Kuwait Finance House
Group

Basel III and Leverage Public Disclosures

June 2026

Basel III and leverage Disclosures

Capital Adequacy Disclosures – Basel III

First: Composition of Regulatory Capital and its Balance Sheet Reconciliation

A. Composition of Regulatory Capital

1. The bank's regulatory capital is composed from:

A. Tier 1 (T1) capital, which is composed from:
- Common Equity Tier 1 (CET1) – comprises of shareholder's equity, retained earnings, reserves, and eligible portion of non-controlling interests.
- Additional Tier 1 (AT1) – comprises of perpetual sukuk tier 1, and eligible portion of non-controlling interests.

B. Tier 2 (T2) capital – comprises of eligible portion of non-controlling interests and eligible portion of general provisions (1.25% of credit risk-weighted assets).

KD '000s

Regulatory Capital Components	June-26	Jun-25
Common Equity Tier 1 (CET1)	3,229,186	3,008,561
Additional Tier 1 (AT1)	523,431	420,929
Core Capital – Tier 1	**3,752,617**	**3,429,490**
Supplementary Capital – Tier 2	422,481	393,077
Total Regulatory Capital	**4,175,098**	**3,822,567**
Risk-Weighted Assets		
Credit Risk-Weighted Exposures	20,572,453	18,593,469
Market Risk-Weighted Exposures	406,911	128,128
Operational Risk-Weighted Exposures	2,922,154	2,497,746
Total Risk-Weighted Exposures	**23,901,518**	**21,219,343**
Capital Adequacy Ratios		
Common Equity Tier 1 (as percentage of risk-weighted assets)	13.51%	14.18%
Tier 1 (as percentage of risk-weighted assets)	15.70%	16.16%
Total capital (as percentage of risk-weighted assets)	**17.47%**	**18.01%**
Minimum capital ratio		
Common Equity Tier 1 (CET1)	7.00%	7.00%
Capital Conservation Buffer	1.50%	2.50%
Domestic Systematically Important Bank (DSIB) Buffer*	2.00%	2.00%
Total Common Equity Tier 1 (CET1)	**10.50%**	**11.50%**
Additional Tier 1 Capital (AT1)	1.50%	1.50%
Total Tier 1 Capital	**12.00%**	**13.00%**
Tier 2 Capital	2.00%	2.00%
Total Regulatory Capital	**14.00%**	**15.00%**

* 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%.

2. Common Disclosure Template:

- The table below serves as a detailed breakdown of the bank's regulatory capital in a clear and consistent format thus enhancing the assessment of capital requirements for all risk exposures.

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	Common Equity Tier 1 capital: instruments and reserves	June-26	Jun-25
1	Directly issued qualifying common share capital plus related stock surplus	6,244,499	6,115,159
2	Retained earnings	276,462	289,288
3	Reserves	(188,025)	(285,477)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	0
5	Common share capital issued by subsidiaries and held by third parties minority interest)	234,448	213,430
6	Proposed issue of bonus shares	0	0
7	Common Equity Tier 1 capital before regulatory adjustments	**6,567,384**	**6,332,400**
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)	2,068,437	2,061,068
10	Other intangibles (net of related tax liability)	263,510	268,563
11	Proposed cash dividends	184,092	172,049
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 own 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 that 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 bank's CET1 capital)		
20	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	0
21	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)		
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
23	Amount exceeding the 15% threshold		

24	of which: significant investments in the common stock of financials		
25	of which: mortgage servicing rights		
26	of which: deferred tax assets arising from temporary differences		
27	National specific regulatory adjustments		
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
29	Total regulatory adjustments to Common equity Tier 1	3,338,198	3,323,839
30	Common Equity Tier 1 capital (CET1)	**3,229,186**	**3,008,561**
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	461,715	381,661
32	of which: classified as equity under applicable accounting standards	461,715	381,661
33	of which: classified as liabilities under applicable accounting standards		
34	Directly issued capital instruments subject to phase out from Additional Tier 1		
35	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)	61,716	57,748
36	of which: instruments issued by subsidiaries subject to phase-out		
37	Additional Tier 1 capital before regulatory adjustments	**523,431**	**439,409**
	Additional Tier 1 capital: regulatory adjustments		
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments	0	18,480
40	Investments in the capital of banking, financial and insurance entities that 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)		
41	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
42	National specific regulatory adjustments		
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
44	Total regulatory adjustments to Additional Tier 1 capital	0	18,480
45	Additional Tier 1 capital (AT1)	**523,431**	**420,929**
46	Tier 1 capital (T1 = CET1 + AT1)	**3,752,617**	**3,429,490**
	Tier 2 capital: instruments and provisions		
47	Directly issued qualifying Tier 2 instruments plus related stock surplus		
48	Directly issued capital instruments subject to phase-out from Tier 2		

49	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)	158,429	153,945
50	of which: instruments issued by subsidiaries subject to phase-out		
51	General provisions included in Tier 2 capital	264,052	239,132
52	Tier 2 capital before regulatory adjustments	422,481	393,077
	Tier 2 capital: regulatory adjustments		
53	Investments in own Tier 2 instruments		
54	Reciprocal cross-holdings in Tier 2 instruments		
55	Investments in the capital of banking, financial and insurance entities that 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)		
56	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
57	National specific regulatory adjustments		
58	Total regulatory adjustments to Tier 2 capital		
59	Tier 2 capital (T2)	**422,481**	**393,077**
60	Total capital (TC = T1 + T2)	**4,175,098**	**3,822,567**
61	Total risk weighted assets (after applying 50% additional weighting)	**23,901,518**	**21,219,343**
	Capital ratios and buffers		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.51%	14.18%
63	Tier 1 (as a percentage of risk weighted assets)	15.70%	16.16%
64	Total capital (as a percentage of risk weighted assets)	17.47%	18.01%
65	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	10.5%	11.50%
66	of which: capital conservation buffer requirement	1.5%	2.50%
67	of which: bank specific countercyclical buffer requirement		
68	of which: D-SIB buffer requirement	2.0%	2.00%
69	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	6.51%	7.18%
	National minima		
70	National Common Equity Tier 1 minimum ratio	10.50%	11.50%
71	National Tier 1 minimum ratio	12.00%	13.00%
72	National total capital minimum ratio	14.00%	15.00%
	Amounts below the thresholds for deduction (before risk weighting)		

73	Non-significant investments in the capital of other financials		
74	Significant investments in the common stock of financials		
75	Mortgage servicing rights (net of related tax liability)		
76	Deferred tax assets arising from temporary differences (net of related tax liability)	48,374	81,211
	Applicable caps on the inclusion of provisions in Tier 2		
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	815,791	776,191
78	Cap on inclusion of provisions in Tier 2 under standardized approach	264,052	239,132
79	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
80	Cap for inclusion of provisions in Tier 2 under internal ratings-based		

B. Reconciliation requirements:

- The purpose of the full reconciliation of all regulatory capital elements to the balance sheet in the audited financial statements is to address any cases where calculated regulatory capital doesn't reconcile with published financial statements.
- The full reconciliation process can be broken down into two main steps.
    - Full and detailed breakdown of the balance sheet as disclosed in the published financial statements.
    - Mapping between components of the regulatory capital with the published financial statements.

Step 1 and 2 of Reconciliation requirements

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	June-26	June-26	
Assets			
Cash and balances with banks and financial institutions	4,159,423	4,159,423	
Due from banks	2,195,923	2,195,923	
Financing receivables	22,783,669	22,783,669	
of which General Provisions (netted above) capped for Tier 2 inclusion	264,052	264,052	A
Investment in Sukuk	7,801,436	7,801,436	
Investments	371,020	371,020	
Investment in associates and joint ventures	297,467	297,467	
Trading and Investment properties	463,149	463,149	
Other Assets	1,352,535	1,352,535	
Intangible assets and goodwill	2,331,947	2,331,947	
of which goodwill	2,068,437	2,068,437	B
of which other intangibles	263,510	263,510	C
Property and equipment	458,502	458,502	
Total Assets	**42,215,071**	**42,215,071**	
Liabilities			
Due to banks	5,231,676	5,231,676	
Due to other financial institutions	4,785,007	4,785,007	
Sukuk Payable	1,744,256	1,744,256	
Depositors' accounts	21,592,132	21,592,132	
Other liabilities	2,083,770	2,083,770	
Total Liabilities	**35,436,841**	**35,436,841**	
Equity Attributable to the shareholders of the bank			
Share Capital	1,977,052	1,977,052	D
Share premium	4,267,447	4,267,447	E
Treasury shares	-822,159	-822,159	F
Proposed issue of bonus shares	0	0	
Reserves	193,819	193,819	
of which: statutory reserve	592,368	592,368	G
of which: voluntary reserve	282,070	282,070	H
of which: treasury share reserve	17,715	17,715	I
of which: fair value reserve	-15,588	-15,588	
of which: eligible as CET1 Capital	-18,547	-18,547	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-1,058,553	-1,058,553	
of which: eligible as CET1 Capital	-995,285	-995,285	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-79,617	-79,617	
of which: eligible as CET1 Capital	-66,346	-66,346	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	455,424	455,424	
of which: current year income	363,054	363,054	
of which: Retained earnings from previous years	92,370	92,370	M
Proposed cash dividends	184,092	184,092	N
Total Equity Attributable to the shareholders of the bank	**5,800,251**	**5,800,251**	
Perpetual Sukuk – Tier 1	461,715	461,715	O
of which: Perpetual Sukuk – Tier 1	461,715	461,715	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	0	0	S
Non-controlling interests	516,264	516,264	
Non-controlling interests eligible as CET1 capital	234,448	234,448	P
Non-controlling interests eligible as AT1 capital	61,716	61,716	Q
Non-controlling interests eligible as Tier 2 capital	158,429	158,429	R
Total Equity	**6,778,230**	**6,778,230**	
Total Liabilities and Equity	**42,215,071**	**42,215,071**	

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Jun-25	Jun-25	
Assets			
Cash and balances with banks and financial institutions	3,857,125	3,857,125	
Due from banks	2,015,558	2,015,558	
Financing receivables	20,429,676	20,429,676	
of which General Provisions (netted above) capped for Tier 2 inclusion	239,132	239,132	A
Investment in Sukuk	7,424,323	7,424,323	
Trading properties	92,152	92,152	
Investments	306,126	306,126	
Investment in associates and joint ventures	250,174	250,174	
Investment properties	355,796	355,796	
Other Assets	1,008,679	1,008,679	
Intangible assets and goodwill	2,329,631	2,329,631	
of which goodwill	2,061,068	2,061,068	B
of which other intangibles	268,563	268,563	C
Property and equipment	428,483	428,483	
Total Assets	**38,497,723**	**38,497,723**	
Liabilities			
Due to banks	6,157,947	6,157,947	
Due to other financial institutions	3,153,389	3,153,389	
Sukuk Payable	1,507,421	1,507,421	
Depositors' accounts	19,730,422	19,730,422	
Other liabilities	1,589,873	1,589,873	
Total Liabilities	**32,139,052**	**32,139,052**	
Equity Attributable to the shareholders of the bank			
Share Capital	1,847,712	1,847,712	D
Share premium	4,267,447	4,267,447	E
Treasury shares	-822,159	-822,159	F
Reserves	100,331	100,331	
of which: statutory reserve	528,433	528,433	G
of which: voluntary reserve	228,531	228,531	H
of which: treasury share reserve	17,715	17,715	I
of which: fair value reserve	-39,615	-39,615	
of which: eligible as CET1 Capital	-42,574	-42,574	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-1,013,718	-1,013,718	
of which: eligible as CET1 Capital	-950,450	-950,450	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-80,403	-80,403	
of which: eligible as CET1 Capital	-67,132	-67,132	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	459,388	459,388	
of which: current year income	342,149	342,149	
of which: Modification Loss on Financing Receivable			
of which: Retained earnings from previous years	117,239	117,239	M
Proposed cash dividends	172,049	172,049	N
Total Equity Attributable to the shareholders of the bank	**5,565,380**	**5,565,380**	
Perpetual Sukuk – Tier 1	381,661	381,661	O
of which: Perpetual Sukuk – Tier 1	363,181	363,181	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	18,480	18,480	S
Non-controlling interests	411,630	411,630	
Non-controlling interests eligible as CET1 capital	213,430	213,430	P
Non-controlling interests eligible as AT1 capital	57,748	57,748	Q
Non-controlling interests eligible as Tier 2 capital	153,945	153,945	R
Total Equity	**6,358,671**	**6,358,671**	
Total Liabilities and Equity	**38,497,723**	**38,497,723**	

Step 2 of Reconciliation requirements

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital Jun-26	Component of regulatory capital Jun-25	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	6,244,499	6,115,159	D + E
2	Retained earnings	276,462	289,288	M + N
3	Reserves	(188,025)	(285,477)	G+H+I+J+K+L
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	234,448	213,430	P
	Common Equity Tier 1 capital before regulatory adjustments	**6,567,384**	**6,332,400**	
	Common Equity Tier 1 capital: regulatory adjustments			
5	Goodwill	(2,068,437)	(2,061,068)	B
6	Other intangible assets	(263,510)	(268,563)	C
7	Treasury shares	(822,159)	(822,159)	F
8	Proposed cash dividends	(184,092)	(172,049)	N
	Total regulatory adjustments to Common Equity Tier1	(3,338,198)	(3,323,839)	
	Common Equity Tier 1 capital (CET1)	**3,229,186**	**3,008,561**	
	Additional Tier 1 capital: instruments			
9	Common share capital issued by subsidiaries and held by third parties (minority interest)	61,716	57,748	Q
10	Perpetual Sukuk – Tier 1	461,715	381,661	O
	Additional Tier 1 capital before regulatory adjustments	**523,431**	**439,409**	
	Additional Tier 1 capital: regulatory adjustments			
11	Reciprocal cross-holdings in Additional Tier 1 instruments	0	(18,480)	S
	Total regulatory adjustments to Additional Tier1 capital	0	(18,480)	
	Total Additional Tier1 capital	523,431	420,929	
	Total Tier 1 capital	**3,752,617**	**3,429,490**	
	Tier 2 capital: instruments and provisions			
12	Common share capital issued by subsidiaries and held by third parties (minority interest)	158,429	153,945	R
13	General Provisions included in Tier 2 Capital	264,052	239,132	A
	Total Tier 2 capital	**422,481**	**393,077**	
	Total capital	**4,175,098**	**3,822,567**	

Second: Financial Leverage Ratio

- In October 2014, CBK issued regulations on the Financial Leverage ratio for Islamic banks which has been implemented as of December 31, 2014.
- The purpose of this ratio is to enhance capital adequacy requirements as the calculation of the financial leverage ratio under Basel III is limited to risk weighted assets where this ratio considers total assets on and off the balance sheet.
- Note that the minimum Financial Leverage Ratio is 3%.

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	Leverage Ratio Components	June-26	Jun-25
1	Tier 1 capital	3,752,617	3,429,490
2	Total exposures	51,777,232	47,128,839
	Leverage ratio		
3	Financial leverage ratio	7.25%	7.28%