Kuwait Finance House Group

Basel III and Leverage Public Disclosures

September 2026

Basel III and leverage Disclosures

Page

- ✓ Capital Composition

1. Composition of Regulatory Capital. 2
2. Common Disclosure Template. 3
3. Reconciliation requirements. 6

- ✓ Financial Leverage Ratio

1. Leverage Ratio. 9

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	Sep-26	Sep-25
Common Equity Tier 1 (CET1)	3,226,722	3,065,551
Additional Tier 1 (AT1)	530,607	420,802
Core Capital – Tier 1	**3,757,329**	**3,486,353**
Supplementary Capital – Tier 2	454,041	395,486
Total Regulatory Capital	**4,211,370**	**3,881,839**
Risk-Weighted Assets		
Credit Risk-Weighted Exposures	21,356,521	19,173,734
Market Risk-Weighted Exposures	181,347	286,573
Operational Risk-Weighted Exposures	2,922,154	2,497,746
Total Risk-Weighted Exposures	**24,460,022**	**21,958,053**
Capital Adequacy Ratios		
Common Equity Tier 1 (as percentage of risk-weighted assets)	13.19%	13.96%
Tier 1 (as percentage of risk-weighted assets)	15.36%	15.88%
Total capital (as percentage of risk-weighted assets)	**17.22%**	**17.68%**
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	Sep-26	Sep-25
1	Directly issued qualifying common share capital plus related stock surplus	6,244,499	6,115,159
2	Retained earnings	73,597	136,888
3	Reserves	(206,595)	(245,141)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	-
5	Common share capital issued by subsidiaries and held by third parties minority interest)	267,871	211,062
6	Proposed issue of bonus shares	0	-
7	Common Equity Tier 1 capital before regulatory adjustments	**6,379,372**	**6,217,968**
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)	2,065,875	2,062,303
10	Other intangibles (net of related tax liability)	264,616	267,955
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	3,152,650	3,152,417
30	Common Equity Tier 1 capital (CET1)	**3,226,722**	**3,065,551**
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	461,673	381,256
32	of which: classified as equity under applicable accounting standards	461,673	381,256
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)	68,934	57,281
36	of which: instruments issued by subsidiaries subject to phase-out		
37	Additional Tier 1 capital before regulatory adjustments	**530,607**	**438,537**
	Additional Tier 1 capital: regulatory adjustments		
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments	-	17,735
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	-	17,735
45	Additional Tier 1 capital (AT1)	**530,607**	**420,802**
46	Tier 1 capital (T1 = CET1 + AT1)	**3,757,329**	**3,486,353**
	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)	180,162	149,305
50	of which: instruments issued by subsidiaries subject to phase-out		
51	General provisions included in Tier 2 capital	273,879	246,181
52	Tier 2 capital before regulatory adjustments	454,041	395,486
	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)	**454,041**	**395,486**
60	Total capital (TC = T1 + T2)	**4,211,370**	**3,881,839**
61	Total risk weighted assets (after applying 50% additional weighting)	**24,460,022**	**21,958,053**
	Capital ratios and buffers		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.19%	13.96%
63	Tier 1 (as a percentage of risk weighted assets)	15.36%	15.88%
64	Total capital (as a percentage of risk weighted assets)	17.22%	17.68%
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)	6.19%	6.96%
	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)	57,035	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)	827,656	766,924
78	Cap on inclusion of provisions in Tier 2 under standardized approach	273,879	246,181
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.
	Sep-26	Sep-26	
Assets			
Cash and balances with banks and financial institutions	4,557,990	4,557,990	
Due from banks	1,987,146	1,987,146	
Financing receivables	23,446,282	23,446,282	
of which General Provisions (netted above) capped for Tier 2 inclusion	273,879	273,879	A
Investment in Sukuk	8,267,304	8,267,304	
Investments	377,432	377,432	
Investment in associates and joint ventures	296,040	296,040	
Trading and Investment properties	461,391	461,391	
Other Assets	1,612,754	1,612,754	
Intangible assets and goodwill	2,330,491	2,330,491	
of which goodwill	2,065,875	2,065,875	B
of which other intangibles	264,616	264,616	C
Property and equipment	468,922	468,922	
Total Assets	**43,805,752**	**43,805,752**	
Liabilities			
Due to banks	6,003,296	6,003,296	
Due to other financial institutions	4,799,150	4,799,150	
Sukuk Payable	1,582,121	1,582,121	
Depositors' accounts	22,675,685	22,675,685	
Other liabilities	2,027,243	2,027,243	
Total Liabilities	**37,087,495**	**37,087,495**	
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	-	-	
Reserves	316,777	316,777	
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	7,846	7,846	
of which: eligible as CET1 Capital	4,887	4,887	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-1,100,113	-1,100,113	
of which: eligible as CET1 Capital	-1,036,845	-1,036,845	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-80,061	-80,061	
of which: eligible as CET1 Capital	-66,790	-66,790	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	596,952	596,952	
of which: current year income	523,355	523,355	
of which: Retained earnings from previous years	73,597	73,597	M
Proposed cash dividends	-	-	N
Total Equity Attributable to the shareholders of the bank	**5,739,117**	**5,739,117**	
Perpetual Sukuk – Tier 1	461,673	461,673	O
of which: Perpetual Sukuk – Tier 1	461,673	461,673	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	S
Non-controlling interests	517,467	517,467	
Non-controlling interests eligible as CET1 capital	267,871	267,871	P
Non-controlling interests eligible as AT1 capital	68,934	68,934	Q
Non-controlling interests eligible as Tier 2 capital	180,162	180,162	R
Total Equity	**6,718,257**	**6,718,257**	
Total Liabilities and Equity	**43,805,752**	**43,805,752**	

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Sep-25	Sep-25	
Assets			
Cash and balances with banks and financial institutions	4,181,509	4,181,509	
Due from banks	2,936,098	2,936,098	
Financing receivables	21,220,888	21,220,888	
of which General Provisions (netted above) capped for Tier 2 inclusion	246,181	246,181	A
Investment in Sukuk	7,599,990	7,599,990	
Trading properties	92,438	92,438	
Investments	321,343	321,343	
Investment in associates and joint ventures	251,194	251,194	
Investment properties	351,150	351,150	
Other Assets	1,035,260	1,035,260	
Intangible assets and goodwill	2,330,258	2,330,258	
of which goodwill	2,062,303	2,062,303	B
of which other intangibles	267,955	267,955	C
Property and equipment	432,270	432,270	
Total Assets	**40,752,398**	**40,752,398**	
Liabilities			
Due to banks	7,057,617	7,057,617	
Due to other financial institutions	4,028,686	4,028,686	
Sukuk Payable	1,420,846	1,420,846	
Depositors' accounts	20,120,262	20,120,262	
Other liabilities	1,691,599	1,691,599	
Total Liabilities	**34,319,010**	**34,319,010**	
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	310,853	310,853	
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	14,711	14,711	
of which: eligible as CET1 Capital	11,752	11,752	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-1,027,805	-1,027,805	
of which: eligible as CET1 Capital	-964,537	-964,537	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-80,306	-80,306	
of which: eligible as CET1 Capital	-67,035	-67,035	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	629,574	629,574	
of which: current year income	492,686	492,686	
of which: Modification Loss on Financing Receivable			
of which: Retained earnings from previous years	136,888	136,888	M
Proposed cash dividends	-	-	N
Total Equity Attributable to the shareholders of the bank	**5,603,853**	**5,603,853**	
Perpetual Sukuk – Tier 1	381,256	381,256	O
of which: Perpetual Sukuk – Tier 1	363,521	363,521	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	17,735	17,735	S
Non-controlling interests	448,279	448,279	
Non-controlling interests eligible as CET1 capital	211,062	211,062	P
Non-controlling interests eligible as AT1 capital	57,281	57,281	Q
Non-controlling interests eligible as Tier 2 capital	149,305	149,305	R
Total Equity	**6,433,388**	**6,433,388**	
Total Liabilities and Equity	**40,752,398**	**40,752,398**	

Step 2 of Reconciliation requirements

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital Sep-26	Component of regulatory capital Sep-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	73,597	136,888	M + N
3	Reserves	(206,595)	(245,141)	G+H+I+J+K+L
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	267,871	211,062	P
	Common Equity Tier 1 capital before regulatory adjustments	**6,379,372**	**6,217,968**	
Common Equity Tier 1 capital: regulatory adjustments				
5	Goodwill	(2,065,875)	(2,062,303)	B
6	Other intangible assets	(264,616)	(267,955)	C
7	Treasury shares	(822,159)	(822,159)	F
8	Proposed cash dividends	-	-	N
	Total regulatory adjustments to Common Equity Tier1	(3,152,650)	(3,152,417)	
	Common Equity Tier 1 capital (CET1)	**3,226,722**	**3,065,551**	
Additional Tier 1 capital: instruments				
9	Common share capital issued by subsidiaries and held by third parties (minority interest)	68,934	57,281	Q
10	Perpetual Sukuk – Tier 1	461,673	381,256	O
	Additional Tier 1 capital before regulatory adjustments	**530,607**	**438,537**	
Additional Tier 1 capital: regulatory adjustments				
11	Reciprocal cross-holdings in Additional Tier 1 instruments	-	(17,735)	S
	Total regulatory adjustments to Additional Tier1 capital	-	(17,735)	
	Total Additional Tier1 capital	**530,607**	**420,802**	
	Total Tier 1 capital	**3,757,329**	**3,486,353**	
Tier 2 capital: instruments and provisions				
12	Common share capital issued by subsidiaries and held by third parties (minority interest)	180,162	149,305	R
13	General Provisions included in Tier 2 Capital	273,879	246,181	A
	Total Tier 2 capital	**454,041**	**395,486**	
Total capital		**4,211,370**	**3,881,839**	

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%.

KD '000s

	Leverage Ratio Components	Sep-26	Sep-25
1	Tier 1 capital	3,757,329	3,486,353
2	Total exposures	54,109,873	48,830,133
	Leverage ratio		
3	Financial leverage ratio	6.94%	7.14%