Kuwait Finance House Group

Basel III and Leverage Public Disclosures

March 2026

Basel III and leverage Disclosures

Page

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	Mar-26	Mar-25
Common Equity Tier 1 (CET1)	3,442,415	3,269,900
Additional Tier 1 (AT1)	689,860	545,144
Core Capital – Tier 1	**4,132,275**	**3,815,044**
Supplementary Capital – Tier 2	428,286	403,729
Total Regulatory Capital	**4,560,561**	**4,218,773**
Risk-Weighted Assets		
Credit Risk-Weighted Exposures	20,489,230	19,026,433
Market Risk-Weighted Exposures	303,678	238,931
Operational Risk-Weighted Exposures	2,922,154	2,497,746
Total Risk-Weighted Exposures	**23,715,062**	**21,763,110**
Capital Adequacy Ratios		
Common Equity Tier 1 (as percentage of risk-weighted assets)	14.52%	15.02%
Tier 1 (as percentage of risk-weighted assets)	17.42%	17.53%
Total capital (as percentage of risk-weighted assets)	**19.23%**	**19.38%**
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.

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	**Mar-26**	**Mar-25**
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	6,115,159
2	Retained earnings	284,680	277,479
3	Reserves	-182,958	-176,345
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)	242,193	215,360
6	Proposed issue of bonus shares	129,340	0
7	Common Equity Tier 1 capital before regulatory adjustments	**6,588,414**	**6,431,653**
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)	2,062,658	2,068,615
10	Other intangibles (net of related tax liability)	261,182	270,979
11	Proposed cash dividends		
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)	-	-
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	3,145,999	3,161,753
30	Common Equity Tier 1 capital (CET1)	**3,442,415**	**3,269,900**
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	644,667	504,580
32	of which: classified as equity under applicable accounting standards	644,667	504,580
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)	62,868	58,559
36	of which: instruments issued by subsidiaries subject to phase-out		
37	Additional Tier 1 capital before regulatory adjustments	**707,535**	**563,139**
	Additional Tier 1 capital: regulatory adjustments		
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments	17,675	17,995
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	17,675	17,995
45	Additional Tier 1 capital (AT1)	**689,860**	**545,144**
46	Tier 1 capital (T1 = CET1 + AT1)	**4,132,275**	**3,815,044**
	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)	165,343	158,823
50	of which: instruments issued by subsidiaries subject to phase-out		
51	General provisions included in Tier 2 capital	262,943	244,906
52	Tier 2 capital before regulatory adjustments	428,286	403,729
	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)	**428,286**	**403,729**
60	Total capital (TC = T1 + T2)	**4,560,561**	**4,218,773**
61	Total risk weighted assets (after applying 50% additional weighting)	**23,715,062**	**21,763,110**
	Capital ratios and buffers		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.52%	15.02%
63	Tier 1 (as a percentage of risk weighted assets)	17.42%	17.53%
64	Total capital (as a percentage of risk weighted assets)	19.23%	19.38%
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%	11.5%
66	of which: capital conservation buffer requirement	1.5%	2.5%
67	of which: bank specific countercyclical buffer requirement		
68	of which: D-SIB buffer requirement	2.0%	2.0%
69	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.52%	8.02%
	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)	42,814	85,370
	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)	809,120	810,950
78	Cap on inclusion of provisions in Tier 2 under standardized approach	262,943	244,906
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.
	Mar-26	Mar-26	
Assets			
Cash and balances with banks and financial institutions	4,655,696	4,655,696	
Due from banks	3,753,950	3,753,950	
Financing receivables	21,830,196	21,830,196	
of which General Provisions (netted above) capped for Tier 2 inclusion	262,943	262,943	A
Investment in Sukuk	7,973,417	7,973,417	
Investments	308,144	308,144	
Investment in associates and joint ventures	252,798	252,798	
Trading and Investment properties	478,696	478,696	
Other Assets	1,529,587	1,529,587	
Intangible assets and goodwill	2,323,840	2,323,840	
of which goodwill	2,062,658	2,062,658	B
of which other intangibles	261,182	261,182	C
Property and equipment	448,884	448,884	
Total Assets	**43,555,208**	**43,555,208**	
Liabilities			
Due to banks	6,484,842	6,484,842	
Due to other financial institutions	4,946,236	4,946,236	
Sukuk Payable	1,733,610	1,733,610	
Depositors' accounts	21,435,395	21,435,395	
Other liabilities	2,183,763	2,183,763	
Total Liabilities	**36,783,846**	**36,783,846**	
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
Proposed issue of bonus shares	129,340	129,340	G
Reserves	204,661	204,661	
of which: statutory reserve	592,368	592,368	H
of which: voluntary reserve	292,466	292,466	I
of which: treasury share reserve	17,715	17,715	J
of which: fair value reserve	-20,985	-20,985	
of which: eligible as CET1 Capital	-23,944	-23,944	K
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-1,058,850	-1,058,850	
of which: eligible as CET1 Capital	-995,582	-995,582	L
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-79,252	-79,252	
of which: eligible as CET1 Capital	-65,981	-65,981	M
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	461,199	461,199	
of which: current year income	176,519	176,519	
of which: Retained earnings from previous years	284,680	284,680	N
Proposed cash dividends	-	-	
Total Equity Attributable to the shareholders of the bank	**5,627,001**	**5,627,001**	
Perpetual Sukuk – Tier 1	644,667	644,667	O
of which: Perpetual Sukuk – Tier 1	626,992	626,992	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	17,675	17,675	P
Non-controlling interests	499,694	499,694	
Non-controlling interests eligible as CET1 capital	242,193	242,193	Q
Non-controlling interests eligible as AT1 capital	62,868	62,868	R
Non-controlling interests eligible as Tier 2 capital	165,343	165,343	S
Total Equity	**6,771,362**	**6,771,362**	
Total Liabilities and Equity	**43,555,208**	**43,555,208**	

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Mar-25	Mar-25	
Assets			
Cash and balances with banks and financial institutions	4,014,523	4,014,523	
Due from banks	1,838,306	1,838,306	
Financing receivables	19,278,137	19,278,137	
of which General Provisions (netted above) capped for Tier 2 inclusion	244,906	244,906	A
Investment in Sukuk	6,964,162	6,964,162	
Investments	262,740	262,740	
Investment in associates and joint ventures	252,724	252,724	
Trading and Investment properties	453,067	453,067	
Other Assets	1,030,367	1,030,367	
Intangible assets and goodwill	2,339,594	2,339,594	
of which goodwill	2,068,615	2,068,615	B
of which other intangibles	270,979	270,979	C
Property and equipment	427,892	427,892	
Total Assets	**36,861,512**	**36,861,512**	
Liabilities			
Due to banks	4,576,367	4,576,367	
Due to other financial institutions	3,103,597	3,103,597	
Sukuk Payable	1,557,215	1,557,215	
Depositors' accounts	19,475,799	19,475,799	
Other liabilities	1,755,389	1,755,389	
Liabilities directly associated with the assets held for sale	-	-	
Total Liabilities	**30,468,367**	**30,468,367**	
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
Proposed issue of bonus shares	-	-	G
Reserves	195,663	195,663	
of which: statutory reserve	528,433	528,433	H
of which: voluntary reserve	269,553	269,553	I
of which: treasury share reserve	17,715	17,715	J
of which: fair value reserve	-30,969	-30,969	
of which: eligible as CET1 Capital	-33,928	-33,928	K
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-954,408	-954,408	
of which: eligible as CET1 Capital	-891,140	-891,140	L
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-80,249	-80,249	
of which: eligible as CET1 Capital	-66,978	-66,978	M
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	445,588	445,588	
of which: current year income	168,109	168,109	
of which: Retained earnings from previous years	277,479	277,479	N
Proposed cash dividends	-	-	
Total Equity Attributable to the shareholders of the bank	**5,488,663**	**5,488,663**	
Perpetual Sukuk – Tier 1	504,580	504,580	O
of which: Perpetual Sukuk – Tier 1	486,585	486,585	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	17,995	17,995	P
Non-controlling interests	399,902	399,902	
Non-controlling interests eligible as CET1 capital	215,360	215,360	Q
Non-controlling interests eligible as AT1 capital	58,559	58,559	R
Non-controlling interests eligible as Tier 2 capital	158,823	158,823	S
Total Equity	**6,393,145**	**6,393,145**	
Total Liabilities and Equity	**36,861,512**	**36,861,512**	

Step 2 of Reconciliation requirements

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital Mar-26	Component of regulatory capital Mar-25	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	6,115,159	D + E
2	Retained earnings	284,680	277,479	N
3	Reserves	-182,958	-176,345	H+I+J+K+L+M
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	242,193	215,360	Q
5	Proposed issue of bonus shares	129,340	-	G
	Common Equity Tier 1 capital before regulatory adjustments	**6,588,414**	**6,431,653**	
	Common Equity Tier 1 capital: regulatory adjustments			
6	Goodwill	-2,062,658	-2,068,615	B
7	Other intangible assets	-261,182	-270,979	C
8	Treasury shares	-822,159	-822,159	F
	Total regulatory adjustments to Common Equity Tier1	-3,145,999	-3,161,753	
	Common Equity Tier 1 capital (CET1)	**3,442,415**	**3,269,900**	
	Additional Tier 1 capital: instruments			
9	Common share capital issued by subsidiaries and held by third parties (minority interest)	62,868	58,559	R
10	Perpetual Sukuk – Tier 1	644,667	504,580	O
	Additional Tier 1 capital before regulatory adjustments	**707,535**	**563,139**	
	Additional Tier 1 capital: regulatory adjustments			
11	Reciprocal cross-holdings in Additional Tier 1 instruments	-17,675	-17,995	P
	Total regulatory adjustments to Additional Tier1 capital	-17,675	-17,995	
	Total Additional Tier1 capital	**689,860**	**545,144**	
	Total Tier 1 capital	**4,132,275**	**3,815,044**	
	Tier 2 capital: instruments and provisions			
12	Common share capital issued by subsidiaries and held by third parties (minority interest)	165,343	158,823	S
13	General Provisions included in Tier 2 Capital	262,943	244,906	A
	Total Tier 2 capital	**428,286**	**403,729**	
	Total capital	**4,560,561**	**4,218,773**	

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	Mar-26	Mar-25
1	Tier 1 capital	4,132,275	3,815,044
2	Total exposures	53,566,745	45,608,615
	Leverage ratio		
3	Financial leverage ratio	7.71%	8.36%