicable sustainability practices, enabling them to enhance their capabilities and achieve sustainable growth. The program also provided guidance on formulating clear strategies to help companies achieve their objectives, how to measure and manage impact within daily operations.

The bank also completed its Impact Measurement & Management project in collaboration with the United Nations Development Program (UNDP). This project aims to measure the impact of Kuwait Finance House's (KFH) sustainability projects on society and the environment through its products, services, processes, and supply chains, working to minimize negative impacts and maximize positive ones.

In terms of transparency, KFH launched its 2024 Sustainability and Carbon Footprint reports, publishing both on the bank's website. 2025 was a landmark year, as KFH strengthened its position on the FTSE4Good Index and maintained its (A) rating on the (MSCI) Sustainability Index, reaffirming its leading role in sustainability. The CEO of the group was also selected as one of the Middle East's Sustainability Leaders by Forbes Business magazine.

KFH also participated in numerous conferences and events, including the Forbes Sustainability Leaders Conference in the UAE and the Electricity and Water Conservation Forum in Kuwait.

## Governance:

KFH has adopted a model with three independent lines of defense in accordance with regulatory guidelines and global practices. These lines of defense operate independently in terms of responsibilities and are integrated in terms of achieving the required goals and results to safeguard KFH from potential risks. These are:

- **First line:** The risks that most functions face and deal with directly.
- **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.

## 1- Disclosure and Transparency

KFH's disclosure policy is a fundamental pillar of corporate governance. The Bank adopts a clear framework that promotes the principle of disclosure and transparency, while ensuring fairness and equality in the timely dissemination 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 2,989 thousand, comprising of audit and review fees of KD 1,881 thousand, and other assurance and services of KD 1,108 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 four 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, emphasizing the employees' sense of belonging to the organization and enhancing their sense of loyalty to the organization.

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, 2,592 employees received training programs and courses at a rate of 96,474 training hours. We have contracted with world-class training service providers such as:

- Headspring Executive Development
- Gartner
- Moody's
- Harvard Business School
- Microsoft
- GUST
- National Leadership Institute (NLI)
- IE University

The Training Department periodically evaluates the effectiveness of its programs and assesses employees' training needs based on each employee's field, experience, and work history. There are specialized programs covering all aspects of the bank's operations, as well as leadership programs designed to develop Kuwait Finance House's (KFH) workforce according to approved succession plans for cultivating future leaders.

During 2025, the KFH Leadership Academy successfully conducted two leadership skills training programs:

- Creating Excellence in Leadership
- The Institutional Leadership Program.

Both programs were designed to develop the skills of the next generation of leaders across the KFH Group. The programs included 51 participants from Kuwait, Bahrain, Turkey, and Egypt, creating an environment for exchanging experiences, fostering cultural diversity, and promoting constructive collaboration in developing leadership skills across the Group. Participants also attended several training and educational workshops in Kuwait and Spain, focusing on:

- Developing Strategic Leadership, Focusing on Transformation and Development, and Innovation in Achieving Visions.
- Interactive workshops, developed jointly by IE Business School and the Financial Times, combined academic rigor with practical, real-world application in the world of finance and business.
- The program also included collaborative group projects addressing existing challenges.

These training activities enhanced the participants' experience as a group. These programs concluded with a graduation ceremony held in Madrid, Spain, where participants have demonstrated the skills and information they have acquired through presentations of their program-related projects.

Kuwait Finance House also offers numerous opportunities annually for its employees to pursue further education through scholarships for master's and bachelor's degrees, also the bank supports acquiring professional certifications. KFH is committed to providing professional and flexible communication channels for the employees to address their needs and respond to their inquiries. The bank has 8 designated business partners who are serving as points of contact across multiple business areas, contributing to a healthy work environment that allows employees to freely express their opinions and feedback.

Recognizing the significance role of women and valuing their contributions to the workforce, KFH is proud that this year women make up 24.04% of the total workforce, and it strives to increase this percentage by attracting new talents that align with KFH's strategic vision.

Kuwait Finance House is engaging the employees in developing and improving the work environment by conducting an annual group-wide survey to gather their opinions, ideas, comments, and evaluations of KFH's operations, under the slogan "Together We Make a Difference." This year, the participation has reached 90% of the group's total employees. Based on the survey results, the senior executive management reviews employees' feedback and aspirations. After reviewing the survey's content, executive management addresses the feedback and the employees' needs, thus preserving both the bank's resources and retaining its manpower by providing a suitable environment for work, creativity, growth, and progress.

#### 4- Social Responsibility

Social responsibility is a fundamental pillar of KFH's strategy, through which KFH continues to implement impactful initiatives that deliver added value and create a positive influence across all society's segments. These initiatives also support and enhance the objectives and pillars of sustainable development on multiple societal levels.

KFH launched several initiatives covering diverse areas including health, education, culture, sports, youth empowerment, students and scientific research support, innovation, digital transformation, care for people with special needs, and environment protection. KFH's social activities also encompassed volunteerism, awareness programs and many more. Some of these initiatives are:

- The opening and expansion of the tenth ward of the Addiction Treatment Center in the presence of government officials, underscoring KFH's commitment to social responsibility toward this social issue. It also reflects the Bank's contribution to developing rehabilitation and addiction treatment services, in addition to providing an integrated healthy and humane environment for individuals in recovery. The new expansion covered approximately 900 square meters and offers a total capacity of 22 beds across 11 rooms. This includes eight patient rooms, two single isolation rooms, and an observation room. The ward also features three lounges, a dining area, and dedicated rooms for visiting and medical inspection, along with three operational storage rooms. It includes a fully integrated administrative section housing a pharmacy, a doctors' lounge, and three organizational offices. With the opening of this expansion, the total bed capacity has been increased to 569 beds. Established in 2005 with the contribution of KFH, the Addiction Treatment Center provides a comprehensive therapeutic and rehabilitative environment that helps patients return to normal life through advanced programs encompassing medical, social, psychological, sports, and artistic aspects.
- Launching KFH Academy for the first time in Kuwait to empower university students and recent graduates by gaining a practical experience, at the largest bank in Kuwait. The program included diverse learning areas such as public relations, media, digital transformation, innovation, general services and engineering projects.
- Strategic partnership with Kuwait Hackathon, the country's largest cybersecurity competition, for the third consecutive year.
- Renewing the strategic partnership with Kuwait Codes initiative in collaboration with CODED Academy, offering free training to over 1000 students throughout the year on the fundamentals of coding.
- Participating in Kuwait's 2025 NEXUS tech exhibition, one of the leading platforms that supports innovation and entrepreneurship in Kuwait.
- Renewing the strategic partnership with 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 main strategic sponsor of the team each year.

- Continuous strategic partnerships with organizations of people with special needs including the partnership with Kuwait Society for the Handicapped (KSH) and supporting the national initiative, Partners in Employing Them.
- Introducing pioneering initiatives under the Keep it Green campaign, the umbrella for various projects and programs aimed at preserving the environment and promoting sustainability, greening and environmental awareness.
- Continuously supporting the reconstruction project for the area damaged in the Al Mubarakiya fire, affirming the leading national and social role of KFH.
- Cooperation with the Kuwait Food Bank to provide food and support underprivileged families in Kuwait.
- Organizing the largest walking challenge throughout the month of Ramadan, in collaboration with KFH strategic partner, V-Thru.
- Unprecedented success of KFH's Ramadan program, Increase Good Deeds in Ramadan, reflecting the significance of strengthening social ties. The program included various activities such as: Iftar meal campaign, Ramadan Majla, Eid clothes distribution in collaboration with Kuwait Red Crescent Society, hospitality services for worshippers at mosques, in addition to series of awareness videos in collaboration with medical doctors and nutrition specialists as well as traffic awareness messages in partnership with the Ministry of Interior, promoting safe driving practices and accident prevention, along with initiatives to share Iftar meals with on-duty workers during iftar timing.
- Launching the 12th edition of KFH's annual Quran recitation competition.
- Continuous support for students' graduation projects at the Engineering Design Exhibition throughout the 2025 academic year.
- Renewing the strategic partnership with the Touristic Enterprises Company (TEC) and supporting Kuwait's Winter Wonderland project in line with Kuwait's vision of promoting the tourism sector.
- Supporting Diraya campaign by sharing purposeful messages and contents aimed at enhancing financial literacy among customers and the public.
- Successfully launched health awareness campaigns such as the breast cancer awareness campaign, You are Stronger and Movember campaign which included awareness events and educational seminars.
- Launching a comprehensive health campaign for World Diabetes Day in November.
- Renewing the strategic partnership with CODED Academy for the CODED Juniors initiative, aimed at teaching kids coding fundamentals and secure use of electronic devices.
- Delivering several workshops and training courses on Islamic finance, reflecting the Bank's commitment to enhancing awareness and knowledge within the society.
- Contributing to the re-introduction of the 50-year program, Ma'a Attalaba, in cooperation with the ministries of Education and Information and VO platform. Over 100 students from 24 schools participated in the program.

#### KFH's Social Contributions in 2025:

\*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
46,314,234 KD	5,559,154 KD	18,431,551 KD	1,689,617 KD

#### 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.

#### Ownership shares as of 31/12/2025

Authority	Ownership form	Country	Ownership ratio
<b>Kuwait Investment Authority</b>	Direct	Kuwait	<b>15.67%</b>
<b>Public Institution for Social Securities</b>	Direct and indirect	Kuwait	<b>9.09%</b>
<b>Public Authority for Minor Affairs</b>	Direct	Kuwait	<b>6.82%</b>

❖ The table above shows the shares of owners who own 5% of the capital or more.

#### Board Members' Duties and Responsibilities

##### 1- General responsibilities of the Board of Directors

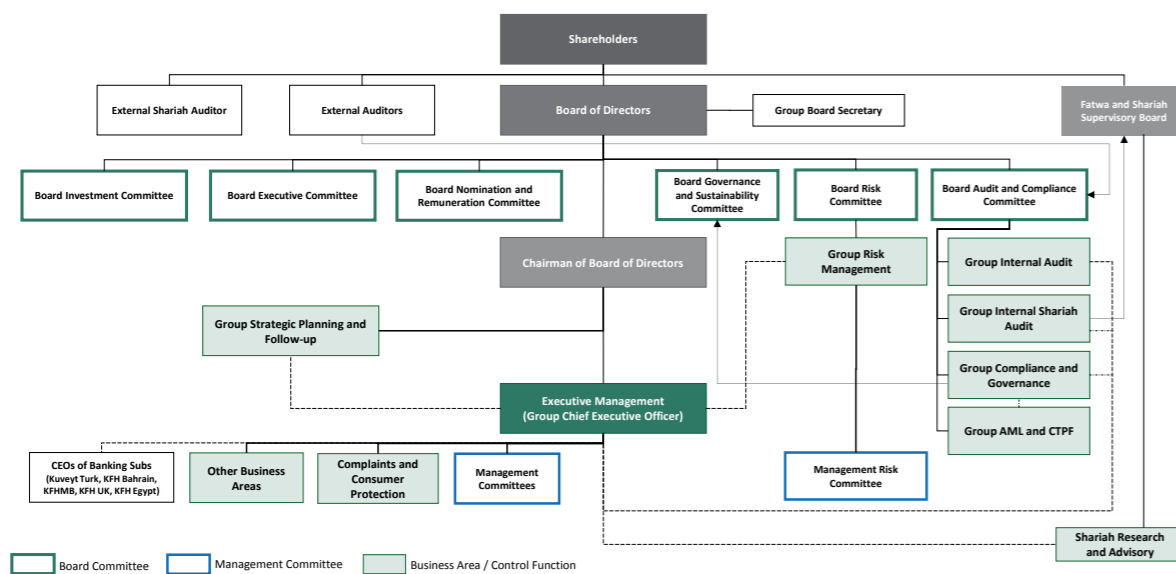
It sets strategic goals, risk strategy and all matters related to governance systems. The Board is responsible for supervising the Executive Management and ensures KFH's compliance with the requirements of Central Bank of Kuwait, Capital Market Authority, and relevant laws. The Board ensures to preserve 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 Group Board Governance Structure



### 1- Chairman role

Considering the significance of this role, the Chairman ensures proper functioning of the Board by chairing the board meetings, maintaining mutual trust and collaboration among Board members, and ensuring 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. 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 Executive Management. The Board also assures 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 2025 during its current 16th session. 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 2025, the Board of Directors adopted (24) resolutions by passing, while the Boards' committees adopted (21) 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- Names of the Board members and the number of meetings held by the Board during 2025

Date of meeting	9 Jan	10 Feb	2 Mar	10 Mar	9 Apr	12 May	17 Jun	9 Jul	23 Jul	12 Aug	7 Sep	9 Oct	9 Nov	8 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	32	33	34	35	36	37	38	39	40	41	42	43	44	45			
Hamad Abdulmohsen Al-Marzouq – Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Abdulaziz Yacoub Al-Nafisi – Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Ahmad Abdullah Al-Omar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Sheikh/ Salem Abdulaziz Al-Sabah	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	13	1	14
Noorur Rahman Abid	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13	1	14
Salah Abdulaziz Al-Muraikhi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	13	1	14
Mohammad Naser Al-Fouzan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Ahmad Hamad Al-Thunayan	✓	✓	✗	✗	✓	✓	✓	✓	✓	Replaced on 3/8/2025*					7	2	9
Abdullah Falah Almdaires	Joined the Board of Directors as a successor to Mr. Ahmad Al-Thunayan.									✓	✓	✓	✗	✓	4	1	5
Khalid Salem Al-Nisf	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Fahad Ali Al-Ghanim	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	12	2	14
Ahmad Meshari Al-Fares	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Muad Saud Al-Osaimi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Nasser Abdullatif Al-Roudan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14	0	14
Dalal Mahmoud Al-Nouri	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	**	13	0	13
Alyaa Fahed Al-Saqer	Joined the Board of Directors as a successor to Ms. Dalal Al-Nouri													✓	1	0	1

\* Replaced on 03 August 2025.

\*\*Replaced on 26 November 2025.

## 5- Board committees

KFH Board of Directors formed subcommittees to assist in carrying out the Bank's activities and enhancing control of the Bank's core operations. The committees were formed based on KFH's various lines of business, keeping up with the latest practices in the banking industry worldwide. 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		•	•			
	Alyaa Fahed Al-Saqer		•			•	
	Salah Abdulaziz Al-Muraikhi	•	•			•	
	Abdullah Falah Almdaires			•	•		•
	Mohammad Naser Al-Fouzan				•		•
	Ahmad Meshari Al-Fares				•	•	
	Nasser Abdullatif Al-Roudan			•	•		
	Ahmad Hamad Al-Thunayan*			•	•		
Dalal Mahmoud Al-Nouri**		•			•		

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

\* Replaced on 03 August 2025.

\*\*Replaced on 26 November 2025

## 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 2025, the committee held (5) meetings and issued (2) resolutions by passing.

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

- Provide recommendations concerning external auditors' appointments, dismissal, fees, qualifications, and objectivity of their professional opinion and circulate auditing partners in accordance with regulatory requirements.
- Assess the external auditors' qualifications, expertise, independence, objectivity, effectiveness, including rotation of audit firms' partners as well as their approved certifications
- Review and discuss with the external auditors the interim and annual audit scope, plan, and findings, as well as any observations and reservations resulting from the audit process that may adversely affect the independence of the audit, including the measures to be taken in this regard, and any other issues the external auditors desire to discuss.
- The BACC shall set appropriate standards to ensure that the external audit process is carried out on Dual Audit basis, within the framework that fulfills the objective of appointing two external auditors
- Ensure an integrated accounting system for the Bank is in place and aligns with the International Accounting Standards (IAS).
- Review the external auditor's management letter, as well as the formal reports and the related management responses.
- Review the Central Bank of Kuwait (CBK)'s inspection reports and the related Executive Management responses which are submitted through the Head of Group Compliance and Governance.
- Recommend to the Board the appointment or dismissal of CIA, head of Compliance and Governance, and Chief of AML/CFT Officer. As for the head of Internal Sharia Audit, BACC shall provide its recommendation after consulting with FSSB.
- Review the Bank's internal control systems and ensure the adequacy of resources dedicated to control functions including the adequacy and effectiveness of the cybersecurity controls.

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 2025

Date of meeting	08 Jan	08 Apr	08 Jul	10 Oct	07 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	10	11	12	13	14			
Mr. Noorur Rahman Abid (Chairman)	✓	✓	✓	✓	✓	5	0	5
Mr. Salah Abdulaziz Al-Muraikhi	✓	✓	✓	✓	✓	5	0	5
Ms. Dalal Mahmoud Al-Nouri	✓	✓	✓	✓	Was replaced on 26 November 2025	4	0	4
Mr. Fahad Ali Al-Ghanim	✓	✗	✓	✓	✗	3	2	5
Mr. Muad Saud Al-Osaimi	✓	✓	✓	✓	✓	5	0	5
Ms. Alyaa Fahed Al-Saqer	-	-	-	-	Joined the Board on 08 December 2025	0	0	0

### 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 2025, the committee held (6) meetings and issued (9) 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.
- Annually review and develop job descriptions for the appropriate skills, capabilities, and qualifications required for Board and committee membership. Additionally, annually review the Board's structure and propose amendments to best bolster the Bank's interests. Undertake a comprehensive annual performance appraisal for the Board and for each Board member.
- Provide the proposed recommendations for the structure of the Bank's fixed and variable financial remunerations scheme for the Board's approval.
- Conduct periodic review of the remunerations policy or whenever requested by the Board. Assess the policy's sufficiency and effectiveness and recommend updates to the Board for approval.
- Conduct an independent annual review of the remunerations policy, whether by the internal auditors or external consultancy firm. This review aims at evaluating the Bank's adherence to the sound remunerations practices.
- Study and prepare, on an annual basis, the Bank's proposed succession plan. Apply the selection and evaluation standards to those likely to replace the Bank's senior officers or to be engaged in case of an emergency or vacancy. Submit the plan to the Board for approval.
- Recommend to the Board the nomination, re-nomination, or cancellation of the membership in the Fatwa and Sharia Supervisory Board (the "FSSB") and ensure the transparency in appointing or re-appointing the FSSB's members.

### Names of the Nominations and Remuneration Committee members and the number of meetings held in 2025

Date of meeting	07 Jan	09 Feb	16 Jun	23 Jul	5 Oct	07 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	15	16	17	18	19	20			
Mr. Noorur Rahman Abid	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Abdulaziz Yacoub Al-Nafisi	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Ahmad Abdullah Al-Omar	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Ahmad Hamad Al-Thunayan	✓	✗	✓	✓	Was replaced on 03 August 2025		3	1	4
Mr. Nasser Abdullatif Al-Roudan	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Abdullah Falah Almdaires	Joined the Board on 12 August 2025				✓	✓	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 2025, the committee held (6) meetings and issued (2) resolutions by passing.

#### The committee performs several duties and responsibilities as follows:

- Ensure the Bank's risk appetite aligns with relevant, Board-approved directives and their associated rules are strictly adhered to. Additionally, verify that key risks are identified and that appropriate risk management systems and policies are implemented at the Bank.
- Review adequacy of the Bank's risk management practices on at least quarterly basis.
- Follow up on and review the risk management standards, including the procedures that ensure the proper identification and assessment of the Bank's key risks, the measurement of the Bank's exposure to those risks, and the monitoring of such exposure within the Bank's risk appetite framework. This also includes the continuous identification of capital requirements, as well as the monitoring and evaluation of decisions related to both financial and non-financial risks
- Review the adequacy and effectiveness of Bank's capital management framework (approaches, policies and resources allocated for such tasks), in addition to, review ICAAP & stress tests for capital and liquidity to ensure resilience of the Bank against emerging risks.
- Review and discuss the appointment or dismissal of the CRO. The CRO should not be dismissed or removed from their position for any reason without obtaining the Board's prior approval. Moreover, the reasons for such action must be discussed with the Central Bank of Kuwait (CBK) before their dismissal.

### Names of the Risk Committee members and the number of meetings held in 2025

Date of meeting	02 Feb	04 May	20 Jul	25 Sept	19 Oct	14 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	12	13	14	15	16	17			
Mr. Ahmed Meshari Al-Faris	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Mohammed Nasser Al-Fouzan	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Khaled Salem Al-Nisf	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Nasser Abdullatif Al-Roudan	✓	✓	✓	✓	✓	✓	6	0	6
Mr. Abdullah Falah Almdaires	Joined the Board on 12 August 2025			✓	✓	✓	3	0	3
Mr. Ahmad Hamad Al-Thunayan	✓	✓	✓	Was replaced on 03 August 2025			3	0	3

### 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 Governance and Sustainability Committee comprises (5) 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 2025, the committee held (4) 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.
- Oversee the preparation of the Bank's sustainability report.
- Oversee the monitoring of the Bank's performance against the selected global sustainability indicators (FTSE4good, MSCI).
- Develop a clear comprehensive ESG strategy and oversee its implementation.

### Names of the Governance and Sustainability Committee members and the number of meetings held in 2025

Date of meeting	26 Jan	05 May	14 Jul	30 Nov	Total attendance	Total absence	Total meetings	
Name/meeting number	11	12	13	14				
Sheikh/ Salem Abdulaziz Al-Sabah	✓	✓	✓	✓	4	0	4	
Mr. Salah Abdulaziz Al-Muraikhi	✓	✓	✓	✓	4	0	4	
Mr. Hamad Abdul Mohsen Al-Marzouq	✓	✓	✓	✓	4	0	4	
Mr. Ahmed Meshari Al-Faris	✓	✓	✓	✓	4	0	4	
Ms. Dalal Mahmoud Al-Nouri	✓	✓	✓	Was replaced on 26 November 2025		3	0	3
Ms. Alyaa Fahed Al-Saqer	Joined on 08 December 2025				0	0	0	

### 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 2025, the committee held (8) meetings and issued (5) resolutions by passing.

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

- Oversee the implementation process of the Bank's strategy and action plan, monitor the performance efficiency, and submit the relevant necessary recommendations to the Board.
- Review the management's plan and strategy to collect the defaulting debts, as well as the proposed provisions.
- Periodically review the extent of diversification and strength of the portfolio of finances and facilities.
- The Committee may, as an exception during the intervals between the Board meetings, take the following decisions:
  - Grant, renew, or temporarily extend, and periodically review credit facilities, and amend the conditions of credit granting for clients, whether they are retail, corporate or institutions, in amounts that exceed the authorities of the Executive Committee.
  - Approve the entry, exit, and settlement pertaining to KFH's investments and transfer of assets at the Group level.
  - Review and approve the periodic reports submitted by Executive Management.
  - Buy and sell treasury shares.

### Names of the Executive Committee members and the number of meetings held in 2025

Date of meeting	22 Jan	17 Feb	25 Mar	23 Apr	28 May	25 Jun	24 Sept	24 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	19	20	21	22	23	24	25	26			
Mr. Hamad Abdulmohsen Al-Marzouq	✓	✓	✓	x	✓	✓	✓	✓	7	1	8
Mr. Abdulaziz Yacoub Al-Nafisi	✓	✓	✓	✓	✓	✓	✓	✓	8	0	8
Mr. Khaled Salem Al-Nisf	✓	✓	✓	✓	✓	✓	✓	✓	8	0	8
Mr. Muad Saud Al-Osaimi	✓	✓	✓	✓	✓	✓	✓	✓	8	0	8
Mr. Fahad Ali Al-Ghanim	✓	✓	✓	✓	✓	✓	✓	✓	8	0	8
Mr. Salah Abdulaziz Al-Muraikhi	✓	✓	✓	✓	✓	✓	✓	✓	8	0	8

### 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 number of meetings is not less than (4) meetings in one year. During 2025, the committee held (4) meetings.

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

- Assist the Board in overseeing the Bank's investment assets including investment funds and portfolios, submitting relevant recommendations to the Board, as well as following up on the investments pursuant to the approved policies.
- Review the status reports on the bank's current investments and the conditions of the local and international money markets, as well as the data that enable the Committee to perform its responsibilities professionally and effectively.
- Follow up the implementation of the strategic policies and goals set by the Board regarding all investment activities.
- Review the newly proposed investments and determine the extent of their compliance with the Board's directions and submit a recommendation to the Board of Directors on such investments.

**Names of the Investment Committee members and the number of meetings held in 2025**

Date of meeting	23 Apr	01 Jun	24 Sep	17 Dec	Total attendance	Total absence	Total meetings
Name/meeting number	8	9	10	11			
Mr. Fahad Ali Al-Ghanim	✓	✓	✓	✓	4	0	4
Mr. Ahmad Abdullah Al-Omar	✓	✓	✓	✓	4	0	4
Mr. Mohammed Nasser Al-Fouzan	✓	✓	✓	✓	4	0	4
Mr. Ahmad Hamad Al-Thunayan	✓	✓	Was replaced on 03 August 2025		2	0	2
Mr. Khaled Salem Al-Nisf	✓	✓	✓	✓	4	0	4
Mr. Muad Saud Al-Osaimi	✓	✓	✓	✓	3	0	3
Mr. Abdullah Falah Almdaires	Joined the Board on 12 August 2025		✓	✓	2	0	2

## Meetings of the Fatwa & Shari'a Supervisory Board

### During 2025

The General Assembly of KFH appointed the honorable members of the Fatwa & Shari'a Supervisory Committee for the year 2025. The Committee consists of 5 members. It issues Shari'a opinions and decisions and ensures KFH compliance with Shari'a regulations. During 2025, the Fatwa & Shari'a Supervisory Committee held 27 meetings.

Names of Members of the Fatwa and Shari'a Supervisory Committee and number of Meetings held during 2025:

Meetings of the Fatwa and Shari'a Supervisory Committee held during 2025		Attendance Percentage %
Name	Attendance Frequency	
<b>Sheikh/ Professor Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e</b> Chairman, Fatwa & Shari'a Supervisory Board	27	100%
<b>Sheikh/ Dr. Anwar Shuaib Al-Abdulsalam</b> Member, Fatwa & Shari'a Supervisory Board	27	100%
<b>Sheikh/ Professor Dr. Mubarak Jeza Al-Harbi</b> Member, Fatwa & Shari'a Supervisory Board	26	96%
<b>Sheikh/ Dr. Esam Abdulrahim Al-Ghareeb</b> Member, Fatwa & Shari'a Supervisory Board	27	100%
<b>Sheikh/ Dr. Khaled Shujaa' Al-Otaibi</b> Member, Fatwa & Shari'a Supervisory Board	27	100%

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

- Total financing facilities: **524,894 KWD**
- 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 a 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 2024.

The Board believes that the internal control systems adopted and operated during the year ended 31 December 2025 are adequate to provide reasonable assurance regarding the achievement of KFH Group's objectives.

# External Auditor Report about Internal Control Systems



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Kuwait

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

Date: 25 June 2025

## Report on Internal Controls Review for the year ended 31 December 2024

In accordance with our letter of engagement dated 16 February 2025, we have examined internal control systems of Kuwait Finance House K.S.C.P, referred as “the Bank” or the “Group” and its banking and financial subsidiaries for the year ended 31 December 2024.

We covered the following departments / areas of the Bank:

- Corporate Governance
- Corporate Banking including Corporate Control and Transformation
- Retail Banking
- Group Treasury and Financial Institutions
- Group Private Banking, Wealth Management and Business Excellence
- Group Technology, Digital Transformation and PMO.
- Group Operations
- Group Human Resources and Transformation
- Group Financial Control
- Corporate Marketing and Communication
- Group Legal
- Group Internal Shariah Audit
- Shariah Research and Advisory
- Group Internal Audit
- Group Risk Management
- Group Strategic Planning and Follow-up
- Complaints and Consumer Protection
- Group Compliance and Governance
- Group AML and CFT
- Fraud
- Finance Securities Activities
- 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 Turkey
- Ahli United Bank (B.S.C) - Bahrain
- Saudi Kuwait Finance House S.S.C. (Closed)
- KFH Capital Investment Company K.S.C. (Closed)

Our examination has been carried out as per the requirements of the circular issued by the Central Bank of Kuwait to the Bank on 13 January 2025 and CBK requirements contained in the manual of General Directives concerning Internal Controls Review (ICR) issued by the CBK dated 15 June 2003 and Pillar 4 guidelines relating to corporate governance related to risk management and internal controls issued by the CBK on 20 June 2012, and updated on 10 September 2019 instructions dated 16 February 2023 concerning anti money laundering and combating financing of terrorism related, instructions dated 9 February 2012 regarding confidentiality of customer’s information and financial securities activities of the Bank.

As members of the Board of Directors of the Bank, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems and complying with the requirements contained in the CBK instructions mentioned in the above paragraph.



The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.

Because of inherent limitations in internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

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

- a) The accounting and other records and internal control systems of the bank were established and maintained in accordance with the requirements of General Directives concerning Internal Controls Review (ICR) issued by the CBK dated 15 June 2003 and all other instructions and circulars issued by CBK in this regard.
- b) The findings raised do not have a material impact on the fair presentation of the financial statements of the bank for the year ended 31 December 2024.
- c) The actions taken by the bank to address the findings referred to in the report including previous years’ findings, are considered satisfactory.

Yours faithfully,



**Qais M. Al Nisf**  
**License No. 38 “A”**  
**BDO Al Nisf & Partners**

# 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 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 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 based on annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical / life insurance, annual tickets, and allowances are provided based on 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 is disclosed in Note (24) 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 2025 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 (CIA) if any of them are not part of the top 5.

Hence, this section includes the total remuneration cost in 2025 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 3,940,727. 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

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

For 16 respective executives, the total remuneration charged for the year 2025 to this category amounted to KD 5,338,550. 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.

#### 2- Financial Control and Risk Staff:

For 189 respective staff, the total remuneration charged for the year 2025 to this category amounted to KD 7,825,333. The remuneration package of the staff in this category differed based on their grades as well as their individual employment contracts. The pay components include 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.

#### 3- Material Risk Takers:

For 5 respective executives, the total remuneration charged for the year 2025 to this category amounted to KD 2,621,016. 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 pays special attention and meticulous care to risk management and governance requirements, as they are significant pillars of prudent management in banking. The Group Risk Management Department has made a clear imprint at the 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 globally, 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 risk management and business practices across the 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 measures 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 assessments at the KFH Group level and continued development of stress test methodologies based on the most conservative scenarios to calculate prospective financial and non-financial risks in light of 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 the 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 19.81%, 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's 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, regulations, and instructions issued by regulatory authorities. In this respect, KFH has an independent Compliance and Governance Department at the Group level hierarchy, 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 Department 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 and comply with their regulations. In addition, the department has ensured that KFH's various activities were 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 teams including Operational Risk team, Technology Risk team, Third-Party Risk team, Business Continuity Management team, Fraud Risk team, and Cyber & Information Security Risk team.

The Operational Risk team focuses on enhancing the ability to manage and identify the main operational risks at the KFH Group level. Risk assessments are done bank-wide to identify risks and control weaknesses. Appropriate action plans to manage control gaps are put in place to process and mitigate excessive risks.

On another side, the Technology Risk team oversees IT systems reliability, prevents disruptions, and ensures compliance with governance technology standards, while the Third-Party Risk team specializes in monitoring and mitigating risks from third-party vendors to protect the Bank and its customers.

The Business Continuity Management team 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 requirement changes.

With regards to the management of any fraud incidents or cases, the Fraud Risk team implements advanced fraud detection and prevention strategies to protect the Bank's customers and assets.

Concerning the management of cyber and information security risks, the team responsible is carrying out high-level independent oversight over information security management across the Bank. The team 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-Terrorism and Proliferation Financing (AML/CTPF), including policies, procedures, risk assessment, proper systems, and training to ensure compliance with the related laws and regulators' instructions.

## Strategic Initiatives and Achievements

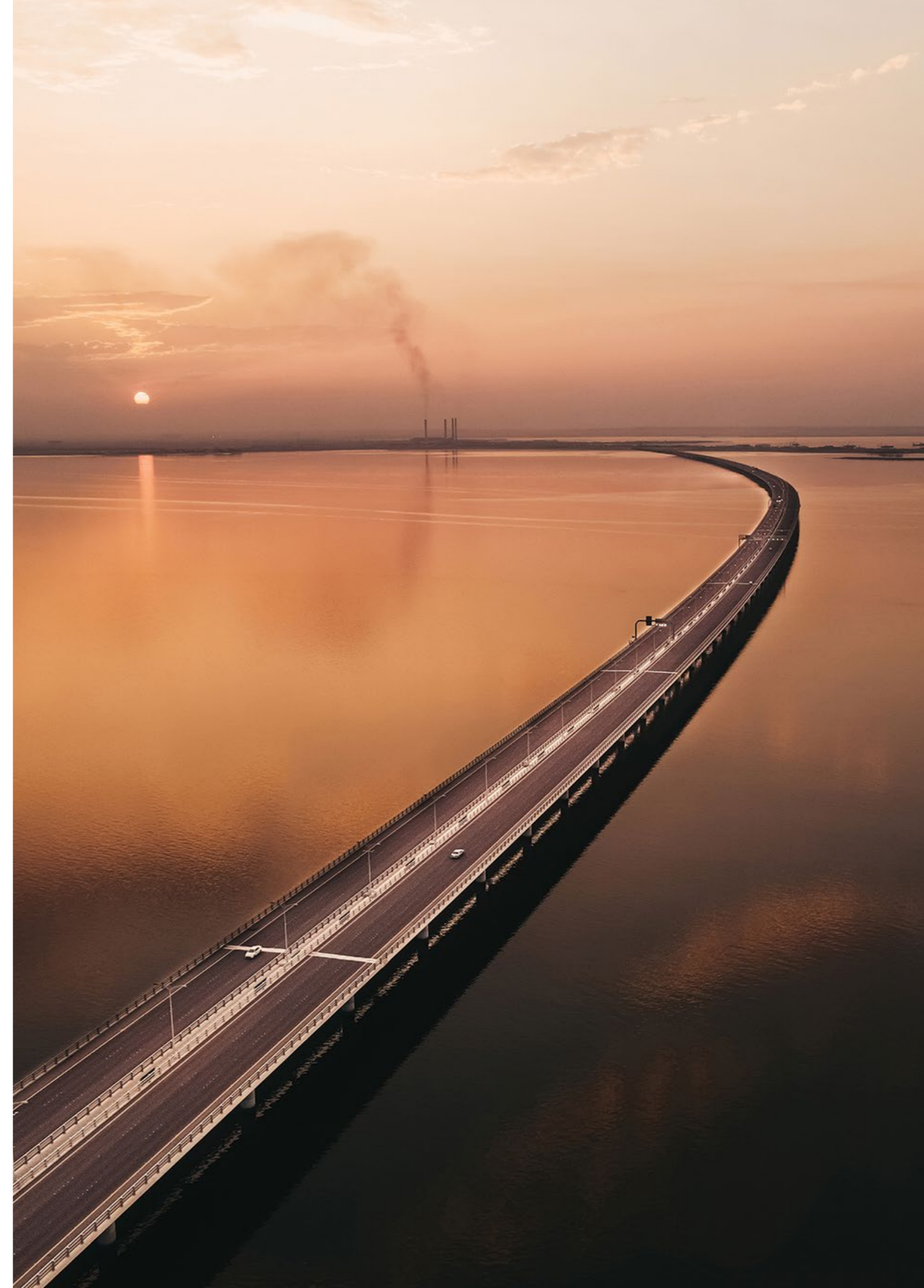
Despite the fluctuations of fundamental risk factors globally due to economic and geopolitical developments, the Group Risk Management has successfully completed numerous strategic initiatives to enhance the Group's capital and improve asset quality.

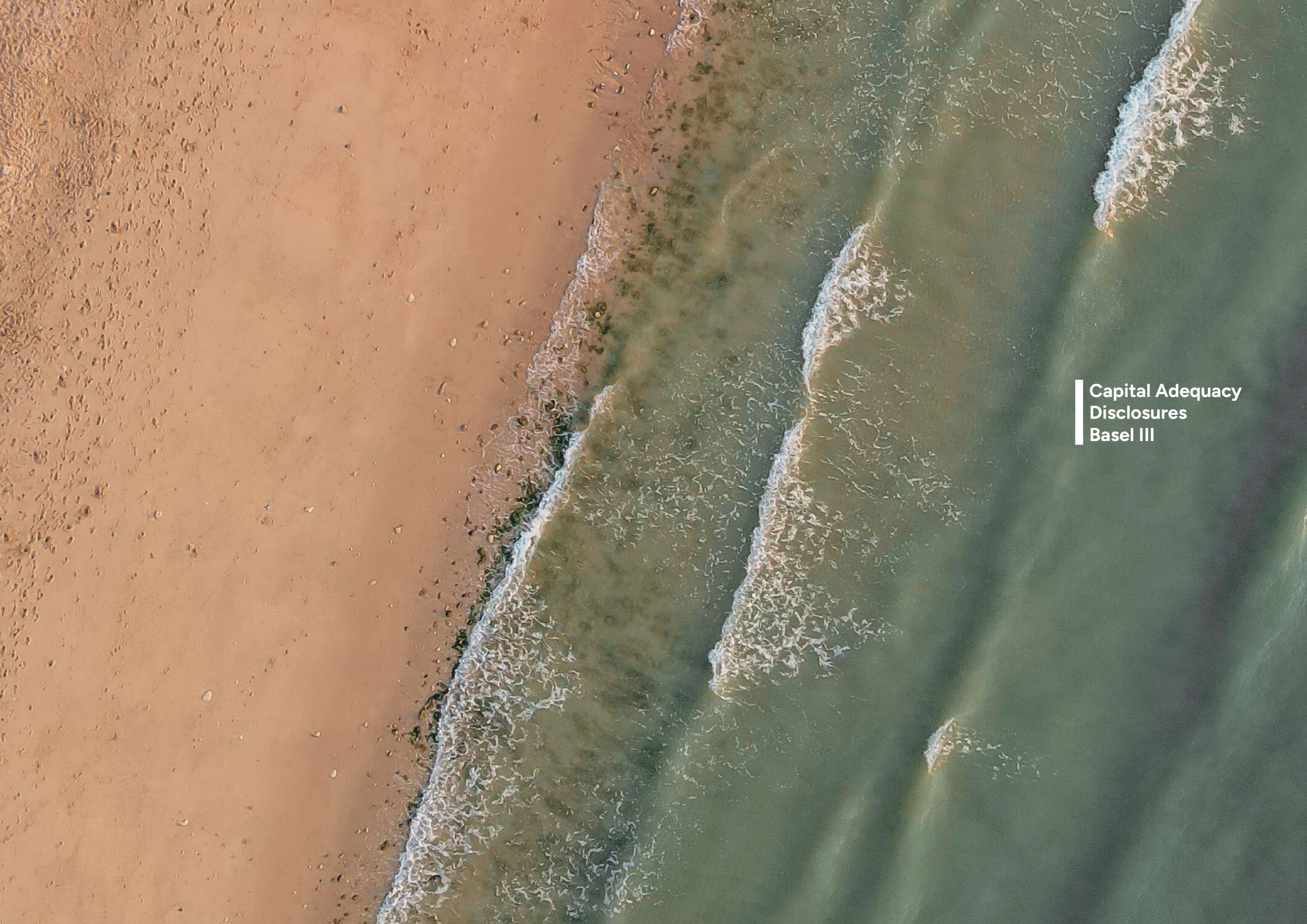
**Post-Merger Synergies:** Delivered significant post-merger synergies and enhanced profitability by optimizing the Cost of Risk (CoR) through effective recovery of non-performing loans and strategic recoveries from write-offs, while strengthening unified risk governance across the Group. This achievement was driven by the successful implementation of the Non-Performing Financing (NPF) strategy in newly acquired subsidiaries, supported by the establishment of the Troubled Debt Work Group. The initiative ensured alignment of risk policies, optimization of frameworks, and reinforced governance standards following the acquisition of former Ahli United Bank (AUB), directly contributing to improved P&L performance and integration efficiency.

**World-Class Risk Management Operating Model:** Established a globally recognized risk management framework that is agile, technology-driven, and future-ready. This achievement was externally recognized, with the Group Chief Risk Officer serving as a key speaker at the prestigious "RiskMinds" Conference this year, underscoring the Group's leadership and influence in global risk governance. The initiative integrated advanced analytics, promoted a culture of risk awareness, and enhanced cross-functional collaboration to deliver excellence in governance. This initiative stands as a cornerstone in the Group's journey toward realizing its vision of becoming one of the world's top 100 banks, positioning us to compete to the highest international standards.

**Strengthening Capital Adequacy and Financial Resilience:** The Group successfully enhanced its capital position through disciplined internal optimization measures, resulting in improved Capital Adequacy Ratios (CAR) well above regulatory requirements. This achievement reflects a proactive approach to capital management, leveraging internal levers such as portfolio optimization and risk-weighted asset efficiency. By strengthening capital buffers, the Group reinforced its ability to absorb market volatility, support sustainable growth, and maintain compliance with Basel III and local regulatory requirements. These actions underscore our commitment to financial resilience and long-term shareholder value creation.

**Value Creation and Strategic Partnerships:** Supported the business in creating sustainable value by embedding a disciplined, risk-based decision-making framework aligned with the Group's prudent risk appetite. Our approach ensures that opportunities are pursued responsibly while safeguarding value and protecting the organization against undue exposure. By reinforcing resilience and guiding strategic choices, we helped the Group navigate complex economic and geopolitical challenges, balancing risk and rewards to deliver long-term growth and stability.





**Capital Adequacy  
Disclosures  
Basel III**

## Capital Adequacy Disclosures - Basel III

The qualitative and quantitative disclosures related to the Capital Adequacy Standard have been prepared in accordance with the Basel III framework for licensed Islamic banks in the State of Kuwait, as per the rules and instructions issued by the Central Bank of Kuwait under Circular No. 2/R.B, R.B A/336/2014 dated June 24, 2014.

Kuwait Finance House Group aims, through the implementation of this standard—alongside regulatory compliance—to enhance the quality of capital and increase the regulatory capital ratio to absorb potential losses. Additionally, the Group seeks to build extra capital buffers within a macroprudential policy framework to mitigate systemic risks and strengthen financial stability, ultimately enhancing shareholder value.

### The Basel III Capital Adequacy framework is based on three main pillars:

- **Pillar 1:** Calculation of the minimum required capital to cover credit and market risks using the standardized approach, and the minimum required capital to cover operational risk using the basic indicator approach.
- **Pillar 2:** The Internal Capital Adequacy Assessment Process (ICAAP), which determines the capital necessary to cover all types of risks faced by the bank, including non-compliance with Sharia principles—commonly referred to as comprehensive risk coverage.
- **Pillar 3:** General disclosure requirements, both qualitative and quantitative. These requirements, together with capital adequacy (Pillar 1) and supervisory review (Pillar 2), form the regulatory framework for Basel III. They aim to enable investors and market participants—particularly investment account holders—to assess key information regarding Islamic banks' risk exposures and provide a clear and transparent disclosure methodology, fostering comparability and a sound banking environment.

## I: Group Structure

Kuwait Finance House K.S.C.P. (“the Bank”) in Kuwait, together with its banking and non-banking subsidiaries (collectively, “the Group”), constitutes the Group’s overall structure. The Bank holds full or partial ownership in these entities. For further details on the major operating subsidiaries, please refer to Note 14.1 of the Group’s consolidated financial statements.

The Bank is a publicly listed company on the Kuwait and Bahrain Stock Exchanges and primarily engages in all Islamic banking activities for its own account and on behalf of others, including financing, investment trading, leasing, construction projects, and other commercial activities, without practicing usury.

The consolidated financial statements and regulatory capital adequacy reports for the Group have been prepared on a consistent basis unless otherwise stated. For more information on the basis of preparation and consolidation, please refer to Notes 2.1 and 2.5 of the Group’s consolidated financial statements for the year ended December 31, 2025.

## II: Components of the Capital Adequacy Ratio

The Capital Adequacy Ratio is one of the most important regulatory indicators reflecting the Bank’s financial strength and its ability to withstand potential risks. Its objective is to ensure that the Bank maintains sufficient capital to cover risks associated with its various activities, thereby promoting financial stability and reinforcing depositor and investor confidence.

### The ratio comprises two main components:

1. **Regulatory Capital:** The foundation for assessing the Bank’s financial strength by regulatory authorities. It consists of:
  - **Tier 1 Capital:**
    - **Common Equity Tier 1 (CET1):** Includes share capital, retained earnings, reserves, and the eligible portion of minority interests.
    - **Additional Tier 1 (AT1):** Comprises eligible Tier 1 sukuk and the qualifying portion of minority interests.
  - **Tier 2 Capital:** Includes the qualifying portion of minority interests and the allowable portion of general provisions (up to 1.25% of total credit risk-weighted assets).
2. **Risk-Weighted Assets (RWA):** Reflect the level of credit, operational, and market risks associated with the Bank’s activities, calculated in accordance with Basel standards and Central Bank of Kuwait instructions.

Capital adequacy ratios are computed in line with the Central Bank of Kuwait’s regulations, which align with Basel Committee requirements, ensuring compliance with minimum regulatory thresholds. Achieving ratios above these thresholds demonstrates the Bank’s strong solvency and resilience against economic and financial challenges, thereby enhancing stakeholder confidence and confirming the robustness and sustainability of its financial position.

These ratios play a critical role in supporting the Bank’s growth and strategic expansion plans, providing a solid foundation for increasing business volumes without compromising regulatory requirements.

They also serve as a key governance and risk management tool, enabling balanced investment and financing decisions that optimize risk-return trade-offs and ensure long-term financial performance sustainability.

Below is a summary of the Group’s regulatory capital components and risk-weighted assets, along with capital adequacy ratios and the minimum thresholds required by the Central Bank of Kuwait.

	KD 000's	
Regulatory capital components	2025	2024
Common Equity Tier 1 (CET1)	3,480,656	3,282,786
Additional Tier 1 (AT1)	684,794	543,411
<b>Core Capital – Tier 1</b>	<b>4,165,450</b>	<b>3,826,197</b>
Supplementary Capital – Tier 2	414,590	391,923
<b>Total Regulatory Capital</b>	<b>4,580,040</b>	<b>4,218,120</b>
<b>Risk-Weighted Assets</b>		
Credit Risk-Weighted Exposures	19,900,392	18,464,726
Market Risk-Weighted Exposures	298,520	241,107
Operational Risk-Weighted Exposures	2,922,154	2,497,746
<b>Total Risk-Weighted Exposures</b>	<b>23,121,066</b>	<b>21,203,579</b>
<b>Capital Adequacy Ratios</b>		
Common Equity Tier 1 (as percentage of risk-weighted assets)	15.05%	15.48%

Tier 1 (as percentage of risk-weighted assets)	18.02%	18.05%
<b>Total capital (as percentage of risk-weighted assets)</b>	<b>19.81%</b>	<b>19.89%</b>
<b>Minimum capital ratio</b>		
Common Equity Tier 1 (CET1)	7.0%	7.0%
Capital Conservation Buffer	2.5%	2.5%
Domestic Systematically Important Bank (DSIB) Buffer*	2.0%	2.0%
<b>Total Common Equity Tier 1 (CET1)</b>	<b>11.5%</b>	<b>11.5%</b>
Additional Tier 1 Capital (AT1)	1.5%	1.5%
<b>Total Tier 1 Capital</b>	<b>13.0%</b>	<b>13.0%</b>
Tier 2 Capital	2.0%	2.0%
<b>Total Regulatory Capital</b>	<b>15.0%</b>	<b>15.0%</b>

\* The Central Bank of Kuwait designated Kuwait Finance House as a systemically important bank starting from December 2016. Accordingly, the Bank was required to strengthen its comprehensive capital base by maintaining additional capital buffers, to be constituted from Common Equity Tier 1 (CET1) at a rate of 2%.

It is worth noting that all banking subsidiaries within the Group maintain ratios that exceed the regulatory thresholds set by the respective local authorities and applicable regulations. This reflects the strength of their financial position and strict adherence to regulatory standards.

Below are the capital adequacy ratios of the banking subsidiaries and the minimum thresholds for each, as prescribed by their respective local regulatory authorities, based on the latest available (submitted or approved) data, as follows:

#### 2025

Banking Subsidiaries	Capital Adequacy Ratio	Minimum Thresholds
Kuwait Turkish Participation Bank (KTPB)	22.6%	12.0%
Kuwait Finance House B.S.C. (c) - [formerly, Ahli United Bank B.S.C. (c)] ("KFHB")	31.4%	14.0%
Kuwait Finance House Bank - Egypt S.A.E. ("KFHE")	16.2%	12.5%
Kuwait Finance House PLC (U.K.) ("KFHUK")	20.1%	11.1%
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	123.7%	12.5%
Kuwait Finance House - (Malaysia) Berhad	67.9%	8.0%

#### 2024

Banking Subsidiaries	Capital Adequacy Ratio	Minimum Thresholds
Kuwait Turkish Participation Bank (KTPB)	24.8%	12.0%
Kuwait Finance House B.S.C. (c) - [formerly, Ahli United Bank B.S.C. (c)] ("KFHB")	27.6%	14.0%
Kuwait Finance House Bank - Egypt S.A.E. ("KFHE")	16.0%	12.5%
Kuwait Finance House PLC (U.K.) ("KFHUK")	19.5%	11.1%
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	179.1%	12.5%
Kuwait Finance House - (Malaysia) Berhad	56.7%	8.0%

### III. Regulatory Capital Structure (Detailed Components and Adjustments):

Regulatory capital serves as the cornerstone for strengthening the resilience of financial institutions and ensuring their ability to withstand various risks. It is a key benchmark for assessing solvency and stability. Understanding the detailed components of regulatory capital is essential for determining its quality and capacity to absorb losses. This also helps ensure compliance with regulatory requirements, supports strategic planning, and enhances transparency and confidence among depositors and investors, thereby achieving a balance between growth and risk management.

The following are the detailed data and reconciliations with the balance sheet related to regulatory capital, divided as follows:

- Statement 1 (**Common Disclosure Template**): Provides a detailed analysis of the Group's regulatory capital components as defined by the Central Bank of Kuwait under Pillar 3 disclosures of the Capital Adequacy Framework.
- Statement 2 (**Balance Sheet Reconciliation Template**): Presents a comprehensive reconciliation of all regulatory capital elements with their corresponding audited financial data in the balance sheet.
- Statement 3 (**Main Features of Regulatory Capital Instruments Template**): Offers a brief description of the main characteristics and specifications of the issued regulatory capital instruments.

#### 1. Statement (1):

KD 000's

Common Equity Tier 1 capital: Instruments and reserves		2025	2024
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	5,978,291
2	Retained earnings	495,790	452,338
3	Reserves	(97,408)	(152,770)
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)	229,368	209,386
6	Proposed issuance of bonus shares	129,340	136,868
<b>Common Equity Tier 1 capital before regulatory adjustments</b>		<b>6,872,249</b>	<b>6,624,113</b>
Common Equity Tier 1 capital: Regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	2,064,002	2,067,451
9	Other intangibles (net of related tax liability)	264,564	260,552
10	Proposed Cash dividends	240,868	191,165
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	822,159
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	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>3,391,593</b>	<b>3,341,327</b>
	<b>Common Equity Tier 1 capital (CET1)</b>	<b>3,480,656</b>	<b>3,282,786</b>
<b>Additional Tier 1 capital: Instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	641,257	504,059
31	of which: classified as equity under applicable accounting standards	641,257	504,059
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)	61,148	57,329
35	of which: instruments issued by subsidiaries subject to phase-out		
	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>702,405</b>	<b>561,388</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
36	Investments in own Additional Tier 1 instruments		
37	Reciprocal cross holdings in Additional Tier 1 instruments	17,611	17,977
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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>17,611</b>	<b>17,977</b>
	<b>Additional Tier 1 capital (AT1)</b>	<b>684,794</b>	<b>543,411</b>
	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>4,165,450</b>	<b>3,826,197</b>
<b>Tier 2 capital: Instruments and provisions</b>			

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)	159,244	154,294
46	of which: instruments issued by subsidiaries subject to phase-out		
47	General provisions included in Tier 2 capital	255,346	237,629
	<b>Tier 2 capital before regulatory adjustments</b>	<b>414,590</b>	<b>391,923</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
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		
	<b>Tier 2 capital (T2)</b>	<b>414,590</b>	<b>391,923</b>
	<b>Total capital (TC = T1 + T2)</b>	<b>4,580,040</b>	<b>4,218,120</b>
	<b>Total risk-weighted assets (after applying 50% additional weighting)</b>	<b>23,121,066</b>	<b>21,203,579</b>
<b>Capital ratios and buffers</b>			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.05%	15.48%
55	Tier 1 (as a percentage of risk-weighted assets)	18.02%	18.05%
56	Total capital (as a percentage of risk-weighted assets)	19.81%	19.89%
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)	8.05%	8.48%
<b>Minimum capital ratios</b>			
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%
<b>Amounts below the thresholds for deduction (before risk-weighting)</b>			
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)	64,336	85,370
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			

69	Provisions eligible for inclusion in Tier 2 with respect to exposures subject to standardized approach (prior to the application of the cap)	782,594	783,241
70	Cap on inclusion of provisions in Tier 2 under standardized approach	255,346	237,629
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		

## Statement (2): Balance Sheet Reconciliation Template:

### Step 1

For the year ending 31-12-2025:

KD 000's

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<b>Assets</b>	<b>2025</b>	<b>2025</b>	
Cash and balances with banks and financial institutions	4,998,746	4,998,746	
Due from banks	3,446,833	3,446,833	
Financing receivables	21,817,004	21,817,004	
of which: General Provisions (netted above) capped for Tier 2 inclusion	255,346	255,346	<b>A</b>
Investment in debt securities	7,577,615	7,577,615	
Investments	291,430	291,430	
Investment in associates and joint ventures	252,482	252,482	
Trading and investment properties	464,843	464,843	
Other assets	1,148,267	1,148,267	
Goodwill and intangible assets	2,328,566	2,328,566	
of which: goodwill	2,064,002	2,064,002	<b>B</b>
of which: other intangibles	264,564	264,564	<b>C</b>
Property and equipment	434,026	434,026	
<b>Total assets</b>	<b>42,759,812</b>	<b>42,759,812</b>	
<b>Liabilities</b>			
Due to banks	6,971,768	6,971,768	
Due to financial institutions	4,738,107	4,738,107	
Sukuk payable and term financing	1,414,401	1,414,401	
Depositors' accounts	21,029,418	21,029,418	
Other liabilities	1,761,249	1,761,249	
<b>Total liabilities</b>	<b>35,914,943</b>	<b>35,914,943</b>	
<b>Equity attributable to the shareholders of the Bank</b>			
Share capital	1,847,712	1,847,712	<b>D</b>
Share premium	4,267,447	4,267,447	<b>E</b>
Treasury shares	(822,159)	(822,159)	<b>F</b>
Proposed issuance of bonus shares	129,340	129,340	<b>G</b>
Reserves	83,934	83,934	
of which: statutory reserve	592,368	592,368	<b>H</b>

of which: voluntary reserve	292,466	292,466	<b>I</b>
of which: treasury share reserve	17,715	17,715	<b>J</b>
<b>of which: fair value reserve</b>	<b>40,875</b>	<b>40,875</b>	
of which: eligible as CET1 capital	37,916	37,916	<b>K</b>
of which: eligible as depositor accounts	2,959	2,959	
<b>of which: foreign currency translation reserve</b>	<b>(1,034,118)</b>	<b>(1,034,118)</b>	
of which: eligible as CET1 capital	(970,850)	(970,850)	<b>L</b>
of which: eligible as depositor accounts	(63,268)	(63,268)	
<b>of which: other reserves</b>	<b>(80,294)</b>	<b>(80,294)</b>	
of which: eligible as CET1 capital	(67,023)	(67,023)	<b>M</b>
of which: eligible as depositor accounts	(13,271)	(13,271)	
<b>of which: retained earnings of previous years</b>	<b>254,922</b>	<b>254,922</b>	<b>N</b>
Proposed cash dividends	240,868	240,868	<b>O</b>
<b>Total equity attributable to the shareholders of the Bank</b>	<b>5,747,142</b>	<b>5,747,142</b>	
Perpetual Tier 1 Capital Securities and Sukuks	641,257	641,257	<b>P</b>
of which: Perpetual capital securities and Sukuk – Tier1	623,646	623,646	
of which: Reciprocal cross holdings in capital of FIs	17,611	17,611	<b>Q</b>
<b>Non-controlling interests</b>	<b>456,470</b>	<b>456,470</b>	
Non-controlling interests eligible as CET1 capital	229,368	229,368	<b>R</b>
Non-controlling interests eligible as AT1 capital	61,148	61,148	<b>S</b>
Non-controlling interests eligible as Tier 2 capital	159,244	159,244	<b>T</b>
<b>Total equity</b>	<b>6,844,869</b>	<b>6,844,869</b>	
<b>Total liabilities and equity</b>	<b>42,759,812</b>	<b>42,759,812</b>	

For the year ending 31-12-2024:

KD 000's

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<b>Assets</b>	<b>2024</b>	<b>2024</b>	
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	<b>A</b>
Investment in debt securities	6,864,854	6,864,854	
Investments	241,618	241,618	
Investment in associates and joint ventures	383,919	383,919	
Trading and investment properties	458,203	458,203	
Other assets	1,059,019	1,059,019	
Goodwill and intangible assets	2,328,003	2,328,003	
of which: goodwill	2,067,451	2,067,451	<b>B</b>
of which: other intangibles	260,552	260,552	<b>C</b>
Property and equipment	375,640	375,640	

Total assets	36,703,426	36,703,426	
<b>Liabilities</b>			
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	
Depositors' accounts	19,219,942	19,219,942	
Other liabilities	1,404,764	1,404,764	
<b>Total liabilities</b>	<b>30,285,526</b>	<b>30,285,526</b>	
<b>Equity attributable to the shareholders of the Bank</b>			
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
<b>of which: fair value reserve</b>	<b>(25,660)</b>	<b>(25,660)</b>	
of which: eligible as CET1 capital	(28,619)	(28,619)	K
of which: eligible as depositor accounts	2,959	2,959	
<b>of which: foreign currency translation reserve</b>	<b>(927,343)</b>	<b>(927,343)</b>	
of which: eligible as CET1 capital	(864,075)	(864,075)	L
of which: eligible as depositor accounts	(63,268)	(63,268)	
<b>of which: other reserves</b>	<b>(89,048)</b>	<b>(89,048)</b>	
of which: eligible as CET1 capital	(75,777)	(75,777)	M
of which: eligible as depositor accounts	(13,271)	(13,271)	
<b>of which: retained earnings of previous years</b>	<b>261,173</b>	<b>261,173</b>	N
Proposed cash dividends	191,165	191,165	O
<b>Total equity attributable to the shareholders of the Bank</b>	<b>5,518,988</b>	<b>5,518,988</b>	
Perpetual Tier 1 Capital Securities and Sukuks	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
<b>Non-controlling interests</b>	<b>394,853</b>	<b>394,853</b>	
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
<b>Total equity</b>	<b>6,417,900</b>	<b>6,417,900</b>	
<b>Total liabilities and equity</b>	<b>36,703,426</b>	<b>36,703,426</b>	

## Step 2

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
		2025	2024	
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	5,978,291	D + E
2	Retained earnings	495,790	452,338	N + O
3	Reserves	(97,408)	(152,770)	H+I+J+K+L+M
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	229,368	209,386	R
5	Proposed issuance of bonus shares	129,340	136,868	G
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>6,872,249</b>	<b>6,624,113</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>				
7	Goodwill	(2,064,002)	(2,067,451)	B
8	Other intangible assets	(264,564)	(260,552)	C
9	Treasury shares	(822,159)	(822,159)	F
10	Proposed cash dividends	(240,868)	(191,165)	O
11	<b>Total regulatory adjustments to Common Equity Tier1</b>	<b>(3,391,593)</b>	<b>(3,341,327)</b>	
12	<b>Common Equity Tier 1 capital (CET1)</b>	<b>3,480,656</b>	<b>3,282,786</b>	
<b>Additional Tier 1 capital: Instruments</b>				
13	Common share capital issued by subsidiaries and held by third parties (minority interest)	61,148	57,329	S
14	Perpetual capital securities and Sukuk – Tier1	641,257	504,059	P
15	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>702,405</b>	<b>561,388</b>	
<b>Additional Tier 1 capital: Regulatory adjustments</b>				
16	Reciprocal cross holdings in capital of FIs	(17,611)	(17,977)	Q
17	<b>Total regulatory adjustments to Additional Tier 1</b>	<b>(17,611)</b>	<b>(17,977)</b>	
18	<b>Additional Tier 1 capital</b>	<b>684,794</b>	<b>543,411</b>	
19	<b>Total Tier 1 capital</b>	<b>4,165,450</b>	<b>3,826,197</b>	
<b>Tier 2 capital: Instruments and provisions</b>				
20	Common share capital issued by subsidiaries and held by third parties (minority interest)	159,244	154,294	T
21	General provisions included in Tier 2 capital	255,346	237,629	A
22	<b>Total Tier 2 capital</b>	<b>414,590</b>	<b>391,923</b>	
<b>Total capital</b>		<b>4,580,040</b>	<b>4,218,120</b>	

### 3. Statement (3): Main Features of Regulatory Capital Instruments 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.*	Kuwait Finance House Tier 1 Sukuk Limited 2
2	Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier for private placement)	XS2338912665	XS2342243875	XS3201991232
3	Governing law(s) of the instrument	English law	English law	English law
<b>Regulatory treatment</b>				
4	Type of Capital (CET1, AT1 or T2)	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo
6	Instrument type	Subordinated debt – Mudaraba Sukuk	Subordinated debt – Mudaraba Sukuk	Subordinated debt – Mudaraba Sukuk
7	Amount recognized in regulatory capital	USD 750 million	USD 600 million	USD 850 million
8	Par value of instrument	USD 1,000/-	USD 1,000/-	USD 1,000/-
9	Accounting classification	Equity Tier 1	Equity Tier 1	Equity Tier 1
10	Original date of issuance	30 June 2021	31 December 2021	20 November 2025
11	Perpetual or dated	Perpetual	Perpetual	Perpetual
12	Original maturity date	No maturity	No maturity	No maturity
13	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
14	Optional call date, contingent call dates and redemption amount	30 June 2026	17 June 2026	20 November 2030
15	Subsequent call dates, if applicable	30 June 2026 or on any Periodic Distribution	17 June and 17 December beginning from 17 June 2026	20 November 2030 or any Periodic Distribution
<b>Coupons/dividends</b>				
16	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
17	Coupon rate and any related index	3.6%	3.875%	6.250%
18	Existence of a dividend stopper	Yes	Yes	Yes
19	Fully discretionary, partially discretionary, or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
20	Existence of step up or other incentive to redeem	No	No	No
21	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
22	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
23	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
24	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
25	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
29	Write-down feature	Yes	Yes	Yes

30	If write-down, write-down trigger(s)	<p>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:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.</li> </ul>	<p>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:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.</li> </ul>	<p>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:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.</li> </ul>
31	If write-down, full or partial	Partially/Fully	Partially/Fully	Partially/Fully
32	If write-down, permanent or temporary	Permanent	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	Not applicable	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	Deeply subordinated, senior to ordinary shares and liabilities related to Common Equity Tier 1 capital
35	Non-compliant transitioned features	No	No	No
36	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

\* 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.

## IV: Risk-Weighted Assets and Minimum Capital Requirements

### A. Credit Risk

Kuwait Finance House adopts an integrated framework for credit risk management aimed at ensuring compliance with regulatory requirements and enhancing the quality of the credit portfolio. This framework includes the following:

- **Clear and well-defined credit policies** covering all types of clients (corporate and individual) and all economic sectors, including real estate financing, investment financing in shares and other investment instruments, and financing of financial and commercial establishments. These policies specify the financial requirements and documentation procedures necessary for approving, renewing, or amending credit facilities.
- **A credit authority system** that ensures:
  - (1) Alignment of authorities with experience, job grades, and supervisory levels.
  - (2) Review of credit applications by the Risk Management Department before the final decision.
  - (3) Approval of credit exposures by management committees (including the Credit Committee) and/or the Board of Directors according to the authority matrix.
  - (4) Post-approval review of credit applications by the Risk Management Department, in addition to periodic reviews of credit portfolios to ensure compliance with regulatory instructions, including those of the Central Bank of Kuwait, and approved policies, as well as addressing any payment delays and/or irregular credit accounts (including renewals and periodic reviews).
- **A credit rating system** covering corporates and SMEs, and high-net-worth individuals.
- **A credit limit system** that ensures exposures are aligned with the approved risk appetite and regulatory requirements.
- **Effective control processes** to verify the availability of required documents and data to obtain necessary approvals in accordance with regulatory requirements.
- **Proactive monitoring mechanisms** for early detection of any deterioration in the portfolio and taking appropriate measures to reduce and address defaults.

Kuwait Finance House grants credit facilities based on an assessment of the client's repayment ability, with the possibility of providing unsecured facilities depending on the client's situation and the type of product. The use of collateral is considered one of the key pillars for risk mitigation. Acceptable collateral includes financial guarantees (cash and shares) and non-financial guarantees (real estate, bank guarantees, and agreements with other parties), in accordance with the Central Bank of Kuwait's regulations.

Kuwait Finance House has adopted the **Standardized Approach** for measuring the capital required for credit risk under Pillar 1, while risks arising from name or sector concentration and residual risks from risk mitigation techniques are included under Pillar 2 as they are not included under Pillar 1.

### 1- Credit risk capital requirements:

For the year ending 31-12-2025:

KD 000's

Ser.	Credit risk exposures	Total exposures	Net exposures	Risk-weighted assets	Required capital
1	Cash item	223,932	223,932	-	-
2	Claims on sovereigns	8,108,864	8,102,982	2,590,876	388,631
3	Claims on public sector entities	1,862,428	1,754,956	621,230	93,184
4	Claims on MDBs	171,628	171,628	4,289	643
5	Claims on banks	6,016,691	6,014,246	1,382,019	207,303
6	Claims on corporates	11,807,559	10,529,310	7,156,691	1,073,504
7	Regulatory retail exposure	6,485,472	5,610,210	3,462,505	519,376
8	Qualifying residential housing financing facilities	275,420	223,967	55,044	8,257
9	Past due exposures	301,786	111,979	63,967	9,595
10	Inventory and commodities	24,981	24,981	32,891	4,934
11	Real estate investments	1,569,641	530,464	744,979	111,747
12	Investment and financing with customers	2,960,440	2,344,601	2,465,079	369,762
13	Other exposures	1,782,286	1,781,116	1,320,822	198,123
	<b>Total</b>	<b>41,591,128</b>	<b>37,424,372</b>	<b>19,900,392</b>	<b>2,985,059</b>

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
	<b>Total</b>	<b>35,474,020</b>	<b>33,233,829</b>	<b>18,464,726</b>	<b>2,769,709</b>

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

For the year ending 31-12-2025: KD 000's

Ser.	Credit risk exposures	Total exposures	Self-financed	Finance from investment accounts
1	Cash item	223,932	98,888	125,044
2	Claims on sovereigns	8,108,864	3,580,874	4,527,990
3	Claims on public sector entities	1,862,428	822,448	1,039,980
4	Claims on MDBs	171,628	75,791	95,837
5	Claims on banks	6,016,691	2,656,971	3,359,720
6	Claims on corporates	11,807,559	5,214,218	6,593,341
7	Regulatory retail exposure	6,485,472	2,863,985	3,621,487
8	Qualifying residential housing financing facilities	275,420	121,625	153,795
9	Past due exposures	301,786	133,269	168,517
10	Inventory and commodities	24,981	11,032	13,949
11	Real estate investments	1,569,641	693,153	876,488
12	Investment and financing with customers	2,960,440	1,307,331	1,653,109
13	Other exposures	1,782,286	787,057	995,229
<b>Total</b>		<b>41,591,128</b>	<b>18,366,642</b>	<b>23,224,486</b>

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
<b>Total</b>		<b>35,474,020</b>	<b>15,878,170</b>	<b>19,595,850</b>

## 3- Net credit exposures classified as rated or unrated

For the year ending 31-12-2025: KD 000's

Ser.	Credit risk exposures	Net credit exposures	Rated exposures	Unrated exposures
1	Cash item	223,932	-	223,932
2	Claims on sovereigns	8,102,982	8,102,982	-
3	Claims on public sector entities	1,754,956	1,754,956	-
4	Claims on MDBs	171,628	171,628	-
5	Claims on banks	6,014,246	5,858,123	156,123
6	Claims on corporates	10,529,310	1,380,841	9,148,469
7	Regulatory retail exposure	5,610,210	-	5,610,210
8	Qualifying residential housing financing facilities	223,967	-	223,967
9	Past due exposures	111,979	-	111,979
10	Inventory and commodities	24,981	-	24,981
11	Real estate investments	530,464	-	530,464
12	Investment and financing with customers	2,344,601	-	2,344,601
13	Other exposures	1,781,116	-	1,781,116
<b>Total</b>		<b>37,424,372</b>	<b>17,268,530</b>	<b>20,155,842</b>

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
<b>Total</b>		<b>33,233,829</b>	<b>13,639,509</b>	<b>19,594,320</b>

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

For the year ending 31-12-2025:

KD 000's

Ser.	Credit risk exposures	Average credit risk exposure	Average self-financed	Average finance from investment accounts
1	Cash item	217,164	96,982	120,182
2	Claims on sovereigns	7,743,783	3,457,172	4,286,611
3	Claims on public sector entities	1,680,241	750,208	930,033
4	Claims on MDBs	165,572	73,955	91,617
5	Claims on banks	4,774,520	2,127,803	2,646,717
6	Claims on corporates	11,360,280	5,074,201	6,286,079
7	Regulatory retail exposure	6,229,944	2,782,069	3,447,875
8	Qualifying residential housing financing facilities	255,445	114,010	141,435
9	Past due exposures	330,792	147,672	183,120
10	Inventory and commodities	22,250	9,928	12,322
11	Real estate investments	1,554,709	694,556	860,153
12	Investment and financing with customers	2,583,335	1,151,158	1,432,177
13	Other exposures	1,735,922	775,306	960,616
<b>Total</b>		<b>38,653,957</b>	<b>17,255,020</b>	<b>21,398,937</b>

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	251,556	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
<b>Total</b>		<b>35,869,683</b>	<b>17,225,877</b>	<b>18,643,806</b>

#### 5- Excess concentration risk:

Concentration risk arises when multiple counterparties are engaged in similar activities, operate within the same geographical region, or share similar economic characteristics, which may expose them to similar impacts resulting from economic, political, or other changes. Concentration reflects the relative sensitivity of the performance of a group of counterparties to developments affecting a specific business sector or geographical area.

To avoid excessive risk concentrations, Kuwait Finance House's policies and procedures rely on clear guidelines aimed at maintaining diversification within the financing portfolio, thereby limiting and effectively managing credit risks associated with concentration. Risk mitigation techniques are also applied at both the individual relationship level and the business level to ensure that these concentrations are managed in accordance with best practices.

Below are the total credit-risk-exposed portfolios, broken down by geographic distribution, remaining contractual maturities, and major sectors, as follows:

##### a. Geographical distributions for credit risk exposure

For the year ending 31-12-2025:

KD 000's

Ser.	Credit risk exposures	MENA	North America	Europe	Asia	Other	Total
1	Cash item	96,977	-	115,604	11,351	-	223,932
2	Claims on sovereigns	4,059,144	-	3,304,903	744,817	-	8,108,864
3	Claims on public sector entities	1,862,428	-	-	-	-	1,862,428
4	Claims on MDBs	121,654	-	-	-	49,974	171,628
5	Claims on banks	3,540,077	462,935	1,900,115	85,465	28,099	6,016,691
6	Claims on corporates	6,766,030	73,912	4,515,044	369,182	83,391	11,807,559
7	Regulatory retail exposure	4,917,906	-	1,487,284	80,282	-	6,485,472
8	Qualifying residential housing financing facilities	38,633	-	168,471	68,316	-	275,420
9	Past due exposures	212,212	-	82,896	6,678	-	301,786
10	Inventory and commodities	24,981	-	-	-	-	24,981
11	Real estate investments	1,513,896	3,759	4,744	31,756	15,486	1,569,641
12	Investment and financing with customers	2,949,176	-	11,264	-	-	2,960,440
13	Other exposures	979,201	75,108	699,302	28,675	-	1,782,286
<b>Total</b>		<b>27,082,315</b>	<b>615,714</b>	<b>12,289,627</b>	<b>1,426,522</b>	<b>176,950</b>	<b>41,591,128</b>

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
<b>Total</b>		<b>23,392,668</b>	<b>632,441</b>	<b>9,869,117</b>	<b>1,378,057</b>	<b>201,737</b>	<b>35,474,020</b>

## b. Maturities of total credit risk exposures

For the year ending 31-12-2025: KD 000's

Ser.	Credit risk exposures	Up to 3 months	3 to 12 months	Over 1 year	Total
1	Cash item	223,932	-	-	223,932
2	Claims on sovereigns	4,228,756	651,797	3,228,311	8,108,864
3	Claims on public sector entities	46,834	116,069	1,699,525	1,862,428
4	Claims on MDBs	36,604	29,550	105,474	171,628
5	Claims on banks	4,609,748	672,913	734,030	6,016,691
6	Claims on corporates	4,225,035	3,241,307	4,341,217	11,807,559
7	Regulatory retail exposure	879,309	894,168	4,711,995	6,485,472
8	Qualifying residential housing financing facilities	718	4,829	269,873	275,420
9	Past due exposures	133,981	86,706	81,099	301,786
10	Inventory and commodities	-	-	24,981	24,981
11	Real estate investments	7,401	364,156	1,198,084	1,569,641
12	Investment and financing with customers	2,246,230	653,026	61,184	2,960,440
13	Other exposures	97,225	10,159	1,674,902	1,782,286
	<b>Total</b>	<b>16,735,773</b>	<b>6,724,680</b>	<b>18,130,675</b>	<b>41,591,128</b>

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
	<b>Total</b>	<b>14,411,093</b>	<b>6,046,234</b>	<b>15,016,693</b>	<b>35,474,020</b>

## c. Main sectors of total credit risk exposures

For the year ending 31-12-2025: KD 000's

Ser.	Credit risk exposures	Manufacturing and trade	Banks and financial institutions	Construction and real estate	Government	Other	Total
1	Cash item	-	202,567	-	-	21,365	223,932
2	Claims on sovereigns	-	-	-	8,108,864	-	8,108,864
3	Claims on public sector entities	250,014	-	-	-	1,612,414	1,862,428
4	Claims on MDBs	-	171,628	-	-	-	171,628
5	Claims on banks	-	6,016,691	-	-	-	6,016,691
6	Claims on corporates	4,102,061	1,684,201	2,945,187	-	3,076,110	11,807,559
7	Regulatory retail exposure	391,937	-	184,844	-	5,908,691	6,485,472
8	Qualifying residential housing financing facilities	-	-	-	-	275,420	275,420
9	Past due exposures	39,117	2,834	164,098	-	95,737	301,786
10	Inventory and commodities	-	-	-	-	24,981	24,981
11	Real estate investments	-	-	384,673	-	1,184,968	1,569,641
12	Investment and financing with customers	-	-	1,950,724	-	1,009,716	2,960,440
13	Other exposures	173,278	205,877	111,326	-	1,291,805	1,782,286
	<b>Total</b>	<b>4,956,407</b>	<b>8,283,798</b>	<b>5,740,852</b>	<b>8,108,864</b>	<b>14,501,207</b>	<b>41,591,128</b>

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	36,013	2,143	159,398	-	118,204	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
	<b>Total</b>	<b>4,815,388</b>	<b>6,232,946</b>	<b>5,173,668</b>	<b>7,051,077</b>	<b>12,200,941</b>	<b>35,474,020</b>

## 6- Past due and impairment provisions

Credit facilities are classified as past due if the due date for the return or the principal instalment (which includes repayment of the principal) is exceeded by more than one day and up to 90 days.

Facilities that have exceeded the due date by more than 90 days are considered non-performing.

Past due and non-performing facilities are categorized into four main groups used in the provisioning process, ensuring accurate risk assessment and compliance with regulatory requirements:

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 2025, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 344,382 thousand (2024: KD 355,275 thousand).

A specific provision of KD 189,440 thousand (2024: KD 170,725 thousand) has been made, as detailed below:

### a. Non-Performing and past due exposures and the related specific provision based on standard portfolios:

Ser.	Credit risk exposures	Non-performing	Specific provision	Specific provision write-off	Past due
1	Claims on sovereigns	-	-	-	26,802
2	Claims on corporate	198,503	143,483	69,909	251,538
3	Regulatory retail exposure	65,833	39,878	54,888	292,321
4	Qualifying residential housing financing facilities	10,721	426	1,460	18,276
5	Investments properties	-	-	-	60,120
6	Investment and financing with customers	69,325	5,653	137	219,374
<b>Total</b>		<b>344,382</b>	<b>189,440</b>	<b>126,394</b>	<b>868,431</b>

For the year ending 31-12-2024:

KD 000's

Ser.	Credit risk exposures	Non-performing	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
<b>Total</b>		<b>355,275</b>	<b>170,725</b>	<b>83,303</b>	<b>843,117</b>

### b. Non-Performing and past due exposures and the related specific provision based on geographical region:

For the year ending 31-12-2025:

KD 000's

Ser.	Credit risk exposures	Non-performing	Specific provision	Specific provision write-off	Past due
1	Middle East and North Africa	233,381	140,870	87,689	690,484
2	Europe	104,255	43,581	37,493	146,629
3	Asia	6,746	4,989	1,212	31,318
<b>Total</b>		<b>344,382</b>	<b>189,440</b>	<b>126,394</b>	<b>868,431</b>

For the year ending 31-12-2024:

KD 000's

Ser.	Credit risk exposures	Non-performing	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
<b>Total</b>		<b>355,275</b>	<b>170,725</b>	<b>83,303</b>	<b>843,117</b>

### c. Non-Performing and past due exposures and the related specific provision based on Industrial sector

For the year ending 31-12-2025:

KD 000's

Ser.	Credit risk exposures	Non-performing	Specific provision	Specific provision write-off	Past due
1	Manufacturing and trade	55,814	43,898	58,135	258,556
2	Banks and financial institutions	3,036	235	275	8,472
3	Construction and real estate	142,700	61,957	13,894	324,724
4	Other	142,832	83,350	54,090	276,679
<b>Total</b>		<b>344,382</b>	<b>189,440</b>	<b>126,394</b>	<b>868,431</b>

For the year ending 31-12-2024:

KD 000's

Ser.	Credit risk exposures	Non-performing	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
<b>Total</b>		<b>355,275</b>	<b>170,725</b>	<b>83,303</b>	<b>843,117</b>

### d. General provision allocation

Pursuant to the instructions of the Central Bank of Kuwait, general provisions are maintained at a minimum of 1% for cash financing and 0.5% for non-cash financing, in respect of all financing facilities for which no specific provisions are required.

KD 000's

Ser.	Credit risk exposures	2025	2024
1	Claims on sovereigns	12,032	13,206
2	Claims on PSEs	27,088	18,603
3	Claims on banks	65,747	25,372
4	Claims on corporates	321,137	370,557
5	Regulatory retail exposures	199,915	217,431
6	Investment Properties	37,228	43,138
7	Investment and financing with customers	93,350	74,792
<b>Total</b>		<b>756,497</b>	<b>763,099</b>

## 7- Applicable risk mitigation methods

Kuwait Finance House ensures diversification of credit exposures across standard portfolios, business sectors, and geographic regions, in addition to continuous assessment of risk mitigation measures against financing obligations and client credit limits, based on a comprehensive analysis of the client's financial position. Eligible collateral and guarantees are calculated in accordance with the Central Bank of Kuwait's regulations. Reciprocal deposits with banks and financial institutions are netted, and bank guarantees are used to redirect risks to the Claims on Banks portfolio. Approved haircut ratios are applied to reduce the value of collateral in line with the instructions and circulars issued by the Central Bank of Kuwait.

The Bank's adherence to single-client concentration limits, along with maintaining adequate levels of liquid assets, enables the application of multiple methods to measure the quality and effectiveness of risk mitigation techniques, contributing to the reduction of capital requirements in accordance with regulatory standards.

#### Residual risk resulting from credit risk mitigation:

Kuwait Finance House uses a variety of financial and non-financial collateral as one of the methods to mitigate credit risk. In the event of default or restructuring of obligations due to deterioration in creditworthiness, provisions are created to absorb potential future losses, if any.

#### Main types of collateral:

The credit risk policy at KFH clearly defines all acceptable forms of collateral, the terms and conditions for each type, and the mechanism for calculating applicable haircut rates. The policy also emphasizes the need for periodic evaluations of collateral based on its nature to ensure its effectiveness in risk management.

#### Accepted Collateral:

Kuwait Finance House requires that all accepted collateral comply with Shari'a principles. The approved policies specify the following types of acceptable collateral:

- **Cash funds:** E.g., earnest money margin "Hamish Al Jiddiyah" (collateral deposit, down payment "Urbun" or margins "Hawamish," "Musharakah" investment accounts, or cash deposits in KFH).
- **Securities:** including shares of listed and unlisted companies.
- **Real estate (freehold):** Properties owned under a title deed issued by the Real Estate Registration and Authentication Department at the Ministry of Justice, including commercial, investment, and industrial properties.
- **Other real estate under usufruct (state-owned):** Properties owned by the state and allocated for industrial, commercial, or agricultural purposes, financed through "Ijarah" products. These include properties leased from the Public Authority for Industry and the Public Authority for Agriculture and Fisheries, which are recorded as collateral based on the value of the buildings and usufruct only. The land remains state-owned.
- **Assignments of proceeds and guarantees.**
- **Machinery and equipment.**
- **Vehicles and transportation assets.**

Other collateral not listed above may be accepted as primary collateral, subject to approval by the Board Risk Committee.

### Risk mitigation means of total credit risk exposures

For the year ending 31-12-2025: KD 000's

Ser.	Credit risk exposures	Gross credit exposures	Eligible collaterals
1	Cash item	223,932	-
2	Claims on sovereigns	8,108,864	5,882
3	Claims on public sector entities	1,862,428	107,472
4	Claims on MDBs	171,628	-
5	Claims on banks	6,016,691	2,445
6	Claims on corporates	11,807,559	1,278,249
7	Regulatory retail exposure	6,485,472	875,262
8	Qualifying residential housing financing facilities	275,420	51,453
9	Past due exposures	301,786	189,807
10	Inventory and commodities	24,981	-
11	Real estate investments	1,569,641	1,039,177
12	Investment and financing with customers	2,960,440	615,839
13	Other exposures	1,782,286	1,170
<b>Total</b>		<b>41,591,128</b>	<b>4,166,756</b>

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	-
<b>Total</b>		<b>35,474,019</b>	<b>2,240,191</b>

### B. Market Risk

Market risk-weighted exposure during the financial year 2025 amounted to KD 298,520 thousand (2024: KD 241,107 thousand), based on the standardized approach. The minimum required capital for market risk exposures amounts to KD 44,778 thousand (2024: KD 36,166 thousand).

### C. Operational Risk

Operational risk-weighted exposures calculated during the year 2025 amounted to KD 2,922,154 thousand (2024: KD 2,497,746 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 438,323 thousand (2024: KD 374,662 thousand).

### V: Internal Capital Adequacy Assessment Process and Pillar 2

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:**

- Credit concentration risk** arising from the concentration of lending to specific names or sectors.
- Residual credit risk** arising from shortfalls in collaterals for stressed assets.
- Residual market risk** resulting from potential market loss due to changes in currency rates, equity prices, and sukuk counterparty risk ratings.
- Liquidity risk** in case of shortfall of liquid assets to cover maturing liabilities in stressed scenarios.
- Profit rate risk** arising from adverse movements in interest rates over long and short terms.
- Non-financial risks** which include:
  - Compliance risk** resulting from failure to comply with regulations and laws.
  - Legal risk** due to violations of laws, regulations, policies and procedures, or ethical standards.
  - Strategic risk** arising from the possibility that changes in market conditions, results of business decisions, and competitor strategies could impact earnings and capital.
  - Reputational risk** arising from negative perception from stakeholders such as customers, shareholders, and regulators.
  - Shari'a risk** in terms of losing reputation due to lack of conformity with Shari'a laws and principles.
  - 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.

## VI: Leverage Ratio Standard

As part of the implementation of the Basel III Capital Adequacy Standard, the Central Bank of Kuwait issued the Leverage Ratio Standard for Kuwaiti Islamic banks in October 2014.

The Leverage Ratio Standard—based on Basel Committee guidelines—is applied as a simple, non-risk-sensitive measure, serving as a complementary standard to the risk-weighted capital adequacy framework. The Leverage Ratio aims to achieve two main objectives:

- Limit the build-up of excessive leverage in the banking sector, which could exert pressure on the financial system and the economy as a whole.
- Strengthen capital adequacy requirements through a non-risk-sensitive measure, ensuring that capital ratios do not fall below certain minimum levels.

The Leverage Ratio is calculated by dividing Tier 1 Capital (as defined under the Capital Adequacy Ratio) by Total Exposures (including on-balance sheet and off-balance sheet exposures, as well as Sharia-compliant hedging contracts).

The Group complies with the requirements set by the Central Bank of Kuwait regarding the Leverage Ratio, which is set at a minimum of 3%.

Below is the Group’s Leverage Ratio at the consolidated level:

Leverage Ratio Components	2025	2024
Tier 1 Capital	4,165,450	3,826,197
Total Exposures	51,993,700	43,970,332
<b>Leverage Ratio</b>	<b>8.0%</b>	<b>8.7%</b>

## VII: 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:** 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.

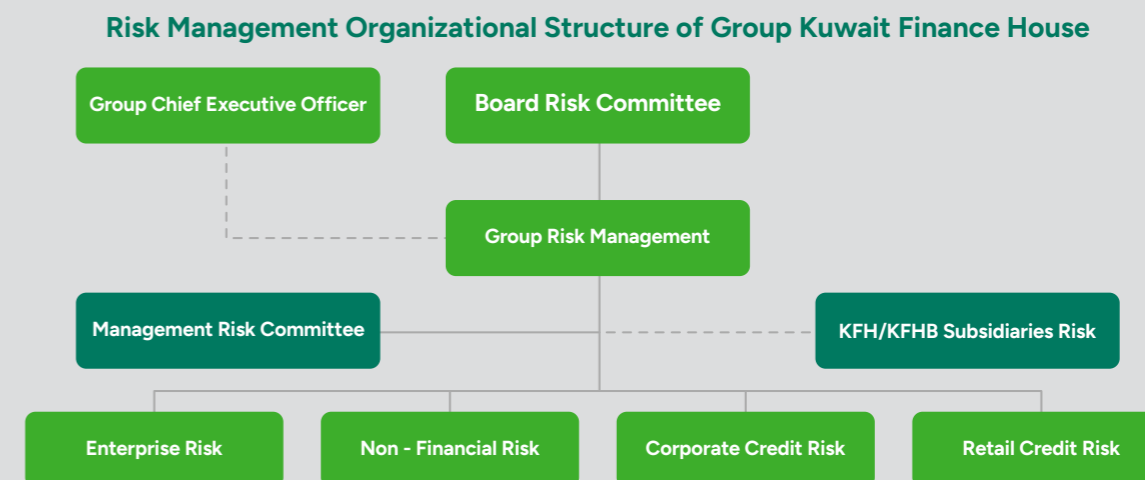
#### Group integration:

- 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 Group Kuwait Finance House



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 others mentioned within the scope of these key risks, such as profit rate risk.

#### A. Credit Risk

##### Sources of Risk

Credit risk is the largest type of risk faced by Kuwait Finance House, primarily arising from the financing portfolio. The sources of credit risk can be categorized as follows:

- **Counterparty risk / default risk** arising from the various exposures in the financing portfolio and the sukuk portfolio, including:
  - **Corporate financing:** exposures granted to corporate clients other than real estate companies.
  - **Retail / individual financing:** exposures granted to retail / individual clients other than real estate companies.
  - **Business banking and microfinancing:** Financing instruments (other than real estate financing) that are less than KD 250,000.
  - **Corporate real estate financing:** exposures granted to local and international real estate companies for both corporate and retail 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.

Kuwait Finance House is also exposed to credit risk through its investment portfolio when clients fail to meet payment obligations or their financial value in accordance with the contractual agreements.

### Governance Framework and Organizational Structure

Different groups within the bank are responsible for managing credit risk. The purpose of the credit risk governance structure is to ensure the existence of effective frameworks for credit approval and risk appetite, and to verify that all risks fall within these frameworks. This, along with strong independent oversight and audit, helps Kuwait Finance House maintain a sound credit environment within the approved risk appetite.

The following entities within the bank are responsible for managing credit risk under the current risk governance structure at Kuwait Finance House:

**Board of Directors / Board Risk Committee:** The Board holds ultimate responsibility for overseeing credit risk by defining risk appetite and approving key policies (including the Credit Risk Policy). The Board is the final source of credit authority, delegating part of it to executive management, and supervises the overall risk profile of Kuwait Finance House.

**Board Executive Committee:** Comprising selected Board members, this committee reviews and approves credit requests that exceed the authority of the Credit Committee, as well as requests related to Politically Exposed Persons (PEPs) based on recommendations from the Credit Committee. It also monitors large exposures that may represent unacceptable risks and provides recommendations on appropriate actions.

**Credit Committee:** Chaired by the Group CEO, this committee meets twice weekly to review and approve credit requests within its delegated authority, ensuring alignment with the Board-approved risk appetite. Requests exceeding its authority are escalated with recommendations to the Executive Committee and/or the Board. Requests involving PEPs are also referred to the Executive Committee and/or the Board for approval.

**Special Purpose Committee (Operations):** Holds monthly meetings to review the financing portfolio and analyze its performance, including monitoring overdue clients, collateral coverage ratios, granted exceptions, and expired credit limits.

**Retail Credit Risk Committee:** Holds monthly meetings to review and enhance retail credit risk management in line with the Group's strategy, risk appetite, and regulatory requirements.

**Business lines:** Various business sectors participate in credit risk management by adhering to approved limits and approving credit requests within their delegated authority as per the authority matrix.

**Risk Management Department:** The Enterprise Risk Management Department oversees the overall asset portfolio to ensure alignment with risk appetite, while Credit Risk Management Department is responsible for analyzing new requests (pre-fact), reviewing approved portfolios (post-fact), preparing credit quality reports, and developing models for measurement.

**Internal Audit:** Provides independent reports to the Board and senior management on the effectiveness of credit risk management controls across the bank.

### Methodologies and Procedures

**Kuwait Finance House adopts an integrated framework for credit risk management aimed at ensuring compliance with regulatory requirements and enhancing the quality of the credit portfolio. This framework includes the following:**

- **Clear and well-defined credit policies** covering all types of clients (corporate and individual) and all economic sectors, including real estate financing, investment financing in shares and other investment instruments, and financing of financial and commercial establishments. These policies specify the financial requirements and documentation procedures necessary for approving, renewing, or amending credit facilities.
- **A credit authority system** that ensures:
  - (1) Alignment of authorities with experience, job grades, and supervisory levels.
  - (2) Review of credit applications by the Risk Management Department before the final decision.
  - (3) Approval of credit exposures by management committees (including the Credit Committee)

and/or the Board of Directors according to the authority matrix.

- (4) Post-approval review of credit applications by the Risk Management Department, in addition to periodic reviews of credit portfolios to ensure compliance with regulatory instructions, including those of the Central Bank of Kuwait, and approved policies, as well as addressing any payment delays and/or irregular credit accounts (including renewals and periodic reviews).
- **A credit rating system** covering corporates and SMEs, and high-net-worth individuals.
  - **A credit limit system** that ensures exposures are aligned with the approved risk appetite and regulatory requirements.
  - **Effective control processes** to verify the availability of required documents and data to obtain necessary approvals in accordance with regulatory requirements.
  - **Proactive monitoring mechanisms** for early detection of any deterioration in the portfolio and taking appropriate measures to reduce and address defaults.

Kuwait Finance House grants credit facilities based on an assessment of the client's repayment ability, with the possibility of providing unsecured facilities depending on the client's situation and the type of product. The use of collateral is considered one of the key pillars for risk mitigation. Acceptable collateral includes financial guarantees (cash and shares) and non-financial guarantees (real estate, bank guarantees, and agreements with other parties), in accordance with the Central Bank of Kuwait's regulations.

**Kuwait Finance House continuously works to improve the corporate financing credit process through:**

- a. Streamlining procedures to ensure speed and efficiency in decision-making with a clear distribution of responsibilities.
- b. Enhancing and reorganizing the authority matrix to ensure clarity in decisions and the involvement of all relevant parties, including business units, risk management, and the Board of Directors.
- c. Activating the role of the Credit Committee with an appropriate level of membership and authority to review credit applications and approve them or escalate recommendations to the Executive Committee or the Board of Directors.

Kuwait Finance House has adopted the Standardized Approach for measuring the capital required for credit risk under Pillar 1, while risks arising from name or sector concentration and residual risks from risk mitigation techniques are included under Pillar 2 as they are not included 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:** arising from the fluctuations in the market value of investments, including equity (trading and banking book including strategic investments), Sukuk, real estate, and other assets.

**FX risk:** 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 Framework and Organizational Structure

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.

### Methodologies and Procedures

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

**Based on the above, the market risk team at Kuwait Finance House employs integrated procedures for managing market risk to ensure the enhancement of the investment portfolio's quality. These procedures include the following:**

**Comprehensive review procedures for investment portfolios** and performance management, including periodic reviews of sectors, geographic regions, and targeted exposure limits within these sectors and regions.

**Study of investment and portfolio restructuring plans**, which include evaluating and providing recommendations for investments that do not perform as expected or required, contributing to increased profitability for the Group.

**Periodic valuation of the real estate investment portfolio**, using two different valuation sources in accordance with Central Bank of Kuwait requirements.

**Netting transactions between open foreign currency positions** to mitigate exchange rate risks faced by the Islamic bank.

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 Framework and Organizational Structure

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).

#### Methodologies and Procedures

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 Framework and Organizational Structure

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.

## Information related to liquidity risk\*

### 1. Net Stable Funding Ratio (NSFR): KD 000's

NSFR	2025	2024
Available Stable Funding (ASF)	29,613,412	26,297,341
Required Stable Funding (RSF)	24,477,442	21,924,855
<b>NSFR</b>	<b>120.98%</b>	<b>119.94%</b>

### 2. Liquidity Coverage Ratio (LCR): KD 000's

LCR	2025	2024
Total HQLA	4,790,968	4,519,013
Net Cash Outflows	2,098,982	3,158,507
<b>LCR</b>	<b>228.25%</b>	<b>143.07%</b>

\* For more details regarding the Net Stable Funding Ratio (NSFR) and the Liquidity Coverage Ratio (LCR), please refer to the detailed disclosures related to these two standards available on the Kuwait Finance House website.

## Methodologies and Procedures

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. Non-Financial Risk

### Sources of Risk

Kuwait Finance House is exposed to various forms of non-financial risk, which can be classified as follows:

**Operational risk:** the potential loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational risk events are classified according to Basel Committee guidelines into the following seven categories:

1. Internal fraud
2. External fraud
3. Employment practices and workplace safety
4. Damage to physical assets
5. Business disruption and system failures
6. Clients, products, and business practices
7. Execution, delivery, and process management

**Business continuity risk:** potential threats to the ability to recover and maintain the delivery of essential services at acceptable performance levels and predefined capacity during crises or following major disruptions, which may impact customers and critical operations.

**Third-party risk:** risk arising from third-party vendors that effect the Bank and its customers.

**Technology risk:** 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 risk:** losses resulting from internal fraud such as employee misconduct, and external fraud such as theft and forgery by outside parties.

**Cyber & information security risk:** cyber threats and risks targeting the security, confidentiality, integrity, and availability of information assets.

### Governance Framework and Organizational Structure

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

The following entities within the bank are responsible for non-financial risk governance:

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

**Risk Management Department:** The Non-Financial Risk function acts as the second line of defence, maintains risk frameworks, monitors key indicators, and oversees incident management across all business units.

**Internal Audit:** Provides the board and senior management with an independent audit of the Bank's non-financial 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 non-financial 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.

KFH maintains ISO 27001 for Information Security, ISO 22301 for Business Continuity, and PCI-DSS compliance for secure payment card data handling. These certifications validate the strength of the Bank's risk management systems and its commitment to international best practices.

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

## VIII: 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. 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 in accordance with the Islamic Shari'a principles represented by the concepts of "Mudarabah" and "Wakala" and based on the terms of the investment contract and the agreed 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 (Continuous Investment Deposit – "Al-Dima" Investment Deposit – "Al-Nuwair" Investment Deposit – "Al-Khair" Long-Term Investment Deposit – "Al-Sidra" Investment Deposit – "Al-Kawther" Investment Deposit – "Al-Khumasiya" Investment Deposit – Foreign Currencies Investment Deposit.)

KFH also provides a number of long-term investment plans which are ("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 and long-term investment plans can be opened by all individuals who have reached the legal age of 21 years. 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, Kuwait Finance House launched the Gold Account, the first unique product of its kind to be launched in Kuwait, which enables customers to transact in buying and selling gold safely, effectively, and comfortably. 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 Gold 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 bullion 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:** A specialized gold delivery service offered to KFH customers through a dedicated company, allowing gold delivery upon request. Customers can benefit from this service via KFH Online. Gold is delivered within two business days for a delivery fee of only KD 5 to all areas of Kuwait. Delivery is strictly limited to account holders who made the purchase and present their original identification.

**Live Prices:** The service is available at rates that are automatically updated in line with global 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 XTM's.

## IX: 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.

## X. Information Related to the Islamic Bank's Equity Position in the Banking Portfolio ("Investments")

### A. 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 ability to participate in decisions regarding the financial and operational policies of the investee without having control or joint control over those policies.

Joint ventures represent a type of joint arrangement whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The considerations used to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates or joint ventures are initially recorded at cost and subsequently accounted for using the equity method. The Group's share of post-acquisition profits or losses from associates and joint ventures is recognized in the consolidated income statement, while its share of post-acquisition changes in other comprehensive income is recorded under other comprehensive income. Accumulated post-acquisition changes are adjusted against the carrying amount of the investment.

The Group assesses at each reporting date whether there is any objective evidence of impairment in investments in associates and joint ventures. If such evidence exists, the Group calculates the impairment amount as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and records the amount in the consolidated income statement. Upon loss of significant influence or joint control, the Group measures and records the remaining investment at fair value. Gains or losses from this transaction are calculated as the difference between the carrying amount of the associate or joint venture at the date of loss of influence or control and the aggregate of the fair value of the retained investment and proceeds from disposal, and are recognized in the consolidated income statement.

### B. Financial Instruments

#### Trade Date Recognition

Financial assets and liabilities are initially recognized on the trade date, i.e., the date on which 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 within a time frame generally established by regulation or market convention.

#### Classification at Initial Measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing them. Financial instruments are initially measured at fair value, except for financial assets and liabilities recorded at fair value through profit or loss, where transaction costs are added or deducted from this amount. When the fair value at initial recognition differs from the transaction price, the Group accounts for day-one gains or losses as described below.

#### Day-One Gains or Losses

When the transaction price differs from the fair value at initial recognition, and the fair value is based solely on observable market inputs, the Group recognizes the difference in investment income. In cases where fair value is based on models with some unobservable inputs, the difference is deferred and recognized in profit or loss only when inputs become observable or the instrument is derecognized.

#### Categories of Financial Assets and Liabilities

The Group classifies all financial assets based on its business model for managing them and their contractual terms into the following categories:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL)

Financial liabilities, other than financing commitments and financial guarantees, are measured at amortized cost or at fair value through profit or loss when held for trading, in the form of derivatives, or when the fair value option is applied.

#### 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 objectives whether the objective is solely to collect contractual cash flows or to collect contractual cash flows and sell financial assets. If neither objective applies (e.g., assets held for trading), the classification reflects that purpose.

#### Classification of Financial Assets and Business Model Assessment

Financial assets are classified as part of a "sale" business model and measured at fair value through profit or loss. The Group does not assess its business model on an instrument-by-instrument basis but at a higher level of aggregated portfolios, based on observable factors such as:

- How the business model and financial assets held within it are evaluated and reported to the entity's senior management.
- The risks that affect the performance of the business model (and the financial assets held within it), particularly how those risks are managed.
- How business managers are compensated (e.g., whether compensation is based on the fair value of managed assets or contractual cash flows collected).
- The frequency, value, and timing of expected sales, which are important factors in assessing the business model.

The business model assessment is based on reasonably expected scenarios without considering "worst-case" or "stress-test" scenarios. If cash flows after initial recognition differ from original expectations, the Group does not change the classification of remaining financial assets but incorporates this information when assessing newly originated or purchased assets.

#### Assessment of Contractual Cash Flows (SPPI Test)

When the business model involves holding assets to collect contractual cash flows or both collecting contractual cash flows and selling, the Group assesses whether the cash flows of financial instruments represent **solely payments of principal and profit (SPPI test)**.

For this test, "principal" is defined as the fair value of the financial asset at initial recognition and may change over its life (e.g., due to repayments or amortization of premiums/discounts).

The most significant elements of profit in a basic lending arrangement typically include consideration for the time value of money and credit risk. To perform the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the profit rate is set.

Conversely, contractual terms that expose the instrument to risks or variability in cash flows unrelated to a basic lending arrangement fail the SPPI test. In such cases, the financial asset is measured at **fair value through profit or loss (FVTPL)**.

Reclassification occurs only when the business model for managing financial assets changes. Such changes are expected to be rare and are applied prospectively from the beginning of the first reporting period following the change. No such changes occurred during the year.

### Initial Classification of Financial Assets

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

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses reclassified to the consolidated income statement upon derecognition
- Equity instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses not reclassified to the consolidated income statement upon derecognition
- Financial assets measured at fair value through profit or loss (FVTPL)

### Debt Instruments Measured at Amortized Cost

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise to cash flows that are solely payments of principal and profit.

Cash and balances with banks, due from banks, certain sukuk investments, and financing receivables are classified as debt instruments measured at amortized cost.

Subsequently, these instruments are measured using the effective profit rate method, adjusted for impairment losses, if any. Profit income, foreign exchange gains and losses, and impairment losses are recognized in the consolidated income statement. Gains or losses on derecognition are also recognized in the consolidated income statement.

### Debt Instruments Measured at Fair Value Through Other Comprehensive Income (FVOCI)

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

- It is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- Its contractual terms give rise to cash flows that are solely payments of principal and profit.

Subsequently, debt instruments measured at FVOCI are carried at fair value, with changes in fair value recognized in other comprehensive income (OCI). Profit income, foreign exchange gains and losses, and expected credit losses are recorded in the consolidated income statement. Changes in fair value not part of an effective hedging relationship are presented in OCI and accumulated in equity until derecognition or reclassification. Upon derecognition, previously accumulated gains or losses are reclassified from equity to the consolidated income statement.

Expected credit losses for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an equivalent amount to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as accumulated impairment, with a corresponding charge to profit or loss. Accumulated losses recognized in OCI are reclassified to profit or loss upon derecognition of the asset.

### Equity Instruments Measured at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Group may irrevocably elect to classify certain equity investments as FVOCI when they meet the definition of equity under IAS 32.

This classification is determined on an instrument-by-instrument basis. Subsequently, equity investments measured at FVOCI are carried at fair value. Changes in fair value, including foreign currency translation differences, are recognized in OCI and presented within accumulated fair value changes as part of equity (fair value reserve). Previously recognized gains or losses in OCI are transferred to retained earnings upon derecognition and are not recycled to the consolidated income statement. Dividend income from FVOCI equity investments is recognized in the consolidated income statement unless it clearly represents a recovery of part of the investment cost, in which case it is recognized in OCI. FVOCI equity investments are not subject to impairment assessment.

### Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

The Group classifies financial assets as FVTPL if they are acquired or issued primarily for short-term profit through trading activities or form part of a portfolio of financial instruments managed with evidence of a recent pattern of short-term profit-taking. Assets held for trading are measured at fair value in the statement of financial position.

Additionally, the Group may irrevocably designate a financial asset at FVTPL at initial recognition if doing so eliminates or significantly reduces accounting mismatches.

Changes in fair value, profit income, and dividend income are recognized in the consolidated income statement when contractually due or when the right to receive payment is established. This category includes certain sukuk, equities, and derivatives not designated as hedging instruments in an effective hedging relationship.

### Classification and Measurement of Specific Financial Assets

**Investments in Sukuk:** Classified as FVOCI, FVTPL, or amortized cost based on the business model under which these securities are managed.

**Investments:** Comprise equity investments and fund investments. Equity investments are classified as FVOCI or FVTPL depending on the business model. Fund investments are classified as FVTPL.

**Joint Capital Measured at FVTPL:** Certain investments in joint ventures held directly or indirectly through Tier 1 capital are not accounted for using the equity method. Instead, the Bank elects to measure these investments at FVTPL under IFRS 9, applying the exemption in IAS 28 (Investments in Associates and Joint Ventures). Joint capital measured at FVTPL is presented at fair value in the consolidated statement of financial position, with net changes in fair value recognized as unrealized gains or losses in the consolidated income statement.

KD 000's

Description	2025	2024
Equities and Funds	275,639	226,371
Joint Venture Measured at Fair Value Through Profit or Loss	15,791	15,247
Investments in Associates	252,482	383,919
<b>Total</b>	<b>543,912</b>	<b>625,537</b>

Unrealized gains (losses) recognized in the statement of financial position but not through the income statement amounted to KD 40,875 thousand (2024: KD (25,660) thousand).

## XI. Data, Reporting, and Information Technology

The Bank continuously maintains and develops its core databases and required information technology infrastructure and regularly collects risk-related data. Detailed data templates are distributed to various Kuwait Finance House subsidiaries, both banking and non-banking, designed to capture comprehensive financial positions.

Regarding reporting, the Bank has a structured reporting framework with clear content hierarchy to enable effective risk reporting at the Bank level. This framework supports timely decision-making and corrective actions. In line with the development of risk management practices, the Bank continually enhances and strengthens its risk reporting framework.

Key reports include the Internal Capital Adequacy Assessment Report (ICAAP), stress testing reports, risk appetite monitoring reports, and a summary of major risks faced by the Bank at both subsidiary and Group levels. These reports are prepared quarterly and presented to the Risk Committee, then escalated to senior management and the Board of Directors for evaluation and decision-making to maintain risks within acceptable levels, in line with the risk appetite approved by the Board.

The table below provides a general list of these reports:

Report Name	Concerned Party
Internal Capital Adequacy Assessment and Stress Testing Report	<ul style="list-style-type: none"> <li>Central Bank of Kuwait</li> <li>Assets and Liabilities Committee (ALCO)</li> <li>Board Risk Committee</li> <li>Executive Risk Management Committee</li> <li>Board of Directors</li> </ul>
Assets and Liabilities Committee Report at KFH and Group Level	<ul style="list-style-type: none"> <li>Assets and Liabilities Committee (ALCO)</li> <li>Board Risk Committee</li> </ul>
Financial Risk Report for Kuwait Finance House Group	<ul style="list-style-type: none"> <li>Board of Directors</li> <li>Board Risk Committee</li> </ul>
Performance Evaluation Indicators for KFH Group and Subsidiary Banks (CAMELBCOM)	<ul style="list-style-type: none"> <li>Executive Risk Management Committee</li> </ul>
Risk Appetite Report	<ul style="list-style-type: none"> <li>Board of Directors</li> <li>Executive Risk Management Committee</li> <li>Board Risk Committee</li> </ul>
Regulatory Compliance and Governance Framework Reports	<ul style="list-style-type: none"> <li>Governance Committee</li> </ul>
Non-Financial Risk Reports, including: Technology Risk, Third-Party Risk, Operational Risk, Business Continuity Risk, Cybersecurity and Information Security Risk, and Fraud Risk	<ul style="list-style-type: none"> <li>Board Risk Committee</li> <li>Board of Directors (for Cybersecurity only)</li> <li>Executive Risk Management Committee</li> </ul>

## XII. Remuneration and Compensation Report

### Remuneration and Compensation Policy

Kuwait Finance House's remuneration and compensation policy aligns with the Bank's strategies and objectives, as well as the provisions of the Labor Law for the private sector. It also incorporates all corporate governance requirements issued by the Central Bank of Kuwait in June 2012. Employee compensation includes both fixed and variable components, covering salaries, wages, and short- and long-term incentives. This policy is designed to attract, retain, and reward individuals with the expertise, skills, values, and behaviors necessary to achieve the Bank's overall objectives.

Employee remuneration at Kuwait Finance House is directly linked to the Bank's short- and long-term performance. The components of the compensation package are aligned with the Bank's ability to absorb short- and long-term risks. The policy includes mechanisms to control total compensation based on the Bank's financial performance. In cases of weak financial performance, a "clawback" system may be applied to safeguard the Bank's interests.

The Board of Directors, assisted by the Nomination and Remuneration Committee, approves the design and amendments of the Bank's remuneration and compensation policy and periodically reviews its implementation and effectiveness to ensure it operates as intended.

### Components of Remuneration and Compensation

The combination of different remuneration components ensures an appropriate and balanced package that reflects job grade, department, role type, and market practices. The components granted to employees include:

- Basic Salary
- Benefits and Allowances

Salaries reflect individual skills and experience and are reviewed annually as part of the performance appraisal process. Regular benchmarking of salaries and allowances is conducted against comparable banks. Salary increases may occur due to changes in role and/or responsibilities or to align with the latest market data. Increases may also be applied in line with local regulations.

The Bank has a formal process for managing, evaluating, and measuring employee performance at all levels. At the beginning of each year, employees and their supervisors plan and document annual performance objectives, required competencies, and personal development plans. During the annual performance review, supervisors and reviewers assess and record performance against approved objectives. Decisions regarding fixed salary adjustments and performance-based incentives are made based on this review. Other benefits, such as annual leave, sick leave, other types of leave, medical insurance, annual tickets, and allowances, are provided based on individual employment contracts, local market practices, and applicable laws.

### Appendix (M): Pillar 3 – Disclosure on Remuneration and Compensation:

2025		KD 000's	
Total Value of Remuneration awards for the current fiscal year	Unrestricted	Deferred	
<b>Fixed Remuneration:</b>			
• Cash	2,359		
• Shares and Share-Linked Instruments			
• Other	1,129		
<b>Variable Remuneration:</b>			
• Cash			
• Shares and Share-Linked Instruments			
• Other	1,296	555	
<b>Total</b>	<b>4,784</b>	<b>555</b>	

2024		KD 000's	
Total Value of Remuneration awards for the current fiscal year	Unrestricted	Deferred	
<b>Fixed Remuneration:</b>			
• Cash	2,525		
• Shares and Share-Linked Instruments			
• Other	684		
<b>Variable Remuneration:</b>			
• Cash			
• Shares and Share-Linked Instruments			
• Other	1,824	870	
<b>Total</b>	<b>5,033</b>	<b>870</b>	

Table 32 below presents information related to the remuneration and compensation of employee categories

Table 32

2025		KD 000's	
Employee Categories	Number of Employees	Total Remuneration Paid	
Senior Management	16	5,339	
Material Risk Takers	5	2,621	
Financial & Control Functions	189	7,825	

2024		KD 000's	
Employee Categories	Number of Employees	Total Remuneration Paid	
Senior Management	15	5,903	
Material Risk Takers	5	2,380	
Financial & Control Functions	208	9,974	



Consolidated  
Financial Statements  
31 December 2025



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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 10 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.

### 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 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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”), as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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




## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT 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 2,047,469 thousand as at 31 December 2025, recognised on the acquisition of Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)] 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 13 to the consolidated financial statements, against the requirements of IFRS Accounting Standards.

#### **Other Information included in the Group's 2025 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's 2025 Annual Report, other than the consolidated financial statements and our 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.

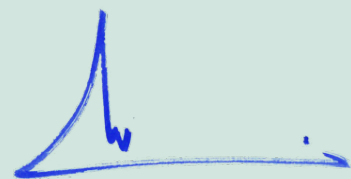
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or 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 2025 that might have had a material effect on the business of the Bank or on its financial position.

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



BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
(AL-AIBAN, AL-OSAIMI & PARTNERS)



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

27 January 2026  
Kuwait

**Kuwait Finance House K.S.C.P. and Subsidiaries**
**CONSOLIDATED STATEMENT OF INCOME**

For the year ended 31 December 2025

		<i>KD 000's</i>	
	<i>Notes</i>	<u>2025</u>	<u>2024</u>
<b>INCOME</b>			
Financing income		<b>3,250,512</b>	2,886,460
Finance cost and distribution to depositors		<b>(1,971,288)</b>	(1,739,486)
Net financing income		<b>1,279,224</b>	1,146,974
Fees and commissions income		<b>482,671</b>	371,555
Fees and commissions expense		<b>(253,227)</b>	(194,332)
Net fees and commission income		<b>229,444</b>	177,223
Investment income	3	<b>161,657</b>	137,798
Net gain from foreign currencies		<b>69,356</b>	153,807
Other income	4	<b>93,645</b>	76,360
<b>TOTAL OPERATING INCOME</b>		<b>1,833,326</b>	1,692,162
<b>OPERATING EXPENSES</b>			
Staff costs		<b>(346,387)</b>	(347,307)
General and administrative expenses		<b>(186,497)</b>	(168,490)
Depreciation and amortisation		<b>(91,460)</b>	(84,183)
<b>TOTAL OPERATING EXPENSES</b>		<b>(624,344)</b>	(599,980)
<b>NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENT AND NET MONETARY LOSS</b>			
		<b>1,208,982</b>	1,092,182
Provisions and impairment	5	<b>(161,444)</b>	(119,996)
Net monetary loss	30	<b>(135,373)</b>	(155,322)
<b>OPERATING PROFIT BEFORE TAXATION AND PROPOSED DIRECTORS' FEES</b>			
		<b>912,165</b>	816,864
Taxation	6	<b>(190,450)</b>	(173,640)
Proposed directors' fees	20	<b>(1,460)</b>	(1,317)
<b>PROFIT FOR THE YEAR</b>		<b>720,255</b>	641,907
<b>Attributable to:</b>			
Shareholders of the Bank		<b>632,108</b>	601,802
Non-controlling interests		<b>88,147</b>	40,105
		<b>720,255</b>	641,907
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>			
	7	<b>35.64 fils</b>	33.68 fils

The attached notes 1 to 30 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 2025

	<i>KD 000's</i>	
	<u>2025</u>	<u>2024</u>
<b>Profit for the year</b>	<b>720,255</b>	641,907
<i>Items that will not be reclassified to consolidated statement of income in subsequent periods:</i>		
Revaluation gain (loss) on equity investments at fair value through other comprehensive income	6,277	(4,090)
Net change in pension fund reserve	(86)	1,270
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>		
Investments in Sukuk at fair value through other comprehensive income:		
Net change in fair value during the year	64,693	(33,076)
Net transfer to consolidated statement of income	616	(5,711)
Net income (loss) on investments in Sukuk at fair value through other comprehensive income	65,309	(38,787)
Share of other comprehensive income of associates and joint ventures	-	5,183
Net change in fair value of cash flow hedges	(104)	67
Exchange differences on translation of foreign operations	(172,430)	(237,066)
<b>Other comprehensive loss for the year</b>	<b>(101,034)</b>	(273,423)
<b>Total comprehensive income</b>	<b>619,221</b>	368,484
<b>Attributable to:</b>		
Shareholders of the Bank	592,679	404,151
Non-controlling interests	26,542	(35,667)
	<b>619,221</b>	368,484

The attached notes 1 to 30 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 2025

	<i>Notes</i>	<i>KD 000's</i>	
		<u>2025</u>	<u>2024</u>
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	8	4,998,746	3,695,324
Due from banks	9	3,446,833	2,227,173
Financing receivables	10	21,817,004	19,069,673
Investment in debt securities	11	7,577,615	6,864,854
Investments		291,430	241,618
Investment in associates and joint ventures		252,482	383,919
Trading and investment properties		464,843	458,203
Other assets	12	1,148,267	1,059,019
Goodwill and intangible assets	13	2,328,566	2,328,003
Property and equipment		434,026	375,640
<b>TOTAL ASSETS</b>		<b>42,759,812</b>	36,703,426
<b>LIABILITIES</b>			
Due to banks		6,971,768	5,643,696
Due to financial institutions		4,738,107	3,030,485
Sukuk payables and term financing	15	1,414,401	986,639
Depositors' accounts	16	21,029,418	19,219,942
Other liabilities	17	1,761,249	1,404,764
<b>TOTAL LIABILITIES</b>		<b>35,914,943</b>	30,285,526
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>			
Share capital	19	1,847,712	1,710,844
Share premium	19	4,267,447	4,267,447
Proposed issue of bonus shares	20	129,340	136,868
Treasury shares	19	(822,159)	(822,159)
Reserves	18	83,934	34,823
		5,506,274	5,327,823
Proposed cash dividends	20	240,868	191,165
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>		<b>5,747,142</b>	5,518,988
Perpetual Tier 1 Capital Securities and Sukuks	21	641,257	504,059
Non-controlling interests		456,470	394,853
<b>TOTAL EQUITY</b>		<b>6,844,869</b>	6,417,900
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42,759,812</b>	36,703,426

  
 HAMAD ABDOUL MOHSEN AL-MARZOUQ  
 (CHAIRMAN)

  
 KHALED YOUSEF ALSHAMLAN  
 (GROUP CHIEF EXECUTIVE OFFICER)

The attached notes 1 to 30 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 2025

	Attributable to the shareholders of the Bank					Proposed cash dividends	Subtotal	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 18)					
Balance as at 1 January 2025	1,710,844	4,267,447	136,868	(822,159)	34,823	5,327,823	504,059	394,853	6,417,900	
Profit for the year	-	-	-	-	632,108	632,108	-	88,147	720,255	
Other comprehensive loss	-	-	-	-	(39,429)	(39,429)	-	(61,605)	(101,034)	
Total comprehensive income	-	-	-	-	592,679	592,679	-	26,542	619,221	
Issue of bonus shares (Note 20)	136,868	-	(136,868)	-	-	-	-	-	-	
Cash dividends paid (Note 20)	-	-	-	-	-	(191,165)	-	-	(191,165)	
Interim cash dividend (Note 20)	-	-	-	-	(172,049)	(172,049)	-	-	(172,049)	
Distribution of profit (Note 20)	-	-	-	-	(129,340)	-	-	-	-	
Proposed issue of bonus shares	-	-	129,340	-	(240,868)	240,868	-	-	-	
Proposed cash dividends	-	-	-	-	(41,633)	(41,633)	-	-	(41,633)	
Zakat	-	-	-	-	(170)	(170)	(123,157)	-	(123,327)	
Net movement on Perpetual Tier 1 Capital securities and Sukuks	-	-	-	-	(18,909)	(18,909)	-	-	(18,909)	
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	(861)	(861)	260,355	-	259,494	
Group's share of associate adjustments	-	-	-	-	(46)	(46)	-	-	(46)	
Impact of application of IAS 29 (Note 30)	-	-	-	-	60,658	60,658	-	44,269	104,927	
Sale of a subsidiary	-	-	-	-	(350)	(350)	-	(902)	(1,252)	
Payment to non-controlling interest on capital redemption of a subsidiary	-	-	-	-	-	-	-	(4,433)	(4,433)	
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(11,668)	(11,668)	
Change in ownership of subsidiaries without loss of control	-	-	-	-	-	-	-	4,706	4,706	
Net other change in non-controlling interests	-	-	-	-	-	-	-	3,103	3,103	
Balance as at 31 December 2025	1,847,712	4,267,447	129,340	(822,159)	83,934	5,506,274	641,257	456,470	6,844,869	

The attached notes 1 to 30 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 2025

	Attributable to the shareholders of the Bank					Proposed cash dividends	Subtotal	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 18)					
Balance as at 1 January 2024	1,476,445	3,611,765	141,262	(113,103)	53,499	5,169,868	502,381	345,048	6,163,339	
Profit for the year	-	-	-	-	601,802	601,802	-	40,105	641,907	
Other comprehensive loss	-	-	-	-	(197,651)	(197,651)	-	(75,772)	(273,423)	
Total comprehensive income (loss)	-	-	-	-	404,151	404,151	-	(35,667)	368,484	
Issuance of ordinary shares	93,137	655,682	-	-	-	748,819	-	-	748,819	
Issue of bonus shares (Note 20)	141,262	-	(141,262)	-	-	-	-	-	-	
Zakat	-	-	-	-	(56,011)	(56,011)	-	-	(56,011)	
Cash dividends paid (Note 20)	-	-	-	-	(159,304)	(159,304)	-	-	(146,042)	
Interim cash dividend (Note 20)	-	-	-	-	(191,165)	(191,165)	-	-	(146,042)	
Distribution of profit (Note 20)	-	-	-	-	2,687	(706,369)	-	-	(159,304)	
Proposed issue of bonus shares	-	-	136,868	-	(136,868)	-	-	-	-	
Proposed cash dividends	-	-	-	-	(191,165)	(191,165)	-	-	-	
Net movement on treasury shares	-	-	-	(709,056)	2,687	(706,369)	-	-	(706,369)	
Net movement on Perpetual Tier 1 Capital securities and Sukuks	-	-	-	-	(2,122)	(2,122)	1,678	-	(444)	
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks	-	-	-	-	(22,625)	(22,625)	-	-	(22,625)	
Group's share of associate adjustments	-	-	-	-	(4,815)	(4,815)	-	-	(4,815)	
Impact of application of IAS 29 (Note 30)	-	-	-	-	136,877	136,877	-	99,893	236,770	
Acquisition of non-controlling interest	-	-	-	-	(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	-	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	504,059	394,853	6,417,900	

The attached notes 1 to 30 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 2025

	Notes	2025	2024
<b>OPERATING ACTIVITIES</b>			
Profit for the year		720,255	641,907
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		91,460	84,183
Provisions and impairment	5	161,444	119,996
Dividend income	3	(6,064)	(5,231)
Gain on sale of investments	3	(78,089)	(134,695)
Gain on sale of real estate investments	3	(24,745)	(17,497)
Share of results from investment in associates and joint ventures	3	(4,864)	(35,421)
Net monetary loss from hyperinflation	30	135,373	155,322
		994,770	808,564
Changes in operating assets and liabilities:			
<i>(Increase) decrease in operating assets:</i>			
Financing receivables and due from banks		(2,463,699)	635,117
Investment in debt securities		(605,481)	105,761
Other assets		(89,248)	(155,781)
Statutory deposit with Central Banks		(350,786)	708,337
<i>Increase (decrease) in operating liabilities:</i>			
Due to banks and financial institutions		3,035,694	690,391
Depositors' accounts		1,809,476	(2,592,873)
Other liabilities		14,817	(182,634)
Net cash flows from operating activities		2,345,543	16,882
<b>INVESTING ACTIVITIES</b>			
Net movement in investments		(39,111)	105,308
Purchase of trading & investment properties		(8,264)	(10,049)
Proceeds from sale of trading & investment properties		69,503	35,948
Purchase of property and equipment		(94,954)	(50,706)
Proceeds from sale of property and equipment		4,696	11,047
Intangible assets, net		6,178	(8,017)
Capital injection of investments in associates and joint ventures		-	(792)
Proceeds from sale/ redemption of investments in associates and joint ventures		143,596	148,811
Dividend received		7,839	55,328
Payment to non-controlling interest on capital redemption of a subsidiary		(4,433)	-
Proceeds from sale of subsidiary, net of cash disposed		4,219	100,466
Net cash flows from investing activities		89,269	387,344
<b>FINANCING ACTIVITIES</b>			
Profit payment on Perpetual Tier 1 Capital Securities and Sukuks		(18,909)	(22,625)
New issuance of Perpetual Tier 1 Capital Securities and Sukuks		259,494	-
Payment on settlement of Perpetual Tier 1 Sukuks		(123,327)	-
Cash dividends paid		(363,214)	(301,792)
Dividends paid to non-controlling interest		(11,668)	(21,909)
Movement in Sukuk payable and term financing	15	427,762	351,107
Zakat paid		(54,167)	(20,787)
Net movement in treasury shares		-	9,171
Net cash flows from (used in) financing activities		115,971	(6,835)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as at 1 January		3,445,682	3,048,291
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	8	<b>5,996,465</b>	<b>3,445,682</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**1 CORPORATE INFORMATION**

The consolidated financial statements of the Group for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Bank's Board of Directors on 12 January 2026. 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 14.1. 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.

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications do not affect the previously reported total assets, total liabilities, equity and profit for the year.

**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 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Lack of exchangeability – Amendments to IAS 21**

For annual reporting periods beginning on or after 1 January 2025, *Lack of Exchangeability – Amendments to IAS 21* The Effects of Changes in Foreign Exchange Rates specifies 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 an entity's 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 amendment did not have a 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 2025

#### 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 Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

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:

- ▶ Clarifications of the requirements for recognition and derecognition of financial assets and liabilities
- ▶ 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. There are specific presentation requirements and options for entities, 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 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.

In addition, 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.

The Group is currently working to identify the impacts the standard will have on the primary consolidated financial statements and notes to the consolidated financial statements. The Group considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

#### 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 14 for the list of material subsidiaries, their principal businesses and the Group's effective holding.

##### 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.

## 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)****Business combinations and goodwill (continued)**

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.

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.

## 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)****Foreign currency translation (continued)***Transactions and balances*

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.

**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 receivables and 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.

## 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)

**IAS 29 Financial Reporting in Hyperinflationary Economies (continued)**

The financial information of subsidiary companies whose functional 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 and investment 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 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.

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.

## 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)***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.

*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.

## 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)**

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)

*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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

**Financial instruments (continued)***Equity instruments at FVOCI: (continued)*

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.

*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 receivables and 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.

## 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)

*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.

*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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Financial instruments (continued)

*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.

## 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Financial instruments (continued)

**Derecognition due to substantial modification of terms and conditions (continued)**

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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Financial instruments (continued)

**Derivatives financial instruments and hedge accounting (continued)**

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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Financial instruments (continued)

## Derivatives financial instruments and hedge accounting (continued)

*Hedges of a net investment (continued):*

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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Expected Credit Losses (continued)

## 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.

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;

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Expected Credit Losses (continued)

*Determining the stage of impairment (continued)*

- ▶ 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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

## Expected Credit Losses (continued)

*Measurement of ECLs (continued)*

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.

*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%

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Provisions for credit losses in accordance with CBK instructions (continued)**

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.

**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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Leases (continued)**

## 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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Intangible assets (continued)**

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.

**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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**2.6 MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Taxation***Domestic Minimum Top-up Tax (DMTT)*

Income taxes arising from tax law enacted by the State of Kuwait (Law No. 157 of 2024) for implementation of DMTT on entities which are part of multinational group with annual revenues of EUR 750 million or more are provided for in accordance with the Executive regulations issued through Ministerial Resolution No. 55 of 2025. Refer note 6 for further information.

*Overseas tax*

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.

*Kuwait Foundation for the Advancement of Sciences*

Contribution to Kuwait Foundation for the Advancement of Sciences is provided at 1% of the eligible profits in accordance with the Amiri Decree issued on 12 December 1976.

*National Labour Support Tax and Zakat*

National Labour Support Tax and Zakat was provided for in accordance with the applicable fiscal laws, rules and regulations. Consequent to the implementation of DMTT in the State of Kuwait, the Group is not liable to National Labour Support Tax and Zakat effective from 1 January 2025.

The Bank calculates shareholders' Zakat at 2.5775% on the Zakat pool upon completion of the fiscal year, in accordance with the Zakat Manual issued by Kuwait Zakat House as well as the resolutions and recommendations of the Bank's Fatwa and Shari'a Supervisory Board. The Zakat amount is charged to the voluntary reserve and is paid under the direction of the Fatwa and Shari'a Supervisory Board.

**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.

## 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)****Fair value measurement (continued)***Financial assets carried at FVOCI or FVTPL (continued)*

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. 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 6 for further information.

*Investment properties*

For investment properties, fair value is determined by registered real estate valuers who have relevant experience in the property market.

**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.

## 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)****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.

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 29.

**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.

## 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)

**Estimation uncertainty (continued)***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.

*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 criterion 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.

## 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)

**Estimation uncertainty (continued)***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.

## 3 INVESTMENT INCOME

	<i>KD 000's</i>	
	2025	2024
Gain on sale of real estate investments	24,745	17,497
Rental income from investment properties	5,644	5,571
Dividend income	6,064	5,231
Gain on sale of investments	78,089	134,695
Share of results of investment in associates and joint ventures	4,864	35,421
Others	42,251	(60,617)
	<b>161,657</b>	<b>137,798</b>

## 4 OTHER INCOME

	<i>KD 000's</i>	
	2025	2024
Income from sale of property and equipment	1,635	4,708
Real estate trading, development and construction income	1,862	1,052
Income from maintenance, services, and consultancy	50,075	44,405
Rental income from lease contracts	5,022	4,786
Other income	35,051	21,409
	<b>93,645</b>	<b>76,360</b>

## 5 PROVISIONS AND IMPAIRMENT

	<i>KD 000's</i>	
	2025	2024
Impairment on financing receivables (Note 10)	136,287	95,618
Recovery of written-off debts	(42,999)	(23,201)
Reversal of impairment of non-cash facilities	(1,149)	(1,156)
Total financing provision	<b>92,139</b>	<b>71,261</b>
Expected credit losses (reversal) for investment in debt securities (Note 11)	616	(5,711)
Expected credit losses for other financial assets	1,509	3,963
Other provisions and impairment*	67,180	50,483
	<b>161,444</b>	<b>119,996</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 5 PROVISIONS AND IMPAIRMENT (continued)

\* Group undertakes Takaful activity through its subsidiaries in Kuwait and Türkiye. Other provisions and impairments include an amount of KD 71,090 thousand (2024: 61,510 thousand) related to estimated loss on Takaful contract liabilities of the Takaful subsidiaries. These amounts were netted off against other income in the prior year. Comparative information has been reclassified to conform with current year presentation.

## 6 TAXATION

	<i>KD 000's</i>	
	<u>2025</u>	<u>2024</u>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	5,782	5,559
National Labour Support Tax (NLST)	-	19,182
Zakat	-	7,825
BEPS Pillar 2	50,876	-
Taxation related to subsidiaries	133,792	141,074
	<u>190,450</u>	<u>173,640</u>

## BEPS Pillar 2

During 2025, OECD Pillar Two tax reforms were introduced in many of the overseas jurisdictions where the Group operates. For example, both governments of Bahrain and United Arab Emirates enacted a DMTT effective for financial years beginning on or after 1 January 2025 ensuring a minimum effective tax rate of 15% in line with OECD Pillar Two requirements. In addition to jurisdictions that have enacted a Domestic Minimum Top-up Tax (DMTT), certain countries have also introduced the Income Inclusion Rule (IIR) and the Undertaxed Payments Rule (UTPR) effective for fiscal years beginning on or after 1 January 2025. These rules ensure that multinational groups are subject to a minimum effective tax rate of 15% globally, and any shortfall in tax is addressed either through top-up taxes in the parent jurisdiction under IIR or through allocation of top-up taxes to other jurisdictions under UTPR. The Group has provided for additional tax liabilities arising from the implementation of Pillar two regulations in all applicable jurisdictions.

## Domestic Minimum Top-up Tax (DMTT)

The State of Kuwait issued Law No. 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 multinational entities group (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 are computed in accordance with the executive regulations issued through Ministerial Resolution No. 55 of 2025. 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 7 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.

	<u>2025</u>	<u>2024</u>
<b>Basic and diluted earnings per share:</b>		
Profit for the year attributable to shareholders of the Bank (thousand KD)	632,108	601,802
Less: Profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	(18,909)	(22,625)
Profit for the year attributable to shareholders of the Bank after profit payment on Perpetual Tier 1 Capital Securities and Sukuks (thousand KD)	<u>613,199</u>	<u>579,177</u>
Weighted average number of shares outstanding during the year, net of treasury shares (thousands share)	<u>17,204,881</u>	<u>17,197,583</u>
Basic and diluted earnings per share attributable to the shareholders of the Bank	<u>35.64 fils</u>	<u>33.68 fils</u>

The comparative basic and diluted earnings per share have been restated for bonus shares issued (Note 20).

## 8 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	<i>KD 000's</i>	
	<u>2025</u>	<u>2024</u>
Cash	227,569	200,329
Balances with Central Banks	3,276,663	2,277,906
Balances with banks and financial institutions – current accounts	1,494,514	1,217,089
Cash and balance with banks and financial institutions	<u>4,998,746</u>	<u>3,695,324</u>
Due from banks within 3 months of contract date	2,495,895	897,748
Less: Statutory deposits with Central Banks	(1,498,176)	(1,147,390)
<b>Cash and cash equivalents</b>	<u>5,996,465</u>	<u>3,445,682</u>

Statutory deposits with Central Banks represent balances that are not available for use in the Group's day-to-day operations.

## 9 DUE FROM BANKS

	<i>KD 000's</i>	
	<u>2025</u>	<u>2024</u>
Due from banks	2,711,613	1,478,060
Due from central banks	735,220	749,113
	<u>3,446,833</u>	<u>2,227,173</u>

The fair value of due from banks is not materially different from their respective carrying value.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 10 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	
	2025	2024
<b>Financing receivables</b>		
Murabaha and wakala	22,313,490	19,434,801
Leased assets	2,808,783	2,654,641
Istisna'a and other receivables	330,453	216,984
	<b>25,452,726</b>	22,306,426
Less: deferred and suspended profit	(2,689,785)	(2,302,929)
Net financing receivables	<b>22,762,941</b>	20,003,497
Less: impairment	(945,937)	(933,824)
	<b>21,817,004</b>	19,069,673

	KD 000's					
	Corporate		Retail		Total	
	2025	2024	2025	2024	2025	2024
Middle East	9,275,937	8,249,506	6,941,414	6,555,359	16,217,351	14,804,865
Europe	5,271,497	3,991,369	853,454	684,095	6,124,951	4,675,464
Other	264,133	351,846	156,506	171,322	420,639	523,168
Net financing receivables	<b>14,811,567</b>	12,592,721	<b>7,951,374</b>	7,410,776	<b>22,762,941</b>	20,003,497
Less: impairment			(945,937)	(933,824)		
			<b>21,817,004</b>	19,069,673		

Movement in provision for impairment as per CBK instructions is as follows:

	KD 000's					
	Specific		General		Total	
	2025	2024	2025	2024	2025	2024
Balance as at beginning of year	170,725	208,124	763,099	739,578	933,824	947,702
Provided during the year (Note 5)	145,109	52,247	(8,822)	43,371	136,287	95,618
Related to disposal of subsidiary	-	(6,343)	-	(8,299)	-	(14,642)
Amounts written off and foreign currency translation	(126,394)	(83,303)	2,220	(11,551)	(124,174)	(94,854)
Balance as at end of year	<b>189,440</b>	170,725	<b>756,497</b>	763,099	<b>945,937</b>	933,824

The available provision balance on non-cash facilities of KD 41,216 thousand (2024: KD 43,378 thousand) is included under other liabilities (Note 17).

The fair value of the financing receivables do not materially differ from their respective book values.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 10 FINANCING RECEIVABLES (continued)

The future minimum lease payments receivable in the aggregate are as follows:

	KD 000's	
	2025	2024
Within one year	1,331,269	1,561,728
One to five years	707,207	648,737
More than five years	770,307	444,176
	<b>2,808,783</b>	2,654,641

## Non-performing financing facilities

As at 31 December 2025, non-performing cash finance facilities before impairment and collateral (net of deferred profit and suspended profit) amounted to KD 344,382 thousand (2024: KD 355,275 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 2025 is KD 987,153 thousand (2024: KD 977,202 thousand) which exceeds the ECL for financing receivables under IFRS 9 by KD 526,631 thousand (2024: KD 538,833 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.

	31 December 2025			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
High	14,276,919	585,875	-	14,862,794
Standard	4,616,102	1,906,619	164,613	6,687,334
Past due or impaired	626,295	242,136	344,382	1,212,813
	<b>19,519,316</b>	<b>2,734,630</b>	<b>508,995</b>	<b>22,762,941</b>
Financing commitments and contingent liabilities (Note 22)	<b>2,781,367</b>	<b>605,208</b>	<b>27,365</b>	<b>3,413,940</b>
ECL provision for credit facilities	<b>71,075</b>	<b>124,627</b>	<b>264,820</b>	<b>460,522</b>
	31 December 2024			
High	13,040,170	379,642	-	13,419,812
Standard	3,637,882	1,639,784	107,627	5,385,293
Past due or impaired	587,462	255,655	355,275	1,198,392
	<b>17,265,514</b>	<b>2,275,081</b>	<b>462,902</b>	<b>20,003,497</b>
Financing commitments and contingent liabilities (Note 22)	<b>2,429,594</b>	<b>406,623</b>	<b>40,691</b>	<b>2,876,908</b>
ECL provision for credit facilities	<b>62,364</b>	<b>95,589</b>	<b>280,416</b>	<b>438,369</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 10 FINANCING RECEIVABLES (continued)

## Aging analysis of past due but not impaired finance facilities by class of financial assets:

	<i>KD 000's</i>			
	<i>Less than 30 days</i>	<i>31 to 60 days</i>	<i>61 to 90 days</i>	<i>Total</i>
<b>31 December 2025</b>				
Financing receivables	<u>626,295</u>	<u>139,316</u>	<u>102,820</u>	<u>868,431</u>
<b>31 December 2024</b>				
Financing receivables	<u>587,462</u>	<u>158,789</u>	<u>96,866</u>	<u>843,117</u>

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:

	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
ECL allowance as at 1 January 2025	62,364	95,589	280,416	438,369
Transfer between stages:				
Transfer from / to Stage 1	15,153	(9,878)	(5,275)	-
Transfer from / to Stage 2	(2,126)	16,884	(14,758)	-
Transfer from / to Stage 3	(563)	(5,205)	5,768	-
Net (decrease) increase in ECL for the year	(5,681)	42,284	85,866	122,469
Amounts written off	-	-	(86,253)	(86,253)
Foreign exchange adjustments	1,928	(15,047)	(944)	(14,063)
<b>At 31 December 2025</b>	<u>71,075</u>	<u>124,627</u>	<u>264,820</u>	<u>460,522</u>
	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
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)
<b>At 31 December 2024</b>	<u>62,364</u>	<u>95,589</u>	<u>280,416</u>	<u>438,369</u>

## 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 11 INVESTMENT IN DEBT SECURITIES

	<i>KD 000's</i>	
	<i>2025</i>	<i>2024</i>
Debt securities at fair value through other comprehensive income "FVOCI"	4,812,040	4,226,225
Debt securities measured at amortised cost	2,532,719	2,467,572
Debt securities at fair value through profit or loss "FVTPL"	232,856	171,057
	<u>7,577,615</u>	<u>6,864,854</u>

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).

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>2025</b>				
High grade	4,250,771	-	-	4,250,771
Standard grade	3,040,327	87,385	-	3,127,712
Gross carrying amount	<u>7,291,098</u>	<u>87,385</u>	<u>-</u>	<u>7,378,483</u>
ECL allowance	<u>(32,701)</u>	<u>(1,023)</u>	<u>-</u>	<u>(33,724)</u>
Carrying value	<u>7,258,397</u>	<u>86,362</u>	<u>-</u>	<u>7,344,759</u>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>2024</b>				
High grade	4,198,555	352,994	-	4,551,549
Standard grade	2,136,506	42,472	-	2,178,978
Gross carrying amount	<u>6,335,061</u>	<u>395,466</u>	<u>-</u>	<u>6,730,527</u>
ECL allowance	<u>(25,116)</u>	<u>(11,614)</u>	<u>-</u>	<u>(36,730)</u>
Carrying value	<u>6,309,945</u>	<u>383,852</u>	<u>-</u>	<u>6,693,797</u>

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:

	<i>KD 000's</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>2025</b>				
Gross carrying amount as at 1 January 2025	6,335,061	395,466	-	6,730,527
Net movement during the year	956,037	(308,081)	-	647,956
<b>At 31 December 2025</b>	<u>7,291,098</u>	<u>87,385</u>	<u>-</u>	<u>7,378,483</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 11 INVESTMENT IN DEBT SECURITIES (continued)

2025	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2025	25,116	11,614	-	36,730
Re-measurements during the year (Note 5)	10,994	(10,378)	-	616
Amounts written off and foreign currency translation	(3,409)	(213)	-	(3,622)
At 31 December 2025	<u>32,701</u>	<u>1,023</u>	<u>-</u>	<u>33,724</u>

2024	KD 000's			
	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	<u>6,335,061</u>	<u>395,466</u>	<u>-</u>	<u>6,730,527</u>

2024	KD 000's			
	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 5)	(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	<u>25,116</u>	<u>11,614</u>	<u>-</u>	<u>36,730</u>

## 12 OTHER ASSETS

	KD 000's	
	2025	2024
Derivative assets (Note 23)	230,751	207,060
Precious metals inventory	194,173	210,260
Trade receivables and other debit balances	191,050	120,092
Profit receivable	115,263	120,457
Clearing accounts	86,901	87,735
Advances and prepayments	59,496	48,429
Properties acquired on settlement of financing receivables	98,906	87,159
Other miscellaneous assets	171,727	177,827
	<u>1,148,267</u>	<u>1,059,019</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 13 GOODWILL AND INTANGIBLE ASSETS

Movement of goodwill and intangible assets is as follows:

	KD 000's	
	2025	2024
<b>Cost</b>		
As at 1 January	2,425,132	2,474,690
Additions, net	27,743	8,679
Hyperinflation adjustment	6,236	1,004
Foreign exchange translation	(9,263)	(59,241)
<b>As at 31 December</b>	<u>2,449,848</u>	<u>2,425,132</u>
<b>Accumulated amortization</b>		
As at 1 January	97,129	76,822
Charge for the year	28,397	23,043
Disposals	(2,255)	(5)
Hyperinflation adjustment	1,140	178
Foreign exchange translation	(3,129)	(2,909)
<b>As at 31 December</b>	<u>121,282</u>	<u>97,129</u>
<b>Net book value as at 31 December</b>	<u>2,328,566</u>	<u>2,328,003</u>

	KD 000's	
	2025	2024
Goodwill	2,064,002	2,067,451
Core deposits and brands	197,850	226,336
Other intangibles	66,714	34,216
	<u>2,328,566</u>	<u>2,328,003</u>

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 9.0% to 28.1% (2024: 7.1% to 29.0%) and a terminal growth rate ranging of 1.8% to 5.5% (2024: 1.8% to 6.8%). 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 (2024: 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 9.46% (2024: 10.82%) and a terminal growth rate of 2.3% (2024: 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14 SUBSIDIARIES

## 14.1 Details of principal operating material subsidiaries

Name	Country of registration	Interest in equity %		Principal activity	Financial statements reporting date
		2025	2024		
Kuwait Turkish Participation Bank (KTPB)	Turkey	58	58	Islamic banking services	31 December 2025
Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)] ("KFHB") *	Bahrain	100	100	Islamic banking services	31 December 2025
Kuwait Finance House (Malaysia) Berhad	Malaysia	100	100	Islamic banking services	31 December 2025
Kuwait Finance House PLC (U.K.) ("KFHUK")	United Kingdom	100	100	Islamic banking services	31 December 2025
Kuwait Finance House Bank - Egypt S.A.E. ("KFHE")	Egypt	95.7	95.7	Islamic banking services	31 December 2025
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	Iraq	85.3	85.3	Islamic banking services	31 December 2025
Saudi Kuwait Finance House S.S.C. (Closed)	Saudi Arabia	100	100	Islamic investment	31 December 2025
KFH Capital Investments Company K.S.C. (Closed) **	Kuwait	99.9	99.9	Islamic finance and investments	31 October 2025
KFH Real Estate Company K.S.C. (Closed) **	Kuwait	99.9	99.9	Real estate development and leasing	31 October 2025
Al Enma'a Real Estate Company K.S.C.P.	Kuwait	56	56	Real estate, investment, trading and real estate management	31 October 2025
Baitak Real Estate Investment Company S.S.C.	Saudi Arabia	100	100	Real estate development and investment	30 September 2025
International Turnkey Systems Company K.S.C. (Closed) **	Kuwait	98	98	Computer maintenance, consultancy and software services	30 September 2025
Al Salam Hospital K.S.C. (Closed)	Kuwait	76	76	Healthcare services	30 September 2025

\* KFHB, KFHE, and CIBIQ are indirectly held subsidiaries through Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)] ("KFHB").

\*\* Effective ownership percentage is 100%(2024: 100%).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14 SUBSIDIARIES (continued)

## 14.2 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	
		2025	2024
Kuwait Turkish Participation Bank (KTPB)	Turkey	42%	42%

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	
	2025	2024
Revenues	2,033,384	1,586,359
Expenses	(1,859,978)	(1,518,358)
<b>Profit for the year</b>	<b>173,406</b>	<b>68,001</b>
Profit attributable to non-controlling interest	73,160	28,690
<b>Total comprehensive income (loss) for the year</b>	<b>26,796</b>	<b>(114,512)</b>
Total comprehensive income (loss) attributable to non-controlling interest	11,305	(42,407)

## Summarised consolidated statement of financial position as at:

	KTPB	
	2025	2024
Total assets	10,514,422	7,949,816
Total liabilities	(9,414,565)	(7,036,320)
<b>Total equity</b>	<b>1,099,857</b>	<b>913,496</b>
Attributable to non-controlling interests	464,030	385,404

## Summarised consolidated statement of cash flows for year ended:

	KTPB	
	2025	2024
Operating	362,330	214,615
Investing	(356,912)	313,610
Financing	(18,373)	(78,827)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(12,955)</b>	<b>449,398</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 15 SUKUK PAYABLES AND TERM FINANCING

On 7 January 2025, the Bank concluded the second 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 5.376% per annum to be paid semi-annually in arrears, on each periodic distribution date, in accordance with the terms of the issue.

On 27 March 2025, the Bank concluded the second private placement issuance of a 10-year senior unsecured Sukuk of USD 500,000 thousand.

## 16 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.

## 17 OTHER LIABILITIES

	<i>KD 000's</i>	
	2025	2024
Trade payables	454,768	299,956
Accrued expenses	245,270	204,755
Certified cheques	49,128	55,941
Due to customers for contract work	17,634	9,790
Employees' end of service benefits	125,552	133,277
Provision on non-cash facilities (Note 10)	41,216	43,378
Derivative liabilities (Note 23)	115,075	69,373
Liabilities related to Takaful activities	231,162	170,164
Other miscellaneous liabilities *	481,444	418,130
	<b>1,761,249</b>	<b>1,404,764</b>

\*Amount payable to KFAS as of 31 December 2025 is KD 5,782 thousand (2024: KD 5,559 thousand) and is included in other miscellaneous liabilities.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 18 RESERVES

	<i>KD 000's</i>							
	Statutory reserve	Voluntary reserve	Retained earnings	Treasury shares reserve	Fair value reserve	Foreign exchange translation reserve	Other reserves	Total
Balance as at 1 January 2025	528,433	269,553	261,173	17,715	(25,660)	(927,343)	(89,048)	34,823
Profit for the year	-	-	632,108	-	67,354	(106,593)	(190)	632,108
Other comprehensive income (loss)	-	-	-	-	-	-	-	(39,429)
Total comprehensive income (loss)	-	-	632,108	-	67,354	(106,593)	(190)	592,679
Zakat	-	(41,022)	(611)	-	-	-	-	(41,633)
Interim cash dividend	-	-	(172,049)	-	-	-	-	(172,049)
Transfer to reserves	63,935	63,935	(127,870)	-	-	-	-	-
Proposed issuance of bonus shares (Note 20)	-	-	(129,340)	-	-	-	-	(129,340)
Proposed cash dividends (Note 20)	-	-	(240,868)	-	-	-	-	(240,868)
Transfer of fair value reserve of equity investment at FVOCI	-	-	465	-	(465)	-	-	-
Perpetual Tier 1 Sukuk foreign currency translation adjustment	-	-	4,410	-	-	-	-	4,410
Profit payment on Perpetual Tier 1 Capital Securities & Sukuks	-	-	(18,909)	-	-	-	-	(18,909)
Other Movement on Perpetual Tier 1 Securities and Sukuks	-	-	(4,580)	-	-	-	-	(4,580)
Issuance Cost of Perpetual Tier 1 Capital Securities and Sukuks	-	-	(861)	-	-	-	-	(861)
Impact of application of IAS 29	-	-	60,658	-	-	-	-	60,658
Group's share of associate adjustments	-	-	(46)	-	-	-	-	(46)
Sale of a subsidiary	-	-	(8,758)	-	(354)	(182)	8,944	(350)
Balance as at 31 December 2025	<b>592,368</b>	<b>292,466</b>	<b>254,922</b>	<b>17,715</b>	<b>40,875</b>	<b>(1,034,118)</b>	<b>(80,294)</b>	<b>83,934</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

**18 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 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 (loss) income	-	-	-	-	(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 20)	-	-	(136,868)	-	-	-	-	(136,868)
Proposed cash dividends (Note 20)	-	-	(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	-	-	136,877	-	-	-	-	136,877
Profit on sale of treasury shares	-	-	-	2,687	-	-	-	2,687
Change in ownership of subsidiary without loss of control	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	1,558	52,931	(39,442)	15,047
Group's share of associate adjustments	-	-	(4,815)	-	-	-	(4,528)	(4,815)
Balance as at 31 December 2024	528,433	269,553	261,173	17,715	(25,660)	(927,343)	(89,048)	34,823

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**18 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 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 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 (2024: KD 822,159 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 19). 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.

**19 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES**

The ordinary general assembly of the Bank's shareholders held on 16 March 2025 approved to distribute bonus shares of 8% (2023: 9%) of the issued and fully paid share capital, and final cash dividends of 12 fils per share (2023: 10 fils per share) to the Bank's shareholders, in addition to the interim cash dividend of 10 fils per share (2023: 10 fils per share) which was paid during the year ended 31 December 2024. (Note 20)

The Extra-ordinary general assembly of the Bank's shareholders held on 16 March 2025 also approved to increase the authorised share capital to be comprised of 18,477,123,275 shares (31 December 2024: 17,108,447,477) shares of 100 fils each.

The authorized, issued, and fully paid share capital as at 31 December 2025 comprise of 18,477,123,275 shares (31 December 2024: 17,108,447,477) 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 2025 (30 June 2024: 10 fils per share), which was paid during the year.

*Share capital*

	KD 000's	
	2025	2024
Authorised, issued and fully paid in cash and bonus shares: 18,477,123,275 (2024: 17,108,447,477) shares of 100 fils each	<b>1,847,712</b>	1,710,844

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 19 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The movement in ordinary shares in issue during the year was as follows:

	2025	2024
Number of shares in issue as at 1 January	17,108,447,477	14,764,456,572
Bonus shares issued	1,368,675,798	1,412,624,103
New shares issued in consideration for the merger	-	931,366,802
<b>Number of shares in issue at 31 December</b>	<b>18,477,123,275</b>	<b>17,108,447,477</b>

*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:

	2025	2024
Number of treasury shares	1,272,242,490	1,178,002,307
Treasury shares as a percentage of total shares in issue	6.9%	6.9%
Cost of treasury shares (KD thousand)	822,159	822,159
Market value of treasury shares (KD thousand)	1,030,516	878,790

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 2025 was 776 fils (2024: 742 fils) per share.

## 20 PROPOSED CASH DIVIDENDS, BONUS SHARES, AND DIRECTORS' FEES

The Board of Directors of the Bank has proposed a cash dividend of 14% for the year ended 31 December 2025 (2024: 12%) and issuance of bonus shares of 7% (2024: 8%) of the paid up share capital as follows:

	2025	2024
	<i>Total KD 000's</i>	<i>Total KD 000's</i>
Proposed cash dividends (per share)	<b>14 fils</b> <b>240,868</b>	12 fils 191,165
Proposed issuance of bonus shares (per 100 shares)	<b>7 shares</b> <b>129,340</b>	8 shares 136,868

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 2025, which was paid during the current period.

The Board of Directors of the Bank has proposed Directors' fees of KD 1,460 thousand (2024: KD 1,317 thousand), (Note 24) 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21 PERPETUAL TIER 1 CAPITAL SECURITIES AND SUKUKS

	<i>KD 000's</i>	
	2025	2024
Perpetual Tier-1 Sukuk issued by the Bank	641,257	385,441
Perpetual Tier I Capital securities issued by KFH Bahrain Former Ahli United Bank B.S.C.(C) (Bahrain)"	-	118,618
	<b>641,257</b>	<b>504,059</b>

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.

On 20 November 2025, the Bank through a Sharia's compliant Sukuk arrangement issued five-year USD 850 million Mudaraba Additional Tier 1 Capital sukuk which is listed on the London Stock Exchange. The Sukuk bears an expected profit rate of 6.25%. The Parent company is the obligor of the perpetual Tier 1 Sukuk.

## 22 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:

	<i>KD 000's</i>	
	2025	2024
Acceptances and letters of credit	686,950	423,040
Letter of guarantees	2,726,990	2,453,868
Contingencies	<b>3,413,940</b>	<b>2,876,908</b>
	<i>KD 000's</i>	<i>KD 000's</i>
	2025	2024
Capital commitments and others	<b>1,572,082</b>	<b>893,211</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 23 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 through 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.

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

The 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	<i>KD 000's</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<b>31 December 2025</b>			
<i>Derivatives held for trading</i>			
Profit rate swaps	12,450	11,923	447,906
Forward contracts	9,412	4,724	1,761,370
Currency swaps	137,521	34,123	2,173,951
Others	4	2,269	334,224
<i>Derivatives held as fair value hedges</i>			
Profit rate swaps	63,516	56,730	5,014,003
Currency swaps	3,679	3,613	708,565
<i>Derivatives held as cash flow hedges</i>			
Forward contracts	4,169	1,693	1,225,192
	<u>230,751</u>	<u>115,075</u>	<u>11,665,211</u>
<i>KD 000's</i>			
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<b>31 December 2024</b>			
<i>Derivatives held for trading</i>			
Profit rate swaps	21,624	16,788	580,260
Forward contracts	13,313	7,123	1,957,368
Others	19	19	616
<i>Derivatives held as fair value hedges</i>			
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
<i>Derivatives held as cash flow hedges</i>			
Forward contracts	783	1,902	344,241
	<u>207,060</u>	<u>69,373</u>	<u>9,742,309</u>

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:

	<i>KD 000's</i>			
	<i>Notional amount</i>	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>More than 12 months</i>
<b>31 December 2025</b>				
Cash inflows	11,665,211	6,419,570	2,202,089	3,043,552
Cash outflows	11,268,807	6,026,089	2,198,151	3,044,567
<b>Net cash flows</b>	<u>396,404</u>	<u>393,481</u>	<u>3,938</u>	<u>(1,015)</u>
<b>31 December 2024</b>				
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
<b>Net cash flows</b>	<u>200,082</u>	<u>166,379</u>	<u>37,782</u>	<u>(4,079)</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 24 RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, directors and executive employees, officers of the Bank, their immediate relatives and companies of which they are the principal owners in addition to associates and joint ventures of the group) 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:

	Major shareholders	Associates and joint ventures	Board members and executive officers	Other related party	KD 000's	
					2025	2024
					<i>Total</i>	
Financing income	-	-	16	-	16	2,844
Fee and commission income	-	450	-	-	450	464
Finance costs and distribution to depositors	60,015	102	87	22	60,226	65,622

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholders	Associates and joint ventures	Board members and executive officers	Other related party	KD 000's	
					2025	2024
					<i>Total</i>	
Financing receivables and Due from banks	-	480	335	7	822	39,743
Due to banks and financial institutions	1,893,083	5,501	-	-	1,898,584	1,428,661
Depositors' accounts	-	2,081	14,278	4,770	21,129	97,969
Contingencies and commitments	1,903	8,785	1	-	10,689	16,047

Details of the interests of Board Members and Executive Officers are as follows:

	The number of board members or executive officers		The number of related parties (Relatives of board members or executive officers)		KD 000's	
	2025	2024	2025	2024	2025	2024
<b>Board Members</b>						
Finance facilities	3	4	3	4	9	83
Depositors' accounts	10	9	38	39	12,962	12,341
Collateral against financing facilities	1	1	-	1	1	12
<b>Executive officers</b>						
Finance facilities	10	8	2	7	333	416
Depositors' accounts	13	13	21	27	6,086	3,188
Collateral against financing facilities	2	2	-	1	689	803

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 24 RELATED PARTY TRANSACTIONS (continued)

Salaries, allowances and bonuses of key management personnel, termination benefits of key management personnel and remuneration of board members of the Bank are as follows:

	KD 000's	
	2025	2024
	<i>Total</i>	
Salaries, allowances and bonuses of key management personnel	4,210	5,219
Termination and long-term benefits of key management personnel	1,129	684

Remuneration to directors of the Bank amounting to KD 1,460 thousand (2024: KD 1,317 thousand). The board of director's remuneration is subject to the approval of the Annual General Assembly (Note 20). The increase in the Board of Directors' remuneration pertains to the independent members, while the remuneration of the remaining members has been maintained as it was in the previous year.

## 25 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.

	KD 000's				
	Treasury	Retail and private Banking	Corporate Banking	Investment	Total
<b>31 December 2025</b>					
Total assets	17,334,269	7,983,975	13,449,936	3,991,632	42,759,812
Total liabilities	13,932,263	15,135,121	5,738,228	1,109,331	35,914,943
Operating income	163,187	659,097	780,804	230,238	1,833,326
Profit for the year before Net monetary loss	123,707	267,529	410,087	54,305	855,628
Net monetary loss					(135,373)
Profit for the year					720,255

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25 SEGMENTAL ANALYSIS (continued)

31 December 2024	<i>KD 000's</i>				Total
	Treasury	Retail and private Banking	Corporate Banking	Investment	
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	241,343	1,692,162
Profit for the year before net monetary loss	111,908	234,413	430,109	20,799	797,229
Net monetary loss					(155,322)
Profit for the year					641,907

**Secondary segment information**

The Group operates in different geographical areas. A geographical analysis is as follows:

Geographical areas:	<i>KD 000's</i>			
	<i>Assets</i>		<i>Contingencies and commitments</i>	
	2025	2024	2025	2024
Middle East	27,886,620	24,587,150	1,540,059	1,480,001
Europe	12,906,379	10,024,064	3,312,448	2,167,142
Others	1,966,813	2,092,212	133,515	122,976
	<u>42,759,812</u>	<u>36,703,426</u>	<u>4,986,022</u>	<u>3,770,119</u>

	<i>KD 000's</i>					
	<i>Local</i>		<i>International</i>		<i>Total</i>	
	2025	2024	2025	2024	2025	2024
Operating income	592,079	487,429	1,241,247	1,204,733	1,833,326	1,692,162
Profit for the year	264,051	198,944	456,204	442,963	720,255	641,907

## 26 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

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 yield movements, foreign currencies changes and other market risks. Moreover, the Group actively uses collateral coverage 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. and, 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.

## 26.1 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.

**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 unlikelihood 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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.1 CREDIT RISK (continued)

## Assessment of expected credit losses (continued)

## 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, supplemented by qualitative management assessments to ensure that the risk classification reflects technical expert opinion on industry and economic trends.

## 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. To ensure ratings accurately reflect real-time credit quality, the Group incorporates qualitative expert overlays. This process allows management to adjust model-calculated ratings based on specific counterparty nuances and forward-looking risks that quantitative models may not immediately capture. 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 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. Management regularly reviews these methodologies and exercises technical judgment to apply rating overrides when necessitated by a dynamic economy and rapid industry updates. This ensures the Group's credit risk assessment remains a proactive and forward-looking reflection of the current environment.

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.

## 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.1 CREDIT RISK (continued)

## Maximum exposure to credit risk without taking account of any collateral (continued)

	Notes	KD 000' s	
		2025	2024
Balances with banks and financial institutions	8	4,771,177	3,494,995
Due from banks	9	3,446,833	2,227,173
Financing receivables	10	22,762,941	20,003,497
Investment in debt securities	11	7,611,339	6,901,584
Trade and other receivables		858,133	673,579
<b>Total</b>		<b>39,450,423</b>	<b>33,300,828</b>
Contingencies	22	3,413,940	2,876,908
Capital commitments and others	22	1,572,082	893,211
<b>Total</b>		<b>4,986,022</b>	<b>3,770,119</b>
<b>Total credit risk exposure</b>		<b>44,436,445</b>	<b>37,070,947</b>

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 2025 was KD 454,468 thousand (2024: KD 454,376 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
<b>31 December 2025</b>				
Balances with banks and financial institutions	845,736	3,409,969	515,472	4,771,177
Due from banks	2,899,417	515,356	32,060	3,446,833
Financing receivables	16,217,351	6,124,951	420,639	22,762,941
Investment in debt securities	4,817,236	1,887,167	906,936	7,611,339
Trade and other receivables	397,471	414,880	45,782	858,133
<b>Total</b>	<b>25,177,211</b>	<b>12,352,323</b>	<b>1,920,889</b>	<b>39,450,423</b>
<b>31 December 2024</b>				
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	14,804,865	4,675,464	523,168	20,003,497
Investment in debt securities	4,268,093	1,654,052	979,439	6,901,584
Trade and other receivables	400,867	260,668	12,044	673,579
<b>Total</b>	<b>21,637,912</b>	<b>9,600,064</b>	<b>2,062,852</b>	<b>33,300,828</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.1 CREDIT RISK (continued)

**Risk concentrations of the maximum exposure to credit risk (continued)**

An industry sector analysis of the Group's financial assets, before taking into account collateral held is as follows:

	<i>KD 000's</i>	
	<i>2025</i>	<i>2024</i>
Trading and manufacturing	9,301,324	8,939,776
Banks and financial institutions	14,603,747	11,162,510
Construction and real estate	5,865,095	5,362,619
Others	9,680,257	7,835,923
	<u>39,450,423</u>	<u>33,300,828</u>

**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 10 and for investment in debt securities is disclosed in Note 11. 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.

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.

The fair value of collateral that the Group holds relating to past due or impaired finance facilities as at 31 December 2025 was KD 486,211 thousand (2024: KD 471,438 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.

## 26.2 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.2 LIQUIDITY RISK (continued)

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.

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 2025 is as follows:

<i>Assets</i>	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
Cash and balances with banks and financial institutions	4,946,250	3,406	49,090	4,998,746
Due from banks	2,910,509	251,587	284,737	3,446,833
Financing receivables	6,559,693	4,779,426	10,477,885	21,817,004
Investment in debt securities	639,194	670,960	6,267,461	7,577,615
Investments	4,318	3,410	283,702	291,430
Investment in associates and joint ventures	2,000	5,199	245,283	252,482
Trading and Investment properties	83,192	58,887	322,764	464,843
Other assets	496,248	73,265	578,754	1,148,267
Goodwill and intangible assets	-	-	2,328,566	2,328,566
Property and equipment	4,258	-	429,768	434,026
	<u>15,645,662</u>	<u>5,846,140</u>	<u>21,268,010</u>	<u>42,759,812</u>

<i>Liabilities</i>	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
Due to banks	2,776,273	2,674,605	1,520,890	6,971,768
Due to financial institutions	3,252,601	1,379,302	106,204	4,738,107
Sukuk payables and term financing	1,437	180,418	1,232,546	1,414,401
Depositors' accounts	14,175,746	3,000,538	3,853,134	21,029,418
Other liabilities	441,254	198,444	1,121,551	1,761,249
	<u>20,647,311</u>	<u>7,433,307</u>	<u>7,834,325</u>	<u>35,914,943</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.2 LIQUIDITY RISK (continued)

The maturity profile of assets and liabilities at 31 December 2024 is as follows:

	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>After one year</i>	<i>Total</i>
<i>Assets</i>				
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
Investments	-	32,781	208,837	241,618
Investment in associates and joint ventures	-	37,691	346,228	383,919
Trading and Investment properties	-	90,437	367,766	458,203
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
	<u>12,955,140</u>	<u>5,304,453</u>	<u>18,443,833</u>	<u>36,703,426</u>
<i>Liabilities</i>				
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
	<u>17,652,854</u>	<u>4,636,958</u>	<u>7,995,714</u>	<u>30,285,526</u>

The table below shows the contractual expiry by maturity of the Group's contingencies and commitments:

	<i>KD 000's</i>			
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>Over 1 year</i>	<i>Total</i>
<b>2025</b>				
Contingencies (Note 22)	<b>2,345,620</b>	<b>741,103</b>	<b>327,217</b>	<b>3,413,940</b>
Capital commitments and others (Note 22)	<b>7,353</b>	<b>88,074</b>	<b>1,476,655</b>	<b>1,572,082</b>
<b>Total</b>	<b><u>2,352,973</u></b>	<b><u>829,177</u></b>	<b><u>1,803,872</u></b>	<b><u>4,986,022</u></b>
<i>KD 000's</i>				
	<i>Up to 3 months</i>	<i>3 to 12 months</i>	<i>Over 1 year</i>	<i>Total</i>
<b>2024</b>				
Contingencies (Note 22)	2,123,201	516,864	236,843	2,876,908
Capital commitments and others (Note 22)	45,875	84,041	763,295	893,211
<b>Total</b>	<u>2,169,076</u>	<u>600,905</u>	<u>1,000,138</u>	<u>3,770,119</u>

The Group expects that the vast majority of all the contingencies or capital commitments will not be drawn before expiry of the commitments.

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

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31 December 2025

## 26 RISK MANAGEMENT (continued)

## 26.3 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.

**Profit rate sensitivity**

Profit rate sensitivity measures the effect of assumed changes in profit rates on the net income for one year, based on the profit-bearing financial assets and financial liabilities held at the year end. This includes the effect of Sharia-compliant hedging instruments but excludes undrawn financing commitments.

Sensitivity to profit rate movements is assessed on a symmetric basis, as financial instruments that could cause non-symmetric movements are not significant.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in profit rate, with all other variables held constant, would impact the Group's income as follows:

<i>Currency</i>	<i>Movement in Basis points</i>	<i>KD 000's</i>	
		<i>31 December 2025</i>	<i>31 December 2024</i>
		<i>Effect on profit</i>	<i>Effect on profit</i>
KWD	+25	<b>(4,277)</b>	(1,963)
USD	+25	<b>930</b>	1,040
TRY	+25	<b>1,368</b>	597

**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 2025 and 31 December 2024 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.

<i>Currency</i>	<i>31 December 2025</i>		<i>31 December 2024</i>	
	<i>Change in currency rate %</i>	<i>Effect on profit</i>	<i>Change in currency rate %</i>	<i>Effect on profit</i>
USD	+1	<b>175</b>	+1	2,135
BHD	+1	<b>184</b>	+1	91
TRY	+1	<b>(7)</b>	+1	(1,009)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26 RISK MANAGEMENT (continued)

## 26.3 MARKET RISK (continued)

**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:

	<i>KD 000's</i>			
	<i>2025</i>		<i>2024</i>	
	<i>Change in equity price %</i>	<i>Effect on fair value reserve</i>	<i>Change in equity price %</i>	<i>Effect on fair value reserve</i>
<i>Market indices</i>				
Bursa Kuwait	+1	359	+1	212

**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:

- ▶ 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

## 27 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:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 27 CAPITAL MANAGEMENT (continued)

	<i>KD 000's</i>	
	<i>2025</i>	<i>2024</i>
<b>Capital adequacy</b>		
Risk Weighted Assets	<b>23,121,066</b>	21,203,579
Capital required	<b>3,468,160</b>	3,180,537
Capital available		
Tier 1 capital	<b>4,165,450</b>	3,826,197
Tier 2 capital	<b>414,590</b>	391,923
Total capital	<b>4,580,040</b>	4,218,120
Tier 1 capital adequacy ratio	<b>18.02%</b>	18.05%
Total capital adequacy ratio	<b>19.81%</b>	19.89%

The Group's financial leverage ratio for the year ended 31 December 2025 is calculated in accordance with CBK circular number 2/RBA/343/2014 dated 21 October 2014 is shown below:

	<i>KD 000's</i>	
	<i>2025</i>	<i>2024</i>
Tier 1 capital	<b>4,165,450</b>	3,826,197
Total exposure	<b>51,993,700</b>	43,970,332
Financial leverage ratio	<b>8.01%</b>	8.70%

## 28 FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group at 31 December 2025 amounted to KD 4,714,241 thousand (2024: KD 3,204,687 thousand).

Fees and commission income include fees of KD 11,772 thousand (2024: KD 9,734 thousand) arising from trust and fiduciary activities.

## 29 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 29 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2025.

Financial assets measured at fair value:	KD 000's			
	(Level 1)	(Level 2)	(Level 3)	Total
Venture capital at FVTPL	-	15,791	-	15,791
Equities at FVTPL	30,004	110,306	19,170	159,480
Equities at FVOCI	43,017	12,939	60,203	116,159
Debt securities at FVTPL (Note 11)	232,856	-	-	232,856
Debt securities at FVOCI (Note 11)	4,748,739	62,153	1,148	4,812,040
<i>Derivative financial assets:</i>				
Forward contracts	-	13,581	-	13,581
Profit rate swaps	-	75,966	-	75,966
Currency swaps	-	141,200	-	141,200
Others	-	4	-	4
	<u>5,054,616</u>	<u>431,940</u>	<u>80,521</u>	<u>5,567,077</u>
<i>Financial liabilities measured at fair value:</i>				
	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	6,417	-	6,417
Profit rate swaps	-	68,653	-	68,653
Currency swaps	-	37,736	-	37,736
Others	-	2,269	-	2,269
	<u>-</u>	<u>115,075</u>	<u>-</u>	<u>115,075</u>

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2024.

Financial assets measured at fair value:	KD 000's			
	(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 11)	171,057	-	-	171,057
Debt securities at FVOCI (Note 11)	4,095,697	124,241	6,287	4,226,225
<i>Derivative financial assets:</i>				
Forward contracts	-	21,356	-	21,356
Profit rate swaps	-	157,464	-	157,464
Currency swaps	-	28,221	-	28,221
Others	-	19	-	19
	<u>4,328,037</u>	<u>437,354</u>	<u>80,569</u>	<u>4,845,960</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 29 FAIR VALUES (continued)

Financial liabilities measured at fair value:	KD 000's			
	(Level 1)	(Level 2)	(Level 3)	Total
<i>Derivative financial liabilities:</i>				
Forward contracts	-	10,387	-	10,387
Profit rate swaps	-	39,450	-	39,450
Currency swaps	-	18,792	-	18,792
Others	-	744	-	744
	<u>-</u>	<u>69,373</u>	<u>-</u>	<u>69,373</u>

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 1,148 thousand (2024: KD 6,287 thousand) and unquoted equity investments of KD 79,373 thousand (2024: KD 74,282 thousand). 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 23 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.

Trading and 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.

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 2025, 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	
	2025	2024
As at 1 January	80,569	116,487
Re-measurement	(4,222)	2,776
Purchase (disposal), net	4,174	(38,694)
<b>As at 31 December</b>	<b>80,521</b>	<b>80,569</b>

## 30 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:

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**30 HYPERINFLATION ACCOUNTING (continued)**

<i>Reporting period</i>	<i>Index</i>	<i>Conversion factor</i>
<b>31 December 2025</b>	3482.96	1.311
31 December 2024	2657.23	1.471

تم بحمد الله



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