



Al Ahli Bank of Kuwait K.S.C.P.

(a public shareholding company incorporated in the State of Kuwait)

Al Ahli Bank of Kuwait K.S.C.P. Rights Offering Prospectus

Increase in the share capital of Al Ahli Bank of Kuwait K.S.C.P. by KD 75,000,000 (Seventy-Five Million Kuwaiti Dinars) through the issuance for cash of 750,000,000 (Seven Hundred and Fifty Million) new ordinary shares, representing 27.29% of the Bank's current issued and paid-up share capital, with a nominal value of 100 Fils per share and an issuance premium of 100 Fils per share. The Bank's shareholders shall have a Pre-emption Right to subscribe for the new shares in proportion to their respective holdings in the Bank's share capital.

Subscription Period for Exercising the Pre-emption Right

From 8 November 2026 to 22 November 2026

This Prospectus is dated 20 October 2026
ENGLISH TRANSLATION OF THE OFFICIAL ARABIC LANGUAGE PROSPECTUS



Lead Manager and Subscription Agent
Ahli Capital Investment Company K.S.C. (Closed) ("ABK Wealth Management")

Al Ahli Bank of Kuwait K.S.C.P. (the “**Bank**” or the “**Issuer**”) is a Public Kuwaiti Shareholding Company established on 23 May 1967 in accordance with the provisions of Commercial Companies Law No. 15 of 1960 and the laws amending the said law, the Law No. 32 of 1968 concerning currency, the Central Bank of Kuwait (“**CBK**”) and organization of banking business. The Bank has been registered with the Kuwaiti Commercial Register under Commercial Registration No. 3705 on 11 July 1967. It is also worth noting that the Bank is also listed on Kuwaiti Stock Exchange Market (“**Boursa Kuwait**”), previously known as the Kuwait Stock Exchange Market, since 29 September 1984.

At the date of this prospectus (the “**Prospectus**”), the authorised share capital of the Issuer is KD 600,000,000, divided into 6,000,000,000 shares with a nominal value of 100 Fils each, and its issued and paid-up share capital is KD 274,865,010.800, consisting of 2,748,650,108 fully paid-up shares with a nominal value of 100 Fils each (the “**Existing Shares**”). The new share capital issue comprises 750,000,000 ordinary shares (the “**Issue Shares**” or the “**Shares**”) at an Offer Price of 200 Fils per share (the “**Offer Price**”), comprising a nominal value of 100 Fils (One Hundred Fils) and a share premium of 100 Fils (One Hundred Fils) per share (the “**Issue**” or the “**Offering**”). The Issue has an aggregate nominal value of KD 75,000,000 (Seventy-Five Million Kuwaiti Dinars) and an aggregate total value of KD 150,000,000 (One Hundred and Fifty Million Kuwaiti Dinars), including an aggregate share premium of KD 75,000,000 (Seventy-Five Million Kuwaiti Dinars). Accordingly, the Issue represents an increase in the Bank’s issued and paid-up share capital from KD 274,865,010.800, divided into 2,748,650,108 shares, to KD 349,865,010.800, divided into 3,498,650,108 shares, equivalent to an increase of 27.29% in the Bank’s current issued and paid-up share capital. Shareholders whose names are recorded in the Bank’s shareholders register held with the Kuwait Clearing Company K.S.C. and its subsidiaries (“**Clearing and Depository Agent**” or “**Kuwait Clearing Company**” or “**KCC**”) as at 4 November 2026 (the “**Record Date**”) shall have the pre-emption right in subscribing to the Issue Shares in proportion to the number of Existing Shares held by them (the “**Pre-Emption Right**”) in proportion to the shares owned by each of them in the share capital (hereinafter referred to as “**Eligible Shareholders**”), and persons other than Eligible Shareholders who have obtained **Pre-Emption Right** (“**Owner of Pre-Emption Rights**”) shall have the right to subscribe to the Issue Shares (the **Owners of Pre-Emption Rights** and **Eligible Shareholders** are hereinafter referred to as “**Eligible Subscribers**” or “**Subscribers**” (as the context requires)). For clarity, any trading made on the Bank’s shares prior to the Record Date but for which the settlement process has not been completed at Boursa Kuwait on the Record Date (“**Date of Suspending Pre-Emption Rights**” or “**Ex Date**”), and, accordingly, not recorded in the Bank’s shareholders register, shall not be taken into account in order to identify the Eligible Shareholders whose names are entered in the Bank’s shareholders register on the Record Date. Each Eligible Shareholder may exercise the Pre-Emption Right to subscribe to 27,464 Issue Shares for every 100,000 Existing Shares owned by the Eligible Shareholder on the Record Date, after taking into consideration the Treasury Shares (as defined hereunder) held by the Issuer thereon. No Shareholders (as defined hereunder) will receive any proceeds resulting from the Offering.

If the Subscribers have not fully subscribed to their entitlement to the Issue Shares, such unsubscribed Issue Shares will be allocated to those Subscribers who applied for more than their entitlement to the Issue Shares. (See Section “**Offering Terms and Conditions**”). The number of allocated Issue Shares will be rounded to the nearest whole number. The Issuer shall have the sole right to dispose of the share fractions at its own discretion (if any). Fractions for the Issue Shares will not be issued in any way. Upon completion of the Offering, the Issuer’s issued share capital will be KD 349,865,010.800 and the number of shares in issue will be 3,498,650,108. The total value of the Offering will be KD 150,000,000 (the “**Proceeds**”). The Proceeds of the Offering will be used by the Issuer to meet the requirements of CBK and Basel III framework on bank capital adequacy (See Section “**Use of Proceeds**”).

The Extraordinary General Meeting of the Bank’s shareholders held on 16 September 2026, adopted a resolution to set the Issuer’s authorized share capital at KD 600,000,000 (Six Hundred Million Kuwaiti Dinars), and to authorize the Bank’s Board of Directors to call for an increase of the issued and paid share capital and to specify the conditions and controls of the share capital increase, in whole or in part, in one or more installments within the limits of the issued capital. The Board of Directors of the Issuer by virtue of the written resolution dated 8 September 2026

resolved to call for the capital increase and subscription in the IssueShares and to increase the Bank's issued and paid up share capital from KD 274,865,010.800 to KD 349,865,010.800 by the issue and allotment of 750,000,000 Issue Shares at an Offer Price of 200 Kuwaiti Fils (including the share premium). Approval to the issuance of the Issue Shares has been granted by the CBK on 5 October 2026 and by the Capital Market Authority (the "**CMA**") on 7 October 2026 for the Issuer to issue the Issue Shares. The approval to the marketing and Offering of the Issue Shares in the State of Kuwait has been granted by the CMA on 20 October 2026.

The subscription period will commence on 8 November 2026 and will remain open for a period of fifteen (15) calendar days up to and including 22 November 2026 (the "**Offering Period**" or the "**Subscription Period**"). During the Subscription Period, Eligible Shareholders may submit their applications to subscribe for IssueShares (See Section "**Offering Terms and Conditions**"). The Board of Directors of the Issuer may extend the Subscription Period at its absolute discretion so that the original Subscription Period and its extension in total do not exceed three (3) months, provided that the approval of the CMA is obtained.

The Issuer has one class of shares (Ordinary Shares) and the Issue Shares shall be of the same class as the Existing Shares. Each Issue Share entitles the holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at a general assembly (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Shareholders of Issue Shares will be entitled to receive any dividends declared by the Issuer in the future without prejudice to any other rights stipulated under the Companies Law.

Following the close of the Subscription Period, completion of the final allocation of the Issue Shares, fulfillment of all necessary regulatory procedures, the Issue Shares will be listed on Boursa Kuwait for trading without any restrictions equal to the Existing Shares. The "**Important Notices**" of this Prospectus should be carefully reviewed prior to making a decision to invest in the Issue Shares. For the purposes of this Prospectus, the term "Business day" means the day on which Boursa Kuwait conducts normal trading business, and for the purposes of the subscription process, it also includes any day on which banks are open for business in the State of Kuwait (other than Fridays and Saturdays) and excluding official holidays.

NOTICE TO POTENTIAL INVESTORS

YOU ARE HEREBY ADVISED TO SEEK THE ADVICE OF A PERSON LICENSED IN ACCORDANCE WITH LAW NO. 7 OF 2010 ON THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY AND SPECIALIZED IN PROVIDING ADVISORY SERVICES ON THE CONTENT OF THIS PROSPECTUS PRIOR TO MAKING A DECISION FOR UNDERWRITING IN THIS SUBSCRIPTION.

IT SHOULD ALSO BE NOTED THAT, WITHOUT THE PRIOR APPROVAL OF THE CENTRAL BANK OF KUWAIT, THE OWNERSHIP OF ONE PERSON WHETHER NATURAL OR CORPORATE ENTITY MAY NOT EXCEED 5% (FIVE PERCENT) OF THE BANK'S CAPITAL, EITHER DIRECTLY OR INDIRECTLY, SAVE FOR GOVERNMENT AGENCIES AND ENTITIES WITH ATTACHED AND INDEPENDENT BUDGETS. IF THE OWNERSHIP OF ONE PERSON EXCEEDS THE SAID PERCENTAGE, THAT PERSON SHOULD DISPOSE OF THE INCREASE WITHIN THE PERIOD SET BY THE CENTRAL BANK OF KUWAIT. THIS VIOLATION SHALL RESULT IN THE SHAREHOLDER NOT AVAILING THE AMOUNT OF SHARE INCREASE IN TERMS OF THE VOTING RIGHTS IN THE BANK'S GENERAL ASSEMBLY AND IN THE BANK'S MANAGEMENT.

THE PROSPECTUS HAS BEEN APPROVED BY THE KUWAIT CAPITAL MARKETS AUTHORITY ON 20 OCTOBER 2026. THIS PROSPECTUS HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF LAW NO. 7 OF 2010 ON THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY AND ITS EXECUTIVE REGULATIONS AS AMENDED. THE DIRECTORS, WHOSE NAME APPEAR IN THE MANAGEMENT SECTION OF THIS PROSPECTUS, COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION CONTAINED IN THIS PROSPECTUS RELATING TO THE ISSUER AND THE ISSUE SHARES, AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN MISLEADING.

THE SUBSCRIPTION AGENTS AND THE ISSUER ACCEPT FULL RESPONSIBILITY FOR ANY INACCURACY OF ALL INFORMATION AND DATA CONTAINED IN THIS PROSPECTUS AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER MATERIAL FACTS AND INFORMATION OMITTED, AND THAT THE PROSPECTUS HAS BEEN PREPARED ACCORDING TO ACCURATE AND FACTUAL INFORMATION AND DATA. THE SUBSCRIPTION AGENTS AND THE ISSUER CONFIRM THAT THE REQUIREMENTS AND NECESSARY PROCEDURES ARE MET, AND ALL THE DOCUMENTS REQUIRED IN THE PROSPECTUS ARE SUBMITTED IN ACCORDANCE WITH THE CMA'S LAW AND THESE BYLAWS.

THE LEGAL ADVISOR OF THE ISSUER CONFIRMS THAT IT HAS REVIEWED THE PROSPECTUS AND DOCUMENTS RELATED THERETO AS PROVIDED TO THEM BY THE ISSUER, AND THAT TO THE BEST OF THEIR KNOWLEDGE AND AFTER HAVING MADE ALL REASONABLE ENQUIRIES, THEY COMPLY WITH THE RELEVANT LEGAL REQUIREMENTS AND THAT THE ISSUER HAS OBTAINED ALL THE APPROVALS REQUIRED TO ENSURE THE VALIDITY AND EFFECTIVENESS OF ITS OBLIGATIONS.

THE KUWAIT CAPITAL MARKETS AUTHORITY ASSUMES NO LIABILITY IN RESPECT OF THE CONTENTS OF THIS PROSPECTUS, DOES NOT MAKE ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS PROSPECTUS.

RESPONSIBILITY STATEMENT

Individuals responsible for the Prospectus

This Prospectus has been prepared by:

Name:	Title:	Address:
Talal Mohamed Reza Behbehani	Chairman of the Board of Directors	Al Ahli Bank of Kuwait K.S.C.P. Ahmad Al-Jaber Street, P. O. Box 1387, Safat 13014 State of Kuwait

DECLARATION

EACH MEMBER OF THE BOARD OF DIRECTORS OF THE ISSUER, WHOSE NAMES APPEAR HEREIN, ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE AND CONDUCTED A FULL AND DETAILED DUE DILIGENCE TO ENSURE THAT SUCH IS THE CASE: (I) THE INFORMATION CONTAINED IN THIS PROSPECTUS IS COMPLETE, ACCURATE AND CORRECT, (II) ALL INFORMATION RELATING TO THE SECURITIES AND TO THE ISSUER HAVE BEEN DISCLOSED TO THE INVESTORS, SO THAT THE INVESTORS COULD TAKE A DECISION AS TO WHETHER OR NOT TO SUBSCRIBE TO THE ISSUE SHARES, AND (III) THAT ALL THE RELEVANT PROVISIONS RELATING TO THE SECURITIES AS PROVIDED FOR UNDER LAW NO. 7 OF 2010 REGARDING THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY AND REGULATING SECURITIES ACTIVITIES (AS AMENDED), AND ITS EXECUTIVE REGULATIONS ISSUED BY VIRTUE OF CMA RESOLUTION NO. 72 OF 2015 (AS AMENDED), AND THE PROVISIONS OF MODULE 11 OF THESE REGULATIONS, AND THE KUWAITI COMPANIES LAW NO. 1 OF 2016 AND THE EXECUTIVE REGULATIONS THEREOF, AND THE REGULATIONS AND INSTRUCTIONS ISSUED BY THE CAPITAL MARKETS AUTHORITY AND THE CENTRAL BANK OF KUWAIT, HAVE BEEN COMPLIED WITH.

On behalf of the Board of Directors of the Issuer

Name:	Title:
Talal Mohamed Reza Behbehani	Chairman of the Board of Directors

Signature:



IMPORTANT NOTICES

This Prospectus includes information with regard to **Al Ahli Bank of Kuwait K.S.C.P.**, the Offering terms and conditions and the Issue Shares. The Bank has not authorized the making or provision of any representation or information regarding the Bank, the Offering or the Issue Shares other than as contained in this Prospectus or as approved for such purpose by the Bank. Any such representation or information should not be relied upon as having been authorized by the Bank or the Subscription Agents on the cover hereof (the **“Subscription Agents”**).

While the Bank has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, certain portions of the market and industry information herein are derived from external sources, and while neither the Bank, nor the Subscription Agents have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Bank and the value of the shares in the Bank may be adversely affected by future developments in inflation, financing charges, taxation or other economic, political and other factors, over which the Bank has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering terms and conditions and the Issue Shares is intended to be or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

This Prospectus is not regarded as a recommendation on the part of the Bank, the Subscription Agents or any of their advisors or affiliates to participate in the Offering. Information provided herein is of a general nature and has been prepared without taking into account any potential investor's investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining his own independent professional advice in relation to the Bank, the Offering terms and conditions or the Issue Shares and for making his own independent evaluation of the Bank, an investment in the Issue Shares and of the information and assumptions contained herein, using such advice, analysis and projections as he deems necessary in making any investment decision. Prospective investors are not to construe the contents of this document as constituting tax, investment or legal advice. Prior to subscribing for any Issue Shares, a prospective investor should consult a financial advisor who has been duly licensed by the Capital Markets Authority and with his, her or its own legal, business and tax advisors determine the appropriateness and consequences of an investment in the Issue Shares for such investor and arrive at an independent evaluation of such investment. The sole purpose of this document is to provide background information about the Bank to assist each recipient in making an independent evaluation of the Offering and any investment in the Issue Shares.

The distribution of this Prospectus and the Offering of the Issue Shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Bank and the Subscription Agents to inform themselves about and to observe such restrictions.

Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful. Any securities to be issued have not been and will not be registered under the Securities Act of 1933 or with any securities' regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons.

No person has been authorized to give any information or make any representation in connection with the Offering terms and conditions or the Issue Shares other than those contained in this Prospectus and, if given or made, any such information or representation should not be relied upon as having been authorized by the Bank or the Subscription Agents. Neither the delivery of this Prospectus nor any sale made hereunder shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof.

The Issue Shares may not be an appropriate investment for all potential shareholders and investors. Therefore, each potential investor in the Issue Shares must determine the appropriateness of that investment, in light of his or her own circumstances. In particular, each potential investor is required to do the following:

1. To have sufficient knowledge and experience to carry out a meaningful evaluation of the shares and the risks of investing in the Issue Shares, and the information contained in this Prospectus.
2. To be able to access and be aware of the appropriate analytical tools, in order to evaluate any investment in the Issue Shares in the context of his own financial situation, as well as assess the impact of the Issue Shares on his investment portfolio in general.
3. To have sufficient financial resources and liquidity to bear all the risks of investing in the Issue Shares.
4. To have a complete understanding of the terms of the Issue Shares, and to be familiar with the conduct of business in the relevant financial markets.
5. To be able (whether on his own or with the assistance of an investment advisor) to assess possible scenarios for economic factors and other factors that may affect his investment and his ability to bear potential risks.

The financial information for the financial year ending on 31 December 2025 has been audited by the Bank's financial auditor and approved by the General Assembly of the Bank on 28 March 2026 as required by applicable laws and regulations. The financial information contained in this Prospectus for any period ending after the date of 31 December 2025 have not been audited.

Financial and Statistical Information

In this Prospectus, all references to "KWD", "KD", "Kuwaiti Dinars" and "Dinars" are to Kuwaiti Dinars, the lawful currency of Kuwait.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in this Prospectus. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them.

Where statistical information has been sourced for publication in this Prospectus, the Issuer believes that the information represents the latest information available from the relevant particular source. The financial statements relating to the Bank included in this Prospectus for any period ending after 31 December 2025 have not been audited.

Forecasts and Future Statements

Some statements in this Prospectus including, without being limited, the estimated short-term average profit on the share, may be deemed to be forward looking statements and not binding on the Issuer.

Future statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these future statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any of its derived expressions or any similar expressions generally identify future statements. The Issuer has based these statements on the current view of the Issuer's management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in the Issuer's future statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialize, including those which the Issuer has identified in this Prospectus and those which the Issuer could not reasonably identify, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted without any liability on the Issuer. These future statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any binding obligation or undertaking to achieve or fulfill any of the objectives or results contained in any of the expectations, estimations or predictions and to disseminate after the date of this Prospectus any updates or revisions to any future statements contained herein to reflect any change in expectations, estimations or predictions thereof or any change in events, conditions or circumstances on which any such future statement is based.

Forecasts and future statements are subject to risk factors, instability and assumptions that could cause actual results to differ materially from expected results. Important factors that could cause actual results to differ materially from our expectations include, among others, the following factors:

- Economic and general business conditions in Kuwait and other countries.
- The Bank's ability to implement its strategy, achieve its growth and expansion, its technical changes, and its exposure to market risks that have an impact on its business activity and investments.
- A change in the tax and monetary systems in Kuwait, including inflation and the cost of living, fluctuations in interest rates, stock prices or other prices and fees, the performance of financial markets in Kuwait and globally, changes in local and international laws and regulations, imposition of taxes and a change in the framework of competition in the field of business of the Bank.
- A change in the value of the Kuwaiti dinar and other currencies.
- The occurrence of natural disasters and disturbances.
- A change in the political and social conditions in Kuwait.
- Loss or cessation of the Bank's activity due to a labor strike or labor unrest.
- Not preserving key employees and workers in the Bank.
- The Bank's ability to accept technological changes.

Therefore, Subscribers should review the "Risk Factors" Section carefully to assess the risks involved. Due to their nature, some market risk disclosures are only estimates that could differ materially from future results. Therefore, actual profits or losses may differ significantly from expectations. The Bank is not obligated to update or revise any data containing information received after the date of this Prospectus or to record the occurrence of any cases even if any of the assumptions contained in this Prospectus are not implemented or completed.

Non-IFRS Financial Measures and Alternative Performance Measures

This Prospectus contains references to certain non-IFRS measures, including capital adequacy, financial leverage ratios, and certain other ratios contained in the "Financial Information" Section referred to in this Prospectus. All such measures constitute proxy performance measures as defined in the European Securities and Markets Authority's Guidelines for Alternative Performance Measures

("Alternative Performance Measures").

The Issuer believes that the alternative performance measures included in the Prospectus provide complementary information useful to investors and to the Bank's management, as they facilitate the evaluation of operating performance and financial position during financial reporting periods. However, investors should be aware that not all companies calculate financial measures in the same way, for example the alternative performance measures adopted by the Bank in this Prospectus, because these financial matters cannot always be directly compared to the performance measures used by other companies.

The alternative performance measures used in this Prospectus should not be viewed in isolation and should not be considered as a measure of financial performance or liquidity within the framework of International Financial Reporting Standards ("IFRS"). These measures outside of IFRSs should not be considered as a substitute for revenue, profit or loss for the relevant period or any other performance measures approved in accordance with IFRSs, nor should they be considered as a substitute for cash flows from operating, investing or financing activities or any measure another liquidity approved in accordance with International Financial Reporting Standards.

Measures outside of IFRS do not necessarily indicate whether cash flows are sufficient or available to meet cash requirements and may not be indicative of actual results of operations. In addition, the alternative performance measures in this publication may not be the same as other similarly titled measures used by other companies. The Bank believes that the net interest margin and other measures provided in this Prospectus outside of IFRS are useful indicators of financial performance and are widely used by investors to monitor the results of the Banks' business in general. In view of the discretion enjoyed by the Bank and other companies in determining these measures and calculating the amounts included in them, care should be taken when comparing these measures with similar measures used by other companies.

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SUMMARY OF THE ISSUANCE

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This summary intends to provide a brief overview of the information contained in this Prospectus and does not contain all the information that prospective investors should consider before deciding to invest in the Issue Shares and does not purport to be complete. Accordingly, any decision by a prospective investor to invest in the Issue Shares should be based on consideration of this Prospectus as a whole.

The Issuer	Al Ahli Bank of Kuwait K.S.C.P., a Public Kuwaiti Shareholding Company incorporated on 23 May 1967.
Issuer's Address	Ahmad Al-Jaber Street, P. O. Box 1387, Safat 13014 State of Kuwait
Offering Type	Offering of the Issue Shares with Pre-Emption Right exercisable by Eligible Shareholders
Offer Price	200 Fils per Issue Share (including the nominal value and the issue premium)
Pre-Emption Right Price	As shall be determined by Boursa Kuwait at the beginning of the Subscription Period on the basis of a reference price which is the result of the closing price of the shares on which the Pre-Emption rights are determined on Boursa Kuwait on the day preceding the start of the Subscription Period minus the Offer Price). The price of Pre-Emption Rights may change during the Subscription Period.
Nominal Value	100 Fils per Issue Share
Issue Premium	100 Fils per Issue Share
Total number of issued and paid-up Shares immediately prior to Offering	2,748,650,108 shares with a nominal value of 100 Fils each, all of which are fully paid
Issuer's issued and paid -up capital immediately prior to the Offering	KD 274,865,010.800
Issuer's authorized capital prior to Offering	KD 600,000,000
Treasury Shares	17,770,596 shares
Number and type of Issue Shares	750,000,000 Ordinary shares representing 27.29 % of the Issuer's paid and current issued share capital
Number of Issue Shares underwritten	None
Amount of the Offering underwritten	None
Total number of issued shares immediately following the Offering	3,498,650,108 shares
Issuer's issued capital immediately following the Offering	KD 349,865,010.800
Percentage increase in issued and paid-up share capital	The issued capital of the Issuer will be increased by KD 75,000,000 representing an increase of approximately 27.29% in the Issuer's share capital immediately prior to the Offering.
Total value of the Offering	KD 150,000,000 (including the nominal value of KD 75,000,000 and the Issue Shares premium value of KD 75,000,000)

Restrictions on dealing in Securities Offered for subscription and any future arrangements for dealing in them	None
Offering Expenses	Estimated to be approximately KD 300,000 which shall be borne by the Issuer, and which will include the costs of managing the subscription, issueing, printing and distribution expenses, legal and marketing expenses.
Subscription fees	Subscription fees will not be imposed on the Issue Shares, as the Issuer bears all issuance costs.
Record Date	4 November 2026
Subscription Method	Subscribers may submit Subscription Application Forms electronically on the Subscription Website as described in the Terms and Conditions of the Issue Section (the “ Subscription Application Form ”) within the Subscription Period. No modifications or withdrawals of the Subscription Application Form will be accepted after submitting the application. When the application is submitted by the Subscriber, the Subscription Application Form shall represent as a legally binding agreement between the said Subscriber and the Issuer.
Subscription Period	The Subscription Period will commence on 8 November 2026 and will remain open for a period of fifteen (15) calendar days up to and including 22 November 2026. The Board of Directors of the Issuer may extend the Subscription Period at its absolute discretion, in the event subscription has not been covered, for similar or lesser terms so that the original Subscription Period and its extension in total do not exceed three (3) months, provided that the approval of the CMA is obtained. The Board of Directors may also, after expiry of the original or extended Subscription Period, offer the remaining unsubscribed Issue Shares to the public (the “ Public Offering ”) including new shareholders and third parties (the “ Eligible Investors ”).
The Period for Disposal of Pre-emption Rights	The period for disposal of Pre-Emption Rights starts from the date of opening of subscription until at least five (5) business days prior to the end of the Subscription Period. 8 November 2026 has been set as the date for the start of trading and waiving Pre-emption Rights and 15 November 2026 as the last day of trading in Pre-emption Rights.
Allocation date	During five (5) business days of the date of closing of the Subscription Period.
Subscribers	Eligible Shareholders and Owners of Pre-Emption Rights, and Eligible Investors (in the context of Public Offering of the remaining unsubscribed Issue Shares as further set forth in the Prospectus).
Shareholders with Pre-Emption Rights eligible to subscribe for Issue Shares	Holders of the Existing Shares registered at the end of the Record Date before the Subscription Period, i.e., the shareholders whose names are registered in the Bank’s shareholders register with the Clearing and Depositary Agent on the Record Date. For clarity, any trades made on the Bank’s shares prior to the Record Date that have not completed the trade settlement process of Boursa Kuwait as of the Record Date (Ex

	Rights Date), and as a result have not yet been registered on the Bank's shareholder register, will not be considered in determining the Eligible Shareholders of record as of the Record Date. Owners of Pre-Emption Rights include persons that acquired, by assignment or purchase, the Pre-Emption Rights during the trading period of such rights.
Eligible Shareholder's Entitlement	Approximately 27.46 % for their total Existing Shares held as of the Record Date. This is calculated after taking into consideration the Issuer's Treasury Shares of which the rights arising from said Treasury Shares have been allocated to Eligible Shareholders as of the Record Date.
Minimum Subscription	One Share
Maximum Subscription	No maximum subscription limit (See Section Offering Details).
Subscribers' Options for Issue Shares	<p>Subscribers can exercise any of the following options in respect of the Issue Shares:</p> <ul style="list-style-type: none"> • Exercising their Pre-emption Right in the Issue Shares; • Exercising their Pre-emption Right in the Issue Shares as well as subscribing for additional Issue Shares; • Assigning their Pre-emption Right for subscription in the Issue Shares as per the approved mechanism at least five (5) business days before the Offering is closed in accordance with the relevant rules applied by Boursa Kuwait; • Waiving, free of charge, their Pre-emption Right to subscribe to the Issue Shares (and to subscribe to additional Issue Shares, as the case may be, or part thereof) according to the approved mechanism for this during the Subscription Period, at least five (5) business days before close of subscription, in accordance with the relevant rules applied by Boursa Kuwait and the Clearing and Depository Agent; or, • Refraining from resorting to any of the above options, whether by trading, waiving, or exercising the Pre-emption Right to subscribe to the Issue Shares and leaving the right to subscribe to the unsubscribed shares to the rest of the Subscribers.
Process and Procedures in the event of undersubscription in the share capital increase	<p>If the share capital increase has not been fully subscribed for during the Subscription Period, the Board of Directors of the Bank may decide to extend the Subscription Period for one or more subscription periods as long as the total Subscription Period including the extension does not exceed three months and subject to the CMA approval. If the share capital increase has not been fully subscribed for during the extended subscription period, the Board of Directors of the Bank may decide to either (i) retract the share capital increase or (ii) limit the share capital increase to the amount actually subscribed for. Subscribers will not have the right of retraction except in accordance with the law. In the event of cancellation of the Offering, the Owners of Pre-emption Rights will lose their right to subscribe to the Issue Shares and the value of the price of the Pre-emption Rights paid by them without having the right of recourse for any claim against the Issuer, the Clearing and Depository Agent, or the</p>

	<p>Subscription Agents and the Issuer's directors. The Board of Directors may also, after expiry of the original or extended Subscription Period, open a Public Offering for the subscription in the remaining unsubscribed Issue Shares. The period for trading of Pre-emption Rights starts from the date of opening of subscription until at least five (5) business days prior to the end of the Subscription Period. In all cases, the one who disposed of the Pre-emption Rights in the manner mentioned above, shall not be entitled to subscribe to these rights, and any Subscription to these foregone rights is considered invalid. However, the one to whom these rights have been assigned to may subscribe to the shares prescribed for these rights and shall be also entitled to dispose of them in the manner prescribed in Boursa Kuwait rules and the Clearing and Depository Agent rules until the Subscription door closes within at least five (5) business days.</p>
Consequences of non-Subscription of Eligible Shareholders	<p>Eligible Shareholders who choose not to subscribe to the Issue Shares will be subject to a reduction in their percentage of ownership in the Issuer's capital in addition to what they may face from a change in the value of their Existing Shares.</p>
Subscription for Additional Issue Shares	<p>Subscribers have the right to subscribe for additional Issue Shares ("Additional Issue Shares") in addition to their entitlement to Issue Shares. Such subscription shall be made at the Offer Price of 200 fils per Additional Issue Share.</p> <p>Subscriber's failure to subscribe, sell or assign the Pre-emption Right to subscribe, is considered a waiver of such right to subscribe to the share capital increase shares in favour of other Subscribers who wish to subscribe to a number of shares exceeding the percentage allotted to each of them. Owners of Pre-emption Rights may dispose these rights on the Boursa Kuwait until five (5) business days before the end of the Subscription Period for the Subscription in Pre-emption Rights, and they also have the right to assign the Pre-emption Rights, without any charge, to the Clearing and Depository Agent during the Subscription Period for the share capital increase to the Shareholders of the Bank or to others, until five (5) business days from the end of the Subscription Period, according to the Boursa Kuwait and the Clearing and Depository Agent rules, and according to this Prospectus.</p>
Listing and Trading of Pre-emption Rights	<p>The approval of this Prospectus by the CMA constitutes approval for the listing and trading of Pre-emption Rights on Boursa Kuwait during the Subscription Period for the Issue Shares, and such listing is cancelled when the Issuer discloses the results of the Subscription to the capital increase.</p>
Timetable for listing of Pre-emption Rights	<p>The Pre-emption Rights will be listed and traded from the date of opening of Subscription in the Issue Shares and until at least five (5) business days the closing of Subscription.</p> <p>The timetable will be from 8 November 2026 to 15 November 2026.</p>
Means of Disposal of Pre-emption Rights	<p>Pre-emption Rights may be disposed of, traded or assigned, without any charge, and without any restrictions</p>

	<p>and in accordance with the applicable rules of Boursa Kuwait and the Clearing and Depository Agent. Approval of this Prospectus constitutes approval of the listing and trading of Pre-emption Rights during the Subscription Period for the Issue Shares, and the listing shall be cancelled when the Bank discloses the results of the subscription to the capital increase.</p>
Allocation of Issue Shares	<p>Subscribers who apply for Issue Shares and submit the Subscription Application Form to the Clearing and Depository Agent prior to the end of the Subscription Period will be entitled to 27,464 Issue Shares for every 100,000 Existing Shares that they hold after taking the Treasury Shares held by the Issuer into consideration. If the Subscribers have not fully subscribed to their entitlement to the Issue Shares, such unsubscribed Issue Shares will be allocated to those Subscribers who applied for more than their entitlement to the Issue Shares. If the aggregate number of the Additional Issue Shares exceeds the number of available unsubscribed Issue Shares, such shares will be allocated to those Subscribers applying for such Additional Issue Shares pro rata to their subscription for the Additional Issue Shares. The allocation of the Additional Issue Shares shall be final without any recourse or liability against the Issuer, the Clearing and Depository Agent, and the Subscription Agents. In the event that the Issue Shares are not fully subscribed for by the Eligible Shareholders and Owners of Pre-Emption Rights during the Subscription Period or any extension thereof, the Board of Directors may open a Public Offering for the subscription by the public in the unsubscribed Issue Shares. (See Section <i>“Terms and Conditions of the Issue”</i>).</p>
Fractional Entitlements to Issue Shares	<p>Fractions of the Issue Shares may not be subscribed to and, wherever necessary, the number of Issue Shares to which an Eligible Shareholders has a fractional entitlement shall be rounded to the nearest whole number. The Issuer shall have the sole right to dispose of the share fractions at its own discretion. Fractions for Issue Shares will not be issued in any way (See Section <i>“Terms and Conditions of the Issue”</i>).</p>
Use of Proceeds	<p>The proceeds of the Offering will be used by the Issuer to meet the requirements of CBK and Basel III framework on the Bank capital adequacy (see Section <i>“Use of Proceeds”</i>)</p>
Excess Offering Monies	<p>Excess Offering Monies, if any, will be returned to Subscribers who have participated in the Offering without any interest to the Subscribers and without any commission, charge or withholding by the Bank, and within a maximum period of five (5) business days from the end of the allotment of the Offer Shares. (See Section <i>“Terms and Conditions of the Issue”</i>).</p>
Offering Terms	<p>The Offering is being made to, and is only capable of acceptance by, Eligible Shareholders and Owners of Pre-emption Rights. The Issuer, Subscription Agents, and the Clearing and Depository Agent retain the right to reject, in full or in part, any Subscription Application Form, which is not in compliance with the terms of the Offering. Once submitted, Subscription Application Forms cannot be</p>

	amended or withdrawn. The acceptance of Subscription Application Forms by the Clearing and Depository Agent and the Issuer constitutes a binding agreement between a Subscriber and the Issuer (See Section <i>“Terms and Conditions of the Issue”</i>).
Ownership Cap	Pursuant to the Issuer’s articles of association, any percentage of the Issuer’s shares may be held by a shareholder at any time subject to compliance with all applicable regulations. Currently, without the prior approval of CBK, a person may not hold title of more than 5% of the total shares issued in the share capital of the Issuer. Government entities are exempt from the Ownership Cap restrictions. Each Subscriber shall be solely responsible to ensure that its subscription under the Offering fully complies with the applicable CBK regulations and requirements.
Dividends	The holders of Issue Shares will be entitled to receive any dividends declared by the Issuer in the future.
Voting Rights	The Issuer has only one class of share. Each Issue Share entitles the holder to one vote, and each Shareholder has the right to attend and vote at a General Assembly. No Shareholder has any preferential voting rights.
Short-Term Earnings per Share	The earnings per share for the year ended 31 December 2025 is 22 Fils and 12 fils for the period ending 30 June 2026
Rights arising from the Issue Shares in the event of liquidation of the Issuer	In the event of liquidation of the Bank prior to the capital increase, the book value per share is 261.90 fils per share according to the financial statements for period ending on 31 December 2025 and 255.43 fils per share for the period ended 30 June 2026
Share value Redemption	Existing and new shareholders can redeem the shares’ value (either by profit or by loss) through the direct sale on Boursa Kuwait. There are no differences between the Issue Shares and Existing Shares with regard to any of the rights.
Rights arising from the Issue Shares in the event of liquidation of the Issuer	A shareholder is entitled to receive a portion in proportion to the shares he/she/it holds from the Issuer’s assets on liquidation following repayment of the Issuer’s debts and other costs.
Subsequent Equity Subscriptions	The shareholder of the Issue Shares will be entitled to benefit from Pre-emptive rights in subsequent equity subscriptions.
Process and Procedures in the event of undersubscription in the share capital increase	If the share capital increase has not been fully subscribed for during the Subscription Period, the Board of Directors of the Bank may decide to extend the Subscription Period for one or more similar periods provided that it does not exceed in total 3 months and subject to obtaining CMA approval. If the share capital increase has not been fully subscribed for during the extended subscription period, the Board of Directors of the Bank may decide to either (i) retract the share capital increase or (ii) limit the share capital increase to the amount actually subscribed for. Subscribers will not have the right of retraction except in accordance with the law.
Listing of Shares	The Issue Shares will be listed on Boursa Kuwait following the close of the Subscription Period, the final allocation of the Issue Shares and completion of all the necessary

	regulatory procedures, and will be traded without any restrictions equal to the Existing Shares in rights.
Taxation	Payments made by the Issuer in respect of the Issue Shares could become subject to taxation. (See Sections Risk Factors and Taxation).
Risk Factors	There are certain risks relating to an investment in the Offering. These risks can be generally categorized into (i) risks related to the Issuer; (ii) risks related to the various sectors in which the subsidiaries of the Issuer operate, and the legal and regulatory environment in Kuwait; and (iii) risks related to the Issue Shares. These risks should be considered carefully prior to making an investment decision in the Issue Shares (See Section Risk Factors).
The date of the extraordinary general assembly that approved the authorized share capital increase	16 th September 2026
Regulatory Authority	<ul style="list-style-type: none"> • Capital Markets Authority • Central Bank of Kuwait • Ministry of Commerce and Industry
Auditors	<ul style="list-style-type: none"> • Deloitte & Touche Al Wazzan & Co. • Ernest & Young Al Aiban, Al Osaimi & Partners
Lead Manager and Subscription Agent	Ahli Capital Investment Company K.S.C.C.
Clearing and Depositary Agent	Kuwait Clearing Company K.S.C and its subsidiaries
Legal Advisors	Meysan Lawyers and Legal Consultants W.L.L.
Law	Laws of the State of Kuwait
Courts	Courts of the State of Kuwait
Issuer's Board of Directors*	<p>Mr. Talal Mohamed Reza Behbehani</p> <p>Mr. Salah Ahmed Al Serhan</p> <p>Mr. Ali Ebrahim Hejji Hussain Marafi</p> <p>Mr. Khaled Othman Abdulwahab Al Othman</p> <p>Mr. Raed Abdulkareem Al Moamen</p> <p>Mr. Adel Ibrahim Yali Ahmad Behbehani</p> <p>Mr. Tarek Fareed Abdulrahman Al Othman</p> <p>Mr. Mahdi Ismael Ali Al Jazzaf</p> <p>Mr. Ahmad Abdullah Mohammed Al-Bagh</p> <p>Mr. Mohammad Munther Abdul Kareem Al-Zuhair</p> <p>Mr. Ghazi Abdul-Rahman Hamad Al-Sanea (Representative of The Public Institution For Social Security)</p> <p>*Notes: There are no familial relationships between the Issuer's Board of Directors</p>

OFFERING DETAILS

Shares offered in the Offering

The Issuer is offering 750,000,000 ordinary shares representing approximately 27.29% of the Issuer's existing issued share capital.

Issue Price per Issue Share

The Issue will have a price of 200 Fils per Issue Share, reflecting the nominal value of 100 Fils per Issue Share and the issuance premium of 100 Fils per Issue Share.

The Issuer has appointed an independent asset valuator, namely, KPMG Advisory W.L.L. ("**KPMG**"), approved by the Capital Market Authority ("**CMA**"), to calculate the fair value of the Issuer's shares for the purpose of a share capital increase. The Issuer has obtained the approval of KPMG Advisory W.L.L. to incorporate their work as set forth below in this Prospectus, and their conclusions are valid in accordance with the Valuation Report.

The Valuation Report (the "**Valuation Report**") has been prepared as at 30 June 2026 (the "**Valuation Date**") and has been submitted to the CMA.

According to the Valuation Report, the valuation range for the Issuer's share is between 318 fils per share to 342 fils per share with an average value of 330 fils per share as at 30 June 2026. The Offer Price implies a 39.4% discount to the average valuation range. It should be noted that several valuation methodologies have been used to derive the valuation range based on the audited financial statements of the years ending 31 December 2023– 2025, unaudited interim financial statements for quarter ended 30 June 2026, projected management information for the years ending 2026 to 2031 for the Issuer, publicly available information of the Issuer and meetings and discussions with the Issuer.

The valuation methodologies are summarized as follows:

1. Dividend Discount Model ("**DDM**")
2. Market Multiples - Price to Book Value ("**P/BV**")
3. Volume Weighted Average Price ("**VWAP**")

Subscribers

The Offering is only capable of acceptance by all Shareholders registered in the Issuer's shareholder register at the Record Date who will be eligible to exercise their rights to subscribe for the Issue Shares. In the event that the Subscriber fails to subscribe, sell or assign the Pre-emption Right to subscribe, this shall be considered as a waiver of his Pre-emption Right to subscribe to the Issue Shares in favor of other Subscribers with or without consideration, and the waiver shall be in all or some of the Pre-emption Rights related to the Issue Shares. Each of the Subscribers has the right to subscribe in accordance with the rules and procedures in force at the Boursa Kuwait, the Clearing and Depository Agent, and as stated in this Prospectus.

All Subscribers who have pledged shares must submit to the Clearing and Depository Agent a letter of approval from the pledge creditor stating that the Subscriber may subscribe to the Issuer's capital increase. The approval letter must be submitted to the Clearing and Depository Agent offices at Ahmed Tower, Fifth Floor.

The person wishing to subscribe shall visit the following website: <https://www.ipo.com.kw> (the "**Subscription Website**") or the application and enter his/her civil identification number if he/she is an individual or the commercial registration number if it is a company, and the system will determine if the person is eligible to subscribe. Each Subscriber has the right to subscribe to Pre-emption Rights in a number of 27,464 new shares of the Issue Shares for every 100,000 Issued Shares he owns on the Record Date, after taking into consideration the Treasury Shares held by the Issuer. Each of the Owners of the Pre-emption Rights will have the right to subscribe to a number of Issue Shares according to the Pre-emption Rights they will own. The Subscriber will not receive any financial returns from the Offering.

Subscribers will also be allowed to apply for Additional Issue Shares in excess of their entitlement to the Issue Shares at the Offer Price, which will be allocated to those Subscribers on a pro-rata basis in the event that unsubscribed Issue Shares are available due to the failure by Eligible Subscribers to exercise their rights to subscribe for Issue Shares. The unsubscribed Issues Shares will be allocated to

the Subscribers applying for Additional Issue Shares pro-rata to their subscription for Additional Issue Shares.

Rights Attached to the Issue Shares

The Issuer has only one class of shares. Each Issue Share entitles the holder to one vote, and each Shareholder has the right to attend and vote at a General Assembly. No Shareholder has any preferential voting rights.

The holders of Issue Shares, once issued, will also be entitled to receive their portion of any dividends declared by the Issuer (same as Existing Shares), in addition to pre-emption rights to subscribe to new shares that may be offered in the future by the issuer in accordance with the relevant laws, procedures and requirements.

In the event of a liquidation of the Issuer each Issue Share will be entitled to an equal share of the Issuer's liquidated assets following repayment of its debts.

If the share capital increase has not been fully subscribed for during the Subscription Period, the Board of Directors of the Bank may decide to extend the Subscription Period for a similar or lesser terms, provided that the original Subscription Period and its extension in total do not exceed three (3) months, provided that the approval of the CMA is obtained. If the share capital increase has not been fully subscribed for during the extended Subscription Period, the Board of Directors of the Bank may decide to either (i) retract the share capital increase or (ii) limit the share capital increase to the amount actually subscribed for. Subscribers will not have the right of retraction except in accordance with the law.

Exercising Pre-emption Rights and means of disposal of Pre-emption Rights

Subscribers shall have the following options in respect of the Issue Shares:

- Exercise their Pre-emption Rights to subscribe for the Issue Shares wholly or partially;
- Exercise their Pre-emption Rights to subscribe for the Issue Shares and subscribe for Additional Issue Shares;
- Assigning their Pre-emption Right for subscription in the Issue Shares as per the approved mechanism for this during the Subscription Period, at least five (5) business days before the Offering is closed in accordance with the relevant rules applied by Boursa Kuwait;
- Waiving, free of charge, their Pre-emption Right to subscribe to the Issue Shares (and to subscribe to additional Issue Shares, as the case may be, or part thereof) according to the approved mechanism for this during the Subscription Period, at least five (5) business days before close of subscription, in accordance with the relevant rules applied by Boursa Kuwait and the Clearing and Depository Agent; or,
- Refraining from resorting to any of the above options, whether by trading, waiving, or exercising the Pre-emption Right to subscribe to the Issue Shares and leaving the right to subscribe to the unsubscribed shares to the rest of the Subscribers.

In all cases, the one who disposed of the Pre-emption Rights in the manner mentioned above, shall not be entitled to subscribe to these rights, and any Subscription to these foregone rights is considered invalid. However, the one to whom these rights have been assigned to may subscribe to the shares prescribed for these rights and shall be also entitled to dispose of them in the manner prescribed in the rules of CMA, Boursa Kuwait and the Clearing and Depository Agent until at least five (5) Business Days prior to the closing of the Subscription Period.

Maximum Subscription

There is no maximum limit for the subscription applications whereby each Subscriber can apply for subscription in excess of his entitlement to the Issue Shares and such subscription can exceed the total number of Issue Shares.

Subscription Period

The Subscription Period will commence on 8 November 2026 in the State of Kuwait and shall close on 22 November 2026 at 1:00 pm (Kuwait time).

TERMS AND CONDITIONS OF THE ISSUE

Subscription Agreement

The Subscription Agents agreed with the Issuer, according to the terms of the Subscription Agreement, and on the condition that some related conditions are met, to exercise the necessary care in order to offer the Subscribers the right to subscribe to the Issue Shares at the Offer Price. The Subscription Agents are not obligated to subscribe to any of the shares that were not subscribed to by the Subscribers.

Subscription Procedures

Subscriptions and all required documents must be submitted through the Subscription Website or the IPO Kuwait application of the Clearing and Depository Agent.

The Subscriber shall:

1. Login to the Subscription Website via the link: <https://www.ipo.com.kw> or download the IPO Kuwait application.
2. In the event the Subscriber is an individual, he/she shall enter the civil identification number. The system shall then verify whether the Subscriber is eligible for Subscription or not.
3. In the event the Subscriber is a legal entity or a company, the Subscriber shall enter the commercial registration number. The system shall then verify whether the Subscriber is eligible for Subscription or not.
4. Record the number of shares to be subscribed for.
5. The Subscriber must make the payment through either K-NET service or Bank wire transfer as follows:

For Subscribers paying through K-NET service, the Subscriber shall:

Pay from their own account (no other person may pay on behalf of the Subscriber except in the cases provided for under the law). The Subscriber shall bear all legal consequences arising from any violation of this requirement. Upon successful completion of the payment transaction, the system will display a confirmation containing the subscription payment details. The system will also automatically send an email to the Subscriber's registered email address attaching a PDF receipt, as well as an SMS to the subscriber's mobile phone, confirming the successful completion of the subscription process.

Subscribers are advised to confirm with their bank that their payment limit on their K-NET card will enable them to pay for their subscription.

Or,

For Subscribers paying through bank transfer, the Subscriber shall:

Print the Subscription Application Form and visit their own bank and submit a copy of the Subscription Application Form printed from the above link and transfer the amount required to the Subscription Bank Account (net amount without any charges by the transferring bank and the receiving Bank) stated below:

Name of Bank:	AL AHLI BANK OF KUWAIT
Account number:	6030148800001
IBAN:	KW27ABKK0000000006030148800001
SWIFT:	ABKKKWKW
Beneficiary:	ABK RIGHTS-ISSE-SUBSCRIPTION
Reference/Description:	Ahli Bank of Kuwait capital increase + shareholder civil identification (for residents and citizens)/ passport (for non-residents and non-citizens)/ commercial registration number (for corporates) + subscriber contact number

The Subscriber shall upload the copy of the original deposit voucher of the amount transferred from his/her own bank in addition to the documents listed in item **“Documents required to be submitted with applications to subscribe”** stated in this Prospectus through the electronic link that will be sent from the Subscription Website to the Subscriber via his/her e-mail and a text message sent to the registered phone.

The Clearing and Depository Agent shall send an email confirmation to the Subscriber in case of a successful Subscription.

Failure of any Subscriber to submit a duly completed Subscription Application Form (together with all applicable supporting documentation thereto) to the Subscription Website, after the transfer or deposit of the Subscription Monies as required in this Prospectus, shall render the Subscription Application Form of a Subscriber null and void. Subscription Monies shall not be accepted in cash.

Subscription through the Portfolio Manager where the Shares are held with a company that manages portfolios for third parties:

1. The Subscriber shall contact the portfolio manager to enquire about the subscription procedures.
2. The portfolio manager shall follow the procedures set out in Section Two above to complete the subscription, and shall provide the subscription details.

Subscription Application Form

The offering of the Issue Shares is restricted to Eligible Subscribers only. Eligible Subscribers who would like to participate in the Offering can submit the Subscription Application Forms during the Subscription Period to the Subscription Website or application. Each Eligible Subscriber who is participating in the Offering must agree to the terms and conditions and provide all relevant information for the Subscription Application Form. The Issuer, Clearing and Depositary Agent, reserve the right, free from any liability, to reject, in full or in part, any Subscription Application Form in the event any of the subscription terms and conditions are not met or the instructions are not duly and punctually followed including without limitation, the failure of the Subscription Application Form to comply with the applicable laws and regulations, the non-payment by the Subscriber of the full amount of the Subscription Monies, the inaccuracy or the invalidity of any information contained in the Subscription Application Form or the failure of the Subscriber to comply with or follow any terms or requirements set forth under this Prospectus or in the Subscription Application Form. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Issuer.

The Subscription Application Form and all relevant terms, conditions and undertakings shall be binding on the Subscribers and their assignees, executors, estate managers and beneficiaries, unless specifically stipulated otherwise in this Prospectus. The Subscriber must accept whatever number of Issue Shares is allocated to him, provided that such number does not exceed the number of Shares subscribed for as specified in their Subscription Application Form.

The terms and conditions, and receipt of the Subscription Application Form and contracts arising therefrom shall be subject to the laws of the State of Kuwait and must be interpreted and applied in accordance therewith.

All Subscribers must read the instructions relating to the Offering carefully before submitting the Subscription Application Form. The submission of the Subscription Application Form through the website shall be considered agreement to and acceptance of the Offering terms.

Submission of the Subscription Application Form

A Subscriber must specify on the Subscription Application Form the number of Issue Shares he wishes to subscribe to and transfer the Subscription Monies. The Subscriber shall submit the Subscription Application Form during the periods specified for the subscription.

Documents required to be submitted with the Subscription Application Form

The Subscription Application Form must be submitted through the Subscription Website along with the following documentation, through the link sent by the electronic system.

a) Individual Subscribers

- Signed Subscription Application Form duly signed by the Subscriber;
- Copy of personal civil identification card;
- Copy of passport to verify the signature;
- Copy of the bank transfer receipt;
- Copy of the IBAN number;
- Copy of special legal proxy for subscribing in shares (for proxy subscriber);
- Copy of Certificate of Guardianship for orphans;
- Copy of Certificate of Guardianship for minors; or

- Copy of a Limitation of Succession Deed for beneficiaries.
- Copy of Guardianship rule

b) Corporate Subscribers

- Signed Subscription Application Form duly signed by the Subscriber;
- Copy of the bank transfer receipt;
- Copy of the IBAN number;
- Copy of the Commercial Registry Certificate;
- Copy of the Authorized Signatories Certificate or the Extract of the Commercial Register; as the case requires; and
- Copy of the personal identification card of the authorized signatory;
- Copy of the signatory's specimen signature authorization issued by the Ministry of Social Affairs and Labour or certified by the Kuwait Chamber of Commerce and Industry.
- Letter issued by the authorized signatory of the legal entity confirming its approval of the subscription.

Non-Kuwaiti Subscribers

Non-Kuwaiti Subscribers (whether corporates or individuals, as the case may be) are required to provide the equivalent of the aforementioned documentation as issued by their jurisdictional authorities if they do not have Kuwaiti issued documentation as highlighted further above.

Cash will not be accepted. The Subscription Monies must be paid in full upon submitting the Subscription Application Form on the Subscription Website by authorizing a debit of the appropriate amount from the Subscriber's account with the Bank, or by bank transfer. Subscription amounts will be deposited in full in the Issuer's bank account designated by the Issuer (the "**Subscription Bank Account**"). The Subscriber must, in any event relating to the Issue Shares or the Additional Issue Shares, ensure that the bank debit or the bank transfer has been processed from their respective bank account and that the subscription account with the Issuer has been credited with the appropriate amount at the time of the submission of the Subscription Application Form to the Clearing and Depositary Agent.

Without prejudice to the other grounds of rejection of the Subscription Application Forms, the Clearing and Depositary Agent, the Bank, and the Subscription Agents shall have the right to reject the Subscription Application Form in the event the Subscription Monies are not received in the subscription account at the time of submission of the Subscription Application Form to Subscription Agents and the Clearing and Depositary Agent.

Applicant Declarations

By completing and submitting the Subscription Application Form, the Subscriber:

- agrees to subscribe to a number of Issue Shares set forth in the Subscription Application Form that is final and irrevocable;
- warrants that he has read and carefully studied this Prospectus and understands all of its contents;
- accepts the Memorandum and Articles of Association of the Issuer and all of the Offering terms and conditions mentioned in this Prospectus;
- accepts that the Issuer and the Clearing and Depositary Agent shall have the right to refuse any unsatisfactory, incomplete or unclear Subscription Application Form or for any of the reasons set forth in this Prospectus;
- accepts the number of Issue Shares allocated to him (to a maximum of the amount he has subscribed for) and all other instructions of subscription stated in the Subscription Application Form and this Prospectus; and
- undertakes that he will not cancel or amend the Subscription Application Form after submission to the Clearing and Depositary Agent.
- the corporate Subscriber declares, at his full responsibility, that he obtained all the authorizations and consents required pursuant to his Memorandum and Articles of Association or pursuant to the law, in order to enable him to apply for the subscription and to perform his obligations in accordance to the terms and conditions contained in the Prospectus and to transfer his pre-emption right, including the consent of his Board of Directors or the General Assembly, as the case may be, in respect of shareholding companies.

Allocation and Refund of Surplus

Eligible Subscribers who apply for Issue Shares will be entitled to 27,464 Issue Shares for every 100,000 Existing Shares that they hold after taking into consideration the Issuer's Treasury Shares. If the Eligible Shareholders have not fully subscribed to their entitlement to the Issue Shares, such unsubscribed Issue Shares will be allocated to those Subscribers who apply for more than their entitlement to Issue Shares. If the aggregate number of Additional Issue Shares exceeds the number of available unsubscribed Issue Shares, such shares will be allocated to those Subscribers applying for such Additional Issue Shares *pro rata* to their subscription for the Additional Issue Shares. If the Issue Shares are not fully subscribed to by the Eligible Subscribers during the original or any extended Subscription Period, the unsubscribed Issue Shares may be offered for subscription to the Public.

The number of allocated shares will be rounded to the nearest whole number, and the Issuer reserves the right to deal with share fractions at its own discretion.

The Issuer shall announce the final allocation not later than five (5) business days (which is a day other than a Friday or a Saturday and which is not a public holiday and on which the banks are open for business in Kuwait) from the date of closing of the Subscription Period, and will refund the surplus Subscription Monies, without any fees or deduction by the Bank, on the date determined by the Issuer.

The surplus amounts will be refunded without any interest, fees or deductions. Subscribers should contact any branches of the designated bank to obtain further information.

The Issuer does not guarantee the availability of any Additional Issue Shares.

Declining Subscription Forms

The Issuer and the Clearing and Depository Agent reserve the right, free from any liability, to reject, in full or in part, any Subscription Application Form in the event any of the forms are not compliant with the applicable laws, or any of the subscription terms and conditions are not met or the instructions are not duly and punctually followed including without limitation, where: the amount paid does not correspond to the number of Shares for which the subscription is made; the document evidencing payment of the full value of the subscribed Shares is not attached to the Subscription Application Form; the Subscriber fails to pay the full Subscription Amount in a single payment at the time of subscription (in the case of payment by bank transfer), in which case the application shall be cancelled if the transfer is not made within three Business Days from the date of submission of the Subscription Application Form; the Subscriber's details are inaccurate, incomplete, unclear or illegible, contain incorrect information, or otherwise fail to satisfy the requirements; the subscription application is submitted more than once; or the requirements and obligations set out in this Prospectus and the Subscription Application Form are not satisfied.

In the event of any discrepancy between the Subscriber's details and the information registered with the Public Authority for Civil Information, the Issuer or the Clearing and Depository Agent shall have the right to exclude such applications from the allocation process, without any liability whatsoever on the part of the Issuer or the Clearing and Depository Agent, unless the documents submitted with the application include an explanation for such discrepancy.

Applications submitted through any means intended to conceal fictitious, sham or otherwise improper subscription transactions shall not be accepted, without any liability whatsoever on the part of the Issuer or the Clearing and Depository Agent.

Failure to Subscribe to the Issue Shares

Eligible Shareholders who do not subscribe to the Issue Shares shall be subject to a reduction in the proportion of their equity in the Issuer as well as a reduction in the value of their Existing Shares. Owners of Pre-emption Rights who do not exercise their right to subscribe to the Issue Shares prescribed for these rights, shall waive the price paid by them in exchange for these rights without having the right of any recourse against the Bank, the Subscription Agents, or the Clearing and Depository Agent for any claim or compensation.

Refund to Subscribers

The Subscription Monies and the Excess Offering Monies and amounts paid by declined applications, if any, will be refunded without any interests, fees or deductions on the date determined by the Issuer

within five (5) working days from the date of announcing the results of the allocation, by bank transfer to the account specified in the Subscription Application Form.

In the event of a cancellation of the Offering or a part thereof, the Issuer shall deposit any Subscription Monies in a non-interest-bearing account with the Bank until the repayment of such amount has been authorized by the Ministry of Commerce and Industry to the Subscribers.

Convertibility of Issue Shares

The Issue Shares cannot be converted into another form of securities.

Tradability of the Issue Shares and Pre-emption Rights

Pre-emption Rights may be traded or assigned free of charge without restriction and in accordance with the applicable rules of Boursa Kuwait and the Kuwait Clearing Company. Approval of this Prospectus constitutes approval of the listing and trading of priority rights during the Subscription Period for the Offer Shares, and the listing shall be canceled when the Bank discloses the results of the Subscription to the capital increase.

Following the close of the Subscription Period , the final allocation of the Issue Shares and completion of all the necessary regulatory procedures, a statement of Issue Shares will be made and the Issue Shares will be listed and traded on Boursa Kuwait without any restrictions same as Existing Shares.

Expected Timetable

Event	Date
Record Date	4 November 2026
Cum Date	1 November 2026, i.e. three (3) trading days prior to the Record Date according to the T+3 settlement cycle
Ex-Rights Date	2 November 2026, i.e. two (2) trading days prior to the Record Date according to the T+3 settlement cycle
Opening of Subscription Period	8 November 2026
Pre-emption Rights trading commencement date	8 November 2026
Pre-emption Rights trading close date	15 November 2026
Closing of Subscription Period	22 November 2026
Allocation of Issue Shares	Within five (5) business days of the from the date of the closure of the Subscription Period
Refund to Subscribers	Within five (5) business days of the date of announcement of the Allocation of the Issue Shares
Trading Issue Shares on Boursa Kuwait	The Issue Shares will be listed on Boursa Kuwait following completion of all necessary regulatory procedures.

USE OF PROCEEDS

The proceeds from the Offering will amount to KWD 150,000,000 and will be used by the Issuer to meet the requirements of CBK and Basel III framework on the Bank capital adequacy.

Basis of Calculating the Issue Share price and Premium

The Bank has appointed an independent asset valuator, namely, KPMG Advisory W.L.L. ("**KPMG**"), approved by the Capital Market Authority ("**CMA**"), to calculate the fair value of the net equity of Al Ahli Bank of Kuwait for the purpose of a share capital increase and to submit an independent report thereof to the CMA. The Issuer has obtained the approval of KPMG Advisory W.L.L. to incorporate their work as set forth below in this Prospectus, and their conclusions are valid in accordance with the Valuation Report.

The Offer Price is set at 200 fils, i.e. 100 Kuwaiti fils above the nominal value of 100 fils per share. The same has been arrived at considering the Valuation Report as at 30 June 2026 (the "**Valuation Report**") prepared by the above-mentioned asset valuator, which has been submitted to the CMA. According to the Valuation Report, the valuation range for the Issuer is between 318 fils per share to 342 fils per share with an average value of 330 fils per share. The Offer Price implies a 39.4% discount to the average valuation range as per the Valuation Report.

It is worth noting that select valuation methodologies were used to arrive at the aforementioned assessment based on the audited financial statements for the years ending 31 December 2023 - 2025, unaudited interim financial statements for quarter ended 30 June 2026, projected management information for the years ending 2026 to 2031 for the issuing company and publicly available information. These valuation methodologies are summarized as follows:

1. Dividend Discount Model ("**DDM**")
2. Market Multiples - Price to Book Value ("**P/BV**")
3. Volume Weighted Average Price ("**VWAP**")

The following table summarizes the results of the valuation approaches:

Valuation Model	Weightage	100% Equity			Value Per Share (in fils)		
		Low	High	Average	Low	High	Average
Dividend Discount Model (DDM)	33.3%	827	890	858	0.303	0.326	0.315
Market Multiples (P/BV)	33.3%	1,058	1,160	1,109	0.387	0.425	0.406
Market Price (Adjusted) (VWAP)	33.3%	718	754	736	0.263	0.276	0.270
Valuation Conclusion		868	934	901	0.318	0.342	0.330

- The Dividend Discount Model ("**DDM**") approach is used when forecast dividends expected to be paid to shareholders are discounted back to the present date, generating a net present value of the anticipated dividend stream. A terminal value is then estimated at the end of the explicit forecast period, representing the value of dividends beyond that period and is similarly discounted back to the Valuation Date to derive the overall equity value of the business. Since ABK consistently generates positive cash flows and maintains a predictable dividend policy aligned with its earnings performance, a weight of 33.33% has been assigned to this approach.
- The Market Multiples approach can be used/applied when the shares of similar companies are traded appropriately and with high liquidity on the stock exchange. As the selected companies similar to Al Ahli Bank of Kuwait meet this basic requirement and therefore, the use of the market multiples approach may be appropriate for ABK's assessment. A weight of 33.33% has been assigned to this approach, given there are adequate comparable companies operating in the banking business in GCC. The method provides an indication based on the P/BV multiples of the comparable firms traded on the stock exchanges.

- Volume Weighted Average Price (“**VWAP**”) approach is used when the shares are adequately traded. As the trading volumes of Al Ahli Bank of Kuwait are adequate the market price of the security has been considered for valuation purposes. We have considered a weight of 33.34% for the VWAP method. This method incorporates current market participants' expectations regarding the Bank's future performance, growth prospects, risk profile, and prevailing market conditions.

The above disclosure is subject to the limitations and analysis set out in the Valuation Report prepared by the Asset Valuator, which includes information, facts and assumptions made available by the Issuer and forms an integral part thereof.

BUSINESS DESCRIPTION OF THE BANK

Incorporation

Al Ahli Bank of Kuwait K.S.C.P. (the “**Bank**”, and together with its subsidiaries, the “**Group**”) is a public shareholding company incorporated in the State of Kuwait on 23 May 1967 and is registered with the Central Bank of Kuwait. The Bank’s shares are listed on Boursa Kuwait (formerly Kuwait Stock Exchange) since 29 September 1984. The Bank’s registered office is at Al Ahli Bank of Kuwait K.S.C.P., Head Office, Al Ahli Bank of Kuwait K.S.C.P. Building, Ahmad Al Jaber Street, Safat Square, Sharq Area, P.O. Box 1387, Safat 13014, Kuwait.

History

The Bank was incorporated in Kuwait and is regulated by the Central Bank of Kuwait (“**CBK**”). Since its foundation, the Bank has progressed to become one of the leading Kuwaiti banks providing a wide range of financial and banking services and products across all its markets in Kuwait, the United Arab Emirates (UAE), and Egypt.

Today ABK operates 26 branches in Kuwait. The Bank opened its first overseas branch in Dubai in 1977, its second branch in Abu Dhabi in 2009, and its third branch in Dubai International Financial Centre (DIFC) in 2018.

In 2006, the Bank established its investment arm, Ahli Capital Investment Company (“ABK Wealth Management”). Through its subsidiary ABK Wealth Management, the Bank provides a wide range of financial services such as asset management, portfolio management, wealth management, investment banking, custody and consultative services.

On 10 November 2015, the Group acquired a 98.5% shareholding in Piraeus Bank - Egypt, later renamed to Al Ahli Bank of Kuwait – Egypt (“ABK-Egypt”). ABK - Egypt provides corporate, retail and investment banking services, where it currently has a network of 47 branches. The acquisition has extended the Group’s footprint from the GCC to the wider MENA region in line with its objectives of regional expansion.

Al Ahli Bank of Kuwait and its investment arm (ABK Wealth Management / formerly ABK Capital) won a series of prestigious global and regional awards between 2024 and 2026.

The achievements of 2026 included receiving 4 awards from Global Finance for (Best App and Digital Services, UX Design, and Bill Presentment), two awards from International Finance for (Best New App and Best Bank for Investor Relations), in addition to two awards for its investment arm.

The year 2025 witnessed it receiving 5 digital awards from Global Finance, the Best Digital Transformation Initiative award from MEED, the title of Best Bank in Governance and Investor Relations, and the Quality Recognition Award for Straight-Through Processing (STP) from J.P. Morgan.

During 2024, it was crowned with awards for Best Place to Work, Best Bank for Corporate Services, Best Call Center, Best Youth Card (ISIC), and Customer Protection, in addition to the Fund Management award for ABK Wealth Management (formerly ABK Capital).

The 2023 awards that were received during 2024 included recognition from J.P. Morgan, MEED, 3 awards for Retail and Corporate Services from International Business, and 6 awards from Global Finance for Retail Services and Digital Transformation

Registered Office

The Bank’s registered office is Al Ahli Bank of Kuwait K.S.C.P. Building, Ahmed Al Jaber Street, Safat Square, Sharq Area, P.O. Box 1387, Safat 13014, Kuwait, State of Kuwait and its telephone number is +965 2240 0900 / 1899 899. Its commercial registration number with the Ministry of Commerce and Industry is 3705.

Objectives as per the articles

The Bank’s principal objectives, as set out in its Memorandum and Articles of Association, as amended pursuant to the annotation dated 11 October 2026, are to carry on conventional banking activities (641911).

Listing

The Bank was listed on Boursa Kuwait on 29 September 1984.

Authorized and Paid-Up Capital

As at 30 June 2026, the Bank had an authorized, issued and paid-up share capital of KD 274,865,010.800 consisting of 2,748,650,108 shares of KD 0.100 each.

Ownership¹

As at 30 September 2026, the following shareholders had direct holdings in excess of 5 percent of issued ordinary share capital of the Bank:

Shareholder	Percentage of Issued Share Capital
Public Institution for Social Security	11.323%
Behbehani Investment Company	9.854%
Behbehani General Trading Company	9.510%
Ali Murad Yousef Behbehani	6.847%
Behbehani Financial Co.	5.038%

Group Status

The Bank is not a subsidiary or sister company of any other company. However, shareholders of the Bank with total direct shareholding in excess of 5% of the Bank's issued ordinary share capital are listed in the Ownership section above.

Subsidiaries

Subsidiaries of the Group as at 06 October 2026 are as follows:

Name	Country of Incorporation	Principal Business	Effective Interest
Ahli Capital Investment Company	Kuwait	Investment	99.8%
Al Ahli Bank of Kuwait – Egypt S.A.E (“ABK- EGYPT”)	Egypt	Banking	98.7%
ABK Cayman Island Limited	Cayman Islands	Investment	100%
Held through ABK-EGYPT			
Al Ahli Bank of Kuwait - Egypt Leasing Co.	Egypt	Leasing	98.6%
Al Ahli Bank of Kuwait - Egypt Investment Co.	Egypt	Investment	98.7%
Held through Ahli Capital Investment Company			
ABK Capital (DIFC) Ltd	UAE	Investment	99.8%

¹ The shareholders and their respective shareholding percentages set out above reflect the figures provided in the shareholders' registry issued by Kuwait Clearing Company K.S.C. and the portfolio reports as at 30 September 2026.

Credit Rating

The Bank has the following credit ratings from the major international credit rating agencies as of the date of this Prospectus:

Moody's	
Long Term Rating	A2
Outlook	Stable
Fitch Ratings	
Long Term Rating	A
Outlook	Stable

BUSINESS OVERVIEW AND STRATEGY

Overview

Al Ahli Bank of Kuwait K.S.C.P. provides a wide range of corporate banking, retail and private banking, and treasury services to customers in Kuwait through its network of 26 branches. The Bank has 3 branches in the UAE and a subsidiary bank in Egypt, ABK – Egypt with 47 branches. Further, the Bank also provides corporate advisory and asset management services through its investment banking subsidiary, ABK Wealth Management. The Bank's operations are supported by a network of automated teller machines ("ATMs") and point of sale ("POS") terminals, telebanking, internet banking, and mobile banking.

As at 30 June 2026, the Group's total assets were KD 7,271,048 million and its equity attributable to shareholders of the Bank was KD 697,562 million.

As at 30 June 2026, the Group's customer loan portfolio was KD 4,923,912 million and its customer deposits were KD 4,334,979 million. For the period ended 30 June 2026, the Group's net profit attributable to shareholders of the Bank was KD 37.091 million compared to KD 31.732 million for the corresponding period in 2025.

As at 30 June 2026, the Group's total and tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by the CBK, were 18.03% and 14.36%, respectively, and its financial leverage ratio, calculated in accordance with CBK requirements, was 9.4%.

Business Segments

The Group currently operates through three segments:

- **Corporate Banking:** comprising of a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers;
- **Retail and Private Banking:** comprising of a full range of products and services to customers, which include loans, credit cards, wealth management, and asset management; and
- **Treasury and Investments:** comprising of treasury services provided to the bank corporate, retail and wealth management clients. The T&I manages the bank's balance sheet management activities, including money market, Foreign exchange, proprietary and fixed income activities.

Corporate Banking

Corporate Banking Division

The Group offers its corporate clients, engaged in various economic sectors, a broad spectrum of commercial banking products and services, including loans, overdrafts, trade finance (letter of credit (LCs) and guarantees), online corporate cash management services, and a range of current and deposit accounts. Additionally, the Corporate Banking Division works with other business units within the Group, such as those included within the Treasury and Investments reporting segment, to offer other services, including foreign exchange, hedging products and corporate finance and advisory services.

The Group's Corporate Banking Division comprises of six specialized business units designed to cater to the business and/or industry-specific needs of particular customer segments. These business units are the Investment Unit, Trading Unit, Contracting Unit, Services, Manufacturing & SME Unit.

Investment Unit

The investment unit caters to businesses with significant investment needs in Kuwait, as well as high net worth individuals. The investment unit provides financial solutions and services to its individuals and corporate customers, which encompasses comprehensive lending packages and deposit placements. Further, the range of services offered by the investment unit includes asset-based financing such as commercial real estate / mortgages loans, term loans and Shares lending loans.

Trading Unit

The trading unit caters to the financial needs of trading companies, including consumer durables, consumer electronics, automobiles, textiles, equipment trading, commodities trading and merchant trading. The trading unit offers tailor-made packages and solutions to suit its clients' funding requirements at various stages of trading activities, from procurement of goods to sales realization. The

range of services offered by the trading unit includes working capital finance, bill discounting, LCs and LC refinancing, and guarantees, among others.

Contracting Unit

The contracting unit's customers comprise large companies engaged in executing high-value infrastructure projects, such as the construction of roads and bridges, power and oil sector installations, pipeline projects, and large housing projects. The contracting unit offers one-stop financial solutions addressing entire contract financing requirements from tendering stage to completion of the project. The range of services offered by the contracting unit includes issuing guarantees, overdraft facilities, LCs and LC refinancing, loans for purchase of equipment, and progress payment financing to meet short term cash flow imbalances.

Services, Manufacturing & SME Unit

The unit arranges for the financing requirements of corporates operating in the services, industrial, and manufacturing sectors in addition to small and medium-sized enterprises in sectors like trading, construction and real estate, and small scale industrial firms, among others. The range of services offered includes working capital finance, invoice discounting, short- and medium-term loans, mortgage loans, LCs and guarantees, as well as domestic and international payments.

Multinationals and Structured Finance Division

Under the Structured Finance Division, which is an integral part of Corporate Banking, we have another four specialized business units which manage the Group's project and corporate finance transactions, bond issuances, and cash management products. Further, SFD provides client coverage for multi-national corporations, non-bank financial institutions, and remedial and restructured accounts. These business units are Large Corporates Unit, GRE & MNC Unit, Structured Workout & Remedial Unit and Cash Management Unit.

Large Corporates Unit

The Large Corporates unit provides professional innovative solutions and financing requirements to local large corporates and conglomerates. This unit oversees and manages the Group's relationships with local non-bank financial institutions and local investment companies by providing and arranging credit facilities on a bilateral or syndicated basis, as well as other corporate finance solutions and services.

Government Related Entities & Multi-National Companies Unit

The GRE & MNC Unit manages the Group's project finance and long-term financing transactions. Further, the unit provides client coverage for multi-national corporations and government-related entities.

Structured Workout & Remedial Unit

This unit manages all those accounts that require active restructuring and work out solutions in addition to those that have been declared as NPLs / pursuing legal recourse. The main objective of this unit is to restructure such accounts by providing clients with concrete and achievable solutions to bring them back to a sound and healthy financial position.

Cash Management Unit

The cash management unit offers customers products and solutions to monitor their account positions, meet payment obligations, and collect receipts in a timely manner with the intention of streamlining processes, automating tasks, and effectively managing liquidity for customers looking to reduce operating costs. The cash management business unit provides a wide range of services including account management, payments and payroll services, collection services, liquidity management, and trade finance.

Retail Banking

The Group offers a wide range of retail banking products and related services in Kuwait through its integrated distribution network, comprising branches, ATMs and other remote banking platforms. In addition, the Group has a direct sales force which markets its retail products and services to its customers. The Group's retail banking products principally include a range of loans, deposits and cards.

During 2026, the Group's retail banking division witnessed an accelerated push towards digitization and continued expansion and revamping of its products and solutions in addition to improving services efficiency, with the aim of maintaining service levels to customers by increasing uptake of its digital services, and to provide customers with simple, secure and accessible digital banking solutions.

The Group offers its retail banking customers a wide range of banking services, including:

- **Deposits:** The Group has a range of deposit products, including salary-based and student current accounts, interest-bearing savings accounts and a number of term deposit accounts with different tenors in addition to Alfouz draw account.
- **Loans:** The Group's loan products principally include consumer and housing loans with repayment terms extending between five and fifteen years, respectively, and in accordance with CBK regulations.
- **Cards:** The Group provides a range of Visa and MasterCard credit and debit cards. The credit and debit cards target different customer segments based on income and offer a range of benefits that vary based on the card type. Further, the Group was the first bank in Kuwait to offer a single multi-currency credit card, pre-loaded with up to 13 currencies.
- **Wealth Management:** The group provides a range of wealth & investment solutions through ABK Wealth Management, an investment firm that provides asset management and investment advisory services.

The Group's principal distribution channels in Kuwait comprise:

- **Branch network:** The Bank has 26 branches and 126 ATMs in Kuwait as at 30 June 2026.
- **Telebanking:** The Group provides automated banking by telephone to its customers in Kuwait and abroad, and operates a call center on a 24/7 basis. These services can be used by customers to conduct a variety of transactions including credit card payments, transfers between accounts, requesting statements, balances, referring customers to apply for new products, and reporting lost or stolen cards, among others.
- **Internet banking:** The services provided to account holders through the Group's e-Ahli internet banking platform include account balances, history and transaction detail enquiries, funds transfers and bill payments, and cheque book ordering.
- **SMS and mobile banking:** The Group's customers can use its SMS banking services to receive regular account updates and SMS alerts and to make balance enquiries, among other services. The Bank also offers a mobile banking application.

Treasury and Investments

The Group's Treasury and Investments reporting segment comprises the activities of the Treasury and Investments division, and encompasses the Group's money market, foreign exchange, treasury bonds, assets and surplus fund management and other investment securities activities.

Treasury and Investments division

The Group's treasury manages the Group's assets and liabilities and liquidity requirements under the supervision of the Management's Assets and Liabilities Committee ("ALCO"), which meets monthly to monitor and review all aspects of the Group's liquidity profile, asset and liability structure and internal and statutory ratio requirements. Cash flow requirements as well as foreign exchange activities in each of the Group's locations are managed by the respective treasury of that location.

In addition, the Group's treasury:

- manages the money market /funding books of the Group by securing the right liquidity for the HO and its offshore branches;
- undertakes a range of foreign exchange business, spot, forward and option markets, largely on behalf of the Group's customer base, and conducts a limited amount of proprietary foreign exchange trading within the constraints of what the Group considers to be prudent risk guidelines; and
- maintains a portfolio of High Quality Liquid Assets (HQLA) to meet relevant regulatory requirements i.e Central bank of Kuwait, Central bank of UAE and Central bank of Egypt to manage surplus domestic currency liquidity.

The Group's investment unit is responsible for managing the Group's fixed income proprietary portfolio with the objective of realizing income while minimizing the risk of default. The unit combines a bottom-up fundamental credit-research-driven investment process with a top-down macro-economic analysis.

The portfolio is diversified, investing in fixed income securities issued by emerging and developed markets' corporates and sovereigns. The securities are denominated in hard currencies and carry investment-grade ratings.

ABK Wealth Management

A key milestone during the year was the establishment of ABK Wealth Management, combining the efforts of ABK Private Banking and Ahli Capital Investment Company. This marked a strategic step in strengthening our capabilities. ABK Wealth Management serves as a dedicated platform designed to deliver holistic, client-centric investment advisory services and tailored wealth solutions. Through close collaboration we endeavor to enhance access to Specialized investment advisory services, A broader range of asset classes and structured solutions, and Diversified local and regional investment opportunities This collaboration ensures that clients benefit from best-in- class expertise, deeper market insights, and a wider range of products aligned with their risk profiles and long-term objectives.

ABK Wealth Management continued to enhance its product platform to remain closely aligned with evolving investor needs and market dynamics. During the year, new infrastructure and private equity investment solutions were launched, expanding its private markets capabilities and broadening the range of opportunities available to clients. These solutions were designed to complement existing offerings and provide access to long-term, growth-oriented investments to complement its wide-ranging income-oriented offerings. With the introduction of these solutions, ABK Wealth Management is now able to address additional investor needs, particularly for clients seeking diversification and alternative asset exposure. In parallel, we continued to advance multiple solutions currently in development, reinforcing its commitment to building a comprehensive and client-focused multi-asset platform.

As at 31 December 2025, ABK Wealth Management has approximately KD 1 Billion of assets under management.

International Operations

The Group's international operations encompass the operations of its overseas branches in the UAE and its subsidiary, ABK - Egypt.

Overseas branches

United Arab Emirates

ABK Group has a Branch network in UAE including two onshore branches in Dubai (opened in 1977) and Abu Dhabi (opened in 2009) and an off-shore wholesale banking branch in Dubai International Financial Centre (DIFC) which has started in 2018 with a Category 2 license and upgraded to Category 1 license in early 2022.

- ***UAE On Shore License: (Dubai & Abu Dhabi)***

Al Ahli Bank of Kuwait (UAE) has a rich and longstanding history in the United Arab Emirates, dating back to 1977, when it became the first Kuwaiti bank to establish a branch in the country. The Bank further strengthened its presence with the opening of its Abu Dhabi Branch in 2009.

Over the years, ABK UAE has carved a distinctive niche within the UAE's highly competitive banking landscape by adopting a focused, relationship driven approach.

Building on its deep regional experience and strong understanding of customers' evolving needs, ABK UAE offers a comprehensive range of tailored financial products and services across Corporate Banking, Trade Finance, Treasury and Consumer Banking. Its Corporate Banking Division provides customized working capital, project finance and term lending solutions, supported by a broad suite of trade finance services, including letters of credit, guarantees, trust receipt financing, import and export collections. The Treasury division plays a vital role in helping clients manage financial risks and optimize their efficiency.

ABK UAE has also strengthened its position in the UAE real estate sector through its approval as a real estate escrow account trustee in Dubai and its subsequent appointment as an Escrow Account Agent in Abu Dhabi becoming the first Kuwaiti and GCC bank to obtain the relevant license. This milestone reflects the Bank's trusted market position, strong governance framework and ability to support the evolving requirements of real estate developers and investors.

ABK UAE's Consumer Banking business complements its established corporate franchise through a focused range of personal banking solutions designed around customers' savings, liquidity and home-financing needs.

The Bank offers flexible deposit products and tailored mortgage financing solutions, supported by personalised service and a relationship-led approach. Its consumer banking strategy is focused on deepening customer relationships, building a stable deposit base and expanding secured lending in a prudent and sustainable manner.

By leveraging ABK Group's regional network and its strong connectivity across the Kuwait - UAE corridor and ABK Egypt, ABK UAE is well positioned to serve customers with financial interests across both markets. The Bank's proposition combines regional access, flexible product structuring and responsive service, providing a strong foundation for measured growth and a greater contribution from the UAE consumer banking franchise.

Supported by its longstanding market presence, established customer relationships and strong regional connectivity, ABK UAE remains committed to delivering relevant and innovative financial solutions while pursuing disciplined and sustainable growth.

- **UAE Off Shore License: Dubai International Financial Centre (DIFC)**

Throughout the years, the Bank's long-term regional and international aspirations have developed into strategic alliances with world-class financial partners. The DIFC wholesale banking branch acts as ABK Group's gateway for international business with the objective to create regional and international brand recognition, and becoming "A Centre of Excellence Serving the Group". Only a few regional banks enjoy dual licenses (Onshore and Offshore) in the UAE which offers ABK an opportunity to transform into a leading regional institution.

ABK's strength is continuously recognized by receiving several awards and being ranked amongst the top 10 safest banks in the Middle East numerous times by Global Finance. The Bank also continues to enjoy strong credit ratings of A2 from Moody's and A from Fitch which the DIFC entity leverages on.

Following the upgrade from Category 2 to Category 1 license, ABK-DIFC's four distinct lines of business to cater to the Group:

- **Non-Present Countries & Multinational Corps (NPC & MNC)**
NPC & MNC is one of the key Originating pillars of the DIFC, serving the ABK Group relationships with Corporates outside jurisdictions with a local presence (UAE/Kuwait/Egypt) to enhance the diversity and ancillary nature of product offerings – In addition to centralizing the working relationships with Multinational Corporations to streamline offerings.
- **Global Financial Institutions and Sovereigns (GFI)**
GFI is another key Originating Unit serving ABK's relationships with Banks, Non-banks financial institutions, Governments and Supranational organizations, working closely with the product partners – Corporate Finance & Syndications, Trade and Treasury.

GFI manages ABK Group's Correspondent banking relationships globally, and custodian of Country and Bank limits.
- **Corporate Finance & Syndication (CFS)**
A dedicated product partner offering a full range of bespoke financial advisory and debt solutions across various capital structures, including arranging, structuring, and underwriting positions.
- **Treasury services**
International Hub for the group serving DIFC clients and key unit for raising dollar funding on behalf of the group

The Branch also acts as a booking hub for the group for large USD transactions predominately for the UAE & Egypt.

Egypt

In November 2015, the Group acquired Piraeus Bank - Egypt, a mid-size bank founded in 1978 and operating in Egypt, as a subsidiary and has been renamed since as ABK - Egypt.

ABK - Egypt provides a wide range of services to its customers in corporate banking, retail banking, treasury, leasing (through its subsidiary), to its customer base of corporates, individuals and SMEs. It operates through 47 branches, 121 ATMs, internet banking and a call center as of 30 June 2026.

It also has a treasury division that provides foreign exchange services and fixed income, asset and liability management (to manage the overall liquidity and funding of ABK - Egypt), and handles the liquidity requirements of ABK - Egypt. This division also supervises the investment of ABK - Egypt's capital in accordance with established guidelines.

ABK - Egypt's retail offering is based on a customer-centric approach with a product range that includes current and saving accounts, term deposits, saving certificates, payroll accounts, retirement and protection products, consumer loans, automated payments, credit and debit cards and bank assurance products. ABK - Egypt's retail customer base accounted for 30% of its total deposits and 28% of its total loans as at 30 June 2026.

The corporate banking division is the main business segment for ABK - Egypt, accounting for approximately 72% of the bank's loans and advances to customers and approximately 70% of its deposits as at 30 June 2026. The division offers loans, trade financing and deposit products. ABK - Egypt's consolidated assets as of 30 June 2026 constituted 20% of the Group's total assets as at 30 June 2026. The bank had a capital adequacy ratio of 21.89% (Calculated in accordance with Basel III methodology) as at 30 June 2026.

Strategy

Strategy overview

ABK is a well-capitalised regional bank with a strong domestic franchise in Kuwait and a growing international platform across the UAE and Egypt. The Group's strategy focuses on disciplined balance sheet management, regional diversification, digital innovation and the expansion of its wealth management platform.

The Bank continued to strengthen its financial position while repositioning its balance sheet toward higher-quality assets and improved returns. This disciplined approach enabled ABK to deliver solid profitability while maintaining strong capital and liquidity levels.

The Bank's long-term ambition is to build a resilient regional banking platform that combines strong risk management with technology-driven customer experiences and a growing wealth management offering.

Strategic Pillars

ABK's strategy is anchored around four core pillars that guide the Group's long-term growth.

Strengthening the Kuwait Core Franchise Kuwait remains the cornerstone of ABK's operations.

The Bank continues to focus on disciplined growth across both retail and corporate banking, emphasizing high quality lending, strong customer relationships, and digital engagement.

Retail banking growth is increasingly focused on affluent and high net worth customer segments, while corporate banking prioritizes strategic sectors aligned with Kuwait's national development objectives.

This disciplined approach enables the Bank to maintain strong asset quality while improving profitability and operational efficiency.

Expanding Regional Growth Platforms

ABK's international operations in Egypt and the United Arab Emirates play an increasingly important role in the Group's growth strategy.

Egypt represents a high growth market with strong long-term fundamentals, providing opportunities to expand retail and corporate banking while supporting corporate clients operating across the region.

The UAE platform, including the Bank's DIFC presence, serves as a strategic unit supporting our regional and international banking activities. This platform enhances ABK's ability to capture cross border business flows and caters to multinational clients.

Together, these operations provide earnings diversification and strengthen the Group's regional footprint.

Building a Leading Wealth Management Platform

In 2025, ABK launched ABK Wealth Management, integrating the capabilities of ABK Wealth Management and Private Banking into a unified platform.

This initiative strengthens the Bank's ability to deliver sophisticated investment solutions and long-term wealth planning services to high-net-worth individuals and institutional clients.

The new platform positions ABK to capture growing regional demand for wealth management services while enhancing cross-selling opportunities across the Group.

Digital Transformation and Innovation

Digital innovation continues to be a central component of ABK's strategy.

The Bank expanded its digital ecosystem through significant investments in mobile banking, automation, artificial intelligence, and cloud infrastructure. These initiatives enhance operational efficiency while improving the customer experience across retail and corporate banking segments.

Through its digital transformation program, ABK aims to build a more agile, technology-enabled banking platform capable of adapting to evolving customer expectations and industry trends.

Strategic Execution

ABK executed several key strategic initiatives that strengthened its operating platform and long-term growth potential.

Kuwait

ABK continued to strengthen and develop its core franchise in Kuwait through disciplined execution focused on sustainable growth, balance sheet resilience, and customer centric delivery. Retail and corporate banking remained the core pillars. Retail growth was directed toward affluent, high-net-worth individuals (HNWI), and youth segments, supported by increased digital adoption that enhanced customer engagement and service efficiency.

Corporate Banking maintained a sector-focused approach, supporting key industries through selective growth, disciplined origination, and structured solutions aligned with the Group's risk appetite. Ongoing investment in digital capabilities and human capital, underpinned by embedded risk discipline, supported effective execution, strong governance, and long-term value creation across the franchise.

Furthermore, the rebranding of Private Banking and ABK Wealth Management into ABK Wealth Management further strengthened the Group's integrated offering. In addition, the launch of UAE mortgage solutions represented a tangible Group synergy delivered directly to customers

Egypt

ABK-Egypt operated within a dynamic macroeconomic environment while maintaining a clear strategic focus on balance sheet resilience, disciplined portfolio management, and operational stability. The Bank's expanding business was supported by conservative credit practices and remained within the Group's defined risk appetite.

Ongoing digital initiatives contributed to service continuity and operational efficiency. The ABK-Egypt franchise continues to support the Group's geographic diversification within a controlled and prudent risk framework.

UAE

ABK's presence in the UAE, through its onshore branches and DIFC branches, serves as the Group's international business hub, capturing regional and international business flow. Strategic emphasis is placed on strengthening the operating platform and core capabilities to support and diversify the Group's profitability.

These efforts are supported by enhanced efficiency initiatives and the adoption of best practice governance standards. Collectively, these priorities position the UAE as a key contributor to the Group's regional platform and long-term growth.

ABK Wealth Management

ABK Wealth Management, rebranded from Private Banking and ABK Wealth Management, is the Group's investment and advisory arm. The consolidation of the two into a single Wealth Management structure has strengthened advisory capabilities and delivered a more integrated client proposition.

The establishment of a regulated presence in the DIFC further enhances the platform's regional and cross-border reach. This is supported by strategic partnerships with leading global asset managers, including BlackRock and Blackstone.

Environmental Social and Governance (ESG)

Building on a strong foundation, ABK continues to embed ESG considerations across the Group's governance structures, risk frameworks, and business strategy. This includes a focused approach to responsible banking, climate resilience, and financial inclusion.

ESG risks and opportunities are integrated into risk management processes and key decision-making in line with regulatory expectations and evolving guidance. Enhanced ESG disclosures, aligned with recognized international standards and leading market practices, support transparency, and provide useful information to investors and ESG rating agencies, and reinforce alignment with Kuwait Vision 2035. These efforts also support the Bank's transition toward a lower-carbon, more inclusive economy.

Looking Ahead

ABK enters the next phase of its growth journey with a clear strategic focus:

- Strengthening its leadership in Kuwait
- Expanding regional growth platforms
- Accelerating digital transformation
- Growing its wealth management franchise
- Maintaining strong capital and risk discipline

By executing this strategy, ABK aims to continue delivering sustainable long-term value for shareholders while supporting economic development across the markets in which it operates.

Strengths

The Group benefits from a number of business strengths. In particular:

Strong capitalization and credit ratings

As at 30 June 2026, the Bank had a total capital adequacy ratio, Tier 1 and Common Equity Tier 1 (CET1) of 18.03%, 14.36% and 12.60%, respectively, which affords the Bank a strong loss absorption buffer.

The Bank has a long-term issuer default rating of A with a stable outlook from Fitch and a long-term local and foreign currency bank deposits rating of A2 with a stable outlook from Moody's.

Stable funding base and good liquidity buffers

Kuwaiti banks are subject to the Basel III Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") as adopted by the CBK. The guidelines and regulations issued by the CBK originally set LCR and NSFR requirements at a minimum of a 100%. However, on 26 March 2026, the Central Bank introduced amendments to its regulatory instructions to address the repercussions of the current geopolitical developments in the region. These measures included reducing the minimum requirements for the Liquidity Coverage Ratio and the Net stable Funding Ratio from 100% to a minimum of 80%.

As at 30 June 2026, the Group's LCR and NSFR was 247% and 120%, respectively. LCR, calculated as the ratio of high-quality liquid assets (HQLAs) to expected net cash outflows over a 30-day period, depicts the Bank's good liquidity buffers, its reserves of high-quality assets, and its ability to sustain short-term liquidity shocks. Further, NSFR is calculated as a percentage of available stable funding to required stable funding, and represents the Bank's ability to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities.

For the six-month periods ended 30 June 2026 and 2025, the Group's total assets increased by 1.18%, from KD 7,186,172 thousand to KD 7,271,048 thousand. During the same period, customer deposits increased by 0.46%, from KD 4,315,162 thousand to KD 4,334,979 thousand. The increase in total assets was also supported by an increase in certificates of deposit of KD 134,907 thousand and other borrowed funds of KD 49,101 thousand, while amounts due to banks and other financial institutions decreased by KD 140,700 thousand (10.52%).

Strong and experienced Board and management team

The Group believes that it has a strong and experienced Board and a long-serving executive team with a strong track record in Kuwait.

The acquisition of ABK - Egypt diversifies the Group and provides additional growth and profit opportunities

The acquisition is the Group's first major cross-border transaction and is providing the Group with revenue and asset diversification and an opportunity to leverage economic links between Kuwait and Egypt (such as trade flows between the two countries as well as additional business from Egyptian expatriates working in Kuwait).

The Group's operations in Egypt have remained resilient during the first half of 2026, growing total portfolio of Loans and Credit Facilities by 7%, total customer deposits by 14.5%, net operating profit by 37.5%, and net profit by 30 % year-on-year.

MANAGEMENT

Corporate Governance Framework

The Group's corporate governance framework is based on principles and standards defined by regulatory authorities and leading professional bodies, and is embedded into the day-to-day business and practices of the Group. The Group is committed to maintaining high standards of corporate governance and business integrity and has established a reputation for abiding by business ethics. The Bank continually takes steps to reinforce its commitment with the firm conviction that corporate governance is the best foundation for principled long term growth.

The Bank's Board constantly strives to ensure that sound corporate governance practices are laid down and followed, that can best safeguard the interest of the Bank and all of its stakeholders, thereby maintaining the Bank's reputation and upholding stakeholder confidence. Towards this, the Bank has established an organization structure that promotes accountability and transparency.

The Group is committed to a policy of promoting fair and timely disclosures of its activities on its website and its annual report in line with the regulations issued by CBK, CMA or other relevant authorities, and in line with its national and social responsibilities. This policy covers key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, corporate governance, related-party transactions, conflicts of interest and substantial changes in business.

The Bank is highly conscious of its role in Kuwaiti society, not just as a provider of essential business services but as a catalyst in the well-being and development of the community at large. Initiating and supporting health and education projects, sponsoring sports events, providing patronage for cultural activities, and promoting financial literacy are all part of the Bank's extensive commitment to Corporate Social Responsibility.

Board of Directors

The Group operates under the direction of the Board, which comprises of eleven elected members, of which four are independent members. Each member of the Board is elected during a shareholders' general assembly meeting for a period of three years and each non-independent member can be re-elected for an unlimited number of additional three-year terms. In line with CBK requirements, the Board convenes at least six times per year and at least once each quarter. The Board convened 7 times in 2023, 7 times in 2024, 7 times in 2025 and 4 times in the first 6 months of 2026.

The Board has overall responsibility for the Group, including overseeing the implementation of its strategic direction and objectives, risk appetite and strategy, corporate governance, and corporate values. The Board also appoints certain members of the executive management team. It also monitors and oversees the actions of the executive management team, including their performance against the performance targets set by the Board.

It is the Bank's policy that the roles of the Chairman and CEO are separate and independent of one another, and held by different individuals with a clear segregation of duties and responsibilities. The Chairman's responsibilities include leading the Board to ensure it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is pivotal in creating the conditions for overall effectiveness of the Board and individual directors.

Board Members

The table below shows the members of the Board as at the date of this Prospectus:

Name	Position
Talal Mohamed Reza Behbehani	Chairman
Salah Ahmed Al Serhan	Deputy Chairman
Ali Ibrahim Hejji Hussain Marafi	Board Member and Chairman of ABK - Egypt
Khaled Othman Abdulwahab Al Othman	Board Member
Adel Ibrahim Yali Ahmed Behbehani	Board Member
Raed Abdulkareem Al Moamen	Board Member
Tarek Fareed Abdulrahman Al Othman	Independent Board Member
Mahdi Ismael Ali Al Jazzaf	Independent Board Member
Ahmad Abdullah Mohammed Al-Baghli.....	Independent Board Member
Mohammad Munther Abdul Kareem Al-Zuhair.....	Independent Board Member
Ghazi Abdul-Rahman Hamad Al-Sanea*	Board Member

* Representative of The Public Institution For Social Security.

Detailed below is a brief biographical information about each member of the Board.

Talal Mohamed Reza Behbehani

Chairman

Mr. Talal Behbehani has been a Board Member since March 2007. He was elected Chairman of the Board in December 2014, having served as Deputy Chairman of the Board since March 2014. Mr. Talal Behbehani currently serves as Deputy Chairman on the Board of Kuwait Insurance Co, Deputy Chairman of United Beverage Company K.S.S.C and as a Board Member of A'ayan Leasing Co. He was previously a Board Member of the Industrial Bank of Kuwait. Mr. Talal Behbehani holds a Bachelor of Arts degree in English from Kuwait University, Kuwait (1992).

Salah Ahmed Al Serhan

Deputy Chairman

Mr. Salah Al Serhan has been a Board Member since 1987 and was elected Deputy Chairman of the Board in December 2014. Mr. Al Serhan also served on the Board of Kuwait Clearing Co. from 1988 to 2015. Mr. Al Serhan holds a Diploma in Electronic Engineering from Heald College, USA (1965).

Ali Ibrahim Hejji Hussain Marafi

Board Member and Chairman of ABK - Egypt

Mr. Ali Marafi has been a Board Member since 2004 and is the Chairman of ABK - Egypt since 2015. Mr. Marafi serves as the Chairman of the Board of Commercial Facilities Co.. He previously served on the Boards of UBAC Curacao N.V. (Paris), Former Chairman of American Real Estate Services Co., Board Member in UBAF (Paris and Hong Kong), Former Deputy Chairman, United Real Estate Co., and Former Board Member, Financial and general Bank (London). Mr. Marafi holds a Bachelor's degree in Economics and Political Science from Kuwait University, Kuwait (1973).

Khaled Othman Abdulwahab Al Othman

Board Member

Mr. Khaled Al Othman has been a Board Member since 2004 and was also on the Board of ABK - Egypt from 2015 to 2018. Mr. Al Othman previously served on the boards of Gulf Bank between 1992 and 1999, Kuwait National Cinema Co. between 1984 and 2004 as Deputy Chairman, Al Hamra Real Estate between 2004 and 2014 as Deputy Chairman and CEO, and Ajial Real Estate & Entertainment Co. between 1999 and 2014 as Chairman and Managing Director. Mr. Al Othman holds a Bachelor's degree in Statistics and Economics from Kuwait University, Kuwait (1978).

Adel Ibrahim Yali Ahmad Behbehani*Board Member*

Mr. Adel Behbehani has been a Board Member since March 2016. Mr. Adel Behbehani was previously a Credit Manager with Gulf Bank between 1987 and 1999 and a Senior Executive Manager with Commercial Bank of Kuwait between 1999 and 2013. He also served as a Member of the Board of Al-Mutajara Real Estate Company from 2005 to 2009. Mr. Adel Behbehani holds a Bachelor of Commerce degree from Kuwait University, Kuwait (1987).

Raed Abdulkareem Al Moamen*Board Member*

Mr. Raed Al Moamen has been a Board Member since 2019. Mr. Al Moamen has over 25 years of experience in accounting, auditing and financial and investment consulting, gained at banks, investment companies, accounting and consulting firms. He started his career with the Bank in 1988 and has since worked with Gulf Bank as Assistant Internal Auditor from 1989 to 1991, KPMG as Senior Internal Auditor from 1991 to 1997, Commercial Bank of Kuwait as Assistant Finance Manager from 1997 to 1998, BDO from 1998 to 2000, Al-Shall Investment Company from 2000 to 2015, and S&O Consulting, where he has worked as a Certified Public Accountant & Managing Partner since 2016. Mr. Al Moamen holds a Bachelor of Commerce degree from Kuwait University, Kuwait (1988) and a Master's of Business Administration ("MBA") from the University of Strathclyde, UK (2002). He is a Certified Public Accountant (1998) in Colorado, USA, and a Member of ACCA, UK (2018).

Tarek Fareed Abdulrahman Al Othman*Independent Board Member*

Mr. Tarek Al Othman has been a Board Member since 2022. Mr. Al Othman previously served as project Senior Officer, Industrial Bank of Kuwait, Manager, then Head of Domestic Credit, at the Bank of Kuwait and the Middle East. He also served as a Member of the Board of Commercial Bank of Kuwait and Cham Bank (Syria). Mr. Al Othman holds a Bachelor of Management Sciences and Marketing Degree, Kuwait University (1992).

Dr. Mahdi Ismael Ali Al Jazzaf*Independent Board Member*

Dr. Mahdi Al Jazzaf has been a Board Member since 2022. Dr. Al Jazzaf is a Faculty Member of the College of Business at Kuwait University, and as Executive Director of the Conference Board Gulf Center for Economic & Business Research since 2018. Dr. Al Jazzaf previously served as Vice Chairman and Commissioner at the CMA Board of Commissioners, as Director - Policy Unit - at the Office of the Prime Minister (Kuwait), and as Executive Director in the World Bank Group. Dr. Al Jazzaf holds a PhD in Operations Research, North Carolina State University, USA (1990) and Master of Science and Bachelor of Science Degrees in Electrical & Computer Engineering, University of California at Santa Barbara, USA (1983 and 1981 respectively).

Ahmad Abdullah Mohammed Al-Baghli*Independent Board Member*

Mr Ahmad Al-Baghli has been a Board member since 2025. Mr. Al-Baghli previously served as Manager of the Internal Audit Department at the Kuwait Investment Authority, Manager of Internal Audit at the Kuwait Investment Office in London, Chief Internal Auditor at Burgan Bank, and Head of the Management Information Systems Division at Gulf Bank. Mr. Al-Baghli holds a Bachelor's Degree in Industrial Engineering from Northeastern University and is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and Certified Information Systems Auditor (CISA).

Dr. Mohammad Munther Abdul Kareem Al-Zuhair*Independent Board Member*

Dr. Mohammad Al-Zuhair has been a Board Member since 2025. Dr. Al-Zuhair previously served as Assistant Professor of Finance and International Business at Kuwait University, Senior Advisor for Governance and Finance at GOVERN, Chairman of the Founding Board of Directors of the Kuwait National Fund for Small and Medium Enterprise Development, and held senior strategic planning and advisory roles with the Council of Ministers, Kuwait University and Kuwait Petroleum International. Dr. Al-Zuhair holds a Bachelor's Degree in Petroleum Engineering from the University of Tulsa, a Master's Degree in Finance and Investment, and a PhD in Finance from The George Washington University.

Ghazi Abdul-Rahman Hamad Al-Sanea*Board Member (Representative of The Public Institution For Social Security (PIFSS))*

Mr. Ghazi Al-Sanea has been a Board Member since 2025. He currently serves on the board of Wafra InterVest Corporation and Shamal Az-Zour Al-Oula Power and Water Company K.S.C. He is the Head of Investment Research at the Public Institution for Social Security since March 2018 and has 20 years of experience in the investment field, where he manages a team that is responsible for portfolio analysis on the total portfolio of the pension. Previously, Mr. Al-Sanea was a partner of Investment Due Diligence at Albourne Partners for nine years where he was responsible for research and due diligence and manager selection in various private markets geographically and covering many strategies. Prior to Albourne, Mr. Al-Sanea worked at Global Investment House for seven years as an AVP covering mutual funds and private equity funds. Mr. Al-Sanea holds a Bachelor's degree in Banking and Finance from Hofstra University in New York.

The total number of the shares owned by each member of the Board as at 30 September 2026 are as follows:

Director Name	Position	No. of Shares	Holding %	Type of Shares
The Public Institution For Social Security		311,226,887	11.323%	Ordinary
Talal Mohamed Reza Behbehani	Chairman	38,074,604	1.385%	Ordinary
Salah Ahmed Al Serhan	Deputy Chairman	9,756,312	0.355%	Ordinary
Ali Ibrahim Hejji Hussain Marafi	Board Member and Chairman of ABK - Egypt	3,470,840	0.126%	Ordinary
Khaled Othman Abdulwahab Al Othman	Board Member	13,094,451	0.502%	Ordinary
Raed Abdulkareem Al Moamen	Board Member	1,337	0.00%	Ordinary
Adel Ibrahim Yali Ahmad Behbehani	Board Member	847	0.00%	Ordinary
Dr. Mahdi Ismael Ali Al Jazzaf	Independent Board Member	-	-	NA
Ahmad Abdullah Mohammed Al-Baghli	Independent Board Member	-	-	NA
Mohammad Munther Abdul Kareem Al-Zuhair	Independent Board Member	-	-	NA
Tareq Farid Abdulrahman Al Othman	Independent Board Member	-	-	NA

Board Committees

Board Audit Committee (BAC)

Committee Composition	<ul style="list-style-type: none"> – Dr. Mahdy Ismail Aljazzaf – Chairman (Independent Board Member) – Mr. Ahmad Abdullah Mohammed Al-Baghli – Vice Chairman (Independent Board Member) – Mr. Raed Abdulkareem Al Moamen – Member
Main Roles & Responsibilities	<p>The BAC is composed of three non-executive members, including one independent board member who heads the committee. All BAC members are qualified in the banking and financial fields. The BAC meets at least once every quarter, or at the request of the BAC Chairman.</p> <p>The BAC's roles and responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing the annual and quarterly financial statements, including related disclosures, and submitting recommendations to the BOD • Reviewing the engagement letter and approving the appointment of the external auditor responsible for issuing the Internal Control Systems Report (ICR) • Reviewing the findings, action plans, and recommendations contained in the ICR and recommending the report to the BOD • Reviewing external auditor reports relating to the Consumer & Instalment Loans Portfolio, as well as any other tasks related to internal control systems, including follow-up reports • Reviewing and recommending to the BOD the ICR issued by an external consultant on the effectiveness of the ABK Group's internal control systems, for inclusion in the annual report • Overseeing the activities of the Internal Audit Division (IAD), reviewing the Internal Audit Charter, and recommending it to the BOD for approval • Reviewing and approving the internal audit scope, plans, strategies, procedures, activities, and organizational structure • Reviewing reports and documents submitted by IAD • Ensuring that IAD remains objective and independent and that no executive responsibilities are assigned to it • Reviewing and recommending to the BOD the appointment or replacement of the Group Chief Internal Auditor (GCIA), and conducting an annual performance assessment of the GCIA • Reviewing the external auditor independence and rotation policy and submitting it to BCGCC for review, and subsequently to the BOD for approval • Reviewing regulatory findings and sanctions related to internal audit and internal control systems, and assessing the corrective actions taken by the Executive Management to address such observations • Annually reviewing and recommending to the BOD the appointment, re-appointment, or termination of the external auditors for financial statements, including fees, terms, and scope of engagement, and evaluating the auditors' objectivity and independence

Board Risk and AML & CFT Committee (BRAC)

Committee Composition	<ul style="list-style-type: none"> – Mr. Ahmad Abdullah Mohammed Al-Baghli – Chairman (Independent Board Member) – Mr. Raed Abdulkareem Al Moamen – Vice Chairman – Mr. Tarek Fareed Abdulrahman Al Othman – Member (Independent Board Member)
Main Roles & Responsibilities	<p>The BRAC is composed of three non-executive members, including one independent board member who heads the committee. All BRAC members are qualified in the banking and financial fields. The BRAC meets at least four times annually.</p> <p>The BRAC's roles and responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Overseeing the roles and responsibilities for identifying, assessing, and controlling risks across the Group in line with governance instructions issued by CBK and the Basel Committee, and the three lines of defense model or other applicable models • Overseeing the alignment of the Group's risk profile with its strategic plan and objectives • Reviewing and submitting recommendations to the BOD regarding reports on the Group's risk appetite, risk profile, emerging risks, and risk exposures across all risk categories, including capital and liquidity management, as well as the implementation status and effectiveness of the risk management strategy, frameworks, policies, models, and applicable Basel requirements (collectively referred to as the Risk Management arrangements) • Reviewing reports submitted by the Group Chief Risk Officer (GCRO) on the effectiveness of the Group's Risk Management arrangements • Reviewing the Risk Management framework, policies, and strategies, and submitting appropriate recommendations to the BOD • Reviewing and recommending to the BOD the appointment or dismissal of the GCRO, taking into account the requirement to discuss any proposed dismissal with CBK prior to taking action • Reviewing credit and non-credit reports, as appropriate • Reviewing reports on the assumptions and methodologies used in the computation of ICAAP and stress testing various risks, to assess their impact on capital adequacy • Recommending to the BOD the appointment or replacement of the Group Chief AML & CFT Officer • Reviewing updates to AML & CFT policies and procedures prior to submitting them to the BOD for approval • Annually assessing the performance of the Group Chief AML & CFT Officer and determining related promotions and remuneration, subject to approval • Reviewing periodic reports provided by AML & CFT regarding the AML & CFT framework within the Group, and submitting such reports to the BOD

Board Corporate Governance and Compliance Committee (BCGCC)

Committee Composition	<ul style="list-style-type: none"> – Mr. Talal Mohammed Reza Behbehani – Chairman – Mr. Ali Ebrahim Hejji Hussain Marafi – Vice Chairman – Dr. Mohammad Munther Abdul Kareem Al-Zuhair – Member (Independent Board Member)
Main Roles & Responsibilities	<p>The BCGCC is composed of three non-executive members, including one independent board member. All members of the BCGCC are qualified and/or experts in the financial and banking field. The BCGCC meets at least twice annually.</p> <p>The BCGCC's roles and responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Assessing the Group's CG structure and reviewing the composition of the BOD committees • Following up on the implementation of the CG Manual standards and controls • Reviewing BOD and BOD committees' charters • Reviewing and updating the CG Manual and related policies, as well as developing new CG policies • Reviewing the CG report included in the Bank's annual report, assessing the extent of the Group's compliance with the implementation of CG Manual requirements, identifying any instances of non-compliance, and submitting the report to the BOD • Proposing and reviewing amendments to the Bank's Memorandum and Articles of Association related to CG rules and regulations, and submitting the report to the BOD • Reviewing periodic reports submitted by the CG Officer concerning CG matters within the Group, including those related to subsidiaries and foreign branches, and submitting them to the BOD with the necessary recommendations • Reviewing updates to the regulatory compliance policy prior to submitting them to the BOD for approval • Reviewing the Compliance Division's roles and responsibilities in preparation for its approval by the BOD. • Ensuring that the Compliance Division has adequate independence, authority, and direct access to the BOD to effectively discharge its responsibilities across the Group • Reviewing periodic reports submitted by the Compliance Division concerning regulatory compliance within the Group and submitting them to the BOD • Reviewing and recommending to the BOD the appointment or replacement of the Group Chief Compliance Officer and the CG Officer

Board Nomination Committee (BNC)

Committee Composition	<ul style="list-style-type: none">– Mr. Tarek Fareed Abdulrahman Al Othman –Chairman (Independent Board Member)– Mr. Ali Ebrahim Hejji Hussain Marafi – Vice Chairman– Mr. Adel Ibrahim Yali Ahmed Behbehani – Member
Main Roles & Responsibilities	<p>The BNC is composed of three non-executive members, including one independent board member who heads the committee. All BNC members are qualified in the banking and financial fields. The BNC meets at least twice annually.</p> <p>The BNC's roles and responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none">• Ensuring that procedures for nominating, electing, and appointing members of the BOD are carried out in accordance with the relevant legislation and regulatory requirements, in order to safeguard the interests of the Bank• Providing newly elected BOD members with an induction guide outlining their rights, responsibilities, and duties.• Supporting the continuous enhancement of the collective and individual knowledge of the BOD, and strengthening the skillsets of its members.• Conducting an annual review of the skills required for board membership and preparing a description of the capabilities and qualifications required for membership• Periodically reviewing and updating the methodology used to assess the overall performance of the BOD as well as individual BOD members• Annually ensuring the continued fulfillment of independence criteria by independent board members throughout their tenure• Providing updates to BOD regarding articles published in the media related to banks' business, BOD of banks, and financial institutions• Conducting an annual review of the working practices of the BNC to ensure all the responsibilities outlined in this charter have been carried out

Board Compensation and Human Resources Committee (BCHRC)

Committee Composition	<ul style="list-style-type: none"> – Mr. Ali Ebrahim Hejji Hussain Marafi - Chairman – Dr. Mahdy Ismail Aljazzaf – Vice Chairman (Independent Board Member) – Mr. Adel Ibrahim Yali Ahmed Behbehani – Member
Main Roles & Responsibilities	<p>The BCHRC is composed of three non-executive members, including one independent board member. All BCHRC members are qualified in the banking and financial fields. The BCHRC meets at least twice a year.</p> <p>The BCHRC's roles and responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing and recommending the appointment and promotions of the Executive Management, and carrying out the necessary amendments and/or observations to ABK's organizational chart, presenting them to the BOD, and ensuring a succession plan is reviewed to cover all Executive Management positions • Annually reviewing and assessing the Remuneration Policy and overseeing its implementation in coordination with the relevant divisions • Liaising with the BRAC and/or the GCRO to ensure that ABK's variable and deferred remuneration are aligned with its risk profile and risk time horizon • Making recommendations to the BOD on the fixed and variable components of Executive Management remunerations, including those of material risk takers and financial and risk control staff. • Ensuring an independent annual review of ABK's general remuneration policies, conducted by Internal Audit or external consultants. • Recommending to the BOD any amendments and/or updates to ABK's general remuneration policies • Ensuring that Executive Management has implemented firm regulations, procedures, and effective controls to ensure full compliance with the general remuneration policies and rules • Reviewing HR policies and considering reports and matters raised by the Executive Management regarding HR at ABK, and providing guidance thereon • Ensuring the application of a clear, transparent, and objective system for evaluating and measuring employee performance at all levels, including measures to avoid conflict of interest, and ensuring such systems are circulated to employees • Ensuring that performance evaluations, as well as the determination of promotions and remuneration for the heads of the control and supervisory functions, are conducted objectively and independently by their respective committees

Board Credit & Investment Committee (BCIC)

Committee Composition	<ul style="list-style-type: none"> – Mr. Talal Mohammed Reza Behbehani – Chairman – Mr. Adel Ibrahim Yali Ahmed Behbehani – Vice Chairman – Mr. Khaled Othman Abdul-Wahab Al Othman – Member – Dr. Mohammad Munther Abdul Kareem Al-Zuhair – Member (Independent Board Member) – Mr. Ghazi Abdul-Rahman Hamad Al-Sanea – Member (Representative of PIFSS)
Main Roles & Responsibilities	<p>The BCIC is composed of at least four non-executive BOD members. All BCIC members are qualified in the banking and financial fields. The BCIC meets once a week or as required. It is forbidden to combine membership of the Group BCIC with membership of the BRAC or BAC.</p> <p>The BCIC's responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing and advising on changes to the Group's credit and investment policies, as well as periodic portfolio updates • Reviewing and approving credit applications that exceed the authorities of the management committees, in accordance with the credit authority matrices, for credit proposals with respect to granting, renewing or amending credit facilities, as well as investment proposals, credit-related policy exceptions, legal actions taken in this regard, and the rescheduling or restructuring of credit exposures
Key Activities	<p>The BCIC's key activities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing and approving credit proposals related to granting, renewing or amending credit facilities, as well as investment proposals, credit-related policy exceptions, legal actions, and the rescheduling or restructuring of credit exposures • Reviewing credit facilities for BOD members and their related parties, and referring them to the BOD for final approval • Periodically reviewing credit portfolio reports • Reviewing and approving the credit and investment policy and submitting it to the BOD for approval • Reviewing defaulted credit facilities and proposing appropriate solutions • Reviewing and approving the credit authorities of the management committees

Board Monitoring Committee for UAE Branches and DIFC Branch (BMC)

Committee Composition	<ul style="list-style-type: none"> – Mr. Ali Ebrahim Hejji Hussain Marafi - Chairman – Mr. Adel Ibrahim Yali Ahmed Behbehani – Vice Chairman – Dr. Mohammad Munther Abdul Kareem Al-Zuhair – Member (Independent Board Member)
Main Roles & Responsibilities	<p>The BMC is composed of three non-executive members. All BMC members are qualified in the banking and financial fields. The BMC meets at least four times a year.</p> <p>The BMC's responsibilities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing proposed changes to the Organizational Structure that facilitate effective oversight and sound governance, and recommending them to the BCHRC for submission to the BOD for approval • Reviewing and recommending to the BCHRC the appointment and promotion of the Executive Management • Reviewing HR policies and considering the reports and matters raised by the Executive Management regarding HR matters • Reviewing and monitoring the business strategy related to regional and sectoral market growth • Reviewing and monitoring the implementation of the approved overall business strategy, including key strategic initiatives • Reviewing branch results and financial performance against BOD-approved business strategies and budgets • Reviewing and monitoring the risk appetite statement, risk profile, and related matrix, and escalating any concerns to the relevant authority as appropriate • Reviewing instances of regulatory non-compliance related to compliance, CG, and AML, and assessing the corrective actions taken • Reviewing follow-up actions taken in relation to the collection of Non-Performing Loans (NPLs) • Reviewing key strategies aimed at improving NPLs recovery and collection performance • Reviewing and recommending to the BOD decisions related to real estate acquisitions, sales, or office leasing for ABK branches in the UAE and the DIFC • Reviewing and recommending to the BOD special projects related to ABK branches in the UAE and the DIFC, including monitoring the implementation of such projects • Reviewing matters related to capital management and capital planning, as well as overseeing funding strategies and funding diversification, in line with the BOD-approved strategy

Directors' Remuneration

<i>in KD thousands</i>	2023	2024	2025
Directors Remuneration	1,099	1,039	1,253

The Bank's Board of Directors has also proposed Directors' remuneration of KD 1,253 thousand as set out in the financial statements for the year ended 31 December 2025 (2024: KD 1,039 thousand) within the limit permissible under local regulations, which was approved in the Annual General Assembly held on 28 March 2026.

The estimated value of the benefits to be granted to the members of the Board of Directors for the fiscal year ending in 2026 is expected to amount to KD 1,253 thousand, in line with the year 2025, noting that these are estimated expectations that are not final for the current year and subject to change according to the development of circumstances during the fiscal year.

Board Confirmation of Financials

The financial results for the period ending 31 December 2025, 31 December 2024, and 31 December 2023 have been audited and approved by the Bank's General Assembly Meeting of Shareholders on 28 March 2026, 16 April 2025, and 30 March 2024, respectively. The Bank's Board of Directors have been obligated to present the financial results of the Bank in accordance with the Companies Law No. 1 of 2016 and its subsequent amendments, and the Board of Directors accepts such responsibility.

Description of Transactions Carried Out between Related Parties and the Bank

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and the associate of the Group) who were customers of the Group during the year/period. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the consolidated financial information are as follows:

	30 June 2026	30 June 2025
	KD '000	KD '000
Loans and advances	7,746	9,102
Customers' deposits	42,182	48,686
Portfolios managed by Group	12,767	1,071
Commitments and contingent liabilities	10,064	10,286
Directors' compensation	Nil	Nil

Loans and advances to related parties are secured by collaterals in accordance with regulation of Central Bank of Kuwait.

Contracts with the Bank in which any Director has a Personal Profit

Members of the Board of Directors and their families are customers of the Bank in the ordinary course of business. However, there are no contracts with the Bank in which any Director has a personal profit. The Bank has an approved related party policy that applies on all business transactions where related parties are involved as per definition of this policy. This policy provides definition for related parties transactions and determines the roles and responsibilities in terms of identification, approval, monitoring and reporting of such transactions.

Executive Management

The Group's executive management team is responsible for day-to-day supervision and control of the Group's business, particularly with respect to ensure functionality of compliance and risk control, independence of functions, and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Group. All significant policies are reviewed and approved by the Board.

The Bank's executive management team as at the date of this Prospectus comprises:

Name	Position
Giel-Jan M. Van Der Tol.....	Group Chief Executive Officer
Abdulla Al Sumait.....	Deputy Group Chief Executive Officer
Ahmad AlDuwaisan.....	Acting Chief Executive Officer – Kuwait; General Manager – Corporate Banking
Fawzy Al Thunayan.....	General Manager – Board Affairs
Gaurav Dhingra	Group Chief Risk Officer
Shiamak Soonawalla.....	Group Chief Finance Officer
Amjad Siddique	Group Chief Internal Auditor
Mohammed AlQattan	Chief Consumer Officer
Noura Al Duweesh	General Manager – Treasury and Investments
Yasmine Salamah	General Manager – Multinational Corporates and Structured Finance
Johair Marafi.....	General Manager – Retail Banking
Salem Al Sarraf	Chief Information Officer
Mohammad Al Bloushi	General Manager – Operations
Afrah Al Arbash	General Manager – Human Resources
Ammar Al Jazzaf	Group Chief Anti-Money Laundering & Combating the Financing of Terrorism (AML & CFT)
Shahzad Anjum	Chief Technology and Transformation Officer
Sana Al Saqabi	Group Chief Compliance Officer
Dr. Ayman Al Buloushi	Group Head of Corporate Governance
Khalil AlQattan.....	Chief Digital Transformation & Innovation Officer
Omar Wahby	Chief Executive Officer – UAE
Dr. Abdulaziz Jawad	Chief Strategy Officer
Dr. Nawaf Al Shuraiaan.....	General Counsel - Head of Legal Division
Khaled El Salawy	Chief Executive Officer and Managing Director, ABK – Egypt
Sherif El Rafie	Chief Executive Officer - ABK Wealth Management

Giel-Jan M. Van DerTol*Group Chief Executive Officer*

Mr. Van Der Tol joined the Bank in 2025 and is the Group Chief Executive Officer. Mr. Van Der Tol previously served as the CEO and Managing director of Emirates NBD Bank, Egypt. His career in banking spans over 30 years during which he held various senior positions including CEO of Dubai Bank. Mr. Van Der Tol holds a Bachelor's degree in Business Administration from Nyenrode Business University, Netherlands and a Master of International Management from Thunderbird School of Global Management, Phoenix, USA

Abdulla Al Sumait*Group Deputy Chief Executive Officer*

Mr. Abdulla Al Sumait joined the Bank in 2000 and is the Deputy Group Chief Executive Officer. Mr. Al Sumait previously served as the Chairman of Ahli Capital Investment Co., and Board Member of Bank of Bahrain & Kuwait between 2001 and 2008 and Board Member of the Shared Electronic Banking Services Company ("KNET"). His career in banking spans over 40 years during which he held various senior positions including General Manager of Corporate Banking at Gulf Bank and the Bank. Mr. Al Sumait holds a Bachelor's degree in Economics from Kuwait University, Kuwait (1976) and a Diploma from the Institute of Banking Studies (1979).

Ahmad Al Duwaisan*Acting Chief Executive Officer – Kuwait;**General Manager – Corporate Banking*

Mr. Ahmad Al Duwaisan joined the Bank in 2023 as the Chief Executive Officer – Kuwait with over 25 years in banking experience. Mr. Al Duwaisan currently also serves on the Board of KNET. Prior to joining the Bank, Mr. Al Duwaisan was the GM of Corporate Banking of Gulf Bank - Kuwait. Mr. Al Duwaisan holds a Bachelor of Science in Mechanical Engineering from Northeastern University and an EMBA from the American University of Beirut, Lebanon.

Fawzy T. Al Thunayan*General Manager – Board Affairs*

Mr. Fawzy Al Thunayan has served as General Manager, Board Affairs at ABK since his appointment in 2014. He holds a Bachelor's Degree in Business Management from the Catholic University of America. Mr. Al Thunayan brings extensive experience in banking and financial services, having previously served as Chairman of ABK Wealth Management, General Manager of Board Affairs at Gulf Bank, Manager of the Foreign Operations Department at the Central Bank of Kuwait, and Deputy General Manager at International Financial Advisors and the Arab Company for Trading Securities.

Gaurav Dhingra*Group Chief Risk Officer*

Mr. Gaurav Dhingra joined ABK in 2016. He is in charge of overseeing all financial and non-financial risks for the ABK group and has more than 25 years of experience in the banking and financial services industry. In his previous roles, he has worked in risk management, banking retail operations and finance with GCC and foreign banks. He had also taken the lead in establishing Risk management streams as well as foreign footprints for his prior organizations, including setting up of QFC based entities. Mr. Gaurav Dhingra credentials and certifications include Chartered Accountancy (ACA from ICAI, India), FRM (GARP, USA), Certified AL Manager (NYIF, USA), Certified Basel professional (UK), and other certifications from Harvard Business school (Leadership Program).

Shiamak Soonawalla*Group Chief Finance Officer*

Mr. Shiamak Soonawalla joined the Bank in 2004 and has been on the Board of ABK - Egypt since 2019. Mr. Soonawalla has over 25 years of experience in the financial services industry, covering financial management, auditing and consulting practices in the Middle East. Before joining the Bank, he held senior executive and executive positions with Ernst & Young in Saudi Arabia and Kuwait, and with National Commercial Bank in Saudi Arabia. Mr. Soonawalla holds a Bachelor of Commerce degree from the University of Bombay, India (1984) and is a Chartered Accountant (India) and a fellow member of the Institute of Chartered Accountants of India.

Amjad Siddique*Group Chief Internal Auditor*

Prior to joining the Bank, Mr. Siddique worked for one year as Head of Audit with Riyadh Bank (Saudi Arabia), for six years as Group Head of Internal Audit with Masraf Alrayan (Qatar), for seven years as Chief Internal Auditor with Saudi Investment Bank (Saudi Arabia), and for five years as Director with Canadian Imperial Bank (Canada). Mr. Siddique was trained as a public accountant with PWC and KPMG. Mr. Siddique is a Certified Public Accountant (USA), Certified Internal Auditor (USA), Chartered Internal Auditor (UK), and Chartered Management Accountant (USA/UK). In addition to holding a bachelor's degree in commerce, Mr. Siddique holds a Master of Forensic Accounting degree from University of Toronto, Canada.

Mohammed AlQattan*Chief Consumer Officer*

Mr. Mohammed AlQattan has served as Chief Consumer Officer at ABK since his appointment in 2024. He holds an MBA in Strategic Management from Maastricht School of Management and a Bachelor's Degree in Statistics and Operations Research, with a minor in Accounting, from Kuwait University. Mr. AlQattan has extensive experience in consumer banking and corporate governance. Prior to joining ABK, he served as General Manager of Consumer Banking at Gulf Bank and held several board and leadership positions, including at the Public Institution for Social Security, Credit Information Network Company (CINET), Oula Wasata and Priority Automobile Company.

Noura Al Duweesh*General Manager – Treasury and Investments*

Ms. Noura Al Duweesh joined the Bank in 2021 and has over 20 years of experience in Treasury and Investment. Ms. Al Duweesh is a director at ABK Cayman, a member of Kuwait Forex Association, and previously was Head of Treasury, HSBC, Kuwait. Ms. Al Duweesh holds MBA, Maastricht School of Management (2012), and Bachelor's Degree in English Literature, Kuwait University (2000).

Yasmine Salamah*General Manager – Multinational Corporates and Structured Finance*

Ms. Yasmine Salamah joined the Bank in November 2003 and has over 15 years of experience in Corporate Banking and Finance. Ms. Salamah oversees the Bank's Project and Corporate Finance transactions, Bond Issuances, and Cash Management products. She served as Chairperson of Ahli Capital Investment Company, and was also a Board Member of Kuwait Finance and Investment Company between 2012 and 2019. Ms. Salamah holds a Bachelor's degree in Business Administration from the American University of Beirut, Lebanon (2003) and has completed the program for Leadership Development at Harvard University, USA.

Johair Marafi*General Manager – Retail Banking*

Ms. Johair Marafi joined the Bank in 2000 and was previously a Board member of KNET between 2018 and 2020. Ms. Marafi has over 20 years of experience in retail banking, having served her entire career with the Bank under various roles before being appointed as the Acting General Manager of the Retail Banking division. She serves as Board Member of Ahli Capital Investment Company, and was a Board Member of KNET. Ms. Marafi holds Bachelor's degree in Business Administration from Kuwait University, Kuwait (2000).

Salem Al Sarraf*Chief Information Officer*

Mr. Salem Al Sarraf joined the Bank in 2006 and has over 30 years of experience in systems development and IT project management. Mr. Al Sarraf was previously Chief Transformation Officer at the Bank and prior to that he was Assistant General Manager of Information Technology at the Bank between 2006 and 2015, Assistant Development Manager at KNET between 2005 and 2006, IT Development Manager at Burgan Bank between 2000 and 2005, and Application Development Manager at Kuwait Real Estate Bank between 1990 and 2000. Mr. Al Sarraf holds a Master's degree in Electrical Engineering from Kuwait University, Kuwait (2006), a Bachelor's degree in Computer Engineering from Iowa State University, USA (1990), and has completed a Leadership Development program at Harvard University, USA. Mr. Al Sarraf is a Certified Information Security Professional, GISP (2019).

Mohammad Al Bloushi*General Manager - Operations*

Mr. Mohammad Al Bloushi joined the Bank in 2021 with over 29 years of experience in organizational strategy and project management. Prior to joining the Bank, Mr. Al Bloushi held various positions at the National Bank of Kuwait, including Deputy General Manager IT & Operations Group between 2008 and 2021. Mr. Al Bloushi holds a Bachelor's degree in Management Information Systems from California State University – Fullerton, USA (1992).

Afrah Al Arbash*General Manager – Human Resources*

Ms. Afrah Al Arbash joined the Bank in 2020 with more than 17 years of experience in the areas of manpower development, compensation, recruitment and labor law and has worked in multiple industries including oil & gas, arts and culture, and banking. Prior to joining the Bank, Ms. Al Arbash was Human Resources Director for Kuwait National Cultural District (KNCD) Al Diwan Al Amiri Project, HR Manager heading recruitment and administration at Kuwait Energy, and has also held positions at HSBC, and Global Investment House. Ms. Al Arbash holds a Bachelor's degree in International Relations from Kent State University, USA (2004).

Ammar Al Jazzaf*Group Chief Anti-Money Laundering & Combating the Financing of Terrorism (AML & CFT)*

Mr. Ammar Al Jazzaf joined the Bank in 2022 and has over 26 years of experience in banking sector; started with retail banking at Gulf bank , then moved to the Central Bank of Kuwait as an Inspector to complete the career in combating financial crimes. Prior to joining the Bank, Mr. Al Jazzaf was Group Head of Anti Financial Crimes, Burgan Bank, Head of AML, Gulf Bank. Mr. Al Jazzaf also was Head of Inspection, Central Bank of Kuwait. Mr. Al Jazzaf holds a Bachelor's degree in Economics from Kuwait University (1996) and has the International Advanced Certificate in Anti Money Laundering (ICA) and Certified Anti Money Laundering consultant (CAMC).

Sana Al Saqabi*Group Chief Compliance Officer*

Ms. Sana Al Saqabi has served as Group Chief Compliance Officer at ABK since her appointment in 2008. She holds a Bachelor of Commerce in Accounting from Ain Shams University and has obtained several professional certifications in compliance, anti-money laundering, corporate governance and financial crime prevention. Ms. Al Saqabi brings significant experience in compliance, regulatory affairs and banking operations. Prior to joining ABK, she gained experience in the regulatory sector at the Central Bank of Kuwait and in operations management at Burgan Bank.

Dr. Ayman Al Buloushi*Group Head of Corporate Governance*

Dr. Ayman Al Buloushi has served as Group Head of Corporate Governance at ABK since his appointment in 2024. He holds a Doctor of Philosophy in Corporate Governance from the University of Dundee, a Master of Management and Finance from the University of Southampton, and a Bachelor of Economics from Kuwait University. Dr. Al Buloushi has extensive experience in corporate governance, financial and administrative affairs and regulatory matters. He previously served in several senior positions at the Public Institution for Social Security, in addition to serving as Chairman of Wafra Real Estate Company, Chairman of the Risk Committee at Commercial Facilities Company and a Board Member of Kuwait Clearing Company.

Khalil AlQattan*Chief Digital Transformation & Innovation Officer*

Mr. Khalil AlQattan has served as Chief Digital Transformation & Innovation Officer at ABK since his appointment in 2022. He holds a Master of Science in Administration from Brunel University London and a Bachelor of Science in Internet Technology with Honours from the University of Portsmouth. Mr. AlQattan has extensive experience in digital transformation, innovation and retail banking. Mr. Al Qattan served as AGM of Retail Banking at ABK, Head of Digital Transformation and Growth at Burgan Bank, and Executive Manager of Digital Transformation and Innovation at the Commercial Bank of Kuwait. He also previously served as a Board Member of KNET.

Omar Wahby*Chief Executive Officer - UAE*

Mr. Omar Wahby joined ABK-UAE in 2021 and has over 27 years of experience in franchise management, corporate and investment banking, and corporate advisory across the Middle East and North Africa region. Prior to joining the Bank, he was the Deputy CEO of the International Banking Group at the National Bank of Kuwait (NBK), where he also was a Board member of NBK - Egypt. Mr. Wahby also held various positions at Citibank - UAE, BNP Paribas - Egypt, HC Securities, and Egyptian American Bank prior to that. Mr. Wahby holds a Bachelor's degree in Communication and Electronics from Cairo University, Egypt (1991) and an MBA from Boston University, USA (1997).

Dr. Abdulaziz Jawad*Chief Strategy Officer*

Dr. Abdulaziz Jawad joined the Bank in 2022 and has over 15 years of experience in Strategy and Business Development. Dr. Jawad was previously Board Member of Zain Iraq, and Chief Executive Officer (Zain Drone) and Group Head of Corporate Finance (Zain Group). Dr. Jawad also held various positions at ABK's Corporate Banking Division and Boubayan Bank's Credit Risk Division. Dr. Jawad holds a Bachelor's degree in Science in Finance and Computer Science, Kuwait University (2007) and a Master of Business Administration, London Business School (2016), and a Doctorate from IE Business School (2025).

Dr. Nawaf Al Shuraiaan*General Counsel – Head of Legal Division*

Dr. Nawaf Al Shuraiaan joined the Bank in 2022 with over 23 years of experience in juridical work. Dr. Nawaf Al Shuraiaan is a Lecturer at the Kuwait Institute for Judicial and Legal Studies and Lecturer at the Permanent National Committee for International Humanitarian Law. Previously Dr. Al Shuraiaan was Judge in the Sixth Civil Circuit of the Court of Appeal (civil law), Head Judge of multiple circuits in the Court of First Instance in criminal, administrative, commercial and civil law. He also was First Director of Media, Information and Publication Affairs Prosecution, Chief Prosecutor and Director of several prosecution offices and Public Prosecutor. Dr. Al Shuraiaan holds PhD in Sharea'a (Islamic Banking), Cairo University (2013) and Master's Degree in Islamic Law and Comparative Jurisprudence, Cairo University (2005) (Darul Uloom) and a Bachelor's Degree in Jurisprudence and Principle of Jurisprudence, College of Sharea'a and Islamic Studies, Kuwait University (1998)

Khaled El Salawy*Chief Executive Officer and Managing Director, ABK - Egypt*

Mr. Khaled El Salawy joined the Bank in 2016 as the CEO and Managing Director of ABK – Egypt, and over 25 years of experience in the banking sector in Egypt. Prior to joining the Bank, he was the Deputy CEO of Union National Bank, and prior to that, as Head of Corporate Banking and SMEs at Bank of Alexandria / Intesa SanPaolo Group. He also was Assistant Vice President, Corporate Banking Division with Egyptian American Bank, which was acquired by Credit Agricole Egypt. Mr. El Salawy holds a Bachelor's degree in Economics from the American University of Cairo, Egypt (1993).

Shahzad Anjum*Chief Technology & Transformation Officer*

Mr. Shahzad Anjum joined Al Ahli Bank of Kuwait in 2026 as Chief Technology & Transformation Officer, where he is responsible for leading the Bank's technology, transformation and digital innovation strategy to enhance services and operational efficiency. Mr. Anjum brings over 27 years of experience across banking, financial services and diversified sectors. Prior to joining ABK, he served as Chief Information Officer at Gulf Bank, where he led key strategic initiatives in banking modernisation, digital transformation and cybersecurity. He also had a long and progressive career at Alghanim Industries, holding several senior leadership positions across technology and IT infrastructure. Mr. Anjum holds a Master of Business Administration (MBA) from London Business School, United Kingdom, and a Bachelor of Computer Science from Newports Institute of Communications & Economics, Karachi, Pakistan. He is also a member of the CIO Network and the Banking Technology Association.

Sherif El Rafie*Chief Executive Officer – ABK Wealth Management*

Sherif ElRafie brings over 24 years of experience in investment banking across the GCC, the Middle East & North Africa, and the United States. He has executed transactions exceeding USD 12 billion in capital markets, mergers and acquisitions, private placements, and structured financing. He holds a Bachelor's degree in Business Administration (2002) and an MBA (2003) from the University of Texas in Dallas, USA, in addition to being a Chartered Financial Analyst (CFA).

Key Management Compensation

Compensation for key management is as follows:

For the six months ended 30 June	2026	2025
<i>in KWD '000</i>		
Salaries and other benefits	2,162	2,080
Post-employment benefits	151	141
Share based compensation	46	-
Total	2,359	2,194

Management Committees

The Group's principal management committees are:

Management & International Credit Committee

The Management Credit Committee ("MCC") & Management International Credit Committee ("MICC") approve and recommend credit proposals and other credit-related matters delegated to it by the Board. There are two management credit committees: one for corporate banking in Kuwait (MCC) and the other for international business, including the overseas branches and subsidiary (MICC). Both are headed by the Group CEO as Chairman, with the Deputy Group CEO as Deputy Chairman and CEO Kuwait as members. The Group Chief Risk Officer joins the committee as a non-voting member. The Committee oversees the implementation of Group's credit risk management frameworks, reviews and approves credit facilities within its delegated authority, oversees credit and lending strategies, reviews credit policies, portfolio limits and concentrations, and monitors the asset quality and performance of the Bank's credit portfolios.

Provision Committee

The Provision Committee comprises of the Group CEO as Chairman, the Deputy Group CEO as deputy Chairman, the CEO -Kuwait, the Group Chief Risk Officer and the Group Chief Financial Officer. The Committee reviews the provisioning and expected credit losses across the Group including subsidiary and overseas branches, ensuring compliance with regulatory and IFRS 9 requirements, reviewing impaired assets and recovery actions and recommends the provision requirements to the BRAC and the Board.

Management Risk Committee

The Management Risk Committee comprises of the Deputy Group CEO/ CEO- Kuwait as Chairman, the Group Chief Risk Officer, Head of operations and the Head of Information & Technology. The Committee oversees the Bank's non-financial framework, including operational, informational technology, cyber security, fraud, legal, people, process and business continuity risks. It reviews the Bank's risk profile, key operational incidents, internal control environment, regulatory and audit matters, and monitors the implementation of remediation actions, ensuring timely escalation of material matters to the BRAC.

Asset Liability Management Committee

The ALCO comprises of the Group CEO as Chairman, the Deputy Group CEO, the CEO – Kuwait, the Group Chief Risk Officer, the Group Chief Financial Officer, Chief Consumer Officer, the General Manager- Treasury and Investments, the General Manager- Corporate Banking, the General Manager – Structured Finance department, the General Manager - Retail Banking, the CEO -UAE and the General Manager - International Banking. The ALCO reviews and recommends to the BRAC limits for market, interest and liquidity risks, reviews regulatory and internal ratio requirements, determines the composition of the Group's assets and liabilities considering business and environmental factors, reviews risk in the asset and liability profile of the Group and participates in the Bank's capital adequacy assessment, stress testing and capital planning processes.

Investment Committee

The Investment Committee comprises of the Group CEO as Chairman, the Deputy Group CEO, the CEO – Kuwait, the Group Chief Financial Officer and the Group Chief Risk Officer as a non-voting member. The Committee oversees and ensures that investment activities are aligned to strategic objectives and operates within the policy and governance framework of the Group. It reviews and approves investment recommendations, investment strategies, hedging and funding strategies,

monitors portfolio performance, compliance with regulatory requirements, and recommends annual investment limits, including investment plans, to the Board Credit and Investment Committee (BCIC). The Committee also reviews investment related policies, oversees the selection and performance of external investment managers, monitors investment portfolio performance, including that of the Group's subsidiaries, and ensures the compliance with regulatory requirements and appropriate governance and controls over investment activities.

Product and Pricing Committee

The Product and Pricing Committee comprises the Group CEO as Chairman, the Deputy Group CEO as Deputy Chairman, the CEO – Kuwait, the Group Chief Financial Officer, Group Chief Risk Officer, the Group Compliance Officer, the Chief Strategy Officer and other senior executives. The Committee reviews and approves new products and services, changes to existing products, and approves pricing strategy changes, including fees, commissions, charges and interest rates. It oversees the performance of products, ensures compliance with regulatory requirements, evaluates pricing methodology and risk-based pricing, and monitors product and pricing performance to support the Group's strategic objectives, profitability and customer interests.

Model Oversight Committee

The Model Oversight Committee comprises the Group Chief Risk Officer as Chairperson, the CEO – Kuwait, the Group Chief Financial Officer and the Deputy Group Chief Risk Officer. The Committee oversees the Bank's model risk framework and governance across the model lifecycle, including model development, validation, implementation, monitoring and remediation. It reviews and approves key modelling decisions, model developments and validation results and remediation plans to ensure models remain fit for purpose and support sound decision making across the Group.

Procurement Committee

The Procurement Committee comprises the Group CEO as Chairman and the CEO – Kuwait as Vice Chairman, the Deputy Group CEO, the Group Chief Financial Officer, Head of Operational Risk, Head of Procurement and Head of EPMO. The Committee provides governance and oversight over procurement activities, reviewing and approving significant procurement and expenditure requests, procurement policy exceptions and other procurement related matters in accordance with delegated authorities to ensure transparency, cost efficiency and alignment with the Bank's procurement framework.

IT Steering Committee

The IT Steering Committee is chaired by the Deputy Group CEO or the CEO – Kuwait and comprises senior representatives from Finance, Risk, Strategy, Operations, Information Technology, Digital Transformation and EPMO. The Committee provides strategic oversight of the Bank's information technology function by approving the IT Strategy, overseeing major IT and digital transformation initiatives, information security, technology governance, key IT projects and overall IT performance, third-party technology risks and business continuity arrangements, while ensuring alignment between technology initiatives and Banks's strategic objectives.

Suspicious Transactions Report Committee

The Suspicious Transactions Report Committee is chaired by the CEO – Kuwait and comprises senior representatives from AML/CFT and legal with business line participation where required. The Committee provides executive oversight of the reporting of suspicious transaction reports by reviewing investigation findings, determining whether the cases meet the regulatory reporting threshold, and approving the filing of Suspicious activity/ Transactions reports to Kuwait Financial Intelligence Unit in accordance with applicable AML/CFT regulations.

KEY SUBSIDIARY AND INVESTMENTS

Ahli Capital Investment Company K.S.C.C.

A key milestone was the launch of ABK Wealth Management in December 2025, combining the efforts of ABK Private Banking and Ahli Capital Investment Company, to strengthen its wealth management services and offer integrated solutions focused on serving clients across the region. ABK Wealth Management serves as a dedicated platform designed to deliver holistic, client-centric investment advisory services and tailored wealth solutions. Through close collaboration we endeavor to enhance access to specialized investment advisory services, a broader range of asset classes and structured solutions, and diversified local and regional investment opportunities. This collaboration ensures that clients benefit from best-in-class expertise, deeper market insights, and a wider range of products aligned with their risk profiles and long-term objectives.

ABK Wealth Management continued to enhance its product platform to remain closely aligned with evolving investor needs and market dynamics. During the year, new infrastructure and private equity investment solutions were launched, expanding its private markets capabilities and broadening the range of opportunities available to clients. These solutions were designed to complement existing offerings and provide access to long-term, growth-oriented investments to complement its wide-ranging income-oriented offerings. With the introduction of these solutions, ABK Wealth Management is able to fully address investor needs, particularly for clients seeking diversification and alternative asset exposure. As at 31 December 2025, ABK Wealth Management has approximately KD 1 billion of assets under management.

ABK Wealth Management, in partnership with global best-in-class asset managers, provides portfolio solutions that are globally diversified and which can meet different risk, return and liquidity requirements of investors. The portfolio solutions cover a broad range asset classes which includes traditional as well as alternative investments.

ABK Wealth Management - DIFC delivers a broad suite of regulated and customized financial services, designed to address the diverse and evolving needs of group clients. By combining innovation with strict regulatory adherence, the firm aims to establish itself as a trusted partner in cross-border wealth management and advisory. Established to expand our global footprint, ABK Wealth Management enables clients to access international markets and unlock additional investment strategies. Through strategic partnerships with leading institutions, ABK Wealth Management offers secure wealth solutions and facilitates global diversification. ABK Wealth Management – DIFC is regulated by the Dubai Financial Services Authority (DFSA), under a category 3C license to manage assets, arranging deals in investments, advising on financial products, providing custody, and arranging custody.

Al Ahli Bank of Kuwait Egypt S.A.E.

In November 2015, the Group acquired ABK - Egypt as a subsidiary. ABK - Egypt, a mid-size bank operating in Egypt, was founded in 1978.

ABK - Egypt provides the Group with revenue and asset diversification and an opportunity to leverage economic links between Kuwait and Egypt (such as trade flows between the two countries, additional business from Egyptian expatriates working in Kuwait and Kuwaiti businesses with operations in Egypt).

ABK - Egypt provides services to its customers in corporate banking, retail banking, treasury and leasing (through a subsidiary). It operates through 47 branches, 121 ATMs, internet banking and a call center.

ABK - Egypt had a capital adequacy ratio of 21.89% as at 30 June 2026 and 20.75% as at 31 December 2025.

ABK - Egypt provides a wide range of financial services to its customer base of corporates, individuals and SMEs. It also has a treasury division that provides foreign exchange services, asset and liability management (to manage the overall liquidity and funding of ABK - Egypt), interest rate and foreign exchange, and handles the liquidity requirements of ABK - Egypt. This division also supervises the investment of ABK - Egypt's capital in accordance with established guidelines.

ABK - Egypt also has two subsidiaries, namely ABK Egypt Leasing Company and ABK Egypt Investment Company. ABK - Egypt Leasing Company provides finance leasing service to the customers and ABK Egypt Investment Company manages investment activities.

ABK Cayman Island Limited

In February 2022, the Bank obtained regulatory approval from the Central Bank of Kuwait to establish its ABK Cayman Island SPV entity. The SPV is used for department booking of repos and derivative transactions being used as hedging instruments, such as interest rate swaps. The ABK Cayman Island Limited registration was concluded in March 2022.

CAPITALIZATION AND BORROWINGS

The following table presents the Bank's capitalization* as at 30 June 2026, as well as pro-forma figures post the issuance of the Offering:

KD million	30 June 2026	Post Capital Issuance 30 June 2026 (Pro Forma)
EQUITY		
Share capital**	275	350
Share premium**	159	234
Treasury shares.....	(5)	(5)
Reserves.....	269	269
Equity attributable to shareholders of the Bank.	698	848
Perpetual Tier 1 capital notes.....	92	92
Non-controlling interests	2	2
Total Equity	791	941
LIABILITIES		
Due to banks and other financial institutions	1,196	1,196
Customers' deposits.....	4,335	4,335
Certificate of deposit	135	135
Other borrowed funds	637	637
Other liabilities.....	177	177
Total Liabilities	6,480	6,480
TOTAL LIABILITIES AND EQUITY	7,271	7,421

* Capitalization is a total of shareholders equity and liabilities

Affirmation of Paid-Up Capital

The Bank affirms that as at 30 June 2026, its issued and fully paid share capital amounted to KD 274,865,010.800 comprising of 2,748,650,108 ordinary shares with a nominal value of KD 0.100 per share.

PROFIT DISTRIBUTIONS BY THE BANK

The following table presents the profit distributions by the Bank since 2020:

Dividend Distribution

<i>For the year ended 31 December</i>	2020	2021	2022	2023	2024	2025
Date of approval	3 April 2021	16 April 2022	25 March 2023	30 March 2024	16 April 2025	28 March 2026
Cash dividend (in Fils)	Nil	5	8	9	10	10
Stock dividend (%)	5%	5%	5%	5%	5%	5%

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial Review".

Consolidated Statement of Financial Position

The table below shows the Group's statement of financial position data as at 30 June 2026, 31 December 2025, 30 June 2025, 31 December 2024, and 31 December 2023.

<i>in KD '000</i>	30 June 2026	31 December 2025	30 June 2025	31 December 2024	31 December 2023
ASSETS					
Cash and balances with banks	789,677	790,404	1,017,759	1,043,183	691,432
Kuwait Government treasury bonds	236,855	159,000	30,000	5,000	17,500
Central Bank of Kuwait bonds	-	16,772	77,625	81,453	163,712
Loans and advances	4,923,912	4,565,690	4,717,181	4,829,046	4,257,708
Investment securities	1,012,454	1,100,150	1,040,586	1,119,235	900,812
Investment in associate	35,611	35,482	33,788	33,434	31,228
Premises and equipment	113,287	111,987	109,468	107,519	107,065
Intangible assets	5,222	5,442	5,289	5,371	8,855
Other assets	154,030	140,180	154,476	149,272	110,933
Total assets	7,271,048	6,925,107	7,186,172	7,373,513	6,289,245
LIABILITIES AND EQUITY					
Liabilities					
Due to banks and other financial institutions	1,196,222	1,107,861	1,336,922	1,514,246	1,101,754
Customers' deposits	4,334,979	4,071,697	4,315,162	4,408,318	3,830,891
Certificates of deposit	134,907	151,387	-	-	-
Other borrowed funds	637,068	632,772	587,967	538,463	536,401
Other liabilities	176,584	186,807	217,663	191,565	199,347
Total liabilities	6,479,760	6,150,524	6,457,714	6,652,592	5,668,393
Equity					
Share capital	274,865	261,776	261,776	249,311	237,439
Share premium	158,897	158,897	158,897	158,897	158,897
Treasury shares	(5,135)	(5,135)	(5,135)	(5,135)	(5,135)
Reserves	268,935	265,624	219,837	224,968	228,351
Equity attributable to Shareholders of the Bank	697,562	681,162	635,375	628,041	619,552
Perpetual Tier 1 capital notes	91,560	91,560	91,560	91,560	-
Non-controlling interests	2,166	1,861	1,523	1,320	1,300
Total equity	791,288	774,583	728,458	720,921	620,852
Total liabilities and equity	7,271,048	6,925,107	7,186,172	7,373,513	6,289,245

Consolidated Income Statement

The table below shows the Group's consolidated income statement for the period ended 30 June 2026, 30 June 2025 and for the years of 2025, 2024, and 2023.

<i>in KD '000</i>	30 June 2026	31 December 2025	30 June 2025	31 December 2024	31 December 2023
Interest income	235,424	493,267	245,791	477,776	413,538
Interest expense	(149,252)	(333,765)	(170,633)	(333,596)	(276,146)
Net interest income	86,172	159,502	75,158	144,180	137,392
Net fees and commission income	19,691	37,982	21,288	37,104	34,861
Net foreign exchange gain	6,097	6,871	2,526	8,106	4,481
Net gain on investment securities	2,897	4,406	1,443	1,857	1,222
Dividend income	1,452	3,213	1,477	1,791	1,638
Share of results from an associate	1,729	3,648	1,954	3,646	3,053
Other operating income	1,178	5,847	4,980	4,066	2,376
Operating income	119,216	221,469	108,826	200,750	185,023
Staff expenses	(30,044)	(54,936)	(27,131)	(50,781)	(48,414)
Other operating expenses	(18,004)	(36,029)	(15,864)	(37,035)	(33,669)
Depreciation and amortization	(3,321)	(5,974)	(2,892)	(5,521)	(5,844)
Operating expenses	(51,369)	(96,939)	(45,887)	(93,337)	(87,927)
Operating profits before provisions and impairment	67,847	124,530	62,939	107,413	97,096
Provision/impairment losses	(20,756)	(46,297)	(25,221)	(42,661)	(39,509)
Operating Profits (loss) before taxation and Director's fee	47,091	78,233	37,718	64,752	57,587
Taxation	(9,805)	(14,273)	(5,804)	(11,205)	(11,275)
Directors' fee	-	(990)	-	(810)	(865)
Net profit for the period	37,286	62,970	31,914	52,737	45,447
Attributable to:					
Shareholders of the Bank	37,091	62,591	31,732	52,414	45,185
Non-controlling interests	195	379	182	323	262
	37,286	62,970	31,914	52,737	45,447
Basic and diluted earnings (loss) per share attributable to the shareholders of the Bank	12 fils	22 fils	11 fils	20 fils	18 fils

Consolidated Statement of Cash Flows

The table below summarizes the Group's consolidated statement of cash flows for the consolidated statement of cash flows for the period ended 30 June 2026, 30 June 2025, and the for the years ended 2025, 2024, and 2023.

	30 June 2026	31 December 2025	30 June 2025	31 December 2024	31 December 2023
	<i>(in KD thousands)</i>				
Net cash flows from operating activities	(126,587)	(342,514)	(101,820)	608,820	(434,057)
Net cash flows (used in)/from investing activities	99,546	56,607	92,854	(298,873)	(155,425)
Net cash flows (used in)/from financing activities	(29,001)	67,877	26,169	69,751	220,745
Foreign currency translation difference	2,126	(431)	(4,292)	(74,564)	(33,216)
Net increase (decrease) in cash and cash equivalent	(53,916)	(218,461)	12,911	305,134	(401,953)
Cash and cash equivalents at 1 January	669,594	888,055	888,055	582,921	984,874
Cash and cash equivalents at 30 June / 31 December	615,678	669,594	900,966	888,055	582,921

Selected Financial Ratios

The table below shows selected consolidated ratios for the Group for the period ended 30 June in each of 2026 and 2025 and for the years ended in 31 December 2025, 2024, 2023.

	As at/For the period ended				
	30 June 2026	31 December 2025	30 June 2025	31 December 2024	31 December 2023
	<i>(in per cent.)</i>				
Performance measures					
Return on average assets ⁽¹⁾	0.97	0.79	0.80	0.77	0.61
Return on average equity ⁽²⁾	10.0	8.6	9.2	8.4	6.8
Cost to income ratio ⁽³⁾	43.1	43.8	42.2	46.5	47.5
Financial ratios					
Net interest margin ⁽⁴⁾	2.54	2.35	2.2	2.25	2.2
Net profit margin ⁽⁵⁾	31.11	28.26	29.16	26.11	24.42
Asset quality					
Non-performing loans ratio ⁽⁶⁾	1.25	1.29	1.35	1.23	1.33
Loan loss coverage ratio ⁽⁷⁾	340	366	447	460	445
Liquidity coverage ratio ⁽⁸⁾	247	269	230	288	225
Loans to deposits ratio ⁽⁹⁾	82.3	79.9	79.8	82.1	81.7
Other ratios					
CET 1 capital adequacy ratio ⁽¹⁰⁾	12.60	13.37	11.94	11.93	13.29
Tier 1 capital adequacy ratio ⁽¹⁰⁾	14.36	15.25	13.76	13.74	13.29
Total capital adequacy ratio ⁽¹⁰⁾	18.03	19.11	16.96	16.94	16.74
Leverage ratio ⁽¹¹⁾	9.4	9.5	8.5	8.3	8.2

Notes:

- (1) Calculated as profit for the year attributable to shareholders of the Bank net of dividend paid on perpetual tier 1 capital notes divided by average total assets for the year, with average total assets calculated as the sum of the opening and closing assets divided by two.
- (2) Calculated as profit for the year attributable to shareholders of the Bank net of dividend paid on perpetual tier 1 capital notes divided by average equity attributable to shareholders of the Bank for the year, with average equity attributable to shareholders of the Bank calculated as the sum of the opening and closing equity divided by two.
- (3) Calculated as operating expenses for the year divided by operating income for the year.
- (4) Calculated as net interest income divided by average interest earning assets (cash and balances with banks, Kuwait government treasury bonds, Central Bank of Kuwait bonds, loans and advances, and debt securities).
- (5) Calculated as net profit for the year attributable to shareholders divided by operating income for the year.
- (6) Calculated as cash non-performing loans (NPLs) divided by gross loans.
- (7) Calculated as loan loss provisions divided by NPLs.
- (8) Financial measure calculated as stipulated in CBK Circular number 2/BS/345/2014.
- (9) Financial measure calculated as stipulated in CBK Circular number 2/BS,IBS/365/2016.
- (10) Financial measure calculated in accordance with Basel III regulations issued by the CBK via circular 2/RB, RBA/336/2014 dated 24 June 2014.
- (11) Financial measure calculated in accordance with CBK Circular number 2/BS/342/2014 dated 21 October 2014.

FINANCIAL REVIEW

Segmental Analysis

The table below shows certain income statement and statement of financial position line items of the Group's reporting segments for the six-month period ended as at 30 June, based on its three-reporting segment structure.

<i>in KD '000</i>	Commercial banking	Retail and private banking	Treasury and Investments	Total
2026				
Net interest income	35,767	31,950	18,455	86,172
Operating income	52,001	40,009	27,206	119,216
Segment results	28,454	19,623	20,497	68,574
Unallocated expense				(21,483)
Profit for the period before taxation				47,091
Segment assets	4,145,142	946,565	2,025,708	7,117,415
Unallocated assets				153,633
Total assets				7,271,048
Segment liabilities	1,330,419	2,314,044	2,749,243	6,393,706
Unallocated liabilities				86,504
Total liabilities				6,479,760
2025				
Net interest income	34,673	30,180	10,305	75,158
Operating income	55,860	39,901	13,065	108,826
Segment results	27,958	18,278	8,868	55,104
Unallocated expense				(17,386)
Profit for the period before taxation				37,718
Segment assets	3,945,375	928,366	2,160,885	7,034,626
Unallocated assets				151,546
Total assets				7,186,172
Segment liabilities	1,266,443	2,588,334	2,517,349	6,372,126
Unallocated liabilities				85,588
Total liabilities				6,457,714

Corporate Banking

Corporate Banking accounted for 43.6% of operating income in H1 2026, compared to 51.3% in H1 2025. Operating income in the segment was KD 52.0 million, compared to KD 55.9 million, a decrease of KD 3.9 million, or 6.9%.

Retail and private banking

Retail and private banking accounted for 33.6% of operating income in H1 2026, compared to 36.7% in H1 2025. Operating income in the segment was KD 40.0 million, compared to KD 39.9 million, an increase of KD 0.1 million, or 0.3%.

Treasury and Investments

Treasury and investments accounted for 22.8% of operating income in H1 2026, compared to 12.0% in H1 2025. Operating income in the segment was KD 27.2 million, compared to KD 13.1 million, an increase of KD 14.1 million, or 108.2%.

Liquidity and Funding

Overview

The Group's liquidity needs arise primarily from making loans and advances to customers, the payment of expenses and investments in securities. To date, the Group's liquidity needs have been funded principally through deposits, operating cash flow, including interest income received on its customer loan portfolio and its portfolio of debt investment securities.

The table below shows the Group's cash flow from operating activities, investing activities and financing activities for the period ended 30 June 2026.

Liquidity

<i>in KD '000</i>	Six Month ended 30 June	
	2026	2025
Net cash flows (used in)/from operating activities	(126,587)	(101,820)
Net cash flows (used in)/from investing activities	99,546	92,854
Net cash flows (used in)/from financing activities	(29,001)	26,169
Foreign currency translation difference.....	2,126	(4,292)
Net (decrease)/increase in cash and cash equivalents	(53,916)	12,911
Cash and cash equivalents at 1 January	669,594	888,055
Cash and cash equivalents at 30 June	615,678	900,966

Operating activities

The Group's net cash flows used in operating activities for the six months ended 30 June 2026 was KD 126.6 million compared to net cash flows used in operating activities of KD 101.8 for the corresponding period in 2025.

Investing activities

The Group's net cash flows from investing activities for the six months ended 30 June 2026 was KD 99.5 million compared to KD 92.9 million in for the corresponding period in 2025.

Financing activities

The Group's net cash flows used in financing activities for the period ended 30 June 2026 was KD 29 million compared to net cash flows from financing activities of KD 26.2 million for the corresponding period in 2025.

Funding

The Group's principal sources of funding are its customer deposits and, to a lesser extent, interbank deposits and medium term notes issued by it.

The Group also has access to a pool of unencumbered and liquid securities in the form of treasury bills and bonds and CBK bonds, as well as quoted available for sale debt and equity securities that it can access to meet liquidity needs, in addition to its cash balances and placements with central banks and other financial institutions.

The Group's liquid assets are defined as cash and balances with banks, Kuwaiti government treasury bonds, and CBK bonds. As at 30 June 2026, the Group's liquid assets amounted KD 1,026.5 million, or 14.1% of its total assets, compared to KD 1,125.4 million or 15.7% of its total assets as at 30 June 2025. As at 30 June 2026, the Group's customer deposits amounted to KD 4,335.0 million, or 66.9% of its total liabilities, compared to KD 4,315.2 million or 66.8% of its total liabilities, as at 30 June 2025.

The table below shows the Groups funding in the form of customer deposits, amounts due to banks and other financial institutions, certificate of deposits, other borrowed funds, and certain other liabilities for the period ended 30 June 2026.

<i>in KD '000</i>	Six Month ended June 30	
	2026	2025
Due to banks and other financial institutions	1,196,222	1,336,922
Customers' deposits	4,334,979	4,315,162
Certificate of Deposit	134,907	-
Other borrowed funds	637,068	587,967
Other liabilities	176,584	217,663
Total liabilities	6,479,760	6,457,714

The Group's customer deposits comprise current and demand accounts, savings accounts and time deposits. The Group's current and demand accounts are mostly non-interest bearing and the amount may be withdrawn from these accounts at any time without notice. The Group's savings accounts are interest bearing accounts and amounts may also be withdrawn from these accounts at any time without notice.

The Group believes that its current, demand and savings accounts are diversified and sticky in nature, and constitute a stable and secure source of low cost funding. The Group's current, demand and savings accounts form a significant proportion of its total customer deposits.

The Group accepts time deposits for a range of periods up to ten years.

Maturity profile

The table below shows the maturity profile of the Group's total financial liabilities as at 31 December 2025 and 31 December 2024 based on contractual undiscounted repayment obligations.

<i>in KD '000</i>	Less than one month	One month to one year	Over one year	Total
31 December 2025				
Liabilities:				
Due to banks and other financial institutions	259,391	371,814	624,931	1,256,136
Customers' deposits	1,004,775	1,519,080	1,685,718	4,209,573
Certificate of Deposits	61,080	91,620	-	152,700
Other Borrowed Funds	4,726	26,698	719,306	750,730
Other liabilities	-	77,417	16,367	93,784
Total liabilities	1,329,972	2,086,629	3,046,322	6,462,923
31 December 2024				
Liabilities:				
Due to banks and other financial institutions	331,765	446,633	809,307	1,587,705
Customers' deposits	1,215,228	1,856,434	1,504,457	4,576,119
Certificate of Deposits	-	-	-	-
Other Borrowed Funds	1,095	282,875	331,178	615,148
Other liabilities	-	76,054	15,686	92,190
Total liabilities	1,548,088	2,662,446	2,660,628	6,871,162

As at 31 December 2025, a significant proportion of the Group's funding disclosed in the table above is short term in nature, with 20.6% of such funding being repayable within one month (compared to 22.5%). On 31 December 2025 and a further 32.3% being repayable within one year (compared to 38.7%). The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business or results of operations. The issue of the Offering is intended to help the Group diversify its sources of funding and to extend the average maturity of its funding base.

Given the state-run and oil-driven nature of the domestic economy, the Group's deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely cash-rich Kuwaiti government and government-related entities. Significant time deposits from large customers are, with the customers' agreement, divided into smaller deposits with varying maturities, thereby partly mitigating the risks associated with single party deposit concentration.

Equity funding

For a discussion of the Group's share capital and reserves for the period ended 30 June 2026, see Note 7 of the 30 June 2026 interim Financial Statements.

Lending

Total loan portfolio

As at 31 December 2025, the Group's total loan portfolio was KD 4.6 billion, compared to KD 4.8 billion for as at 31 December 2024. The table below shows the breakdown of the Group's total loan portfolio (net of provisions) as at 31 December in each of 2025 and 2024.

<i>in KD '000</i>	2025	2024
Corporate and banks	3,694,599	4,020,150
Retail	871,091	808,896
Total loans	4,565,690	4,829,046

The Group's customer loan portfolio is principally denominated in Kuwaiti dinar, although loans are also made in U.S. dollars, Egyptian pounds and euro, among other currencies. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms. In addition, the Group hedges a part of its currency exposure through the use of derivative contracts, such as forward foreign exchange contracts.

The majority of the loans within the Group's customer loan portfolio in Kuwait contain terms permitting it to adjust the interest rate payable by the customer upon any change in the CBK discount rate or the relevant interbank benchmark. The Group believes that there is only limited structural exposure to interest rate movements as the majority of its assets and liabilities re-price within one year. However, the Group's experience is that, whilst its assets generally re-price immediately upon a change in the CBK discount rate, there is typically a time lag on deposit re-pricing which means that in the past its net interest margin has improved in increasing interest rate environments.

The Group may also, from time to time, enter forward contracts to manage its interest rate exposure.

Distribution of loans by maturity

The table below shows the distribution of the Group's total loan portfolio by maturity (based on the remaining term at the date of the relevant consolidated statement of financial position) as at 31 December 2025 and 31 December 2024.

<i>in KD '000</i>	Less than one month	One month to one year	One year to five years	Over five years	Total
31 December 2025					
Loans and advances	470,237	1,608,968	1,554,330	932,155	4,565,690
31 December 2024					
Loans and advances	633,211	1,552,995	1,638,360	1,004,480	4,829,046

Gross maximum exposure to credit risk

The table below shows the Group's credit risk exposure, after provisions, by credit quality of financial assets by class, grade and status as at 31 December 2025:

<i>in KD '000</i>	Neither past due nor impaired			Past due including individually impaired	Total
	High grade	Standard grade	Acceptable grade		
31 December 2025					
Balances with banks	708,141	53,780	-	-	761,921
Kuwait Government treasury bonds	159,000	-	-	-	159,000
Central Bank of Kuwait bonds	16,772	-	-	-	16,772
<i>Loans and advances</i>					
- Corporate	3,153,803	440,430	32,620	67,746	3,694,599
- Retail	713,919	98,042	352	58,778	871,091
Debt securities	1,032,416	2,800	-	-	1,035,216
Other assets	71,133	4,215	234	-	75,852
Total	5,855,184	599,267	33,206	126,524	6,614,181

As at 31 December 2025, the Group's maximum exposure to credit risk was KD 6,614.2 million, of which its loan portfolio comprised 69%, and its debt securities (including Kuwait government treasury bonds and CBK bonds) comprised 18.3%. As at 31 December 2025, 88.5% of the Group's maximum exposure to credit risk was considered to be high grade, 9.1% was considered to be standard grade, 0.5% was considered to be acceptable grade and 1.9% was past due.

The table below shows the Group's credit risk exposure, after provisions, by credit quality of financial assets by class, grade and status as at 31 December 2024:

<i>in KD '000</i>	Neither past due nor impaired			Past due including individually impaired	Total
	High grade	Standard grade	Acceptable grade		
31 December 2024					
Balances with banks	879,555	123,253	-	-	1,002,808
Kuwait Government treasury bonds	5,000	-	-	-	5,000
Central Bank of Kuwait bonds...	81,453	-	-	-	81,453
<i>Loans and advances</i>					
- Corporate	3,384,750	517,748	73,902	43,750	4,020,150
- Retail	684,343	81,683	1,205	41,665	808,896
Debt securities	1,063,907	4,550	-	-	1,068,457
Other assets	70,781	5,326	550	-	76,657
Total	6,169,789	732,560	75,657	85,415	7,063,421

As at 31 December 2024, the Group's maximum exposure to credit risk was KD 7,063.4 million, of which its loan portfolio comprised 68.4% and its debt securities (including Kuwait government treasury bonds and Central Bank of Kuwait bonds) comprised 16.4%. As at 31 December 2024, 87.3% of the Group's maximum exposure to credit risk was considered to be high grade, 10.4% was considered to be standard grade, 1.1% was considered to be acceptable grade and 1.2% was past due.

The table below shows the Group's credit risk exposure by credit quality of financial assets by class, grade and status as at 31 December 2023:

<i>in KD '000</i>	Neither past due nor impaired			Past due including individually impaired	Total
	High grade	Standard grade	Acceptable grade		
31 December 2023					
Balances with banks	625,759	24,237	-	-	649,996
Kuwait Government treasury bonds	17,500	-	-	-	17,500
Central Bank of Kuwait bonds...	163,712	-	-	-	163,712
<i>Loans and advances</i>					
- Corporate and banks	2,889,027	492,958	78,675	49,632	3,510,292
- Retail	614,356	93,338	53	39,669	747,416
Debt securities	856,366	4,550	-	-	860,916
Other assets	60,423	4,694	601	-	65,718
Total	5,227,143	619,777	79,329	89,301	6,015,550

As at 31 December 2023, the Group's maximum exposure to credit risk was KD 6,015.6 million, of which its loan portfolio comprised 70.8%, and its debt securities (including Kuwait government treasury bonds and CBK bonds) comprised 17.3%. As at 31 December 2023, 86.9% of the Group's maximum exposure to credit risk was considered to be high grade, 10.3% was considered to be standard grade, 1.3% was considered to be acceptable grade and 1.5% was past due.

Distribution of the Group's credit Risk exposure by geography and by sector

The Group does not disclose the geographical or sectoral split of its loan portfolio in the Financial Statements, although it does disclose the geographical and sectoral split of its credit risk exposure in the Financial Statements. The table below shows the breakdown by geography and by industry sector of the credit risk exposure, after provisions, as at **31 December 2025, 2024, and 2023:**

<i>in KD '000</i>	2025		2024		2023	
	Assets	Credit related contingent liabilities	Assets	Credit related contingent liabilities	Assets	Credit related contingent liabilities
Geographic region:						
Middle East and North Africa (MENA)	5,823,032	927,070	5,970,247	912,055	5,443,955	802,721
Europe	351,319	62,832	523,067	52,337	198,970	43,995
Asia Pacific	110,606	137,619	161,485	211,266	84,268	247,094
North America	157,668	15,299	259,210	14,888	-	-
Rest of the world	171,556	153	149,412	15,468	288,357	14,581
Total	6,614,181	1,142,973	7,063,421	1,206,014	6,015,550	1,108,391
Industry sector:						
Trading and manufacturing	463,690	274,261	614,129	256,351	679,239	304,435
Banks and other financial institutions	1,162,728	224,191	1,443,725	216,175	856,008	185,245
Construction and real estate ...	1,003,352	409,965	1,069,662	394,671	813,405	365,630
Government and related entities	1,577,208	105	1,610,269	109	1,478,259	141
Personal	1,214,141	3,953	1,139,875	2,898	1,091,139	2,218
Crude Oil & Gases	548,082	31,647	554,993	117,698	443,091	35,101
Transport and Public Utilities	266,405	35,438	228,788	37,290	-	-
Others	378,575	163,413	401,980	180,822	654,409	215,621
Total	6,614,181	1,142,973	7,063,421	1,206,014	6,015,550	1,108,391

The Group seeks to limit its credit risk through diversification of its assets by geography and industry sector. The Group's largest sector of credit exposure is the government and related entities segment, which accounted for 23.8% of the Group's gross maximum credit exposure as at 31 December 2025 compared to 22.8% as at 31 December 2024. The Group considers that this segment comprises a relatively low risk component of its loan portfolio, reflecting both the sovereign nature of the exposure and the fact that it is geographically limited to the GCC.

As at 31 December 2025, the Group's second largest sector of credit exposure is to personal banking customers, accounting for 18.4% of its total gross maximum credit exposure compared to 16.1% as at 31 December 2024. These exposures mainly comprise a range of products and services to individuals, including consumer instalment and auto loans, credit cards and other branch-related services.

The Group's third largest sector of credit exposure is the banks and other financial institutions segment, which accounted for 17.6% of the Group's gross maximum credit exposure as at 31 December 2025 compared to 20.4% as at 31 December 2024. As per CBK regulations, the real estate segment includes not only credit facilities granted to companies engaged in real estate business but also to borrowers where the purpose of the specific facility concerned is to finance real estate development and acquisition. The Group's exposure to this sector is primarily in Kuwait.

Kuwait Bond Portfolio and Investment Securities Portfolio

The Group's Kuwait bond portfolio and investment securities portfolio is comprised of fixed rate treasury bills and bonds (with maturities ranging from short-term to in excess of five years) issued by the CBK on behalf of the Kuwaiti Ministry of Finance, fixed rate bonds issued by the CBK (with maturities of less than one year) and a portfolio of debt and equity investment securities, which are principally held on an available for sale basis. Please refer to Note 2.19 of the Consolidated Financial Statements for 31 December 2025 for description of valuation techniques used to determine the fair value of the relevant investments.

Additionally, the Group holds similar securities in other jurisdictions in which it operates. The Group invests in these securities both to generate returns and to provide an additional source of liquidity when needed.

The table below summarizes the Group's combined investment securities portfolio as at 30 June 2026 and 30 June 2025:

<i>in KD '000</i>	30 June 2026	30 June 2025	2025	2024	2023
Classified as at:					
Fair value through other comprehensive income (FVOCI)	733,065	740,212	781,346	800,108	521,435
Amortized cost (AC)	254,518	282,473	297,556	305,739	372,522
Fair value through profit or loss (FVTPL)	24,871	17,901	21,248	13,388	6,855
At 30 June	1,012,454	1,040,586	1,100,150	1,119,235	900,812

<i>in KD '000</i>	FVTPL					FVOCI				
	Jun 2026	Jun 2025	2025	2024	2023	Jun 2026	Jun 2025	2025	2024	2023
Level 1:										
Equity	-	-	-	-	-	36,085	11,472	19,679	11,058	5,964
Debt securities										
- Government	-	-	-	-	-	371,658	407,687	396,615	443,393	202,963
- Non-Government	-	-	-	-	-	84,710	243,892	138,121	285,160	123,943
Level 2:										
Debt securities										
- Government	14	-	-	-	13	192,899	38,899	188,384	16,478	142,379
- Non-Government	-	-	-	-	-	3,050	2,350	3,050	2,350	14,350
Managed funds	22,238	15,525	18,631	11,105	6,842	-	-	-	-	-
Level 3:										
Debt securities										
- Non-Government	2,619	2,376	2,617	2,283	-	9,916	10,751	8,873	13,054	4,746
Equity	-	-	-	-	-	34,747	25,161	26,624	28,615	27,090
Total	24,871	17,901	21,248	13,388	6,855	733,065	740,212	781,346	800,108	521,435

The Group's investment policy (prepared in line with CBK regulations) requires all investments in debt securities to have an investment grade rating, except for some sovereign securities including the ones denominated and funded in local currencies in countries where the Group has an operating presence.

Capital Adequacy

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group's management and are also governed by guidelines of the Basel Committee on Banking Supervision (the "Basel Committee") as adopted by the CBK.

In June 2014, the CBK issued directives on the adoption of capital adequacy standards under the Basel III framework applicable to licensed banks in Kuwait, effectively replacing and superseding the earlier Basel II requirements. The Basel III reforms strengthen the quality of capital and introduce several buffer requirements in line with proposals made by the Basel Committee. The CBK Basel III framework consists of three Pillars:

- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the "Standardized Approach",
- Pillar 2 relates to the supervisory review process and emphasizes the importance of the Internal capital Adequacy Assessment Process ("ICAAP") performed by banks; and
- Pillar 3 aims to complement the above capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

The Basel III framework raised both the quality and quantity of the capital base and increased capital requirements for certain positions. The minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a counter-cyclical capital buffer and an additional surcharge for banks designated as domestic systemically important.

A key objective for the Group is to maximize shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements. The Group aims to ensure adherence to the CBK's requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times. This process is supported by the use of proprietary capital-planning methodology which takes into consideration regulatory capital requirements, rating agency views, stress testing and bottom-up views of business plans.

The Bank's total capital adequacy ratio as at 30 June 2026 was 18.03% vs 16.96% as at 30 June 2025. The Group has adopted these guidelines in its capital adequacy assessment and management of all material risks covered under Pillar I and Pillar II. The table below shows the composition of the Group's regulatory capital and its capital ratios as at **30 June 2026 and 2025, and for the years ended 31 December 2025, 2024, and 2023** (determined in accordance with Basel III as implemented in Kuwait):

<i>in KD '000, except percentages</i>	30 June 2026	30 June 2025	2025	2024	2023
Risk-weighted exposure	5,220,959	5,032,418	4,879,060	5,032,500	4,483,592
Capital required	704,830	679,377	658,673	679,387	605,286
Capital available					
Tier 1 capital	749,483	692,378	743,834	691,704	596,033
Common equity Tier 1	657,923	600,818	652,274	600,144	596,033
Additional Tier 1	91,560	91,560	91,560	91,560	-
Tier 2 capital	192,077	160,889	188,530	161,014	154,446
Total Capital	941,560	853,266	932,364	852,718	750,479
Common equity tier 1 capital adequacy ratio	12.60%	11.94%	13.37%	11.93%	13.29%
Tier 1 capital adequacy ratio	14.36%	13.76%	15.25%	13.74%	13.29%
Total capital adequacy ratio	18.03%	16.96%	19.11%	16.94%	16.74%

The Bank is also subject to a CBK Basel III leverage ratio requirement of 3.0% The Bank's leverage ratio was 9.5% as at 31 December 2025, compared to 8.3% as at 31 December 2024 and 8.2% as at 31 December 2023.

Commitments and Contingent Liabilities

The Group has contingent liabilities in respect of funding commitments it has made, as well as in relation to acceptances, letters of credit and guarantees issued by it. The table below shows these contingent liabilities as at 30 June in each of 2026 and 2025.

<i>in KD '000</i>	2026	2025
Acceptances	144,398	81,931
Letters of credit	166,047	295,504
Guarantees	990,891	912,939
Total	1,301,336	1,290,374

Related Party Transactions

The Group's principal related party transactions are with its directors and executive officers, their close family members and companies controlled by them or their close family members as well as with associates of the Group. IFRS requires the disclosure of shareholder related parties only in cases where those related parties exercise significant influence. Certain related parties are customers of the Group in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve an amount of risk that is higher than the amount of risk taken in comparable transactions with unrelated parties. Lending to directors and their related parties is secured by tangible collateral in accordance with CBK regulations.

The Group adheres to CBK guidelines on lending to related parties. Credit facilities to members of the Bank's Board of Directors can only be approved under conditions specified by the CBK which include the following:

- All facilities to board members must be approved, renewed or modified only at the Board level and this authority cannot be delegated to a committee of other body;
- The approval, renewal or modification of board members' facilities can only be considered approved when at least three-quarters of the board members have approved the same; and
- The Group must acquire adequate collateral.

Further credit extensions to related parties are also subject to adherence to the overall CBK limits which include that the total related party exposures should not exceed 50.0% of a bank's capital.

The balances included in the consolidated financial statements for the year ended 31 December in each of 2025 and 2024 are as follows:

	Number of directors		Number of other related parties		Amount	
	2025	2024	2025	2024	2025	2024
<i>in KD '000</i>						
Directors:						
Loans and advances	4	3	4	6	11,245	12,429
Customers' deposits	6	6	18	20	33,931	49,959
Portfolio managed by Group	3	3	1	-	11,422	1,062
Commitments and contingent liabilities	-	-	5	5	10,994	9,537
Directors' remuneration	-	-	-	-	1,253	1,039

	Number of key management		Number of other related parties		Amount	
	2025	2024	2025	2024	2025	2024
<i>in KD '000</i>						
Key management:						
Loans and advances	19	18	4	2	674	567
Customers' deposits	27	24	16	10	4,145	3,657
Associate						
Customers' deposits	1	1	1	1	212	245
Commitments and Contingent Liabilities	1	-	-	-	12	-

FINANCIAL REVIEW

The following discussion of the Group's results of operations and financial condition should be read in conjunction with "Selected Financial Information" and the interim condensed consolidated financial information for the six months ended 30 June 2026.

The discussion of the Group's financial condition and results of operations is based upon the interim condensed consolidated financial information, which has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", except for the application of the regulations for financial services institutions issued by the Central Bank of Kuwait ("CBK"). Under those regulations, expected credit loss ("ECL") on credit facilities is measured at the higher of ECL computed under IFRS 9 in accordance with CBK guidelines or the provisions required by CBK instructions.

This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed elsewhere in the relevant offering documentation, particularly under the heading "Risk Factors".

Overview

The Group provides a wide range of corporate, retail and treasury services across Kuwait, the United Arab Emirates and Egypt. As at 30 June 2026, the Group operated 76 branches: 26 branches in Kuwait, two onshore branches in the UAE, one offshore banking branch in the Dubai International Financial Centre and 47 branches in Egypt. As at 30 June 2026, the Group's total assets were KD 7,271.0 million and equity attributable to shareholders of the Bank was KD 697.6 million.

The Group's core businesses are commercial banking and retail and private banking, which generate net interest income and net fee and commission income. The Group also undertakes treasury and investment activities, including money market, foreign exchange, derivatives, fixed-income and proprietary investment activities, and provides wealth and asset management services.

The Group is organised into segments that engage in business activities which earn revenue and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For segment reporting, management groups the operations into the following operating segments:

- **"Corporate banking"** - comprising a full range of credit facilities, deposit and related banking services provided to corporate and institutional customers;
- **"Retail and private banking"** - comprising a full range of products and services to customers, including loans, credit cards, and wealth and asset management; and
- **"Treasury and Investments"** - comprising treasury services provided to customers and balance sheet management activities, including money market, derivatives, proprietary investment activities, asset management and the residual impact of inter-segment fund transfer pricing.

As at 30 June 2026, the Group's net customer loan portfolio was KD 4,923.9 million, compared to KD 4,717.2 million as at 30 June 2025. Customer deposits were KD 4,335.0 million as at 30 June 2026, compared to KD 4,315.2 million as at 30 June 2025.

For the six months ended 30 June 2026, net profit attributable to shareholders of the Bank was KD 37.1 million, compared to KD 31.7 million for the corresponding period in 2025.

As at 30 June 2026, the Group's total and Tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by the CBK, were 18.03 per cent. and 14.36 per cent respectively, compared to 16.96 per cent. and 13.76 per cent. as at 30 June 2025. The liquidity coverage ratio was 247 per cent. and the net stable funding ratio was 120 per cent., compared to 230 per cent. and 108 per cent., respectively, as at 30 June 2025.

Principal Factors Affecting Results of Operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

Economic conditions

The Group is a regional bank focused on lending to, and accepting deposits from, institutions, companies and residents in Kuwait, the UAE and Egypt. Its revenues and results are therefore affected primarily by economic and market conditions in Kuwait and, to a lesser extent, by conditions in other MENA markets in which it operates.

Kuwait's population stood at approximately 5.2 million as of December 2025, while inflation was 2.49 per cent. in May 2026 and the Central Bank of Kuwait's benchmark interest rate was 3.5 per cent. The IMF estimated Kuwait's GDP per capita for 2026 at approximately U.S.\$33.2 thousand and projected a fiscal breakeven oil price of U.S.\$76.7 per barrel. Meanwhile, the OPEC basket oil price averaged approximately U.S.\$76.9 per barrel in June 2026. In addition to economic conditions in the region, the Group remains exposed to external changes, including global financial market volatility, which may create funding, market and credit risks for banks and other financial institutions.

Factors affecting net interest income

Net interest income remained the largest contributor to operating income, comprising 72 per cent. of operating income for the six months ended 30 June 2026, compared to 69 per cent. for the corresponding period in 2025.

The Group's net interest income is primarily determined by the volume of interest-earning assets relative to interest-bearing liabilities and the differential between rates earned and rates paid. Interest-earning assets principally consist of the customer loan portfolio, balances and deposits with banks, government and central bank bonds and investment securities. Interest-bearing liabilities principally comprise customer deposits, amounts due to banks and other financial institutions, certificates of deposit and other borrowed funds.

Provisions/Impairment losses

For the six months ended 30 June 2026, the Group recognised provisions and impairment losses of KD 20.8 million, compared to KD 25.2 million for the corresponding period in 2025, a decrease of KD 4.5 million, or 17.7 per cent.

Significant Accounting Policies

The interim condensed consolidated financial information has been prepared in accordance with IAS 34, except for the application of the regulations for financial services institutions issued by the CBK. The accounting policies applied are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2025, except for new standards and amendments effective from 1 January 2026.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The significant judgements and key sources of estimation uncertainty were the same as those described in the latest annual financial statements.

Recent Developments

On 29 July 2026, the independent auditors issued their review report on the Group's interim condensed consolidated financial information for the six months ended 30 June 2026. The following summary should be read in conjunction with that interim financial information. Interim results are not necessarily indicative of results for the full year.

Net interest income

The Group's net interest income for the six months ended 30 June 2026 amounted to KD 86.2 million, compared to KD 75.2 million for the corresponding period in 2025, an increase of KD 11.0 million, or 14.7 per cent. The increase reflected a KD 21.4 million reduction in interest expense, which more than offset the KD 10.4 million decrease in interest income.

In segment terms, net interest income in corporate banking increased by KD 1.1 million, or 3.2 per cent.; retail and private banking increased by KD 1.8 million, or 5.9 per cent.; and treasury and investments increased by KD 8.2 million, or 79.1 per cent., compared to the corresponding period in 2025.

Net fees and commission income

Net fees and commission income for the six months ended 30 June 2026 amounted to KD 19.7 million, compared to KD 21.3 million for the corresponding period in 2025, a decrease of KD 1.6 million, or 7.5 per cent.

Other sources of operating income

Other sources of operating income, comprising net foreign exchange gain, net gain on investment securities, dividend income, share of results from an associate and other operating income, amounted to KD 13.4 million for the six months ended 30 June 2026, compared to KD 12.4 million for the corresponding period in 2025, an increase of KD 1.0 million, or 7.9 per cent.

Operating income

Reflecting the above factors, operating income for the six months ended 30 June 2026 was KD 119.2 million, compared to KD 108.8 million for the corresponding period in 2025, an increase of KD 10.4 million, or 9.5 per cent.

Corporate banking accounted for 43.6 per cent. of operating income in H1 2026, compared to 51.3 per cent. in H1 2025. Operating income in the segment was KD 52.0 million, compared to KD 55.9 million, a decrease of KD 3.9 million, or 6.9 per cent.

Retail and private banking accounted for 33.6 per cent. of operating income in H1 2026, compared to 36.7 per cent. in H1 2025. Operating income in the segment was KD 40.0 million, compared to KD 39.9 million, an increase of KD 0.1 million, or 0.3 per cent.

Treasury and investments accounted for 22.8 per cent. of operating income in H1 2026, compared to 12.0 per cent. in H1 2025. Operating income in the segment was KD 27.2 million, compared to KD 13.1 million, an increase of KD 14.1 million, or 108.2 per cent.

Operating expenses

Total operating expenses amounted to KD 51.4 million for the six months ended 30 June 2026, compared to KD 45.9 million for the corresponding period in 2025, an increase of KD 5.5 million, or 11.9 per cent. The cost-to-income ratio was 43.1 per cent., compared to 42.2 per cent. in H1 2025.

Net profit for the six months ended 30 June 2026 and 30 June 2025

Reflecting the above factors and taxation charges of KD 9.8 million in H1 2026 and KD 5.8 million in H1 2025, net profit attributable to shareholders of the Bank was KD 37.1 million, compared to KD 31.7 million, an increase of KD 5.4 million, or 16.9 per cent.

Liquidity

Cash and balances with banks decreased from KD 1,017.8 million as at 30 June 2025 to KD 789.7 million as at 30 June 2026. Cash and cash equivalents were KD 615.7 million as at 30 June 2026, compared to KD 901.0 million as at 30 June 2025. The movements in the Group's major cash flow categories are summarised below.

Operating activities

Net cash flows used in operating activities were KD 126.6 million for the six months ended 30 June 2026, compared to KD 101.8 million used in the corresponding period in 2025. The movement principally reflected growth in loans and advances, partly offset by growth in customer deposits and amounts due to banks and other financial institutions.

Investing activities

Net cash flows from investing activities were KD 99.5 million for the six months ended 30 June 2026, compared to KD 92.9 million for the corresponding period in 2025.

Financing activities

Net cash flows used in financing activities were KD 29.0 million for the six months ended 30 June 2026, compared to net cash flows from financing activities of KD 26.2 million for the corresponding period in 2025.

Results of Operations in H1 2026 and H1 2025

Net interest income

Net interest income for the six months ended 30 June 2026 amounted to KD 86.2 million, compared to KD 75.2 million for the corresponding period in 2025. Net interest income increased by KD 11.0 million, or 14.7 per cent., as the reduction in funding costs exceeded the reduction in interest income.

in KD '000	H1 2026	H1 2025
Interest income	235,424	245,791
Interest expense	(149,252)	(170,633)
Net interest income	86,172	75,158

Interest income

Total interest income for the six months ended 30 June 2026 amounted to KD 235.4 million, compared to KD 245.8 million for the corresponding period in 2025. This represents a decrease of KD 10.4 million, or 4.2 per cent.

Interest expense

Total interest expense for the six months ended 30 June 2026 amounted to KD 149.3 million, compared to KD 170.6 million for the corresponding period in 2025. This represents a decrease of KD 21.4 million, or 12.5 per cent.

Net fees and commission income

The Group earns fees and commissions on customer loans and other credit facilities, trade finance, card services, asset management, account servicing and syndication activities, and pays fees and commissions principally in respect of cards. Net fees and commission income amounted to KD 19.7 million in H1 2026, compared to KD 21.3 million in H1 2025, a decrease of KD 1.6 million, or 7.5 per cent.

Other sources of operating income

Other sources of operating income comprise net foreign exchange gains, net gains on investment securities, dividend income, share of results from an associate and other operating income. These amounted to KD 13.4 million in H1 2026, compared to KD 12.4 million in H1 2025, an increase of KD 1.0 million, or 7.9 per cent.

in KD '000	H1 2026	H1 2025
Net foreign exchange gain	6,097	2,526
Net gain on investment securities	2,897	1,443
Dividend income	1,452	1,477
Share of results from an associate	1,729	1,954
Other operating income	1,178	4,980
Total other operating income	13,353	12,380

Operating income

Operating income was KD 119.2 million in H1 2026, compared to KD 108.8 million in H1 2025, an increase of KD 10.4 million, or 9.5 per cent.

Operating expenses

Operating expenses comprise staff expenses, depreciation and amortisation, and other operating expenses. Total operating expenses were KD 51.4 million in H1 2026, compared to KD 45.9 million in H1 2025, an increase of KD 5.5 million, or 11.9 per cent.

Operating profit for the period

Operating profit before provisions and impairment was KD 67.8 million in H1 2026, compared to KD 62.9 million in H1 2025, an increase of KD 4.9 million, or 7.8 per cent.

Provisions and impairment losses

At each reporting date, the Group recognises ECL on debt securities measured at amortised cost or fair value through other comprehensive income and on balances and deposits with banks. The impairment charge on credit facilities is recognised at the higher of ECL under IFRS 9, as determined under CBK guidelines, and the provisions required by CBK instructions.

in KD '000	H1 2026	H1 2025
Provision charge on credit facilities	20,696	22,681
Net impairment on investment securities and other financial assets	60	2,540
Total provisions and impairment losses	20,756	25,221

Total provisions and impairment losses decreased by KD 4.5 million, or 17.7 per cent., from KD 25.2 million in H1 2025 to KD 20.8 million in H1 2026.

Profit for the period before taxation

Profit before taxation was KD 47.1 million for H1 2026, compared to KD 37.7 million for H1 2025, an increase of KD 9.4 million, or 24.9 per cent.

Directors' fees and taxation

No directors' fees were recognised in either H1 2026 or H1 2025 as these fees are calculated and approved annually at the General Assembly meeting. The taxation charge was KD 9.8 million in H1 2026, compared to KD 5.8 million in H1 2025, an increase of KD 4.0 million, or 68.9 per cent.

Net profit for the period

Net profit for the period was KD 37.3 million in H1 2026, compared to KD 31.9 million in H1 2025, an increase of KD 5.4 million, or 16.8 per cent. Net profit attributable to shareholders of the Bank was KD 37.1 million, compared to KD 31.7 million, an increase of KD 5.4 million, or 16.9 per cent.

Other comprehensive income

Other comprehensive income was KD 8.5 million in H1 2026, compared to KD 3.4 million in H1 2025, an increase of KD 5.1 million. The H1 2026 amount principally reflected positive fair-value movements on equity instruments, partly offset by negative movements on debt instruments and foreign currency translation differences.

Total comprehensive income for the period

Total comprehensive income was KD 45.8 million in H1 2026, compared to KD 35.3 million in H1 2025, an increase of KD 10.4 million, or 29.6 per cent. Total comprehensive income attributable to shareholders of the Bank was KD 45.4 million, compared to KD 35.1 million in H1 2025.

PREVIOUS ISSUANCES BY THE BANK

Previous securities issuances of the Bank are listed below:

1. All previous bond issuances by the Bank during the last five years are listed below:

Issue Date	Type	Value	Tenor	Coupon	Basis	Interest payment frequency
10 October 2021	Subordinated Tier II	KD 50,000,000	11 years	Fixed: 4.00% Floating: CBK Discount Rate + 2.25%, Capped at 5.00%	Fixed / Floating	Semi-annually
29 November 2023	Subordinated Tier II	KD 50,000,000	10 years	Fixed: 6.25% Floating: CBK Discount Rate + 2.25%, Capped at 7.25%	Fixed / Floating	Semi-annually
12 September 2024	Tier I	U.S.\$300,000,000	Perpetual	6.50%	Fixed	Semi-annually
08 December 2025	Subordinated Tier II	KD 30,000,000	10 Years	Fixed: 5.75% Floating: CBK Discount Rate + 2.25% Capped at 6.75%	Fixed / Floating	Semi-annually

2. All share capital issuances of the Bank during the last five years are listed below:

Issue Date	Issue Type	Value (KD)	Total Number of Shares	Increase (per cent.)	Share Capital Post Issuance (KD)	Type of Shares
2025	Bonus Shares	13,088,810	130,888,100	5%	274,865,011	Ordinary
2024	Bonus Shares	12,465,533	124,655,333	5%	261,776,201	Ordinary
2023	Bonus Shares	11,871,937	118,719,365	5%	249,310,668	Ordinary
2023	Rights Issue	50,000,000	500,000,000	26.7%	237,438,731	Ordinary
2022	Bonus Shares	8,925,654	89,256,538	5%	187,438,731	Ordinary
2021	Bonus Shares	8,500,623	85,006,227	5%	178,513,077	Ordinary

BUSINESS RISK FACTORS

The Group's Risk Management Division reports directly to the Board Risk Committee with a dotted reporting line to the Group CEO. The business lines, along with the support divisions, Risk Management Division and the Internal Audit Division, comprise the three components that ensure effective compliance with the control processes laid down for risk management in the Bank. A separate Compliance Division also independently ensures the regulatory guidelines are followed and complied with. The Risk Management Division, with the active support of the Board and top management, is committed to instilling a risk conscious culture throughout the Bank.

Risk Appetite Statement

The Group has established a risk appetite framework and risk culture in managing its exposure diligently in order to ensure risks are taken and managed within the risk appetite through capital budgeting, risk limits etc.

In this respect, a risk appetite statement has been defined and provides a basis for setting the Group's risk taking capacity, maintaining a risk buffer, risk limits within business strategy, risk parameters for overall business objectives, appetite indicators for monitoring, and reporting.

Objectives of this appetite framework includes:

- Supporting strategic initiatives
- Embedding risk appetite into the Bank's business culture
- Risk appetite and availability of capital
- Setting boundaries of limits and thresholds for risk taking
- Measuring both qualitative and quantitative risk parameters
- Evaluating risks in a consistent manner
- Monitoring risk levels against limits and thresholds down to business level and risk type
- Supporting stakeholder value maximization by monitoring and improvising expectations

At a Group-wide level, the risk appetite statement is based on CAMEL framework maintaining capital adequacy ratio, Risk Adjusted Return on Capital (RAROC), quality of assets under non-performing loans, concentration risk, interest rate risk sensitivity, earnings volatility, and other metrics, such as the liquidity risk, operational risk, reputational risk, AML risk and regulatory compliance amongst others. These parameters are then cascaded down to the geographies where the Bank operates and business units by setting a series of risk limits applicable for each business line.

The Bank monitors the risk appetite, risk limits and thresholds periodically through its monitoring, control and reporting mechanism. This monitoring is performed with the aim of assessing the level of the Bank's risk exposures, and takes the appropriate corrective measures required to maintain the appetite levels within acceptable ranges can be taken.

Credit Risk Management

Credit risk arises from potential financial losses resulting from customers failing to honour the terms of their contractual obligations. It includes the risk of loss in portfolio value as a result of credit quality migration from lower risk to higher risk categories.

Credit risk is the most significant risk to which the Bank is exposed to, and its proactive management is key to ensuring the Bank's long-term sustainability.

The Bank maintains a comprehensive due diligence framework to assess and approve credit facilities. It also maintains well defined policies for controlling and managing credit risk at the counter-party, group, economic sector and country levels.

Credit risk soundness is further enhanced through a robust obligor risk rating system to assess the default risk of corporate borrowers incorporating international best practices. Wholesale credit borrowers are graded on a scale of 1 to 10, where “1” denotes excellent credit quality and “10” reflects the weakest rating. The obligor risk rating model considers key risk factors, such as business and financial risk performance including country, industry, competitive position, cash-flow & leverage parameters, and other factors such as management and governance, financial policy, capital structure and business diversification which are duly weighted to arrive at the rating. Borrowers’ risk rating changes/migration are monitored annually.

In addition, the Bank applies a Facility Risk Rating Model to determine the composite obligor rating. The Bank has a separate retail risk rating scorecard (including mortgage retail risk scorecard) to assess retail credit risk.

With international borrowers and foreign financial institutions, the Bank relies on external credit rating agencies for credit grading assessments, including political risk assessment, and deals mainly with investment grade borrowers and countries. The Bank uses Standard & Poor’s, Moody’s and Fitch Ratings for claims on sovereign and bank exposures, choosing the higher of the lowest two ratings for assigning risk weight to an exposure.

Credit Risk Governance

All corporate, international and sovereign credit requires an independent credit risk review as per risk management practice. Borrower exposures are managed through exposure limits to them, and wherever group exposure exceeds a stipulated limit, the Board Credit & Investment Committee’s approval is sought. Credits extended to the Board of Directors are approved strictly in accordance with Central Bank of Kuwait requirements and executed on an arms-length basis, which are governed through the Bank’s corporate governance process.

With regard to credit culture, Risk Management ensures that appropriate policies, guidelines, processes and procedures exist to cover all business areas and activities where credit risk arises. It ensures the consistent application of the Bank’s credit extending standards and the periodic review and updating of credit policies, guidelines and procedures.

The policy sets limit criteria for individual exposures, group exposures, economic sector and countries. Business with any counterparty does not commence until a credit line has been approved. A strict credit approval process exists with authority levels defined to ensure the efficient conduct of business.

Bank’s Credit Risk Monitoring and Concentration Risk

Portfolio risk arises because of a high positive correlation between individual credit facilities, meaning that default by one borrower can lead to several related borrowers who bear that correlation.

This may include:

- Concentration of exposure in geographical areas, sectors, groups, counter-parties or rating categories
- Trend analysis in volume, sectors and concentration
- Trends in portfolio quality (borrowers’ risk migration, non-performing loan)

The Bank monitors and reports to Central Bank of Kuwait on a quarterly basis, with statements of all credit concentrations of 5% or more, in accordance with CBK circular dated BSS/101/1995. The Bank monitors and complies with CBK instructions that any one customer’s liability (cash limits or exposures, whichever is higher, and non-cash liabilities) and its related parties to the Bank should not exceed 15% of the Bank’s capital as defined in the CBK guidelines under BSS/101/1995. The Bank complies with CBK with regard to credit disbursement/regulation to various sectors of the economy.

In addition to the above, the Bank has prudent internal portfolio exposure limits to manage concentration in various sectors. Portfolio exposure analysis is performed at regular intervals, and whenever required, the Bank will revise/limit its exposures to manage/contain risks. As far as retail credit is concerned, the Bank also has the necessary policies, controls and processes in place. These are in line with Central Bank regulations (and other applicable regulations) on consumer and instalment loans and credit cards. Retail

loans are originated through the Bank's local or international branches or direct sales team network. The retail loans that comply with policy criteria are processed when approved by the necessary approving authorities. Exceptions are reviewed independently by Risk Management and approved by the credit committee. A separate Retail Lending Unit under Retail Banking reviews and ensures all necessary procedures and documentations are completed. The Bank also reviews the retail portfolio for deterioration and has mechanisms for loan and instalment collections when past due.

Bank's credit risk exposure with respect to financing is concentrated in Government and related entities which stand at 24% of total exposure, as at the end of 2025. Out of total assets, the Middle East and North Africa contributes 88% while Europe, Asia pacific and Rest of the world contributed 12% of total assets as at the end of 2025. The bank's largest 25 financing clients with outstanding financing represent 28% of the total of the customer financing portfolio as at December 31st, 2025.

Past due Credit Exposures and Provisions

The Bank defines past due exposure in line with Central Bank of Kuwait guidelines. Accordingly, a cash facility will be considered past due in the following circumstances:

- the overdraft account exceeds 10% over the limit continuously
- the current account is in debit balance without any authorised limit
- the credit facility is not renewed/extended on expiry
- the instalment due on the loan has not been repaid on its due date and/or
- the interest accrued on the loan has not been settled on its maturity date

Impaired facilities have been defined in significant accounting policies in the financial statements. The Bank provides specific and general provisions, based on Central Bank of Kuwait guidelines, as set out below. However, for UAE branches and the subsidiary bank in Egypt, the respective regulations also apply.

Specific Provision

The required minimum specific provision will be computed on the delinquent amount outstanding based on the number of days of irregularity as shown below:

Irregular days	Minimum Required Provisions
Between 91 days and 180 days	20%
Between 181 days and 365 days	50%
Over 365 days	100%

Specific provisions are also made for monitoring category accounts, using management judgment and discretion.

General Provision

As mandated by the Central Bank of Kuwait, the Bank provides general provision on all credit facilities to customers, net of certain restricted categories of collateral to which Central Bank of Kuwait instructions are applicable. However, for branches and subsidiaries outside the regulation the respective jurisdictions apply.

The Bank makes additional general provisions to cover the general credit and market risk inherent in the portfolio.

In line with regulatory instructions, the Bank calculates the expected credit loss in accordance with the requirements of IFRS 9 as per with CBK instructions in this regard as well as per CBK instructions concerning the Rules and Regulations for Classification of Credit Facilities, Calculation of their Provisions and Method for Treating the Revenues Resulting therefrom and considers the higher of the two for reporting purposes.

Credit Risk Mitigation

The policies and processes for on- and off-balance sheet netting (and the extent to which the Bank makes use of them); the policies and processes for collateral valuation and management; and a description of the main types of collateral taken, are described below. Credit risk mitigation (CRM) encompasses collateral management, credit guarantee and netting arrangements. Netting techniques are currently not employed as a CRM technique.

However, the Bank has in place a system of collateral valuation and management. All listed equity collateral is valued daily, for collateral coverage determination. To manage the concentration risk of equity collateral, the Bank has a stipulated percentage of paid-up capital of the company as the maximum that can be accepted as collateral. To manage the quality of quoted equity collateral, equity shares have been graded in three groups based on the liquidity and financial strength of the equity, with Grade I representing the highest quality. The required collateral coverage increases from Grade I to Grade III.

In respect of real estate collateral, an appropriate valuation as per internal policy based on CBK guidelines is considered. Real estate collateral is valued each year.

The Bank normally accepts the following types of collateral:

- Equity shares and funds
- Cash margins and fixed deposits
- Real estate comprising of income-producing and non-income producing assets

Among other risk mitigants, the Bank also insists on the assignment of insurance on inventories, plants and machinery and also accepts unlisted equity, guarantees of individuals, corporates and banks, based on their creditworthiness and rating grades.

In this respect, the Bank has put in place specific policies over the types of collateral that are acceptable. In addition, it has set up processes to properly value the collateral support provided and to ensure that this support is secured legally, including documentation. Adequate legal processes are in place to ensure that documentation is adequate to protect the Bank's interest. In addition, the Bank also has in place to monitor the valuation continuously to ensure adequate coverage over the credit exposures. The Bank continuously monitors the concentration of collateral support on an aggregate basis and has set up limits to ensure risk is maintained within collateral risk limits.

Guarantors who provide collateral support are assessed for their credit worthiness based on their financial strength and external ratings, if available. In the case of individuals, their personal net worth is taken into account, while for corporate guarantors, their financial strength is assessed and rated based on their audited financials. External agency ratings are used in the case of financial institutions.

Market Risk

Market risk is the risk of adverse impact on the value of assets, liabilities or revenues arising from changes in market conditions or movements in market rates and prices. Market-sensitive exposures originate from loans, investments, and proprietary trading operations. For measuring market risk in the trading book, all positions are marked to market daily, and limits are approved and independently monitored by Risk Management function. Appropriate limits are endorsed by the Asset Liability Management Committee (ALCO) and Investment committee in line with Board-approved policies. Market risk capital is also assessed under Pillar II for exposures such as concentration in trading positions, market illiquidity, positions marked-to-model. The Bank adopts a standardised approach under Pillar I for the measurement of market Risk.

Foreign Exchange Risk

Foreign exchange risk represents the Bank's exposure to fluctuations in the values of current holdings and future cash flows denominated in other currencies. Exposures arise from foreign currency-denominated loans and liabilities, future cash flows from customer and proprietary FX transactions, and open positions in the Banks's investment and trading activities. All foreign exchange (FX) risk is primarily managed by the Bank's Treasury department through the use of approved instruments such as foreign exchange spot, forwards contracts, options and other derivatives. These instruments are used to hedge and protect the

Bank against losses that may arise due to significant movements in foreign exchange rates. All foreign exchange exposures are centrally managed by the Bank's Treasury, with positions marked-to-market daily. Limits are established with respect to overnight open positions, stop loss and authorised currencies to monitor and control foreign exchange exposures. Foreign exchange risk is also assessed under Pillar II, including under stressed conditions using historical volatility-based model to ensure adequate capital coverage and resilience under extreme but plausible market condition.

Liquidity Risk

Liquidity refers to the Bank's ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity needs are monitored on a forward looking basis, and strategies are implemented according to approved liquidity policies and a contingency funding plan. A liquidity stress test is conducted to assess the impact of deposit withdrawals, crystallisation of contingent liabilities etc. in the mild, medium and severe scenario, both under Bank-specific, and general market crisis scenarios. The funding concentration in deposits is monitored on a regular basis and reviewed by ALCO. Liquidity risk appetite is defined through parameters that include – liquidity ratios, loans to deposits; liquidity coverage ratio, net stable funding ratio; cumulative negative maturity mismatch; funding source diversification; stress testing thresholds; and capital consumption under stress. These appetite parameters are used for driving liquidity risk and the exposure the Bank would be willing to take and manage risk levels within appetite levels. Under Pillar II, liquidity risk is assessed for both idiosyncratic and market wide scenarios, and capital is provided to manage the risk. The Bank also ensures compliance with Basel III liquidity Coverage Ratio and net Stable Funding Ratio requirements, which Central Bank of Kuwait and other regional regulators have adopted, and monitors these ratios daily.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing this risk relies on identifying risks that exist within the organisation; educating Bank employees on the operational risks they encounter in the course of their duties; and ensuring that the control framework works effectively. The Bank identifies and assesses the operational risk in products, activities, processes and systems. It also ensures that the associated operational risks are properly assessed and mitigated, before any new products or services, activities, processes or systems are introduced. Risk identification is vital to the development of operational risk monitoring and control systems. Risk identification considers internal factors such as the Bank's structure, the nature of its activities, the quality of its human resources, organisational changes and employee turnover. It also examines external factors such as changes in the industry, major political and economic changes, and technological advances.

The Bank has developed Operational Risk Models (ORMs) that cover key risks identified in the Bank's business and support areas through a self-assessment exercise and/or other risk assessment methods. The risks highlighted in the ORMs are discussed with the respective business units and are reviewed by the Management Risk Committee. The Bank has an operational risk Value at Risk (VaR) model to quantify its exposure by systematically tracking and recording the frequency and severity of individual error and loss events, and other relevant information, and measures the losses through operational risk VaR.

The Bank has established policies, processes and procedures to control and mitigate material operational risks. It periodically reviews risk exposures and control strategies and adjusts the operational risk profile accordingly, using appropriate strategies in light of its overall risk appetite and profile.

Interest Rate Risk

Interest rate risk arises from mismatch in re-pricing of assets and liabilities. The majority of the Bank's loans are repriced in line with changes in the Central Bank of Kuwait's Discount Rate. However, deposit pricing often follows market competition rather than moving in direct correlation with CBK Discount Rate. This structural difference gives rise to basis risk. Other sources of interest rate risk include the Bank's holdings of fixed income securities in the investment portfolio, treasury bills and bonds, Central Bank of Kuwait bonds. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect the Bank's net interest income. Interest rate risk is measured through repricing gap analysis, earning at risk and standardized interest rate shock scenarios. Simulations are used to estimate the impact of various interest rate scenarios on the Bank's net interest income. These simulations incorporate assumptions of asset and liability re-pricing and maturity characteristics. Exposures against limits and simulation analysis are regularly monitored by the ALCO. Under Pillar II and in line with Central Bank of Kuwait's internal capital adequacy assessment process (ICAAP) guidelines, the Bank performs stress testing on the interest rate risk in the banking book and allocates specific capital with the underlying risk profile.

Capital Adequacy

The Group's capital management objective is aimed at maintaining an optimum level of capital to enable it to pursue its strategic goals that build long-term shareholder value, whilst always maintaining minimum Pillar I capital requirements as well as meeting Pillar II capital requirements. Pillar II capital which is the Group's internal estimate of the capital required to cover all its material risks, including those which are not captured under Pillar I capital requirement, and include credit concentration risk, interest rate risk in the banking book, liquidity risk, legal risk, residual operational risk, strategic risk, reputation risk, cybersecurity risk, model risk AML Risk and climate risk etc.

The objective is to maximise its return on capital and, at the same time, maintain capital for unexpected losses. The Group manages its capital in an integrated manner with the aim of maintaining strong capital ratios and high ratings. This calls for a balanced approach of maintaining capital levels that are sufficient to provide a high return to shareholders, while meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders), including supporting future business growth. The cost of capital, and its composition, is also taken into consideration.

As at June 30th 2026, the Bank's Tier 1 (T1) capital adequacy ratio (calculated according to Basel III standards) was 14.36% and its total capital adequacy ratio was 18.03% against the levels required by the CBK as at that date were 13.50% (total capital adequacy ratio). A variety of factors may affect the Bank's capital adequacy levels. For example, an increase in lending during the upcoming period is likely to reduce the Bank's capital adequacy ratios. In addition, the capital adequacy and required levels of capital adequacy may change from time to time including as a result of new guidelines issued by the Central Bank of Kuwait.

Credit Ratings

Last Affirmed	MOODY'S Jul-26	FITCH RATINGS Feb-26
Long Term Rating	A2	A
Outlook	Stable	Stable

Related Party Exposures

The Bank's principal related party transactions are with its major shareholders, directors and executive officers, their close family members and companies controlled by them or their close family members. The International Financial Reporting Standards (the "IFRS") require the disclosure of related parties in cases where those related parties exercise significant influence. Transactions with related parties are made in the normal course of business on the same terms, including interest rates and collaterals, as those prevailing at the same time for comparable transactions with unrelated parties.

The Bank adheres to CBK guidelines on lending related parties. Financing facilities to members of the Board can only be approved under the conditions specified by the CBK which include the following:

- All facilities to board members must be approved, renewed or modified only at the Board level.
- The approval, renewal or modification of board members' facilities can only be considered approved when at least three-quarters of the board members have approved the facility, and;
- The Bank must obtain adequate collateral. Furthermore, credit extensions to related parties are also subject to adherence to the overall CBK limits which include that the total related party exposures shall not exceed 50% of a Bank's capital

Competitive Banking Industry in Kuwait

The Group faces high levels of competition for all of its products and services in Kuwait. In particular, the Group competes with other domestic banks (both conventional and Islamic) and such competition may increase.

The Kuwaiti banking sector currently comprises five Kuwait-incorporated conventional commercial banks and branches of 10 other non-Kuwaiti conventional banks and a non-Kuwaiti bank operating according to the requirements of Islamic Sharia. In addition, a specialized bank, and four banks operating according to the provisions of Islamic Sharia are also licensed to operate in Kuwait. The Group's relatively small size compared to some of the other conventional banks in Kuwait could constrain its efforts to attract very large corporate customers.

The Group believes that, in order to compete effectively, it will need to successfully implement its strategy, including by upgrading its existing IT capabilities and infrastructure, offering new products and services and adopting new approaches that differentiate it, such as the Group's strategy of making banking simpler for its retail customers.

Any failure by the Group to successfully develop and implement its strategy in the coming years could negatively affect its competitive position in the markets in which it operates which could result in reduced income or a failure to achieve anticipated levels of income.

Loss of Key Personnel

The Group's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East is intensely competitive and the Group could face challenges in recruiting and retaining such personnel to manage its businesses.

The Group depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies. The Group is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

Impact of regulatory changes

The Bank is subject to the laws, regulations, administrative actions and policies of Kuwait and each other jurisdiction in which it operates. These regulations may limit the Bank's activities and changes in supervision and regulation, in particular in Kuwait, could materially affect the Bank's business, financial condition, results of operations or prospects.

LEGAL RISK FACTORS

Prior to investing in any Issue Shares, prospective Subscribers should carefully consider, together with all other information contained in this Prospectus, the risk factors described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Issue Shares, but these risk factors are not exhaustive and other considerations, including some which may not be presently known to the Bank, or which the Bank currently deems to be immaterial, may impact on any investment in the Issue Shares.

Prospective Subscribers should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Legal and regulatory systems may create a volatile environment for investment and business activities

The Issuer operates through regulated activities in multiple countries. Local regulations may change in a way that adversely affects one or more businesses. This may be a result of increased competition due to the issuance of more licenses to companies or a change in the conditions of licenses, which affects the activities or the level of profitability of a particular business. It is also possible to place restrictions on ownership or the scope of activities of the Issuer. The Issuer operates in the financial sector. In light of the current liquidity crisis and the difficulties faced by the global financial system over the past few years, regulators are expected to closely monitor and regulate more restrictively the activities of financial institutions, the most important of which are banks and investment firms. The Central Bank of Kuwait has adopted Basel III for the banks it regulates, which include the Bank.

Basel III is a demanding regulatory framework around bank capital adequacy and stress testing market liquidity risk. There is no guarantee that compliance with Basel III or future regulations will not increase the capital requirements for the Bank's banking business (which would require the Issuer to inject additional capital or dilute its ownership) or reduce Group profitability.

It cannot be asserted that any government of any country through which the Issuer operates will not enforce fiscal or monetary regulations or policies, including new policies, regulations, or legal interpretations of existing regulations affecting or relating to expropriation, nationalization, taxation, or interest rates, or exchange controls, capital adequacy requirements, or actions taken by these governments that may have negative consequences affecting the issuer's business, financial position, results of operations, or aspirations.

Risks related to Kuwait and the Middle East and North Africa region

Legal and regulatory systems may create an uncertain environment for investment and business activities, while the Middle East and North Africa region is in the process of developing governance institutions and legal and regulatory systems, which are not yet as well established as in Western Europe and the United States. Kuwait, along with other countries in the GCC region, has enacted measures to further enhance efficiency and certainty within its legal and regulatory systems. Among these measures, Kuwait and countries in the GCC region have undertaken obligations under the General Agreement on Tariffs and Trade ("**GATT**") (as administered by the WTO), and Kuwait has already enacted legislation that includes, among other things, increasing foreign ownership. However, Kuwait may face changes in its economy and government policies (including, but not limited to, policies related to continuing to increase foreign ownership in accordance with Kuwait's obligations under GATT and WTO) that may affect the Bank's business.

Kuwait and other GCC legal systems continue to evolve, and this may create an uncertain environment for investment and business activity

Kuwait and many other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some cases, it may not be possible to obtain legal solutions provided under relevant laws and regulations in a timely manner. As the legal environment continues to evolve, investors in Kuwait and the GCC countries may face uncertainty

regarding the security of their investments. Any unexpected changes in the legal systems in Kuwait and the GCC countries may have a tangible negative impact on the investments that the Bank has made or may make in the future, which may have a material negative impact on the Bank's financial business, results of operations and prospects.

Risks related to changes in significant accounting standards and new standards

The financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards. In this case, the Issuer shall comply with any amendments or changes to these standards from time to time. Therefore, any changes in these standards or the mandatory application of some new standards will affect the financial statements, and then the financial results and financial position of the Issuer.

Regulatory risks related to the Bank

The Bank is a highly regulated regulatory entity. Therefore, changes in the applicable laws or instructions, interpretation or implementation of those laws or instructions, non-compliance with them, or a change in the capital treatment of the Bank's instruments may have a negative impact on the Bank's banking business. In this case, the bank's revenues and dividends may be adversely affected.

The Basel Committee on Banking Supervision and Supervisory Practice (the "**Basel Committee**") has set international standards for capital adequacy for banks. The current level of capital adequacy at the bank exceeds the minimum limit set by all relevant regulatory authorities. However, if the Bank's loan portfolio grows significantly, or if the level of loan impairment increases and the Bank fails to achieve a sufficient level of profits to ensure a steady growth in equity through retained earnings, or if the Banks' instruments lose their capital processing as a result of any change in the guidelines issued by the Basel Committee regarding capital adequacy, or the corresponding procedures implemented by the concerned supervisory authority, the Bank must increase the capital to achieve the minimum capital adequacy set by the concerned supervisory authority. In this case, the Issuer's revenues and dividends may be adversely affected.

Bankruptcy under Kuwaiti law

All claims or rights claimed by the shareholders in the shares to be issued or their representatives are equal in rank and without any discrimination with the existing shares of the Issuer. In the event that the Issuer is declared bankrupt, the bankruptcy provisions stipulated in Bankruptcy Law No. 71 of 2020 and the implementation provisions on the Bank's assets may negatively affect the ability of the issuing entity to fulfill its obligations towards shareholders or return the shareholders' money in the event of bankruptcy. Claims of the Bank's shareholders with a lower degree of priority to the claims according to the law in favor of the state, government, tax and labor agencies, mortgage creditors and other than all the creditors of the Issuer.

Also, obtaining a final bankruptcy ruling in Kuwait may take several years. Therefore, there is no assurance that the shareholders will receive the full value of their claims or obtain them at all in the event of the bankruptcy of the Issuer.

Force Majeure Events

Unexpected changes may occur that hinder the Issuer's fulfillment of its obligations in relation to current and planned operations in the future. Force majeure cases include, but are not limited to, accidents, outbreaks of wars, revolutions, riots, civil disobedience, acts of God, natural disasters, strikes or labor disputes. There is no guarantee of the Issuer's continued financial performance in the future.

The financial performance of the Issuer since its inception has been supported by the strong economic conditions in the State of Kuwait and the GCC region, during that period, against the backdrop of political stability and the continuous rise in oil prices. There can be no guarantee that the financial performance of the Issuer will continue in the future, or that the growth and stability of the markets in which the issuer operates and invests will continue. In view of the interrelationships between the global financial markets, investors should note that the activity of the Issuer and its financial performance could be negatively affected by political, economic and other relevant developments inside and outside the GCC and Middle East countries.

The Issuer continues to develop its systems in response to the expected growth and increase accuracy and specialization in managing its assets and investments. While the Issuer considers that it has the appropriate operational and administrative controls, any mismanagement, fraud, failure to carry out the responsibilities of the Issuer, negative publicity arising from such actions, or an accusation from any other party of it, can affect Negatively the ability of the issuer to achieve positive financial results in the future through any credit portfolios or investments or its ability to increase this income.

Risks related to the Issue Shares

Investing in securities in developing and emerging markets generally involves a high level of risk.

Investors in developing and emerging markets - such as Kuwait - should know that these markets are subject to greater risks than more developed markets, including a higher level of volatility, limited liquidity and changes in the political and economic environment. In addition, there is no guarantee that securities markets that are exposed to developing and emerging market risk - such as equities - will not be adversely affected by events elsewhere, particularly in emerging markets.

Specific risks in the State of Kuwait and the Middle East and North Africa region that could result in a material negative impact on the issuer's business, financial condition and future include the following:

- Political, economic and social instability.
- External actions related to war, civil strife, hostilities or other conflicts.
- Domestic disturbance or violence.
- Increased inflation and the cost of living.
- Changing tax systems and tax laws, including taxation in non-taxing countries and increased taxation in low-tax places.
- Government interventions and government protection policy.
- Possible negative changes in laws and regulatory practices, including legal structures and tax laws.
- Difficulties in recruiting staff and managing operations.
- Legal systems that could make it difficult for the issuer to enforce its intellectual and contractual property rights.
- Restrictions on the right to convert or withdraw currency.
- Risks of not being able to collect some balances or collecting them over a longer period of time.
- Change in the exchange rate.
- Logistical and communication difficulties.

Therefore, potential investors should exercise special care in assessing the risks involved and should determine whether investing in securities is appropriate in light of those risks. In general, investing in developing and emerging markets is more suitable for investors who understand all the risks involved.

A decrease in the current ownership percentage

If the Eligible Shareholders do not exercise their right to subscribe before the deadline for receiving applications and pay the full value of the shares required to be subscribed for as described in this Prospectus, their ownership percentage and their ability to vote in the issuer will decrease, and accordingly the percentage that represents their current share in the capital of the issuer will decrease after Subscription ends. In addition, the Eligible Shareholders as at the Record Date who have exercised their full rights may suffer a reduction in their percentage of ownership as the number of their Shares will be rounded to the nearest whole number of Offer Shares.

However, these shareholders will be able to subscribe to additional shares, if any, which may enable them to maintain or increase their percentage of ownership in the Issuer.

Risks Associated with Non-Profitability and Disposal of Pre-emption Rights

There is no guarantee of earning a share by trading it at a higher price. There is also no guarantee that there will be sufficient demand in the market to exercise the priority rights or to collect any compensation from the Bank for not exercising the rights. In the event that the investors are unable to sell or dispose of the priority rights before the end of the priority rights trading period or the period before closing the door for subscription in the shares by at least five working days, and in the event that the investors do not subscribe or fail to follow the procedures for subscription in the rights in the correct manner, then there is no A guarantee that a compensation amount will be distributed to them, which will lead to them incurring some losses. Accordingly, investors must review the full details of the mechanism for listing and trading priority rights in the rules of the Boursa Kuwait and in the applicable provisions of the executive regulations of the CMA Law and the executive regulations of Companies Law No. 1 of 2016 and the method of its operation and they must be aware of all factors affecting them, to ensure that Any investment decision is based on full awareness and understanding of the nature of the investment and the risks related to it.

Risks of lack of demand for Pre-emption Rights and shares of the Bank, or forfeit of Subscription

There is no guarantee that there will be sufficient demand for the priority rights of the Issuer's subscription during the trading period in order to enable the Owners of the Pre-emption Rights to sell those rights and make a profit from them. There is also no guarantee that there will be sufficient demand for the Bank's shares by eligible shareholders during the remaining Subscription Period, in which case there will be no compensation for the Owners of the Pre-emption Rights. In addition, there is no guarantee that there will be sufficient demand in the market for the shares acquired by the subscriber through the exercise of Pre-emption, or through the remaining offering, or from the market, which will negatively affect the share price and the profitability of the Bank and the Shareholder. In addition, there is no guarantee of the success of the subscription or the non-reversal of it, and in the event of the cancellation of the subscription, the Owners of the Pre-emption Rights will not be able to exercise their right to subscribe to the shares determined for these rights, which may lead to the loss of the Owner of the Pre-emption of the price paid for the right without having the right of recourse against the Bank, the Subscription Agents, or the Clearing and Depository Agent for any claim or compensation.

In order for the inclusion and continuation of the priority rights trading in the Bank's capital increase, the bank's shares must remain traded on the stock exchange throughout the Subscription Period for the Issue Shares.

Speculative Risks associated with Pre-emption Rights

Speculation in Pre-emption Rights is subject to risks of material losses. The trading limits of the daily prices of the Issue Shares are affected by the special limits to which the share is subject. There is a direct relationship between the Bank's share price and the reference price. And based on the daily price limits for trading the share, and in the event that the speculator does not sell the existing priority rights or subscribe to them before the end of the trading period, he will be subject to losses.

Taxes on payments for Issue Shares

The application of the provisions of the Income Tax Law is uncertain, and it is possible to impose income tax on holders of Issue Shares who are not citizens of the Gulf Cooperation Council countries in accordance with the Kuwaiti income tax system in some limited circumstances.

It is not possible to say with certainty whether or not the Kuwaiti income tax law can be applied to holders of Issue Shares who are companies that are not citizens of the Gulf Cooperation Council countries (as mentioned in this Prospectus in the *Taxation* Section). However, there is a possibility of imposing income tax in the future on holders of Issue Shares who are not citizens of the Gulf Cooperation Council countries, in the event that the Income Tax Department at the Ministry of Finance in the State of Kuwait (the "**Tax Department**") and/or the Kuwaiti courts decide that the returns generated from the Issue Shares. The Offering is subject to taxes notwithstanding tax credits (as defined under "Taxation").

Until the date of this Prospectus, the Tax Department has not issued any official statement regarding its interpretation and/or application of tax exemptions within the framework of a process similar to the process of issuing Issue Shares. In addition, no case related to the application of income tax as referred to above has been brought before the courts in the State of Kuwait (which have a final decision on this matter). Although there are no precedents for the tax administration imposing income tax on the dividends of issue shares owned by non-GCC companies in the cases referred to above, it is impossible to assert definitively how the position of the tax administration and/or the Kuwaiti courts will be in terms of applying tax laws (as defined under "Taxation") and tax credits in practice. Also, the position of the tax law enforcement agency in the State of Kuwait was not uniform in general.

In the event that the Tax Department or the Kuwaiti courts decide that the proceeds paid to the holder of the Issue Shares from companies that are not citizens of the Gulf Cooperation Council countries and related to the Issue Shares owned by him are subject to taxes, then the aforementioned holder becomes subject to taxes in the State of Kuwait (at the rate of 15%) on the net profit and potentially on the capital profits of the company, as well as the obligation to declare and submit appropriate applications in this regard (including the obligation to submit a tax return in the State of Kuwait). In addition, the Issuer must withhold the equivalent of 5% of any amounts paid directly by the Issuer to the Eligible Shareholder in specific cases, pending the settlement of the tax status of the relevant Eligible Shareholder. (Please refer to the *Taxation* Section - reserve a percentage of the amounts to be paid for more information).

While the application of the provisions of the Kuwaiti Income Tax Law or not is uncertain, the issuer does not guarantee that holders of offer shares who are non-GCC national companies will not be subject to income tax law in the above cases. Accordingly, potential investors must refer to their tax advisors to find out the consequences of applying the tax laws of Kuwait and other relevant countries with regard to buying, owning and trading in the Issue Shares and receiving dividends according to the Issue Shares (please refer to what is stipulated in this Prospectus regarding - Taxation - in this regard).

Income Tax can be applied to Companies and other entities in Kuwait and Value Added Tax is applied

The Issuer is not currently subject to corporate profit tax in Kuwait. However, the Kuwaiti Cabinet approved a plan to implement a corporate income tax on the net profits of Kuwaiti companies (the "proposed corporate income tax") that can be applied to the Issuer, to trustees, partnerships, investment funds, Commercial establishments, and other similar companies incorporated in foreign countries and on natural persons doing business in Kuwait in the coming years. The proposed income tax law on companies has not been issued until the date of this Prospectus, as the law is usually issued through its approval in the Kuwaiti National Assembly, its signature by the Emir of the country, and its publication in the Official Gazette. Thus, at the present time, the application of the proposed income tax law on companies under the law in the form proposed by the Council of Ministers or even approved is not certain. If the Kuwaiti authorities impose new tax regulations on the Issuer (whether in relation to corporate tax or otherwise), or if they introduce any other changes to tax laws that make doing business in Kuwait less attractive, this could therefore have a significant negative impact on the Issuer's business results, on the results of operations, on the cash flow and on the financial position.

The bill's proposal would impose a withholding tax guarantee obligation on payments to non-resident enterprises. Currently, the proposed law provides for a withholding obligation to guarantee the tax on franchise fees, interest and technical fees at a rate of 10% and on insurance fees at a rate of 5%, but not on dividends.

The framework of the value-added tax law for the GCC countries (the "**Gulf value-added tax framework**") was finalized, officially approved, and some Gulf countries implemented the value-added tax ("**VAT**") in 2018. However, until the date of this Prospectus, the State of Kuwait has not implemented the value-added tax system, despite the commitment of the State of Kuwait to apply it under the framework of the Gulf value-added tax. Thus, it is not possible to confirm how VAT affects the Issuer in the State of Kuwait at this time and the extent to which some exemptions, principles of non-applicability to certain matters and refunds are included in the VAT system that may be available to the Issuer. It is expected that the State of Kuwait will implement the value-added tax law in the coming periods, and the value-added tax will be applied in most

countries of the Gulf Cooperation Council. Although the application of this tax to financial services has not been confirmed, the application may cause economic effects on the Bank's financial position, business results and prospects.

Change in Law

No assurance can be given as to the impact of any possible change to Kuwaiti law or to administrative practice after the date of the Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments and/or make deliveries under the Issue Shares, as applicable.

Risks of Taxation of Dividends

It should be noted here that Article 150 bis of the CMA Law stipulates that: "Without prejudice to the tax exemptions prescribed for the profits from the disposal of securities issued by companies listed in the stock market, returns on securities, bonds, financing instruments and all other similar securities, regardless of their issuer, shall be exempted from taxes. However, there is no guarantee that this text will not be modified in the future. Thus, the payments made by the Issuer in connection with the Issue Shares may be subject to taxes if the aforementioned text is amended.

The GCC Countries may enter into a Monetary Union

There is a possibility that the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia and the State of Qatar will abandon their respective national currencies in favor of a unified Gulf currency in the future. And if a unified Gulf currency is adopted, the necessary convergence and compatibility of laws, policies and procedures will bring about major changes to the economic and political infrastructure in every country of the Gulf Cooperation Council. So far, no official timeline for the development of the monetary union has been announced and there are currently no details of new legislation or policies. However, shareholders and potential investors should be aware that new legislation and any resulting shift in monetary policies and procedures in Kuwait may affect the Issuer's ability to meet its obligations arising from the Issue Shares.

Impact of Regulatory Changes

The Group is subject to the laws, regulations, administrative procedures and policies applicable in the State of Kuwait, as well as those applicable in each other jurisdiction in which it operates. Such regulations may restrict the Bank's activities, and changes in supervisory practices and regulations, particularly in the State of Kuwait, may have a material adverse effect on the Bank's business, financial position, results of operations or prospects.

Risks Associated with Pre-emptive Rights (Rights Issue)

The disposal by a party of the pre-emptive rights held by it may expose such party (as the transferor of such rights) to the risk of losing its right to subscribe for the Shares to which it is entitled. Accordingly, a Shareholder who disposes of such rights may be subject to a dilution of its previously held shareholding following the commencement of the subscription for the Issue Shares, in addition to any consequences it may face in relation to changes in the value of its existing shares if it remains a Shareholder.

Such party may also face the risk of being unable to recover the amount paid in consideration for the transfer of such rights if it does not subscribe for the Shares in respect of which it holds pre-emptive rights. It will also be exposed to all risks set out in the relevant sections of this Prospectus to which Existing Shareholders or Subscribers may be exposed.

TAXATION

The following is a general description of certain Kuwaiti tax considerations relating to the Issue Shares. It does not purport to be a complete analysis of all tax considerations relating to the Shares, whether in Kuwait or elsewhere. Prospective Subscribers of Issue Shares should consult their own tax advisers as to acquiring, holding and disposing of Issue Shares and receiving payments under the Issue Shares and the consequences of such actions under the tax laws of the State of Kuwait. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

This summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955 (the Decree), as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955" (the Amendment), the Executive Bylaws of the Amendment (the Regulations), and various ministerial resolutions and circulars relating thereto issued by the Ministry of Finance (the MOF) (together, the Taxation Laws) as interpreted and implemented by the MOF's Department of Income Tax (DIT) as at the date of this Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.

Income tax

Under the Taxation Laws, income tax (at a flat rate of 15%) is levied on, inter alia, the net income and capital gains realized by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as "non-GCC corporate entities") which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities. Pursuant to the Regulations, income generated from the investment of funds inside Kuwait is considered to be income realized from the conducting of business in Kuwait and is therefore subject to income tax.

Notwithstanding the above, the recently implemented Law No. 22 of 2015 amending Law No. 7 of 2010 (the "**CMA Amendment**") provides that "yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from tax" (*Article 150 bis of the CMA Amendment*), the "**Tax Exemptions**". Although the Tax Exemptions are yet to be tested, they clearly provide for a tax exemption to the holders of the Issue Shares.

Notwithstanding the foregoing, the application and enforcement of the Kuwaiti income tax regime and the Tax Exemptions remains uncertain, especially as a result of the lack of DIT and/or Kuwaiti court precedent referred to above and as a result of the fact that the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, prospective investors in the Issue Shares are advised that there remains a possibility that any holder of Issue Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future (which would include an obligation to file an income tax return in Kuwait), should the DIT and/or the Kuwaiti courts determine that the income received by it in respect of any Issue Shares held by it represents the "investment of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), even if the holder of Issue Shares is not incorporated or otherwise located in Kuwait. Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

Retention

Under the Regulations, a Kuwaiti-based party making such a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct 5% of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. The payer is not required to transfer the deducted amount

to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realized a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand. According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include dividend payments.

Although payments made by the Issuer would likely not be subject to retention because of the Tax Exemptions, there is a lack of guidance on this issue currently from the DIT, and as such, there is a remote possibility that retention could apply, in the event of which, the Issuer would be required to deduct 5% from every payment made by it to the holders of Shares, which amount would be released by the Issuer upon presentation to it by the relevant holder of Shares of a tax clearance certificate from the DIT.

Taxation on Multinational Entities

MNEs with an operating presence in Kuwait (including, but not necessarily limited to, through permanent establishments) are subject to the relevant provisions of Law No. 157 of 2024 Concerning the Taxation of Multinational Enterprises (the “**MNE Law**”) which was promulgated into law on 31 December 2024.

As of 1 January 2025, the MNE Law imposes 15 percent. (15%) corporate income tax on MNE's with revenues of at least €750 million for a minimum of two tax periods among the four tax periods immediately preceding the relevant tax period from the ultimate parent company of a multinational group entity. The MNE Law purports to exempt MNEs subject to the MNE Law from the application of a number of tax laws including the Taxation Laws.

There are uncertainties surrounding the implementation and application of the MNE Law due to its novel nature, the absence of any further definitive guidance and/or directives of the Tax Department in relation to the MNE Law and the MNE Executive Regulations, and the lack of any judicial precedent concerning the MNE Law.

The MOF published on 29 March 2026 the Executive Rules State Budget for the fiscal year 2026-2027, which provide an exemption from the traditional 5% tax retention on payments made by government entities to MNEs that are registered under the DMTT Law and holding a valid DMTT card evidencing such registration and confirming that the relevant entity is subject to the DMTT Law. However, this exemption currently applies exclusively to the MNE groups contracting with public entities and government bodies. Further clarification and guidance from the Tax Department are anticipated regarding whether the exemption will be extended to payments made by other businesses operating in Kuwait.

As such, it remains unknown how the Tax Department will implement the MNE Law in practice, including whether or not the 5 percent. (5%) retention obligation under the heading “*Retention*” above will continue to apply to payments made to an MNE by non-governmental payers.

Other taxes

Save as described above, all payments in respect of the Issue Shares may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Issue Shares in connection with the issue or any transfer of the Issue Shares.

MAJOR CONTRACTS

The Bank (and any of its subsidiaries) did not conclude any basic contracts outside the framework of its activities (which is investing and managing investments across various sectors) during the two years preceding the date of submitting the application for approval of this Prospectus, except for what was clarified in the description of the business in this Prospectus.

The Bank is not dependent on any specific clients or suppliers and patents, intellectual property rights, licenses or private contracts which have a major significance for the Bank's activity.

GENERAL INFORMATION

Capital Markets Authority

The Capital Markets Authority in Kuwait is the regulating authority in charge of, as per the Capital Market Law No. 7 of 2010 and its Executive Regulations amended by virtue of decision No. 72 of 2015, regarding regulating the issuance of securities (including shares) in the State of Kuwait, by issuing the necessary licenses and approvals for the issuance of shares.

The authority to issue and offer securities

The authority to issue the necessary licenses and approvals for issuing shares in the State of Kuwait rests with the Capital Markets Authority in addition to the Central Bank of Kuwait with regard to the issuing company. The Capital Markets Authority will be the authority responsible for issuing approvals for the Offering.

Material Change

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Bank since 30 June 2026, and there have been no negative material changes in the future expectations of the Issuer since 30 June 2026.

Independent Auditors

The Bank has appointed Ernst & Young - Al-Aiban, Al-Osaimi & Partners and Deloitte & Touche - Al-Wazzan & Partners as the Bank's independent auditors.

The consolidated financial statements of the issuer as at and for the financial years ending on December 31, 2023, December 31, 2024, and December 31, 2025 were jointly audited by Ernst & Young - Al-Aiban, Al-Osaimi & Co. and Deloitte & Touche - Al-Wazzan & Co., without expressing any reservations in any of the above years.

Litigation

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have in such period had a significant effect on the financial position or profitability of the Issuer. Neither the Bank nor any member of the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) which may have or has had in the recent past significant effects on the financial position or profitability of the Bank or the Group.

Resolution of the Extraordinary General Assembly and Board of Directors

The Issue Shares shall be issued pursuant to the Kuwait Capital Markets Law No. 7 Of 2010, as amended, and its Executive Regulations, as well as the Companies Law No. 1 of 2016, as amended and its Executive Regulations.

It was approved to increase the authorized capital of the Issuer to KWD 600,000,000 pursuant to the decision of the Extraordinary General Assembly of the Issuer dated 16 September 2026, and it was approved to increase the issued and paid-up capital of the Issuer by issuing Issue Shares in accordance with the decisions of the Board of Directors of the Issuer dated 8 September 2026. The Board of Directors of the Issuer determined the Offer Price for the Issue Shares by virtue of the decisions referred to above.

Official Consent

Approval to the issuance of the Issue Shares has been granted by the CBK on 5 October 2026 and by the CMA on 7 October 2026 for the Issuer to issue the Issue Shares. The approval to the Prospectus has been granted by the CMA on 20 October 2026.

Clearance

The clearing of the shares' transaction shall be completed through the Kuwait Clearing Company K.S.C.

Control/Supervision of the Bank

The Issuer is a conventional bank operating in the State of Kuwait pursuant to the Companies Law No.1 of 2016 (as amended). The Bank is licensed under Law No. 32 of 1968 in the matter of currency, the Central Bank of Kuwait, and the organization of the banking profession, and therefore, it is subject to the supervision of the Central Bank of Kuwait, in addition to the Capital Markets Authority and the Ministry of Commerce and Industry.

ARTICLES OF ASSOCIATION AND MEMORANDUM OF ASSOCIATION

Al Ahli Bank of Kuwait (K.S.C.)
ESTABLISHED IN THE STATE OF KUWAIT BY AMIRI DECREE
ISSUED ON 14TH OF SAFAR 1387 AH,
CORRESPONDING TO 23RD OF MAY 1967 AD
COMMERCIAL REGISTRY: 3705

Head Office : Ahmad Al-Jaber St., Safat Square (Kuwait)
P. O. Box : 1387 – Safat - 13014 Kuwait
Telephone : 2400900 / 19 – 2411100 / 19
Fax : 2424557
Telex : 22067, 23256, 23257
Telebanking : 899 899
Swift : ABKK KW KW
Cable : ALAHLIBANK-KUWAIT
Website : <http://www.abk-kuwait.com>

1

I certify that this is a true and complete
Copy of an original document

Name : Dr. Nawaf AL Shuraiaan

Signe :



Date : 3/6/2026

Bar ID: 669



I certify that this is a true and complete
Copy of an original document

Name : Dr. Nawaf AL Shuraiaan

Signe :



Date : 3/6/2026

Bar ID: 669



Memorandum & Articles of Association

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AMIRI DECREE

For the incorporation of a Kuwaiti shareholding company under the name of (Al Ahli Bank of Kuwait)

We, Sabah Al Salem Al Sabah, the Amir of Kuwait,

After perusing:

Articles 20 and 23 of the Constitution, and the Commercial Companies Law No.15/1960 and the amendments thereof, and the Memorandum and Articles of Association of Al Ahli Bank of Kuwait (a Kuwaiti Shareholding Company), and upon the submission to the Minister of Commerce and Industry, and following the approval of the Council of Ministers,

We hereby decree the following:

Article 1

Authorization is hereby granted to Messrs. Ahmad Saleh Mohamed Al Saleh, Jawad & Haider Yacoub Behbehani, Husain Makki Al Jumaa, Khalifa Yousuf Al Roumi, Khalid Ahmed Al Jaber, Zaid Al Sarhan & Sons, Saoud & Ibrahim Abdul Razzak, Salem Al Ali Al Salem, Souad Hamad Al Homaizi, Soliman Abdul Aziz Al Fowzan, Shaker Abdul Majeed Al Kazmi, Sabih Al Burak Al Sabih, Abdul Hamid Mansour Al Mazidi, Abdul Aziz Fahed Al Masaeed, Abdul Rahman Al Zamil & Saleh Al Abdali, Ali Mohamed Ashkanani, Abdul Samad Abdulla Marafi, Abdul Aziz & Ali Al Muzaini, Abdul Aziz Al Ali Al-Khalid, Abdul Mohsin Al Khatrash & Abdulla Al Mashari, Abdul Rahman Al Bisher & Zaid Al Kazmi, Ali Abdul Karim Abel, Abdul Razzak Sultan Aman, Mohamed Al Sabah Al Salman Al Sabah, Mohamed Abdul Aziz Al Wazzan, Morad Yousuf Behbehani, Nasser Al Sabah Al Nasser, Nayef Al Dabous, Yousuf Al Abdul Latif Al Abdul Razzak, Yousuf Mohamed Al Shamaly, to incorporate in Kuwait, under their responsibility, a Kuwaiti Shareholding Company under the name of Al Ahli Bank of Kuwait with a capital of KD 2,000,000 (Kuwaiti Dinars Two Million).

Article 2

The aforementioned founders shall abide by the provisions of the Memorandum and Articles of Association of the Company attached hereto. They shall comply with the provisions of the Commercial Companies Law, amendments thereof, and all other laws in force.

Article 3

This authorization shall neither grant the aforesaid Bank any monopoly or concession, or result in any responsibility on the part of the Government.

Article 4

The Minister of Commerce and Industry shall enforce this Decree which shall be published in the Official Gazette.

The Amir of Kuwait
SABAH AL SALEM AL SABAH

Prime Minister
JABER AL AHMED AL JABER

Minister of Commerce and Industry
ABDULLA AL JABER

Issued at Al-Seif Palace, On Safar 14th, 1387 H.,
corresponding to May 23rd, 1967 A.D.

Al Ahli Bank of Kuwait
(A Kuwaiti Shareholding Company)
MEMORANDUM OF ASSOCIATION

Article 1

The undersigned, who are Kuwaiti nationals and residents of Kuwait, have hereby agreed to form a group amongst themselves with the objective of establishing a Kuwaiti Shareholding Company. The company shall be under license of the Kuwaiti Government and in accordance with the provisions of the Commercial Companies Law, amendments thereto and the Articles of Association attached hereto.

Article 2

The name of the Company shall be: Al Ahli Bank of Kuwait, (A Kuwaiti Shareholding Company).

Article 3

The Head Office of the Company and its legal seat is in the City of Kuwait. The Company may establish branches or agencies thereof within the State of Kuwait or abroad.

Article 4

The duration of this Company is unlimited.

Article 5

The purposes for which the Company has been founded shall be as follows:

To practice all commercial banking services and operations whether for its own account and/or for the account of others, such as:

- A) Acceptance of the various types of cash deposits with or without interest, conditional or unconditional.
- B) Raising of funds by issuing loan bonds or otherwise, with or without collateral and the refund and settlement thereof upon or before maturity.
- C) Purchase and sale of gold bullion and foreign currency, granting of loans thereon, and sale and purchase of transfers thereof.

- D) Discount, rediscount and purchase of drafts, bills of exchange, bonds, coupons, other commercial and industrial notes, and the investment of capitals.
- E) Granting loans, advances, credits and all other banking facilities secured or unsecured by movable or immovable property, government bonds, treasury bills of public institutions and companies as well as other financial papers.
- F) Advancing on bills of lading, shipping documents and delivery orders in the State of Kuwait or abroad.
- G) Advancing and granting credits and all other banking facilities with or without personal guarantee.
- H) Issuance of guarantees in favor of a third party, secured or unsecured.
- I) Collecting drafts, bills of exchange, documents, bills of lading and other financial instruments, on commission basis, for the account of customers or third parties.
- J) Receiving subscriptions for the establishment of shareholding companies, purchasing and selling of shares and bonds for the account of the Company or a third party, within the limits stipulated by the Law of the Central Bank of Kuwait.
- K) Practice the function of a savings bank.
- L) Safekeeping all kinds of currencies, precious metals, bonds, packages, parcels and renting private safety deposit boxes.
- M) Operating as trustee or agent, accepting agencies in bank business and appointing agents with or without commission.
- N) Undertaking insurance business by establishing or participating in an insurance company or undertaking such operations through agencies.
- O) Utilizing modern banking automation which enables the Company to expedite the accomplishment of transactions, thus minimizing the time and maintaining accuracy of execution, by using the electronic devices, for the Company's accounts. The services of these devices may be leased to a third party.

In general, the Company shall have the right to carry out all banking operations and services and commercial business permitted by laws, regulations and practices adopted by commercial banks. The Company, towards achieving its objectives, shall have the right to:

- A) Own movable, immovable, or quasi-immovable assets and their appurtenances, rights and concessions arising therefrom, for running the business of the Bank or undertaking the services related to it or arising therefrom and to safeguard and deal with the foregoing in every manner permitted by Law.
- B) Carry out all transactions and conclude contracts deemed necessary or appropriate by the company to realize its objectives.
- C) Own all types of patents, trademarks, certificates, concessions and intellectual rights which it deems necessary for the company's business, usage and disposal thereof in any manner that is permitted by Law.
- D) Perform banking business for a person or a company engaged in similar activities.
- E) Incorporate all types of companies and participate in productive projects by subscribing in the shares thereof or supporting them in any form whatsoever within the limits stipulated by the Law of the Central Bank of Kuwait.
- F) Regulate, draw, accept, issue, endorse and pay cheques, promissory notes, bills of exchange, policies, drafts, bills of lading, warehouse receipts and bonds as well as all types of commercial and financial papers whatsoever.

The Company may have interest in or participate in any manner with organizations engaged in similar activities or which may assist it to achieve its purposes in Kuwait or abroad. It may also purchase such organizations or affiliate them thereto.

Article 6

The capital of the company shall be KD91,372,173/- (Kuwaiti Dinars ninety one million, three hundred seventy two thousand and one hundred seventy three), divided into 913,721,730 shares, the value of each shall be Fils/100 ⁽¹⁾.

(1) Amended by the resolution of the Extraordinary General Assembly issued on 12/3/2005. Vide footnote (1), Article (5) of the Articles of Association, page (13).

Article 7

The undersigned founders have subscribed in 30,000 shares of the capital of the company, distributed among them as follows:

	Name	No. of Shares	Nominal Value KD
1.	Ahmad Saleh Mohamed Al Saleh	1000	10,000
2.	Jawad & Haider Yacoub Behbehani	1000	10,000
3.	Husain Makki Al Jumaa	1000	10,000
4.	Khalifa Yousuf Al Roumi	1000	10,000
5.	Khalid Ahmed Al Jaber	1000	10,000
6.	Zaid Al Sarhan & Sons	1000	10,000
7.	Saoud & Ibrahim Abdul Razzak	1000	10,000
8.	Salem Al Ali Al Salem	1000	10,000
9.	Souad Hamad Al Homaizi	1000	10,000
10.	Soliman Abdul Aziz Al Fowzan	1000	10,000
11.	Shaker Abdul Majeed Al Kazmi	1000	10,000
12.	Sabih Al Burak Al Sabih	1000	10,000
13.	Abdul Hamid Mansour Al Mazidi	1000	10,000
14.	Abdul Aziz Fahed Al Masaeed	1000	10,000
15.	Abdul Rahman Al Zamil & Saleh Al Abdali	1000	10,000
16.	Ali Mohamed Ashkanani	1000	10,000
17.	Abdul Samad Abdulla Marafi	1000	10,000
18.	Abdul Aziz & Ali Al Muzaini	1000	10,000
19.	Abdul Aziz Al Ali Al-Khalid	1000	10,000
20.	Abdul Mohsin Al Khatrash & Abdulla Al Mashari	1000	10,000
21.	Abdul Rahman Al Bisher & Zaid Al Kazmi	1000	10,000
22.	Ali Abdul Karim Abel	1000	10,000
23.	Abdul Razzak Sultan Aman	1000	10,000
24.	Mohamed Al Sabah Al Salman Al Sabah	1000	10,000
25.	Mohamed Abdul Aziz Al Wazzan	1000	10,000
26.	Morad Yousuf Behbehani	1000	10,000
27.	Nasser Al Sabah Al Nasser	1000	10,000
28.	Nayef Al Dabous	1000	10,000
29.	Yousuf Al Abdul Latif Al Abdul Razzak	1000	10,000
30.	Yousuf Mohamed Al Shamaly	1000	10,000
	TOTAL	30,000	300,000

They undertake to pay the full nominal value of KD 300,000 at the following banks.

The National Bank of Kuwait, The Commercial Bank of Kuwait, The Gulf Bank and The British Bank of The Middle East, and as per the above-mentioned subscription share of each.

The remaining shares shall be floated for public subscription in accordance with the provisions of the Articles of Association.

Article 8

The expenses, wages, charges and costs incurred by the company of incorporation thereof shall be approximately KD 20,000 (Kuwaiti Dinars twenty thousand) to be deducted from the general expenses account.

Article 9

The undersigned founders undertake to endeavor to have the incorporation decree issued and take all the necessary measures necessary for the completion of the incorporation.

For this purpose, they have appointed, as their proxy, a Constituent Committee formed by Messrs.

1. Husain Makki Al Jumaa
2. Khalifa Yousuf Al Roumi.
3. Abdul Hamid Al Mazidi

To take the legal actions and procedures to complete the necessary documents and to insert in this Memorandum of Association or in the attached Articles of Association the amendments which the Government deems necessary. They may delegate a third party or any one of them to perform all above-mentioned or part thereof.

This Memorandum of Association is made of thirty five (35) copies; each of the undersigned shall hold one copy and the remaining copies shall be submitted to the competent governmental authorities and the Companies Control Office for the issuance of the incorporation Decree.

Al Ahli Bank of Kuwait
(A Kuwaiti Shareholding Company)
ARTICLES OF ASSOCIATION

CHAPTER ONE

INCORPORATION OF THE COMPANY

1- ELEMENTS OF INCORPORATION

Article 1

A Kuwaiti Shareholding Company in the name of: "Al Ahli Bank of Kuwait - Kuwaiti Shareholding Company", hereinafter may be referred to as ("the Bank" or "the Company") has been incorporated among the shareholders in accordance with the provisions of the Commercial Companies Law and this Articles of Association.

Article 2

The Head Office of the Company and its legal seat is in the City of Kuwait.

The Company may establish branches or agencies thereof in the State of Kuwait or abroad.

Article 3

The duration of the Company is unlimited.

Article 4

The purposes for which the Company has been founded are:

To practice all commercial banking services and operations whether for its own account and/or the account of others, such as:

- A) Acceptance of the various types of cash deposits with or without interest, conditional or unconditional.

- B) Raising of funds by issuing loan, bonds or otherwise, with or without collateral and the refund and settlement thereof upon or before maturity.
- C) Purchase and sale of gold bullion and foreign currency, granting of loans thereon, and sale and purchase of transfers thereof.
- D) Discount, rediscount and purchase of drafts, bills of exchange, bonds, coupons, other commercial and industrial notes, and the investment of capitals.
- E) Granting loans, advances, credits and all other banking facilities secured or unsecured by movable or immovable properties, government bonds, treasury bills, bonds of public institutions and companies as well as other financial papers.
- F) Advancing on bills of lading, shipping documents and delivery orders in the State of Kuwait or abroad.
- G) Advancing and granting credits and all other banking facilities with or without personal guarantee.
- H) Issuance of guarantees in favor of a third party, secured or unsecured.
- I) Collecting drafts, bills of exchange, documents, bills of lading and other financial instruments, on commission basis, for the account of customers or third parties.
- J) Receiving subscriptions for the establishment of shareholding companies, purchasing and selling of shares and bonds for the account of the Company or a third party, within the limits stipulated by the Law of the Central Bank of Kuwait.
- K) Practice the function of a savings bank.
- L) Safekeeping all kinds of currencies, precious metals, bonds, packages, parcels and renting private safety deposit boxes.
- M) Operating as trustee or agent, accepting agencies in banking business and appointing agents with or without commission.
- N) Undertaking insurance business by establishing or participating in an insurance company or undertaking such business through agencies.

- O) Utilizing modern banking automation which enables the Company to expedite the accomplishment of transactions, thus minimizing the time and maintaining accuracy of execution, by using the electronic devices, for the Company's accounts. The services of these devices may be leased to a third party.

In general, the Company shall have the right to carry out all banking operations and services and commercial transactions permitted by laws, regulations and practices adopted by commercial banks. The Company, towards achieving its objectives, shall the right to:

- A) Own movable, immovable, or quasi-immovable assets and their appurtenances, rights and concessions arising therefrom, for running the business of the Bank or undertaking the services related to it or arising therefrom and to safeguard and deal with the foregoing in every manner permitted by Law.
- B) Carry out all transactions and conclude contracts deemed necessary or appropriate by the company to realize its objectives.
- C) Own all types of patents, trademarks, certificates, concessions and intellectual rights which it deems necessary for the company's business, usage and disposal thereof in any manner that is permitted by Law.
- D) Perform banking business for a person or a company engaged in similar activities.
- E) Incorporate all types of companies and participate in productive projects by subscribing in the shares thereof or supporting them in any form whatsoever within the limits stipulated by the Law of the Central Bank of Kuwait.
- F) Regulate, draw, accept, issue, endorse and pay cheques, promissory notes, bills of exchange, policies, drafts, bills of lading, warehouse receipts and bonds as well as all types of commercial and financial papers whatsoever.

The Company may have interest in or participate in any manner with organizations engaged in similar activities or which may assist it to achieve its purposes in Kuwait or abroad. It may also purchase such organizations or affiliate them thereto.

2- THE BANK'S CAPITAL

Article 5

The capital of the company shall be KD 91,372,173/- (Kuwaiti Dinars ninety one million, three hundred seventy two thousand and one hundred seventy three), divided into 913,721,730 shares, the value of each shall be Fils/100 ⁽¹⁾.

Article 6

The shares of the Company are nominal and may not be owned by non-Kuwaitis, except according to the conditions stipulated by law ⁽²⁾.

Article 7

The founders, who are signatories of the Memorandum of Association, shall subscribe to the 30,000 shares of the Bank's capital as per subscription share of each mentioned in the Memorandum of Association. They undertake to pay the full nominal value thereof ⁽³⁾ at any of the following banks: The National Bank of Kuwait, The Commercial Bank of Kuwait, The Gulf Bank and The British Bank of The Middle East.

Article 8

The remaining shares (170,000) shall be floated for public subscription for a period of thirty days and the subscription shall be closed after ten days from the date of its commencement thereof in the event that subscription is completed for all floated shares. However, if the total number of shares subscribed for, exceeds the number of shares floated, the shares shall be distributed among the subscribers pro rata to their subscriptions ratio in accordance with the provisions of the Law. Subscription shall be made in the following banks:

(1) Amended by the resolution of the Extraordinary General Assembly issued on 12/3/2005. Upon incorporation, the Bank's capital was specified in the amount of KD 2,000,000/-. The capital was subsequently amended until it reached the amount stated in the text. Therefore, the issued and fully paid up capital of the Bank has become KD 91,372,173/-

(2) Amended by the Resolution of the Extraordinary General Assembly issued on 14/9/1994.

(3) The nominal value per share at the time of incorporation was specified in the amount of KD 10/- (Kuwaiti Dinars Ten). It was then reduced to Kuwaiti Dinar 1/- (Kuwaiti Dinar One) pursuant to the resolution of the extra-ordinary General Assembly issued on 30/1/1978 and approval of The Council of Ministers in the session of 15/1978, which was conveyed to the Bank through the letter of the Companies and Insurance Department, Ministry of Commerce & Industry No: T.Sh/1/4343, dated 6/4/1978. In compliance with the provisions of law No 132/1986, regarding the amendment of some provisions of the commercial companies law, the extra-ordinary General Assembly, held on 31/3/1987, approved the amendment of the nominal value per share to be Fils/100 (Fils one hundred) instead of KD 1/- (Kuwaiti Dinar one) and to issue ten new shares of nominal value Fils/100 each for every share.

The National Bank of Kuwait, The Commercial Bank of Kuwait, The Gulf Bank and The British Bank of The Middle East.

Article 9

The nominal value of the shares shall be paid in full upon subscription.

Article 10

No shareholder shall, at any time, own shares the nominal value of which exceeds 10% (ten percent) of the capital unless by way of inheritance or bequest, except in cases where the General Assembly decides to increase this limit or make exception thereto. The General Assembly may authorize the Board of Directors to increase the aforementioned maximum limit or to make exception thereto ⁽¹⁾.

Article 11

The Company shall issue to each shareholder a certificate of shares owned. The shares certificates shall be stamped by the company's seal and signed by the Chairman of the Board of Directors, or the Managing Director or a member of the Board authorized by the Board for this purpose.

The Company shall maintain a record for the registration of the names of shareholders, the serial and total numbers of shares as well as the actions taken on such shares ⁽²⁾.

Article 12

If the share certificate is deformed, lost or damaged, a replacement original certificate may be issued against payment of one Kuwaiti Dinar fee and in accordance with the conditions set forth by the Board of Directors. The announcement of the reported lost shares shall be made by all means of publication decided by the Board of Directors.

Article 13

The ownership of shares shall definitely entail the acceptance of the Articles of Association of the Company and the resolutions of its General Assembly.

(1) This text was subject to successive amendments made by the Extraordinary General Assembly, the latest of which was decided on 16/4/1990 whereby the text was amended to read as stated above.

(2) Amended by the resolution of the Extraordinary General Assembly issued on 10/4/1999.

Article 14

Each share shall entitle its holder to an equal right to that of other holders without discrimination in the ownership of the Company's assets and the distribution of dividends as outlined hereinafter.

Article 14 (Bis)

The Company may purchase a number not exceeding 10% of its shares at their market value provided that the purchase is not financed from the Company's capital. Such shares shall not be included in the total Company's shares in cases where the shareholders are required to own a certain percentage of the capital and in all matters related to the General Assembly.

The Ordinary General Assembly may authorize the Board of Directors to purchase the Company's shares within the limits and under the conditions permitted by the Law, and to set up rules to regulate the sale or granting the whole of these shares or part thereof to the Company's personnel ⁽¹⁾.

Article 15

In the distribution of dividends, the Company shall distribute the dividends to the shareholder registered as the owner of the shares in the Company's records on the date of the General Assembly Meeting wherein the distribution of such dividends is decided.

As to the assets of the Company, the last owner of the shares registered in the Company's records is solely entitled to receive proceeds due on his share in these assets ⁽²⁾.

Article 16

Shares and bonds may be sold in accordance with the provisions of the Commercial Companies Law and such other laws relating thereto and the resolutions implementing thereof ⁽³⁾.

(1) Added by the Resolution of the Extraordinary General Assembly issued on 31/3/1987.

(2) Amended by the Resolution of the Extraordinary General Assembly issued on 1/7/1995.

(3) Amended by the Resolution of the Extraordinary General Assembly issued on 27/3/1988.

Article 17

Shares and bonds may be pledged, donated or disposed of in any other manner, such disposition shall be subject to the provisions of the Commercial Companies Law and such other laws related thereto and the resolutions implementing thereof ⁽¹⁾.

Article 18

Each share is indivisible.

Article 19

The heirs of a shareholder or his creditors may not, for any reason whatsoever, request the affixing of stamps on the Company's books, stationery or properties, or the distribution or the sale thereof by reason of its indivisibility; nor may they interfere in any way whatsoever in the management of the Company. However, they must depend, in the use of their rights, on the Company's inventory lists, closing accounts and the resolutions of the General Assembly.

The funds of the Company may not be attached for the satisfaction of debts due on one of its shareholders, but the shares of the debtor and the dividends thereon may be attached, and in such case an entry of the attachment, based on a notice from the concerned authority, shall be earmarked in the shares register of the Company and shall not be removed without a notice from that authority.

The creditor and the pledger shall be bound by all the resolutions of the General Assembly equally with the shareholder whose shares are garnished or pledged but without being entitled to the rights of membership of the Company.

(1) Amended by the Resolution of the Extraordinary General Assembly issued on 27/3/1988.

3- AMENDMENT OF THE CAPITAL

Article 20

The Bank's capital may be increased once or more by the issuance of new shares which shall be paid in full, or by converting the reserves into shares or in any other manner permitted by law, and pursuant to a resolution to be issued by the Extraordinary General Assembly specifying the conditions of the new shares.

The new shares should not be issued at a value less than their nominal value. The nominal value of the new shares must be equal to that of the original shares. If the new shares are issued at premium, the difference shall be added to the Statutory Reserve after the settlement of the issuance expenses.

Each shareholder shall have the priority to subscribe in a number of the new shares pro rata to the number of shares he owns. A period of fifteen days, from the date of inviting shareholders for subscription, shall be granted to practice such priority right.

The original subscription regulations shall apply to the new shares.

Article 21

The Company's capital may be reduced by a resolution issued by the Extraordinary General Assembly if it is in excess of its requirements or if a loss occurs and the Company selects to reduce the Capital to the actual current value.

The reduction shall be made in accordance with the provisions of Article 113 of the Commercial Companies Law.

4- LOANS

Article 22

Without prejudice to the provisions of Articles 117 to 129 of the Commercial Companies Law, the Company, pursuant to a resolution from its Assembly, may borrow by issuing negotiable bonds of equal nominal value to be given to subscribers against the money they have lent to it. Such bond issued shall be launched by means of inviting the public for subscription.

CHAPTER TWO

MANAGEMENT OF THE COMPANY

A- THE BOARD OF DIRECTORS

Article 23

The management of the Bank shall be entrusted to a Board of Directors consisting of seven members elected by secret ballot by the General Assembly for a period of three years renewable.

A board member may be re-elected for one term or more ⁽¹⁾.

Article 24

The member of the Board of Directors shall hold, in his personal capacity, a number of the Company's shares not less than seventy five thousand shares ⁽²⁾.

If the member, at the time of his election, does not hold that number of shares, he must within one month of his election, acquire the required number of shares, otherwise, his membership shall be forfeited.

Those shares shall be allocated as a guarantee to the member's management. They shall be deposited with the Company within one month from the date of appointment, and shall remain deposited and be non-negotiable until the period of his membership expires and the balance sheet for the last financial year of his service is approved. If a member fails to render a guarantee as aforementioned, his membership shall be void.

Article 25

The member of the Board of Directors should not be a member of the Board of Directors of a similar or competitive company, or have a direct or indirect interest in the contracts and deals concluded with the Company or for its account, or have an interest that conflicts with the interest of the Company unless an authorization of the General Assembly has been obtained and under the same conditions adopted by the Company towards a third party.

(1) Amended by two Resolutions of the Extraordinary General Assembly issued on 16/5/1998 and 20/3/2001.

(2) Amended by the Resolution of the Extraordinary General Assembly issued on 31/3/1987.

Article 26

Without prejudice to the provisions of the preceding articles, the member of the Board of Directors shall lose his position in the Board in the following cases:

- 1- If he fails to attend four consecutive meetings without legitimate excuse, and a decision of the Board of Directors is made in relation thereto.
- 2- If he resigns under a written notice.
- 3- If he loses his legal competence.
- 4- If he is declared bankrupt.
- 5- If he occupies any other post in the Company for which he receives remuneration, other than the post of the Chairman, Managing Director or General Manager.

Article 27

If the position of a board member becomes vacant, it shall be succeeded by the shareholder who has obtained the highest number of votes among the shareholders who have not won in the last election.

However in the event that one-fourth of the Board posts become vacant, or if no qualified person is available, the Board of Directors shall call the General Assembly to hold a meeting within two months from the date of the last vacancy, for the election of members to fill the vacant posts.

In all such cases, the new member shall only complete the term of his predecessor.

Article 28

The Board of Directors shall elect, by secret ballot, a Chairman and a Deputy Chairman for a period of three years.

The Board of Directors may also, by secret ballot, elect one or more Managing Directors for a period of three years.

The Chairman, the Deputy Chairman or the Managing Directors, or any other member delegated by the Board of Directors for this purpose, shall have the right to sign, individually, on behalf of the Bank ⁽¹⁾.

(1) Amended by the Resolution of the Extraordinary General Assembly issued on 18/5/1986.

Article 29

The Chairman of the Board of Directors is the President of the Company. He shall represent it before the courts and in front of third parties, and his signature shall be deemed as that of the Board of Directors in respect of the Company's relations with third parties. He shall execute the resolutions of the Board.

The Deputy Chairman shall act for the Chairman during his absence or impediment, and the powers invested in the Managing Director (s) shall be under the resolutions of the Board of Directors.

Any act authorized by the Board of Directors, within the powers invested pursuant to these Articles of Association and the provisions of the Law, shall be deemed valid.

Article 30

The Board of Directors may appoint a General Manager for the Company and specify his powers.

Article 31

The Company's Board of Directors is the supreme authority that governs its own affairs, acts and sets forth the policy to be adopted thereby. The Board of Directors may issue the decisions and by-laws pertaining to the operations of the Company, financial and administrative affairs and the Company's staff regulations. It may set forth other regulations deemed required for the achievement of the Company's objectives. For this purpose, the Board of Directors has the most extensive powers in lending, borrowing, mortgaging the Company's real estates, and issuing guarantees pursuant to the conditions and restrictions decided by the Board of Directors from time to time. The Board may purchase movable assets, real estates, all rights and concessions whether movable or immovable. It may lease, rent and may authorize the withdrawal of funds and securities owned by the Company, as well as the transfer and sale of same. The Board, in general, may exercise all these tasks and nothing may restrict its authority, except as otherwise stated by the laws, the Central Bank of Kuwait law, the Company's Article of Association or the resolutions of the General Assembly. The resolutions of the General Assembly shall not have a retroactive effect on matters already decided by the Board of Directors or authorized within the limits of its authority at a date prior to the resolutions of the General Assembly.

Article 32

The Board of Directors shall meet whenever necessary and at least once every two months upon the request of its Chairman.

It shall also meet upon the request of at least three of its members. However the Board shall not, in any event, have less than four meetings during any financial year.

The quorum for a meeting of the Board shall be realized by the attendance of the majority of its members. Attendance by proxy shall not be accepted in the meetings of the Board.

Article 33

Resolutions of the Board of Directors shall be issued by the majority voting of the members present. In case of a tie vote, the Chairman side shall make the majority.

Minutes of the Board meetings shall be recorded in a special record book and be signed by the Chairman and all members present. Opposition member may request his opinion be recorded.

Article 34

Without prejudice to the provisions of the Commercial Companies Law and the amendments thereof, the Ordinary General Assembly shall determine the remuneration of the Board of Directors, and the Board of Directors shall determine the remunerations of the Managing Directors and the salary of the General Manager.

Article 35

Members of the Board of Directors shall not be personally held liable for the undertakings of the Company by reason of performing their duties within the limits of their proxies.

Article 36

The Chairman and Members of the Board shall be accountable to the Company, the shareholders and third parties, for any fraudulent act, abuse of power, and any violation of the law or these Articles of Association. A vote by the General Assembly to release the Board of Directors from responsibility shall not preclude the institution of an action for liability.

B- GENERAL ASSEMBLY

Article 37

The General Assembly represents all of the shareholders and may not be held except in the City of Kuwait.

Article 38

The shareholders shall be invited to the meetings of the General Assembly, irrespective of the type thereof, in accordance with the provisions of the law. The invitation shall include a clear summary of the meeting's agenda.

The Founders shall set forth the agenda for the General Assembly convened as a Constituent Assembly. The Board of Directors shall prepare the agenda for the Ordinary or the Extraordinary General Assembly (1).

Article 39

In cases where a meeting of the General Assembly may be held at the request of the shareholders or auditors, the agenda shall be set forth by whoever requests such a meeting to be held. Matters, not listed on the agenda, shall not be discussed.

Article 40

Each shareholder shall be entitled to have a number of votes equal to the number of shares he holds. Meetings may be attended by proxy. Minors and incapacitated shall be represented by their legal representatives.

Any member shall not participate in the voting on his own behalf or on behalf of whom he represents in matters connected with his personal benefit or related to an existing dispute between him and the Company.

Article 41

The shareholders shall record their names in a special register to be available for this purpose at the Company's Head Office at least twenty four hours prior to the scheduled meeting of the General Assembly. The registration shall include the name of the shareholder, number of shares he owns and number of

(1) Amended by the resolution of the Extraordinary General Assembly issued on 1/7/1995.

shares he represents together with the names of their owners. Furthermore, the proxy document has to be submitted.

The shareholder shall be given a card to attend the meeting wherein the number of votes he is entitled to have in person, or by proxy shall be mentioned.

Article 42

The quorum for the General Assembly shall be the number of shareholders holding more than half the total number of shares. If such quorum is not present, an invitation shall be given within two weeks for a second meeting which shall be valid notwithstanding the number of those presents thereat.

The Extraordinary General Assembly meeting shall not be valid unless attended by shareholders representing three-fourth of the Company's shares. If such quorum is not present, an invitation shall be given for a second meeting which shall be valid if attended by a number representing more than one half of the shares.

Article 43

Resolutions of the General Assembly shall be passed by the absolute majority of the shares represented.

Resolutions of the Extraordinary General Assembly shall be passed by a majority of more than half the shares of the Company.

Article 44

The meeting of the General Assembly shall be presided by the Chairman of the Board of Directors, his Deputy, or by whoever the Board deputizes for such purpose. The Chairman shall appoint a secretary for the meeting.

Article 45

Voting in the General Assembly shall be in the manner specified by the Chairman of the meeting unless, otherwise, decided by the General Assembly.

Article 46

The Founders shall call the shareholders, within one month from the closing date of subscription, to hold the meeting of the Constituent General Assembly and

submit to it a report on all the incorporation procedures together with the supporting documents.

The Assembly shall verify the correctness of the information contained in the report, its compliance with the law and the Company's Memorandum & Articles of Association. The General Assembly shall elect the Board of Directors and the auditors, and announce the final incorporation of the Company.

Article 47

The General Assembly shall hold its ordinary meeting at least once a year at the request of the Board of Directors within three months following the end of the financial year of the Company.

The Board of Directors, however, may call the assembly for a meeting whenever it deems necessary, and shall do so whenever requested by a number of shareholders holding not less than ten percent of the capital.

Article 48

The Ordinary General Assembly shall deal with all the affairs connected with the Company save those reserved by law or by these Articles of Association to the Extraordinary or the Constituent General Assembly.

Article 49

The Board of Directors shall submit to the Ordinary General Assembly a report including a statement about the Company's activities, its financial and economic position, the balance sheet, profit and loss account, proposals for remunerations of the Members of the Board of Directors, the Auditors' fees and a proposal for the distribution of dividends.

Article 50

The Ordinary General Assembly shall discuss the report of the Board of Directors, and pass whatever resolutions it deems appropriate thereof, and shall review the Auditors' report.

Further, it shall elect the Members of the Board of Directors and appoint the Auditors for the next year and determine their remunerations and fees.

Article 51

The Extraordinary General Assembly shall meet upon either an invitation by the Board of Directors or a written request from shareholders holding not less than one fourth of the Company's shares. In the latter case, the Board shall invite the Assembly to meet within one month from the date of receiving such request.

Article 52

The following matters shall not be discussed except in an Extraordinary General Assembly Meeting:

- 1- Amendment of the Memorandum or the Articles of Association of the Company.
- 2- Sale of the entire enterprise undertaken by the Company or disposal thereof in any manner.
- 3- Dissolution of the Company or merger thereof with another company or organization.
- 4- Increase or decrease of the capital of the Company.

C- THE COMPANY'S ACCOUNTS

Article 53

The Company shall have one auditor (or more) who is a chartered accountant. The General Assembly shall appoint such auditor and determine his fees. The auditor shall audit the accounts for the financial year for which he has been appointed.

Article 54

The Company's financial year shall commence on the 1st of January and ends on December 31st each year, with the exception of the first financial year of the Company which shall commence from the date of the promulgation of its final incorporation and ends on December 31st of the following financial year.

Article 55

The auditor shall have the authorities and obligations stipulated for in the Commercial Companies Law and, in particular, shall have the right at any time to peruse all the Company's books, registers and documents, and to request any information as he deems necessary. Further, he shall have the right to verify the assets and liabilities of the Company. If he is unable to exercise such rights, he shall report the same in writing to the Board of Directors, and such report shall be presented to the General Assembly. He has the right also to call the General Assembly for this purpose.

Article 56

The auditor shall submit a report to the General Assembly stating whether the Balance Sheet and the Profit and Loss Accounts accord with reality and honestly and clearly express the true financial position of the Company; whether the company is holding regular registers of account; whether the inventory has been duly conducted in accordance with the generally adopted practices; whether the statement and information included in the report of the Board of Directors are in conformity with the Company's registers; whether any violations of the provisions of the articles of association of the Company or the provisions of the law have occurred during the financial year in a manner that affects the activities of the Company or its financial position, with a statement as to whether such violations, to the best of his knowledge, still exist.

The auditor, in his capacity as being authorized representative of all shareholders, shall be accountable for the authenticity of the information stated in his report and any shareholder shall have the right, during the meeting of the General Assembly, to discuss and request clarification of the contents of his report.

Article 57

A percentage of the gross profits, to be determined by the Board of Directors, shall be deducted for the depreciation of the Company's assets or as compensation for their devaluation. Such funds shall be used for purchasing the necessary materials, machinery and constructions and repairing thereof. They may not be distributed to the shareholders.

Article 58

Net profits shall be distributed as follows:

- 1) 10% shall be provided for the obligatory reserve account.
- 2) A further 10% shall be deducted for the voluntary reserve. It may be suspended by a resolution of the Ordinary General Assembly upon a proposal by the Board of Directors.
- 3) A proportion to be specified by the General Assembly shall be deducted to meet the Company's obligations under the Labor Law.
- 4) An amount sufficient for the distribution of the first dividends to the shareholders amounting to 5% of the paid-up capital of the value of their shares, shall be deducted.
- 5) Then a certain percentage to be determined by the General Assembly not exceeding 10% of the remaining balance shall be provided for the remunerations to the Board of Directors.
- 6) The balance of profits shall be distributed to the shareholders as additional dividends or, upon recommendation by the Board of Directors, shall be carried forward to the following year or provided for the establishment of extraordinary reserve or depreciation funds.

Article 59

Dividends shall be paid to the shareholders at the place and time specified by the Board of Directors.

Article 60

The reserve fund shall be used as decided by the Board of Directors in the best interest of the Company. The obligatory reserve shall not be distributed to the shareholders, but it may be used to secure distribution of dividends up to 5% to the shareholders in the years in which the profits of the Company do not allow for distribution up to such percentage.

CHAPTER THREE

TERMINATION AND LIQUIDATION OF THE COMPANY

Article 61

The Company shall be terminated upon occurrence of any of the events stipulated in the Commercial Companies Law.

Article 62

The Company's assets shall be liquidated upon termination thereof in accordance with the provisions stipulated in the Commercial Companies Law.



(Form No. 6 Commercial Register)

**State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License application in the Commercial Register**

Mr. Manager of the Commercial Register
Department.....

Submission No.:Record No.: 3705

Dealer's name & surname or Company's address or its name: Al Ahli Bank
of Kuwait (K.S.C.) Public

I, the undersigned, in capacity as the owner of this record/ attorney on behalf
of the owner of the record.....
do hereby kindly request for obtaining a license with the data indicated
herein in the commercial register in Kuwait and I do acknowledge that all
data contained herein is correct.

By virtue of a memorandum issued from the companies' management No.
447/2005 dated 07/06/2005 according to the extraordinary General
Assembly Meeting held on 12/03/2005; it has been approved as follows:
The license has been performed in the commercial register as follows:

- 1- To increase the capital of the bank by an amount of KD. 3,514,314/300;
representing a percent of 4% of the capital by issuing 35,143,143 new share
to be distributed on the shareholders registered in the records of the bank on
the date when the General Assembly Meeting was held as free bonus shares
by 4 shares for one hundred share; covering the value of such increase from
the profits of the fiscal year 2004 in addition to authorizing the Board of
Directors to sell the fractions of the shares resulting from such increase and
having their revenues distributed on the shareholders as per the fractions of
shares that shall be entitled thereto.





2- Amending Article (6) of the Article of Association and Article (5) of the Bank's Memorandum & Article of Association:

"The Company's share capital shall be KD. 91,372,173 to be distributed on 913,721,730 shares each share shall be of one hundred fils".

Kuwait on 7th of June 2005

Data of the Commercial Register Division

This application was submitted under No.....at.....of this day, and it was signed on the data required in the (License Register / Cancel Record) and a copy thereof has been delivered today to the applicant

Kuwait on-----in -----of-----

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State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License application in the Commercial Register

Mr. Manager of the Commercial Register
Department.....

Submission No.:Record No.: 3705

Dealer's name & surname or Company's address or its name: Al Ahli Bank
of Kuwait (K.S.C.) Public.

I, the undersigned, in capacity as the owner of this record/ attorney on behalf
of the owner of the record.....
do hereby kindly request for obtaining a license with the data indicated
herein in the commercial register in Kuwait and I do acknowledge that all
data contained herein is correct.

By virtue of a memorandum issued from the companies' management No.
281/2006 dated 01/04/2006 according to the extraordinary General
Assembly Meeting held on 18/03/2006;
It was signed in the commercial register as follows:

- 1- To increase the capital of the bank by an amount of KD. 4, 568,608/700;
representing a percent of 5% of the share capital by issuing 45,686,087 new
share to be distributed on the shareholders registered in the records of the
bank on the date when the General Assembly Meeting was held as free
bonus shares by 5 shares for one hundred shares; covering the value of such
increase from the profits of the fiscal year 2005 in addition to authorizing the
Board of Directors to sell the fractions of the shares resulting from such
increase and having their revenues distributed on the shareholders as per the
fractions of shares that shall be entitled thereto.





- 2- Amending Article (6) of the Article of Association and Article (5) of the Bank's Memorandum & Article of Association to become as follows:
"The bank's share capital shall be KD. 95,940,781/700 to be distributed on 959,407,817 shares the value of each shall be of one hundred fils".

Kuwait on April 1st, 2006





**The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License in the Commercial Register**

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

By virtue of a memorandum issued by the Joint Stock Companies' Management No. 833 dated 12/04/2016 upon the resolution of the Extraordinary General Assembly held 26/03/2016; it has been agreed on the following:

It has been signed in the commercial register as follows:

Approving on the amendment of Article 14 (bis) to become as follows:

“The Company may purchase or sell or dispose of not exceeding 10% of its shares with its market value provided that the purchase shall not be funded from the company's share capital. And such shares shall not be included in the total of the company's shares in cases requiring the shareholders to own a specific percent of the capital and in all matters of the General Assembly.

The Ordinary General Assembly may authorize the Board of Directors to purchase or sell or dispose of the company's shares within the limits of the percent and with the conditions permitted under the Law as well as place the rules regulating the sale or grant all or some of such shares to those who are working in the company.”

Kuwait on April 12th, 2016

The Ministry of Commerce & Industry





State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License application in the Commercial Register

Mr. Manager of the Commercial Register
Department.....

Submission No.:Record No.: 3705

Dealer's name & surname or Company's address or its name: Al Ahli Bank
of Kuwait (K.S.C.) Closed

I, the undersigned, in capacity as the owner of this record/ attorney on behalf
of the owner of the record.....
do hereby kindly request for obtaining a license with the data indicated
herein in the commercial register in Kuwait and I do acknowledge that all
data contained herein is correct.

By virtue of a memorandum issued from the companies' management No.
154 dated 17/04/2007 according to the extraordinary General Assembly
Meeting held on 07/04/2007; it has been agreed as follows:
It was signed in the commercial register as follows:

- 1- To increase the capital of the bank by an amount of KD. 95, 940,781/700
(ninety-five million and nine hundred and forty thousand and seven hundred
and eighty-one Kuwaiti Dinar and seven hundred fils), distributed on
959.407.817 shares the value of each is 100 fils to KD. 100,737,820, 785
(one hundred million and seven hundred and thirty seven thousand and eight
hundred and twenty Kuwaiti Dinar and 785 fils) distributed on
1,007,378,207 shares the value of each is 100 fils with a difference of
4,797,039,085 (four million and seven hundred and ninety-seven thousand
and thirty-nine Kuwaiti Dinars and 85 fils); representing a percent of 5% of
the share capital by issuing 47,970,390,085 shares to be distributed on the
shareholders registered in the records of the company until the date when the
General Assembly Meeting was held in addition to authorizing the Board of





Directors to sell the fractions of the shares resulting from such increase and having their revenues distributed on the shareholders as per the fractions of shares that shall be due thereto.

- 2- Amending Article (6) of the Article of Association and Article (5) of the Company's Memorandum & Article of Association as follows:

"The bank's share capital shall be KD. 100,737,820, 785 (one hundred million and seven hundred and thirty seven thousand and eight hundred and twenty Kuwaiti Dinar and 785 fils) to be distributed on 1,007,378,820,785 shares the value of each is 100 fils"

Kuwait on April 17th, 2007





State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division

A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank (K.S.C.)

Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the companies' management No. 148 dated 02/04/2008

Upon the resolution of the Extraordinary General Assembly Meeting held on 19/03/2008

It was signed in the commercial register as follows:

It has been agreed as follows:

1. Increase the bank's share capital by KD. 9,066,403/871 (nine million and sixty six thousand and four hundred and three Kuwaiti Dinars and 871 fils); representing a percent of 9% of the capital by issuing 90,664,038/71 shares that shall be distributed on the shareholders registered in the bank's records on the date when the Extraordinary General Assembly Meeting was held as free bonus shares by 9% (nine shares) for each 100 (one hundred share) and covering the value of such increase from the 2007 fiscal year profits and authorizing the Board of Directors to sell the fractions of the shares resulting from such increase and having their revenues distributed on the shareholders as per the fractions of shares that shall be due thereto.
2. Approving the amendment of Article (6) of the Article of Association and Article (5) of the Bank's Memorandum & Article of Association as follows:
"The Company's share capital shall be KD. 109,804,224, 656 (One hundred and nine million and eight hundred and four thousand and two hundred and twenty-four Kuwaiti Dinar and 656 fils) to be distributed on 1,098,042,246,56 shares the value of each is 100 fils"

Kuwait on April 2nd, 2008.





State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Closed

Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the Joint Stock Companies' management No. 161 dated 08/04/2009

Upon the resolution of the Extraordinary General Assembly Meeting held on 28/03/2009

It was signed in the commercial register as follows:

It has been agreed as follows:

- 1- By canceling the resolution of the Ordinary and Extraordinary General Assembly Meeting dated 20/09/2008 on the increase of the Company's share capital from KD. 109,804,224/656 (one and nine million and eight hundred and four thousand and two hundred and twenty-four Kuwaiti Dinars and 656 fils) to be KD. 131, 765, 069/587 by issuing 219,608,449/31 new shares; representing 20% of the capital and offering shares for subscription by a nominal value of 100 fils (one hundred fils) for each share with a share capital issued by 500 fils (five hundred fils) for each fils for the shareholders registered in the records of the bank on the date when the General Assembly Meeting was held.
- 2- Approving on the increase of the bank's capital by KD. 5,490,211/233 (five million and four hundred and ninety thousand and two hundred and eleven Kuwaiti Dinars and 233 fils); representing a percent of 5% of the share capital by issuing 54,902,112/33 shares that shall be distributed on the shareholders registered in the bank's records on the date when the Extraordinary General Assembly Meeting was held as free bonus shares by 5% (five shares) for each 100 (one hundred share) and covering the value of such increase from the 2008 fiscal year profits and authorizing the Board of Directors to sell the fractions of the shares resulting from such increase and having their revenues distributed on the shareholders as per the fractions of shares that shall be due thereto.

Kuwait on April 8th, 2009.





State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public
Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the Joint Stock Companies' management No. 195 dated 11/05/2010 and upon the resolution of the Extraordinary General Assembly Meeting held on 07/09/2009 and upon the Amiri Decree No. 11 of 2010 and the Ministerial Decree No. 87 of 2010 and it has been agreed as follows:

It was signed in the commercial register as follows:

- 1- Increasing the share capital of the Al Ahli Bank of Kuwait (K.S.C.) from KD. 115,294,435/889 (one hundred and fifteen million and two hundred and ninety four thousand and four hundred and thirty-five Kuwaiti Dinars and 889 fils) to be KD. 144, 118,044/861 (One hundred and forty four million and one hundred and eighteen thousand and forty four Kuwaiti Dinar and 861 fils) by issuing 288,236,089/72 new shares; representing a percent of 25% of the share capital and the shares shall be offered for subscription by a nominal value of 100 fils (one hundred fils) for share in addition to the share capital by 250 fils (two hundred and fifty fils) for the shareholders registered in the Bank's records on the day before the date to call for the capital increase after the Amiri Decree was issued by getting the approval on that increase along with authorizing the Board of Directors to place and set the conditions and regulations of this subscription and in disposing to sell the fractions of the shares resulting therefrom and donating the proceeds out of their sale in good deeds.
- 2- Amending the Article (6) of the Article of Association and Article (5) of the Kuwait Al Ahli Bank of Kuwait's Memorandum & Article of Association as follows:
"The Company's share capital shall be KD. 144, 118,044/861 (One hundred and forty four million and one hundred and eighteen thousand and forty four Kuwaiti Dinar and 861 fils) to be distributed on 1,441,180,448/61 shares the value of each is 100 fils"



Kuwait on May 11th, 2010.

State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division

A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Closed

Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the joint stock companies' management No. 80 dated 19/03/2012 and upon the resolution of the Extraordinary General Assembly Meeting held on 10/03/2012-It was signed in the commercial register as follows:

It has been agreed as follows:

- 1- Increase the Company's share capital by KD. 7,205,902/243 (seven million and two hundred and five thousand and nine hundred and two Kuwaiti Dinars and 243 fils); representing a percent of 5% of the capital by issuing 72,059,022/43 new shares that shall be distributed on the shareholders registered in the bank's records on the date when the Extraordinary General Assembly Meeting was held as free bonus shares by 5% (five shares) for each 100 share (one hundred share) and covering the value of such increase from the 2011 fiscal year profits and authorizing the Board of Directors to sell the fractions of the shares resulting from such increase and having their revenues distributed on the shareholders as per the fractions of shares that shall be due thereto.
- 2- Amending the Article (6) of the Article of Association and Article (5) of the Kuwait Al Ahli Bank of Kuwait's Memorandum & Article of Association:
The Provision after being amended:

"The Company's share capital is KD. 151,323,947/104 (one hundred and fifty one million and three hundred and twenty three thousand and nine hundred and forty seven Kuwaiti Dinars and 104 fils) distributed on 1,513,239,471/04 shares, the value of each is one hundred fils"



State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division

A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public
Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the joint stock companies' management No. 144/2013 dated 31/03/2013, upon the resolution of the Extraordinary General Assembly Meeting held on 16/03/2013-It was signed in the commercial register as follows:

It has been agreed as follows:

- 1- Increasing the Company's share capital by KD. 10,592,676,296 (Only ten million and five hundred and ninety two thousand and six hundred and seventy-six Kuwaiti Dinars and 296 fils); representing a percent of 7 % of the capital by issuing 105,926,762,96 new shares that shall be distributed on the shareholders registered in the bank's records on the date when the Extraordinary Assembly Meeting was held as free bonus shares by 7% (seven shares for each hundred shares) and covering such increase from 2012 fiscal year profits; authorizing the board of directors to sell the fractions resulting from that increase and donate such revenue to the charitable bodies.
- 2- Amending the Article (6) of the Articles of Association and Article (5) of Memorandum and Article of Association:

The Company's share capital is KD. 161,916,623,400 (One hundred and sixty-one million and nine hundred and sixteen thousand and six hundred and twenty three Kuwaiti Dinars and four hundred fils) distributed on 1,619,166,234 shares, the value of each is one hundred fils.

Kuwait on March 31st, 2013





State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division

A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

Approving to cancel the Article (26) of the Article of Association:

“The Board of Directors shall elect by virtue of a secret ballot a Chairman for the Board of Directors, Deputy Chairman and such Chairman shall represent the company in its relationships with third parties and before the courts beside the other competences indicated under the company’s contract, and its signature is deemed to be as the signature of the Board of Directors regarding the relationship of the company with third party, the Chairman shall execute the decisions taken by the Board of Directors and be committed to its recommendations, and the Deputy Chairman shall replace the Chairman in its absence or being unable to practice its competences”

The Company shall have a Chief Executive Officer appointed by the Board of Directors without the members of such Board, and the CEO shall be assigned to manage the company and the Board shall determine its competences and powers in signing on behalf of the company.”

Article (28) shall be cancelled from the Article of Association:

The Board of Director shall elect by virtue of the secret ballot a chairman and deputy chairman for three years.

And the Board may also elect by virtue of the secret ballot a managing director or more for three years.

The signature on behalf of the Bank shall be severally owned by the Chairman of the Board of Directors, its Representative or the Managing Directors or any other member delegated by the Board of Directors for this purpose.





Approving Article (29) of the Article and Memorandum of Association:

“The Chairman of the Board of Directors is deemed the Chief Executive Officer of the Company who represents the company before the courts and third parties and its signature shall be considered as the signature of the Board of Directors in the relationships of the company with third parties and the Chairman shall implement the decisions taken by the Board of Directors and the Deputy Chairman shall act on behalf of the Chairman with all of its powers during its absence or being unable to perform its obligations and the powers vested to the CEO shall be the same powers appointed thereto by virtue of the decisions of the Board of Directors.

Therefore, any action the Board of Directors is appointed to undertake it shall be deemed correct within the limits of the powers granted thereto under this Statute and the provisions of the Law.

Approving to add a new Article (27) of the Article and Memorandum of Association:

“The Board of Directors shall be entitled to distribute the work among its members in accordance with the nature of the company’s businesses as well as the Board of Directors may not appoint one of its members or a committee formed among its members or a third party to carry out a specific work or more or supervise any aspect of the company’s activities or practice some powers or competences entrusted to the Board in addition that the board of directors may issue decisions determining the competences, powers and financial indemnities for the appointed members and the members of the committees.

Approving to cancel both Second and Third Paragraphs of Article (32) of the Memorandum and Article of Association:

The Board of directors shall be convened when necessary and once every two months at least upon a call from its Chairman as well as it shall be convened if three of its members at least request so.





Provided that such meetings shall not be less than six times at least throughout the fiscal year anyway, and the meeting of the board of director shall not be correct unless half of its members at least attend and the number of the present shall not be less than five members.”

Kuwait on July 30th, 2013





Kuwait March 19th, 2012

State of Kuwait
The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
A License in the Commercial Register

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

By virtue of a memorandum of the joint stock companies' management No. 593 dated 30/07/2013, upon the resolution of the Extraordinary General Assembly Meeting held on 16/03/2013-It was signed in the commercial register as follows:

It has been agreed as follows:

Approving the amendment of Article (21) of the Memorandum and Article of Association:

“By virtue of a resolution from the Extraordinary General Assembly Meeting to reduce the company's share capital if it exceeds its need or there is a loss occurred and the company considers the value to be decreased to the value already existed.

And such deduction shall be performed according to the provisions of the Companies Act issued by the Decree Law No. 25 of 2012”

Approving the amendment of Article (22) of the Company's Article of Association:

“The Company may, by virtue of a decision issued by the Extraordinary General Assembly Meeting, borrow in consideration of issuing bonds of a single nominal negotiable value given to the subscribers for the amounts lent thereby to the company, and such loan shall be by calling on the subscription directed to the public.”





Approving the amendment of Article (23) of the Company's Article of Association:

“The Bank shall be managed by a Board of Directors consisting of at least nine members elected by the General Assembly by secret ballot for a renewable term of three years.”

The member may be re-elected for one more time or more than one time.”

Approving the amendment of Article (24) of the Company's Article of Association:

A person who nominates for membership of the Board of Directors must be competent to legally act and must not have been sentenced in a felony being punishable by deprivation of liberty or a bankruptcy offense by negligence or fraud or an offense against honor or trust or a penalty restricting freedom for violating the provisions of the Companies Law unless he is of name clearing and must be a personal owner or its representative shall be the person who is the owner of a number of shares of the company”

“He may not dispose under no circumstances in the shares of the company where he is deemed a member in its board of directors throughout its membership term unless obtaining the approval of the authority.”

“as well as in case the member of the board of directors loses any of the aforementioned conditions or any of the other conditions contained in the Companies' Act or the Law No. 32 of 1968 on the Central Bank of Kuwait and regulating the Banking Profession and its amendments or the other laws, he shall lack the membership as of the date of losing such condition.”

Kuwait June 30th, 2013



**The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License in the Commercial Register**

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

Approving to cancel the second paragraph of Article (34) of the Memorandum and Article of Association:

“Without prejudice to the provisions of the Companies Act and the Amending Acts thereto, the Ordinary General Assembly shall determine the remunerations of the Board of Directors.”

Approving to amend Article (38) of the Article of Association:

The annual ordinary general assembly shall be convened upon a call from the board of directors within the first three months following the end of the fiscal year in the place and on time appointed by the Company's contract and the Board of Directors shall have the right to convene the general assembly for meeting when necessary and the board of directors shall have the right to convene the general assembly for meeting when necessary and the board of directors shall direct a convention to the general assembly for meeting upon a reasoned request submitted by a number of the shareholders owning 10% of the company's share capital or upon a request of the auditor within fifteen (15) days as of the date to submit such request and the Body convening for the meeting shall prepare the agenda.

The provisions stipulated in the Companies Decree Law shall apply to the procedures to convene the general assembly for meeting and the attendance quorum and voting.

Approving to cancel Article (39) of the Memorandum and Article of Association:

“In all cases in which the General Assembly may not, upon the request of the shareholders or the auditors, place agenda from the request for holding



the general assembly and any matter not listed in the agenda may not be discussed or reviewed.”

Approving to cancel the First Paragraph of Article (42) of the Article of Association:

“The provisions stipulated in the Companies Decree Law shall apply to the procedures to convene the general assembly for meeting and the attendance quorum and voting.”

For the Extraordinary General Assembly, its meeting shall be not valid unless shareholders owning 3/4 of company's shares attend such meeting and if such quorum is not available, a convention shall be directed for a second correct meeting if the present are representing more than half of the shares.

Approving to amend Article (45) of the Memorandum and Article of Association:

“Voting on the nominated for the membership of the Board of Directors shall be subject to the cumulative voting system; granting each shareholder a voting ability according to the number of shares owned thereby so that such shareholder shall be entitled to vote therewith for one candidate or having it distributed among those chosen thereby of the nominated without repeating such votes.”

Approving the amendment of Article (51) of the Memorandum and Article of Association:

“The Extraordinary General Assembly shall be convened upon a call from the Board of Directors or upon a reasoned request provided by shareholders owning not less than 15% (Fifteen percent) of the company's shares and in this case, the board of directors should convene the General Assembly within thirty (30) days as of date of presenting the request.”

Kuwait on July 30th, 2013





**The Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Division
State of Kuwait
A License in the Commercial Register**

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

By virtue of a memorandum issued by the Joint Stock Companies' Management No. 211 dated 27/03/2014 upon the resolution of the Extraordinary General Assembly held 22/03/2014; it has been agreed on the following:

It has been signed in the Commercial Register as follows:

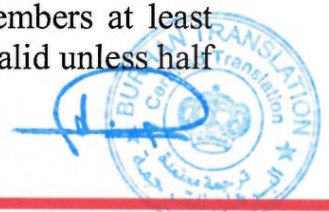
- 1- Approving to cancel Article (29) of the Memorandum and Article of Association:

"The Chairman of the Board of Directors is deemed the Chief Executive Officer of the Company who represents the company before the courts and third parties and its signature shall be considered as the signature of the Board of Directors in the relationships of the company with third parties and the Chairman shall implement the decisions taken by the Board of Directors and the Deputy Chairman shall act on behalf of the Chairman with all of its powers during its absence or being unable to perform its obligations and the powers vested to the CEO shall be the same powers appointed thereto by virtue of the decisions of the Board of Directors.

Therefore, any action the Board of Directors is appointed to undertake it shall be deemed correct within the limits of the powers granted thereto under this Statute and the provisions of the Law.

- 2- Approving to amend Article (32) to be as follows:

- The Board of directors shall be convened when necessary upon a call from its Chairman and once every two months at least upon a call from its Chairman as well as it shall be convened if three of its members at least request so. And the meeting of the board shall be deemed invalid unless half





of the members at least attend provided that the number of the present shall be not less than five members and it may be agreed on a percent or more numbers and the meeting shall be by using the modern communication means and taking the decisions shall be by passing by the agreement of all members of the board and the board of directors shall be convened six times at least within the first year and it has been agreed on more times.”

3- Approving to amend Article (42) to become as follows:

“The Extraordinary General Assembly Meeting shall not be valid unless shareholders representing 3/4 of the Company’s issued capital and if such quorum is not available, the convention shall be directed to a second valid meeting if the present representing more than half of the issued capital and the resolutions shall be issued by majority exceeding half of the total of the company’s issued share capital.

4- Approving to cancel Article (45) of the Article and Memorandum of Association:

“Voting on the nominated for the membership of the Board of Directors shall be subject to the cumulative voting system; granting each shareholder a voting ability according to the number of shares owned thereby so that such shareholder shall be entitled to vote therewith for one candidate or having it distributed among those chosen thereby of the nominated without repeating such votes.”

Kuwait on March 27th, 2014





**Commercial Register Department
Commercial Register Division
State of Kuwait
A License in the Commercial Register**

Name and Type of the Company: Al Ahli Bank of Kuwait (K.S.C.) Public

Number of Record in the Commercial Register: 3705

By virtue of a memorandum issued by the Joint Stock Companies' Management No. 44/2016 dated 25/08/2016 upon the resolution of the Extraordinary General Assembly held 14/08/2016; it has been agreed on the following:

It has been signed in the commercial register as follows:

- 1- It approved to amend Article (31) of the Article of Association of the Al Ahli Bank of Kuwait as follows:

“The Board of Directors shall be the dominant authority on conducting its affairs and matters in addition to placing thee policy followed thereby and the board shall have the right to issue the decisions and internal regulations that are related to the operations of the company, financial and administrative affairs, and the system of the company's employees as well as placing the other systems it deems appropriate to accomplish the purposes for which the company has been incorporated, and the board of directors shall have the right, for doing so, to have the widest powers in borrowing, lending, selling, pledging the properties of the company and conclude the bonds, granting donations, performing acknowledgment, reconciliation, arbitration and it shall have the right to purchase the movables and properties and all movable or fixed lien priority as well as it shall be entitled to lease and rent and authorize to withdraw the funds and securities owned to the company; having the same also transferred and sold.

The Board of Directors shall also have the right to practice all of these works and its authority shall be unlimited unless laws or the law of the Central Bank of Kuwait, the Company's Statute or the General Assembly's resolutions limit such authorities. The resolutions of the General Assembly





shall not be valid retroactively on the aforementioned decisions taken by the Board of Directors of works or declared therewith within the limits of its competences on a date prior to the resolutions of the General Assembly.”

Kuwait on August 25th, 2016

//Seal//
Commercial Registry //Signed//

The Manager of the



State of Kuwait
Ministry of Commerce and Industry
Commercial Register Management
Commercial Register Section

Notation in the commercial register

Company name and type: Al Ahli Bank of Kuwait Company (K.S.C.) Public
Registration No. in the Commercial Register: 3705

According to a memorandum issued by the Joint Stock Companies Dept. No. 3/4 dated 02/03/2020 based on the Extraordinary General Assembly held on 01/03/2020, the following was approved:

The commercial register was notated as follows:

Approval of the first item: Amending Article (5) of the Memorandum of Association

The purposes for which the company was established are the following:

Carrying out all commercial banking services and operations, whether for its own account or for the account of others, including, for example:

(a) Acceptance of cash deposits of all kinds, with or without interest and with or without conditions.

b- Obtaining money by issuing loan bonds or by other means, with or without security deposits, and repaying them at maturity or before that.

C - Buying and selling gold bullion and foreign currencies, lending on them, and buying and selling their remittances.

d- Exchange of remittances, bills of exchange, borrowing bonds, coupons and all other commercial and industrial bonds, buying and re-exchange them, and investing capital.



e- Lending, granting credits and other banking facilities, whether or not by mortgaging movable and immovable funds, government bonds, public treasury Remittances, public institutions and companies' bonds and other financial bonds or without it.

f- Lending on bills of lading, transport bonds and orders to receive money inside and outside the country.

g- Credit and granting of credits and other banking facilities against or without a personal guarantee.

h- Issuance of guarantees for the benefit of a third person with or without a guarantee.

I- Collecting remittances, bills of exchange, bonds, bills of lading and other bonds in return for commission for the account of clients or third persons.

j - Receiving subscriptions for the incorporation of joint stock companies and the purchase and sale of shares and bonds for the account of the company or for the account of a third person, within the limits of the provisions stipulated in the Central Bank of Kuwait' Law

K - Carrying out the work of a savings bank.

Director of the Commercial Register Department

(signature and seal)



State of Kuwait
Ministry of Commerce and Industry
Commercial Register Management
Commercial Register Section

Notation in the commercial register

Company name and type: Al Ahli Bank of Kuwait Company (K.S.C.) Public

Registration No. in the Commercial Register: 3705

l- Keeping all kinds of money, precious metals, bonds, parcels and packages, and renting private iron safes.

m- Performing the duties of trustee and agent, accepting agencies in banking business, and appointing agents with or without commission.

n - To carry out insurance business by founding an insurance company or participating in such a company, or carrying out the aforementioned business by way of agencies.

O - Using the modern banking mechanism that enables the company to speed up the completion of operations and to save time and accuracy in execution through the use of precise electronic machines for the company's accounts, with the possibility of leasing the services of these machines to others.

In general, the company can carry out all the other business, banking services and commercial businesses that are permitted by the laws, rules and regulations in force for commercial banks, and in order to achieve the company's purposes, it has:

a- To own movable and immovable or immovable funds and their attachments, and the rights and privileges arising there from for running the bank's business or performing services related to or arising from such business, while maintaining them and disposing of them in all types of legally authorized actions.



b- Conducting all transactions and entering into contracts that it deems necessary or appropriate to achieve its purposes.

C- Owning all kinds of patents, commercial transactions, certificates, privileges, and literary and artistic property rights that the company deems necessary for its business, using and disposing of them with all kinds of legal actions.

d- Carrying out banking business belonging to a person or company carrying on business similar to that of the company.

E - Establishing companies of all kinds and participating in productive projects by subscribing to their shares or supporting them in any way, within the limits of the provisions stipulated in the Central Bank of Kuwait Law.

f- Organizing, withdrawing, accepting, issuing, endorsing and exchange bonds, promissory notes, bills of exchange, bills of lading, warehouse bonds, borrowing bonds and all commercial and financial papers of all kinds.

The company may have an interest or participate in any way with the bodies that carry out business similar to its business, or that may assist it in achieving its purpose in Kuwait or abroad, and it may purchase these bodies or attach them.

g- To carry out the work of the electronic payment and settlement system that is authorized by the company.



State of Kuwait
Ministry of Commerce and Industry
Commercial Register Management
Commercial Register Section

Notation in the Commercial Register

Company name and type: Al Ahli Bank of Kuwait Company (K.S.C.) Public

Registration No. in the Commercial Register: 3705

Approval of the second item: Amending some articles of the Articles of Association - Article (4)

The purposes for which the company was established are the following:

Carrying out all commercial banking services and operations, whether for its own account or for the account of others, including, for example:

(a) Acceptance of cash deposits of all kinds, with or without interest and with or without conditions.

b- Obtaining money by issuing loan bonds or by other means, with or without security deposits, and repaying them at maturity or before that.

C - Buying and selling gold bullion and foreign currencies, lending on them, and buying and selling their remittances.

d- Exchange of remittances, bills of exchange, borrowing bonds, coupons and all other commercial and industrial bonds, buying and re-exchange them, and investing capital.

e- Lending, granting credits and other banking facilities, whether or not by mortgaging movable and immovable funds, government bonds, public treasury Remittances, public institutions and companies' bonds and other financial bonds or without it.

f- Lending on bills of lading, transport bonds and orders to receive money inside and outside the country.



- g- Credit and granting of credits and other banking facilities against or without a personal guarantee.
- h- Issuance of guarantees for the benefit of a third person with or without a guarantee.
- i- Collecting remittances, bills of exchange, bonds, bills of lading and other bonds in return for commission for the account of clients or third persons.
- j - Receiving subscriptions for the incorporation of joint stock companies and the purchase and sale of shares and bonds for the account of the company or for the account of a third person, within the limits of the provisions stipulated in the Central Bank of Kuwait Law.
- k - Carrying out the work of a savings bank.
- l - Keeping all kinds of money, precious metals, bonds, parcels and packages, and renting private iron safes.
- m- Performing the duties of trustee and agent, accepting agencies in banking business, and appointing agents with or without commission.
- n- To carry out insurance business by founding an insurance company or participating in such a company, or carrying out the aforementioned business by way of agencies.



State of Kuwait

**Ministry of Commerce and Industry
Commercial Register Management
Commercial Register Section**

Notation in the commercial register

Company name and type: Al Ahli Bank of Kuwait Company (K.S.C.) Public

Registration No. in the Commercial Register: 3705

O - Using the modern banking mechanism that enables the company to speed up the completion of operations and to save time and accuracy in execution through the use of precise electronic machines for the company's accounts, with the possibility of leasing the services of these machines to others.

In general, the company can carry out all the other business, banking services and commercial businesses that are permitted by the laws, rules and regulations in force for commercial banks, and in order to achieve the company's purposes, it has:

a- To own movable and immovable or immovable funds and their attachments, and the rights and privileges arising there from for running the bank's business or performing services related to or arising from such business, while maintaining them and disposing of them in all types of legally authorized actions.

b- Conducting all transactions and entering into contracts that it deems necessary or appropriate to achieve its purposes.

C- Owning all kinds of patents, commercial transactions, certificates, privileges, and literary and artistic property rights that the company deems necessary for its business, using and disposing of them with all kinds of legal actions.

d- Carrying out banking business belonging to a person or company carrying on business similar to that of the company.

E - Establishing companies of all kinds and participating in productive projects by subscribing to their shares or supporting them in any way, within the limits of the provisions stipulated in the Central Bank of Kuwait Law.



f- Organizing, withdrawing, accepting, issuing, endorsing and exchange bonds, promissory notes, bills of exchange, bills of lading, warehouse bonds, borrowing bonds and all commercial and financial papers of all kinds.

The company may have an interest or participate in any way with the bodies that carry out business similar to its business, or that may assist it in achieving its purpose in Kuwait or abroad, and it may purchase these bodies or attach them to them.

g- To carry out the work of the electronic payment and settlement system that is authorized by the company.

Amending Article (23) of the Articles of Association:

The company is managed by a board of directors of not less than eleven members, and the supervisory authorities may obligate the company to be among the members of the board of directors at least two independent members, starting from 30/06/2020, and four members starting from 30/06/2022 - taking into account the governance provisions of independent board members selected by the Ordinary General Assembly and determining their remuneration, provided that their number does not exceed half of the members of the Board, and it is not required that the Independent member be among the shareholders of the company, the shareholders elect the members of the Board by secret vote.

Adding Article (26) of the Article of Association

The Board of Directors elects by secret ballot the Chairman and Vice-Chairman of the Board, and the Chairman of the Board of Directors represents the company in its relations with third parties and before the judiciary, in addition to his other competencies determined by law and this Articles of Association. His signature is considered as the signature of the board of directors in the company's relation with third parties, and the vice president replaces the president in his absence or if there is an impediment to him from exercising his powers.

02/03/2020

Director of the Commercial Register Department

(Signature & Seal)



State of Kuwait**Ministry of Commerce and Industry****Commercial Register Department**

Kuwait on: 27/05/2021

Notation in the Commercial Register**Company name and type: Al Ahli Bank of Kuwait Company (K.S.C.) Public****Legal Entity: Public Shareholding Co.****Registration No. in the Commercial Register: 3705**

Based on the Extraordinary General Assembly's minutes held on 03/04/2021,

The commercial register was notated

the following was approved:

Increasing the company's capital through bonus shares from 161,916,623.4 to 170,012,454.5 with a value of 8,095,831.1

Based on the Auditor's Certificate issued on May 4, 2021, kindly notate the following in the Commercial Register:

Amending Article (6) of the Memorandum of Association and Article (5) of the Articles of Association of the Al Ahli Bank of Kuwait as follows:

Text before Amendment

The permitted capital of the company was fixed at the amount KD 170,012,454.500 (One hundred seventy million and twelve thousand four hundred fifty-four Kuwaiti Dinars and Five hundred Fils) distributed over 1,700,124,545 shares, and the nominal value of each share is 100 Fils and all shares are in cash.



The authorized paid-up capital of the company was fixed at KD 161,916,623.400 (One hundred and sixty-one million nine hundred and sixteen thousand six hundred twenty-three Kuwaiti Dinars and four hundred Fils) distributed among 1,619,166,234 shares, and the nominal value of each share is 100 Fils, and all shares are in cash.

Text after Amendment

The permitted paid-up capital of the company was fixed at 170,012,454.500 KWD (one hundred seventy million twelve thousand four hundred and fifty-four Kuwaiti Dinars and five hundred Fils) distributed over 1,700,124,545 shares, and the nominal value of each share is 100 Fils and all shares are cash.

An electronic document that does not require a stamp or signature

Commercial Register Dept. - Ministry of Commerce & Industry – Date of Printing: 27/07/2021



State of Kuwait

**Ministry of Commerce & Industry
Commercial Register Dept.**

Endorsement in Commercial Register

Kuwait on 26/04/2022

Name of Company & its type : **Al Ahli Bank of Kuwait (K.S.C.P)**

Legal Entity : Public Shareholding Company

Registration No. in commercial register : 3705

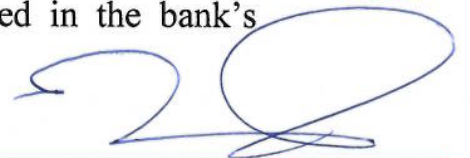
Based on the minutes of an extraordinary general assembly 16/04/2022,
the Commercial Register was endorsed.

it was agreed on the following :

Increasing the company's capital through bonus shares from
170,012,454.500 to 178,513,100.00, with a value of 8,500,622.700

The above-mentioned bank held its extraordinary general assembly on
16/4/2022 and the following was approved:

Increasing the authorized, issued and paid-up capital of the bank from an
amount of KD 170,012.454.5 (one hundred and seventy million and
twelve thousand four hundred and fifty-four Kuwaiti dinars and five
hundred fils) to an amount of 178,513,077.2 (one hundred and seventy-
eight million five hundred and thirteen thousand and seventy-seven
Kuwaiti dinars and two hundred fils The increase amounted to KD
8,500,622.7, which represents 5% of the capital, by issuing 85,006,227
new shares to be distributed to shareholders registered in the bank's



records as free bonus shares at a rate of 5% (five shares for every hundred shares) as shown in the following schedule :

Free bonus shares of 5% will be distributed to the shareholders registered in the bank's records as at the end of the due date specified for it on Wednesday 11/5/2022. The bonus shares will be distributed to the eligible shareholders as of Tuesday 17/5/2022 and The Board of Directors is authorized to amend the aforementioned schedule to implement the decision of the General Assembly to distribute the bonus shares in the event that the month's procedures were not completed by eight working days before the due date.

The value of this increase is covered from the carried forward profits, and the board of directors is authorized to dispose of the fractional shares arising from it according to what it deems appropriate.

Amending Article No. (6) of the Memorandum of Association and Article No. (5) of the Articles of Association





State of Kuwait

**Ministry of Commerce & Industry
Commercial Register Dept.**

Endorsement in Commercial Register

Kuwait on 26/04/2022

Name of Company & its type : **Al Ahli Bank of Kuwait (K.S.C.P)**

Legal Entity : Public Shareholding Company

Registration No. in commercial register : 3705

Based on the minutes of an extraordinary general assembly 16/04/2022,
the Commercial Register was endorsed.

it was agreed on the following :

Increasing the company's capital through bonus shares from
170,012,454.500 to 178,513,100.00, with a value of 8,500,622.700

Text before amendment :

The authorized, issued and paid-up capital of the company was set at KD
170,012,454.5 (one hundred seventy million and twelve thousand four
hundred and fifty-four Kuwaiti dinars and five hundred fils) distributed
among 1,700,124,545 shares, the value of each share being 100 fils and
all shares are cash

Text after amendment :

The authorized and paid-up capital of the company has been set at an
amount of 178,513,077.2 (one hundred seventy-eight million five
hundred and thirteen thousand seventy-seven Kuwaiti dinars and two





hundred fils) distributed among 1,785,130,772 shares, the value of each share is 100 fils and all shares are cash .

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Commercial Register Dept. – Ministry of Commerce & Industry

Date of printing : 26 April 2022



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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 03/04/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 25/03/2023, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 178,513,077.200 to 187,438,731.000; i.e., by KD 8,925,653.800

AL AHLI BANK OF KUWAIT (K.S.C.P) held its Extraordinary General Assembly Meeting, on 25/03/2023, it approved:

To increase the Bank's authorized, issued and paid-up capital from **KD 178,513,077.200** (Kuwaiti dinars one hundred seventy-eight million five hundred thirteen thousand seventy-seven and 200/1000 fils only) up to **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only); i.e., by **KD 8,925,653.800** (Kuwaiti dinars eight million nine hundred twenty-five thousand six hundred fifty-three and 800/1000 fils only), which represents (5%) of the total capital, by way of issuing 89,256,538 new shares to be distributed among the shareholders already indexed under the Bank's records, as free bonus shares, at the rate of 5% (five shares for each one hundred shares), as indicated according to the following time schedule:

Free bonus shares equal to (5%) five percent shall be distributed among the shareholders already indexed under the Bank's records, as at the closing hours of the maturity date determined therefor; namely, Thursday 13th of April 2023, provided the distribution of such bonus shares among eligible shareholders shall commence as of Tuesday 18th of April 2023. The Board of Directors is hereby authorized to amend the above said time



schedule in implementation of the General Assembly Resolution for distribution of such bonus shares, should only the publicity procedures are not completed eight working days prior to the maturity date thereof.

The amount of such an increase shall be covered from the carried forward profits. Moreover, the Board of Directors shall be hereby authorized to dispose of fracture shares resulting therefrom, as it shall deem as fit.



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CR Department – Ministry of Commerce & Industry

Pages 1 of 2

**Printing Date: April 3,
2023**





[Emblem]

**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 03/04/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 25/03/2023, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 178,513,077.200 to 187,438,731.000; i.e., by KD 8,925,653.800

It is hereby approved to amend article (6) of the Memorandum of Association, and article (5) of the Articles of Association of Al Ahli Bank of Kuwait (K.S.C.P), to read as follows:

Pre-Amendment Text:

Authorized, issued and paid-up capital of the company is fixed at **KD 178,513,077.200** (Kuwaiti dinars one hundred seventy-eight million five hundred thirteen thousand seventy-seven and 200/1000 fils only), divided to 1,785,130,772 shares, of 100 fils each. All shares are cash shares.

Post-Amendment Text:

Authorized, issued and paid-up capital of the company is fixed at **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 1,874,387,310 shares, of 100 fils each. All shares are cash shares.



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CR Department – Ministry of Commerce & Industry

Pages 2 of 2

Printing Date: April 3, 2023



[Emblem]

**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 06/08/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 17/07/2023, an entry is made under the Commercial Register approving the following:

To increase the capital shares from 187,438,731.000 to 237,438,731.000; i.e., by KD 50,000,000.000

AL AHLI BANK OF KUWAIT (K.S.C.P) held its Extraordinary General Assembly Meeting, on 17/07/2023, resolving:

1. To approve increasing the Bank's authorized capital from **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only) up to **KD 237,438,731.000** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 2,374,387,310 (only two billion three hundred seventy-four million three hundred eighty-seven thousand three hundred ten) cash shares, of 100 fils each. The Board of Directors is hereby authorized to invite for increasing the issued and paid-up capital, and further make the corresponding entry of such an issued and paid-up capital increase into the commercial register, determining the conditions and regulations thereof, whether wholly or partially on instalment(s), limited to the authorized capital, subject to a resolution duly adopted thereby determining the amount and methods of such an increase, as well as the type, date(s) of invitation therefor, as well as all other terms and conditions applicable thereto. The BOD's extraordinary general assembly is further authorized to resolve the issuance bonus and amount thereof, in order to be added to the nominal value of such increase shares, while approving the resolutions adopted by the BOD in this regard, provided such applicable procedures stipulates as per the Law, Stock Market Regulations, and the Central Bank of Kuwait. It is further authorized to dispose of fracture shares resulting therefrom, as it shall deem as fit. The BOD is hereby authorized to determine, or to delegate unto whomsoever it shall deem as fit the power to determine, such dates of subscription, trading, maturity, and bank's capital increase distribution. It may take whatsoever actions necessary in this regard. Bank shareholders shall have the priority right to subscription to such cash increase, proportionately to their shareholding ratio of the bank's capital, not later than (15) days as of the subscription announcement date, following which the BOD may extend that period for exercising such priority rights, while allocating unsubscribed surplus shares to existing or new shareholders, as per the law provisions. It may also seek the assistance, or further delegate unto whomsoever it shall deem as fit, the powers conferred herein, whether wholly or partially.



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CR Department – Ministry of Commerce & Industry

Pages 1 of 2

Printing Date: August 6, 2023



[Emblem]

**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 06/08/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 17/07/2023, an entry is made under the Commercial Register approving the following:

To increase the capital shares from 187,438,731.000 to 237,438,731.000; i.e., by KD 50,000,000.000

... subject to fulfilling the requirements, and further obtaining such approvals required as per the law, as well as effective regulations, instructions and decisions passed by the Supervisory Authorities.

2. To approve amending article (6) of the MOA, and article (5) of the AOAs of Al-Ahli Bank of Kuwait, as follows:

Post-Amendment Text:

"Authorized capital of the company is fixed at **KD 237,438,731.000** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 2,374,387,310 (only two billion three hundred seventy-four million three hundred eighty-seven thousand three hundred ten) shares. Issued and fully paid-up capital of the Bank is fixed at **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 1,874,387,310 (only one billion eight hundred seventy-four million three hundred eighty-seven thousand three hundred ten) shares, of 100 fils each. All shares are cash shares."



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**CR Department – Ministry of Commerce
& Industry**

Pages 2 of 2

Printing Date: August 6, 2023



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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 14/08/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 17/07/2023, an entry is made under the Commercial Register approving the following:

To increase the capital shares from 187,438,731.000 to 237,438,731.000; i.e., by KD 50,000,000.000

As per the BOD meeting held on 26/07/2023, and the Commercial Register Entry issued on 06/08/2023, you are hereby kindly requested to make this entry into the Commercial Register:

1. To approve increasing the Bank's authorized, issued and paid-up capital from **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only) up to **KD 237,438,731.000** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only); i.e., by **KD 50,000,000.000** (Kuwaiti dinars fifty million Kuwaiti dinars only), by way of issuing and allocating 500,000,000 (only five hundred million shares) new ordinary shares to be offered at the rate of 200 fils per each share (inclusive of 100 fils being the nominal value of each share, in addition to 100 fils as the issuing bonus).
2. To approve amending article (6) of the MOA, and article (5) of the AOAs, as follows:

Post-Amendment Text:



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**CR Department – Ministry of Commerce
& Industry**

Pages 1 of 2

Printing Date: August 4, 2023



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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Kuwait on 14/08/2023

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 17/07/2023, an entry is made under the Commercial Register approving the following:

To increase the capital shares from 187,438,731.000 to 237,438,731.000; i.e., by KD 50,000,000.000

Authorized and issued capital of the company is fixed at **KD 237,438,731.000** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 2,374,387,310 (only two billion three hundred seventy-four million three hundred eighty-seven thousand three hundred ten) shares, of 100 fils each. All shares are cash shares.

Paid-up capital of the Bank is fixed at **KD 187,438,731.000** (Kuwaiti dinars one hundred eighty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 1,874,387,310 (only one billion eight hundred seventy-four million three hundred eighty-seven thousand three hundred ten) shares, of 100 fils each. All shares are cash shares.

Note: Shares of such an increase are not subscribed to, as at the date hereof. This entry is to be further amended according to the subscription outcomes thereof.



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**CR Department – Ministry of Commerce
& Industry**

Pages 2 of 2

Printing Date: August 4, 2023



State of Kuwait

Ministry of Commerce & Industry

Commercial Register Department

Notation in the Commercial Register

Kuwait: 14/09/2023

Company Name and Title: Al Ahli Bank of Kuwait (KSCP)

Legal Entity: Shareholding Public Company

Reg. No. in the Commercial Register: 3705

By virtue of a Meeting Minutes of Extraordinary General Assembly issued on 17/07/2023, it is agreed on the following:

It is annotated in the commercial Register as follows:

Complete the Company's capital from 187,438,731.000 to 237,438,731.000 of 50,000,000.000.

In accordance with the Meeting Minutes of Extraordinary General Assembly held on July 17th, 2023, the Notation in the Commercial Register issued on 14/08/2023, the Meeting Minutes of the Board of Directors dated 26/07/2023, and the certificate of Auditor issued on 12/09/2023, kindly notate in the Commercial Register as follows:

Amend the Article No. (6) of the Memorandum of Association and Article No. (5) of Statute as follows:

The Text before amending:

The Bank's authorized and issued capital was determined of KD 237,438,731 (only two hundred and thirty seven millions four hundred and thirty eight thousand seven hundred and thirty one Kuwaiti dinars), distributed into 2,374,387,310 shares (two billions three hundred and seventy four millions three hundred and eighty seven thousand three hundred and ten shares), the value of each share is 100 fils, and all shares shall be cash.



The Bank's paid capital was determined of KD 187,438,731 (one hundred and eighty seven millions four hundred and thirty eight thousand seven hundred and thirty one Kuwaiti dinars), distributed into 1,874,387,310 shares, the value of each share is 100 fils, and all shares shall be cash.

The Text after amending:

The Bank's authorized, issued and paid capital was determined of KD 237,438,731 (only two hundred and thirty seven millions four hundred and thirty eight thousand seven hundred and thirty one Kuwaiti dinars), distributed into 2,374,387,310 shares (two billions three hundred and seventy four millions three hundred and eighty seven thousand three hundred and ten shares), the value of each share is 100 fils, and all shares shall be cash.

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Commercial Register Department - Ministry of Commerce & Industry

Print Date: September 2023



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STATE OF KUWAIT

MINISTRY OF COMMERCE & INDUSTRY

DEPARTMENT OF COMMERCIAL REGISTER

COMMERCIAL REGISTER ENTRY

Kuwait on 08/04/2024

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the following:

To increase the capital shares by way of bonus shares from 237,438,731.000 to 249,310,667.500; i.e., by KD 11,871,936.500

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the following:

1. To approve increasing the Bank's capital shares by way of bonus shares from from 237,438,731.000 to 249,310,667.500; i.e., by KD 11,871,936.500

It is hereby approved to increase the Bank's authorized, issued and fully paid-up capital from **KD 237,438,731** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only) divided to 2,374,387.310 shares of 100 fils each, up to **KD 249,310,667.500** (Kuwaiti dinars two hundred forty-nine million three hundred ten thousand six hundred sixty-seven and 500/1000 fils only), divided to 2,493,106.675 shares of 100 fils each; i.e., by **KD 11,871,936.500** (Kuwaiti dinars eleven million eight hundred seventy-one thousand nine hundred thirty-six and 500/1000 fils only), representing 5% of the total capital shares, by way of issuing 118,719,365 new shares allocated to the shareholders indexed into the Bank records, as free bonus shares, representing 5% (i.e., five shares to every 100 shares), as indicated in the following time table:

Free bonus shares representing 5% (five percent) will be allocated to the shareholders already indexed into the Bank records, as at the ending of its maturity date, being Thursday 25/04/2024. Allocation of such bonus shares to eligible shareholders will start on Tuesday 30/04/2024. Meanwhile, the BOD will be hereby authorized to amend the time table mentioned above for implementing the General Assembly Resolution on such an allocation of bonus shares, in case the publicity formalities thereof shall not be completed eight working days prior to the maturity date thereof.



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CR Department — Ministry of Commerce & Industry

Pages 1 of 2

Printing Date: April 8, 2024





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STATE OF KUWAIT

MINISTRY OF COMMERCE & INDUSTRY

DEPARTMENT OF COMMERCIAL REGISTER

COMMERCIAL REGISTER ENTRY

Kuwait on 08/04/2024

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the following:

To increase the capital shares by way of bonus shares from 237,438,731.000 to 249,310,667.500; i.e., by KD 11,871,936.500

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the following:

Such an increase will be covered from the profits realized for the year 2023, and the BOD shall be hereby authorized to dispose of the fracture shares resulting therefrom, as it shall deem as fit.

2. It is hereby approved to amend article (6) of the Memorandum of Association, and article (5) of the Articles of Association of the Ahli Bank if Kuwait (ABK), as follows:

Pre-Amendment Text:

Authorized, issued and paid-up capital of the Bank is fixed at **KD 237,438,731.000** (Kuwaiti dinars two hundred thirty-seven million four hundred thirty-eight thousand seven hundred thirty-one only), divided to 2,374,387,310 shares, of 100 fils each. All shares are cash shares.

Post-Amendment Text:

Authorized, issued and paid-up capital of the Bank is fixed at **KD 249,310,667.500** (Kuwaiti dinars two hundred forty-nine million three hundred ten thousand six hundred sixty-seven and 500/1000 fils only), divided to 2,493,106,675 shares, of 100 fils each. All shares are cash shares.



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CR Department – Ministry of Commerce & Industry

Pages 2 of 2

Printing Date: April 8, 2024



[Emblem]

**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

COMMERCIAL REGISTER ENTRY

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration

No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the amendment to some articles of the Articles of Association thereof.

Transaction No.: 60951

Date: 08/04/2024

As per the Extraordinary General Assembly Meeting Minutes, dated 30/03/2024, an entry is made under the Commercial Register approving the following:

It is hereby approved to amend article (58) of the Bank's Articles of Association, as follows:

Pre-Amendment Text:

Net profits shall be distributed as follows:

First: 10% (ten percent) shall be allocated for the statutory reserve provisions.

Second: 10% (ten percent) shall be allocated for the voluntary reserve provisions; however, such an allocation shall be suspended upon the BOD recommendation.

Third: A portion of the profits to be determined by the ordinary general assembly shall be allocated for fulfilling the company's obligations arising from the provisions of Labor laws.

Fourth: The amount required for distribution of the first dividend (of 5%) to shareholders in consideration for their paid up shares value, shall be deducted.

Fifth: Upon allocation as above, an amount not exceeding 10% of the remainder portion of the net profits shall be allocated as BOD remunerations.

Sixth: Remainder portion of profits shall then be distributed among shareholders as an additional dividend, or be carried forward, subject to the due BOD recommendation, to the next year, or be allocated for the formation of a provision, or extraordinary depreciation provision.

Post-Amendment Text:

Net profits shall be distributed as follows:

First: 10% (ten percent) shall be allocated for the statutory reserve provisions.

Second: 10% (ten percent) shall be allocated for the voluntary reserve provisions; however, such an allocation shall be suspended upon the BOD recommendation.

Third: A portion of the profits to be determined by the ordinary general assembly shall be allocated for fulfilling the company's obligations arising from the provisions of Labor laws.





Fourth: 1% (one percent) shall be allocated annually in favor of the Kuwait Foundation for the Advancement of Sciences (KFAS)

Fifth: The amount required for distribution of the first dividend (of 5%) to shareholders in consideration for their paid up shares value, shall be deducted.

Sixth: Upon allocation as above, an amount not exceeding 10% of the remainder portion of the net profits shall be allocated as BOD remunerations.

Seventh: Remainder portion of profits shall then be distributed among shareholders as an additional dividend, or be carried forward, subject to the due BOD recommendation, to the next year, or be allocated for the formation of a provision, or extraordinary depreciation provision.

Central Number: 1012201278850

CR Registration No.: 3705



CR Department – Ministry of Commerce
& Industry

Pages 1 of 1

Printing Date: April 8, 2024



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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

**Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER
ENTRY**

Kuwait on 28/04/2025

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/04/2025, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 249,310,667.500 to 261,776,200.800; i.e., by KD 12,465,533.300

AL AHLI BANK OF KUWAIT (K.S.C.P) held its Extraordinary General Assembly Meeting, on 16/04/2025, it approved:

1. To increase the Company's capital by way of issuing bonus shares from 249,310,667.500 to 261,776,200.800; i.e., by KD 12,465,533.300.

It is hereby approved to increase the Bank's authorized, issued and paid-up capital from the amount of **KD 249,310,667.500** (Two Hundred Forty-Nine Million Three Hundred Ten Thousand Six Hundred Sixty-Seven Kuwaiti Dinars and 500 Fils), divided to **2,493,106,675 shares** with a value of 100 Fils per share, to the amount of **KD 261,776,200.800** (Two Hundred Sixty-One Million Seven Hundred Seventy-Six Thousand Two Hundred Kuwaiti Dinars and 800 Fils), divided to **2,617,762,008 shares**. The value of the increase is **KD 12,465,533.300** (Twelve Million Four Hundred Sixty-Five Thousand Five Hundred Thirty-Three Kuwaiti Dinars and 300 Fils), representing 5% of the capital, by means of issuing **124,655,333 new shares** to be divided to the shareholders registered in the Bank's records as bonus shares at a rate of 5% (five shares for every one hundred shares), as set forth in the following timeline:





Bonus shares will be distributed at a rate of 5% (five percent) to the shareholders registered in the Bank's records as at the end of the specified record date, Sunday, May 11th, 2025. The distribution of bonus shares to eligible shareholders will commence on Tuesday ...



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CR Department – Ministry of Commerce & Industry Pages 1 of 2

Printing Date: April 28th, 2025



الكويت - المرقاب - شارع الشهداء - عمارة الربيعية - الدور الأرضي - مكتب (٧) - بجانب مركز الامارات للصيرفة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre

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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER ENTRY

Kuwait on 28/04/2025

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/04/2025, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 249,310,667.500 to 261,776,200.800; i.e., by KD 12,465,533.300

... corresponding to May 13th, 2025. It is further approved to authorize the Board of Directors to amend the aforementioned timeline for implementing the General Assembly Resolution regarding the distribution of bonus shares in case the registration procedures are not completed before the record date by eight business days or for any other reasons.

The value of this increase will be covered from the 2024 profits, and the Board of Directors is authorized to deal with any fractional shares arising therefrom as it deems appropriate.

2. Approval of the amendment of Article (6) of the Memorandum of Association and Article (5) of the Articles of Association of Ahli United Bank as follows:

Pre-Amendment Text:

“The authorized, issued, and paid-up capital of the Bank is fixed at the amount of **KD 249,310,667.500** (Two Hundred Forty-Nine Million Three Hundred Ten Thousand Six Hundred Sixty-Seven Kuwaiti Dinars and 500 Fils) divided to **2,493,106,675 shares**, the value of each share being 100 Fils, and all shares are paid in cash.”





Post-Amendment Text:

“The authorized, issued, and paid-up capital of the Bank is fixed at the amount of **KD 261,776,200.800** (Two Hundred Sixty-One Million Seven Hundred Seventy-Six Thousand Two Hundred Kuwaiti Dinars and 800 Fils) divided to **2,617,762,008 shares**, the value of each share being 100 Fils, and all shares are paid in cash.”



An electronic document needs no stamp or signature.

CR Department – Ministry of Commerce
& Industry

Pages 2 of 2

Printing Date: April 28th, 2025



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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

**Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER
ENTRY**

Kuwait on 09/04/2026

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 28/03/2026, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 261,776,200.800 to 274,865,010.800; i.e., by KD 13,088,810.000

AL AHLI BANK OF KUWAIT (K.S.C.P) held its Extraordinary General Assembly Meeting, on 28/03/2026, it approved:

1. It is approved to increase the Bank's authorized, issued, and fully paid-up capital from the amount of 261,776,200.800 KD (Two Hundred Sixty-One Million, Seven Hundred Seventy-Six Thousand, Two Hundred Kuwaiti Dinars and 800 Fils) divided into 2,617,762,008 shares with a value of 100 Fils per share, to the amount of 274,865,010.800 KD (Two Hundred Seventy-Four Million, Eight Hundred Sixty-Five Thousand, Ten Kuwaiti Dinars and 800 Fils) divided into 2,748,650,108 shares with a value of 100 Fils per share, with an increase value of 13,088,810.000 KD (Thirteen Million, Eighty-Eight Thousand, Eight Hundred Ten Kuwaiti Dinars). This shall be through the issuance of 130,888,100 new shares to be distributed to the shareholders registered in the Bank's registers as free bonus shares at a rate of 5% (five shares for every one hundred shares) in accordance with the following timetable. The free bonus shares shall be distributed at a rate of 5% (five percent) to the eligible shareholders registered in the Bank's registers at the end of the record date scheduled for Thursday, 16/04/2026. The distribution of the eligible bonus shares to the shareholders shall commence as of Thursday, 23/04/2026. The Board of





Directors is authorized to amend the aforementioned timetable to execute the General Assembly's resolution regarding the distribution of the bonus shares in the event of failure to complete the publication procedures eight business days prior to the record date, or for any other reasons.

This increase shall be covered from the profits of the year 2025, and the Board of Directors is authorized to dispose of the resulting fractional shares in a manner it deems appropriate.



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CR Department – Ministry of Commerce & Industry Pages 1 of 2

Printing Date: April 9th, 2026



الكويت - المرقاب - شارع الشهداء - عمارة الربيعية - الدور الأرضي - مكتب (٧) - بجانب مركز الامارات للصيرفة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre

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**STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER**

**Department of COMMERCIAL REGISTRY – COMMERCIAL
REGISTER ENTRY**

Kuwait on 09/04/2026

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 28/03/2026, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 261,776,200.800 to 274,865,010.800; i.e., by KD 13,088,810.000

2. To amend Article (6) of the Memorandum of Association and Article (5) of the Articles of Association of AL AHLI BANK OF KUWAIT, as follows:

Pre-Amendment Text:

"The Bank's authorized, issued, and paid-up capital is determined at the amount of 261,776,200.800 KD (Two Hundred Sixty-One Million, Seven Hundred Seventy-Six Thousand, Two Hundred Kuwaiti Dinars and 800 Fils) divided into 2,617,762,008 shares with a value of 100 Fils per share, and all shares are cash shares."

Post-Amendment Text:

"The Bank's authorized, issued, and paid-up capital is determined at the amount of 274,865,010.800 KD (Two Hundred Seventy-Four Million, Eight Hundred Sixty-Five Thousand, Ten Kuwaiti Dinars and 800 Fils) divided into 2,748,650,108 shares with a value of 100 Fils per share, and all shares are cash shares."



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**CR Department – Ministry of Commerce
& Industry**

Pages 2 of 2

Printing Date: April 9th, 2026



**الكويت - المرقاب - شارع الشهداء - عمارة الربيعية - الدور الأرضي - مكتب (٧) - بجانب مركز الإمارات للتصيرفة
Kuwait - Murgab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre**

[Emblem]

STATE OF KUWAIT

MINISTRY OF COMMERCE & INDUSTRY

DEPARTMENT OF COMMERCIAL REGISTER

Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER ENTRY

Kuwait on 07/10/2026

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/09/2026, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 274,865,010.800 to 600,000,000.000; i.e., by KD 325,134,989.200

AL AHLI BANK OF KUWAIT (K.S.C.P) held its Extraordinary General Assembly Meeting, on 16/09/2026, it approved:

1. Approval was granted to increase the authorized capital of the Bank from KWD 274,865,010.800 (Two Hundred Seventy-Four Million, Eight Hundred Sixty-Five Thousand, Ten Kuwaiti Dinars and 800 Fils) divided into 2,748,650,108 shares, the value of each is 100 Fils, to KWD 600,000,000 (Six Hundred Million Kuwaiti Dinars) divided into 6,000,000,000 shares, the value of each is 100 Fils. The value of the increase amounts to KWD 325,134,989.200 (Three Hundred Twenty-Five Million, One Hundred Thirty-Four Thousand, Nine Hundred Eighty-Nine Kuwaiti Dinars and 200 Fils).

Approval was granted for the Board of Directors, pursuant to a resolution issued thereby, to increase the issued and fully paid-up capital within the limits of the authorized capital, call the increase, annotate the increase of the issued and paid-up capital in the Commercial Register, and determine its terms and controls in whole or in part, in a single payment or in installments within the limits of the authorized capital. This shall be pursuant to a resolution issued thereby determining the amount and methods of the increase, the date or dates of calling the same, and all other terms and conditions thereof, as well as determining the dates of the subscription, trading, entitlement, and distribution periods related to the increase of the Bank's capital, and to take all necessary actions in this regard. The Bank's shareholders will have the priority right to subscribe to the cash increase, each in proportion to their share in the Bank's capital, for a period of not less than 15 days from the date of opening the subscription. Thereafter, the Board of Directors may extend the period for exercising the priority rights and allocate the surplus of unsubscribed shares to existing or new shareholders in accordance with the provisions of the law, and to dispose of fractional shares resulting from the increase in the manner it deems appropriate, with due consideration of the regulatory requirements. Further, to delegate the Board of Directors - except in cases of increase for the purpose of issuing free bonus shares to be distributed to shareholders - to resolve the addition of an issuance premium upon every new increase or subscription, and to determine the value of such premium to be added to the nominal value of the increase shares.



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CR Department – Ministry of Commerce & Industry

Pages 1 of 3

Printing Date: —/October/2026

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مكتب (٧) - بجانب مركز الامارات للصيرفة - شارع الشهداء - عمارة الربيعية - الدور الأرضي - مكتب (٧) - بجانب مركز الامارات للصيرفة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre

[Emblem]

STATE OF KUWAIT

MINISTRY OF COMMERCE & INDUSTRY

DEPARTMENT OF COMMERCIAL REGISTER

Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER ENTRY

Kuwait on 07/10/2026

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/09/2026, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 274,865,010.800 to 600,000,000.000; i.e., by KD 325,134,989.200

Furthermore, approval was granted for the Board of Directors to seek the assistance of whomever it deems appropriate in executing all or some of the aforementioned, and with due consideration of fulfilling the requirements and obtaining the necessary approvals in accordance with the provisions of the law, regulations, and the resolutions and instructions of the regulatory authorities.

2. The resolutions of the Board of Directors adopted regarding the matters referred to above, which were previously adopted by the Board of Directors prior to the date of executing the resolutions of the said General Assembly, were ratified as if they had been previously presented to and approved by the aforementioned Extraordinary General Assembly.

SECOND:

Approval was granted to amend Article (6) of the Memorandum of Association and Article (5) of the Articles of Association of Al Ahli Bank of Kuwait, as follows:

Pre-Amendment Text:

The authorized, issued, and paid-up capital of the Bank is set at KWD 274,865,010.800 (Two Hundred Seventy-Four Million, Eight Hundred Sixty-Five Thousand, Ten Kuwaiti Dinars and 800 Fils), divided into 2,748,650,108 shares, the value of each share is 100 Fils, and all shares are cash shares.

Post-Amendment Text:

The authorized capital of the Bank is set at KWD 600,000,000 (Six Hundred Million Kuwaiti Dinars), divided into 6,000,000,000 shares, the value of each ...



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CR Department – Ministry of Commerce & Industry

Pages 2 of 3

Printing Date: —/October/2026





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STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER

Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER ENTRY

Kuwait on 07/10/2026

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/09/2026, an entry is made under the Commercial Register approving the following:

To increase the Company's capital by way of issuing bonus shares from 274,865,010.800 to 600,000,000.000; i.e., by KD 325,134,989.200

... of which is 100 Fils, and all shares are cash shares.

The issued and paid-up capital of the Bank is set at KWD 274,865,010.800 (Two Hundred Seventy-Four Million, Eight Hundred Sixty-Five Thousand, Ten Kuwaiti Dinars and 800 Fils), divided into 2,748,650,108 shares, the value of each share is 100 Fils, and all shares are cash shares.



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CR Department – Ministry of Commerce & Industry

Pages 2 of 3

Printing Date: —/October/2026

البرهان للترجمة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre



[Emblem]

STATE OF KUWAIT
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCIAL REGISTER

Department of COMMERCIAL REGISTRY – COMMERCIAL REGISTER ENTRY

Company's Name & Type: AL AHLI BANK OF KUWAIT (K.S.C.P)

Legal Form: A Public Shareholding Company

CR Registration No.: 3705

As per the Extraordinary General Assembly Meeting Minutes, dated 16/09/2026, an entry is made under the Commercial Register approving the following:

Annotation has been made in the Commercial Register with the approval to annotate the amendment of the company's activity purposes article in the Articles of Association

Transaction No.: 127885

Dated: 11/10/2026

Addition of an activity (Traditional Banks)

The Extraordinary General Assembly of the shareholders of Al Ahli Bank of Kuwait (K.S.C.P.) held its meeting on 16/09/2026.

THIRD:

Approval was granted to amend Article (5) of the Memorandum of Association and Article (4) of the Articles of Association of Al Ahli Bank of Kuwait, as follows:

Post-Amendment Text:

"The purposes for which the company is established are as follows:

Traditional Banks

(641911)"



Central No.: 1012201278850

Commercial Register Registration No.: 3705

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FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

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**AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 JUNE 2026

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL AHLI BANK OF KUWAIT K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) and its subsidiaries (collectively “the Group”) as at 30 June 2026 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 2026 that might have had a material effect on the business of the Bank or on its financial position.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on other Legal and Regulatory Requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, 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, as amended, during the six months period ended 30 June 2026 that might have had a material effect on the business of the Bank or on its financial position.



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



ALI B. AL-WAZZAN
LICENCE NO. 246 A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

29 July 2026
Kuwait

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2026

		(Audited)	
	30 June	31 December	30 June
	2026	2025	2025
Notes	KD 000	KD 000	KD 000
ASSETS			
Cash and balances with banks	789,677	790,404	1,017,759
Kuwait Government treasury bonds	236,855	159,000	30,000
Central Bank of Kuwait bonds	-	16,772	77,625
Loans and advances	4 4,923,912	4,565,690	4,717,181
Investment securities	5 1,012,454	1,100,150	1,040,586
Investment in an associate	35,611	35,482	33,788
Premises and equipment	113,287	111,987	109,468
Intangible assets	5,222	5,442	5,289
Other assets	154,030	140,180	154,476
TOTAL ASSETS	7,271,048	6,925,107	7,186,172
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	1,196,222	1,107,861	1,336,922
Customers' deposits	4,334,979	4,071,697	4,315,162
Certificates of deposit	134,907	151,387	-
Other borrowed funds	637,068	632,772	587,967
Other liabilities	176,584	186,807	217,663
TOTAL LIABILITIES	6,479,760	6,150,524	6,457,714
EQUITY			
Share capital	7 274,865	261,776	261,776
Share premium	158,897	158,897	158,897
Treasury shares	7 (5,135)	(5,135)	(5,135)
Reserves	268,935	265,624	219,837
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE BANK	697,562	681,162	635,375
Perpetual Tier 1 Capital Securities	7 91,560	91,560	91,560
Non-controlling interests	2,166	1,861	1,523
TOTAL EQUITY	791,288	774,583	728,458
TOTAL LIABILITIES AND EQUITY	7,271,048	6,925,107	7,186,172

Talal Mohamed Reza Behbehani
Chairman

Giel-Jan Van Der Tol
Group Chief Executive Officer

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 30 June 2026

	Notes	Three months ended 30 June		Six months ended 30 June	
		2026 KD 000	2025 KD 000	2026 KD 000	2025 KD 000
Interest income		118,458	124,782	235,424	245,791
Interest expense		(74,398)	(85,382)	(149,252)	(170,633)
NET INTEREST INCOME		44,060	39,400	86,172	75,158
Net fees and commission income		10,511	11,341	19,691	21,288
Net foreign exchange gain		3,149	615	6,097	2,526
Net gain on investment securities		1,908	970	2,897	1,443
Dividend income		828	527	1,452	1,477
Share of results from an associate		1,128	1,229	1,729	1,954
Other operating income	8	671	4,355	1,178	4,980
OPERATING INCOME		62,255	58,437	119,216	108,826
Staff expenses		(15,853)	(14,053)	(30,044)	(27,131)
Other operating expenses		(9,284)	(9,255)	(18,004)	(15,864)
Depreciation and amortisation		(1,656)	(1,456)	(3,321)	(2,892)
OPERATING EXPENSES		(26,793)	(24,764)	(51,369)	(45,887)
OPERATING PROFIT BEFORE PROVISIONS AND IMPAIRMENT		35,462	33,673	67,847	62,939
Provision / impairment losses	9	(11,505)	(14,131)	(20,756)	(25,221)
OPERATING PROFIT FOR THE PERIOD BEFORE TAXATION		23,957	19,542	47,091	37,718
Taxation	10	(4,920)	(3,399)	(9,805)	(5,804)
NET PROFIT FOR THE PERIOD		19,037	16,143	37,286	31,914
Attributable to:					
Shareholders' of the Bank		18,938	16,044	37,091	31,732
Non-controlling interests		99	99	195	182
		19,037	16,143	37,286	31,914
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS' OF THE BANK	11	6 fils	6 fils	12 fils	11 fils

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 30 June 2026

	Three months ended 30 June		Six months ended 30 June	
	2026 KD 000	2025 KD 000	2026 KD 000	2025 KD 000
Net profit for the period	19,037	16,143	37,286	31,914
Items that will not be reclassified subsequently to interim condensed consolidated income statement:				
<i>Equity instruments at fair value through other comprehensive income:</i>				
- Effect of net changes in fair value	16,697	1,905	15,084	1,011
	16,697	1,905	15,084	1,011
Items that are or may be reclassified subsequently to interim condensed consolidated income statement:				
<i>Debt instruments at fair value through other comprehensive income:</i>				
- Effect of net changes in fair value	2,364	(1,649)	(2,418)	2,237
- Expected credit loss (release) charge on other financial assets	-	(43)	4	(33)
- Recycling of net (gain) loss on sale	(154)	176	(2,016)	176
	2,210	(1,516)	(4,430)	2,380
Foreign currency translation:				
- Exchange difference on translation of foreign operations	9,357	899	(2,180)	7
	11,567	(617)	(6,610)	2,387
Other comprehensive income for the period	28,264	1,288	8,474	3,398
Total comprehensive income for the period	47,301	17,431	45,760	35,312
Attributable to:				
Shareholders' of the Bank	46,877	17,295	45,401	35,109
Non-controlling interests	424	136	359	203
	47,301	17,431	45,760	35,312

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2026

	Attributable to shareholders' of the Bank												
	Reserves												
	Share capital KD 000	Share premium KD 000	Treasury shares KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve KD 000	Other reserves (Note 7) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Perpetual Tier 1 Capital Securities KD 000	Non-controlling interests KD 000	Total equity KD 000
Balance as at 1 January 2026	261,776	158,897	(5,135)	103,750	82,075	8,065	(52,440)	30,120	94,054	265,624	91,560	1,861	774,583
Net profit for the period	-	-	-	-	-	-	-	-	37,091	37,091	-	195	37,286
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(2,151)	10,461	-	8,310	-	164	8,474
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(2,151)	10,461	37,091	45,401	-	359	45,760
Bonus shares issued (Note 7)	13,089	-	-	-	-	-	-	-	(13,089)	(13,089)	-	-	-
Dividend paid (Note 7)	-	-	-	-	-	-	-	-	(26,008)	(26,008)	-	-	(26,008)
Interest payment on Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	-	-	(2,993)	(2,993)	-	-	(2,993)
Dividend paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(54)	(54)
Balance as at 30 June 2026	274,865	158,897	(5,135)	103,750	82,075	8,065	(54,591)	40,581	89,055	268,935	91,560	2,166	791,288

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

For the period ended 30 June 2026

	Attributable to shareholders' of the Bank													
	Reserves													
	Share capital KD 000	Share premium KD 000	Treasury shares KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve KD 000	Other reserves (Note 7) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Total KD 000	Perpetual Tier 1 Capital securities KD 000	Non-controlling interests KD 000	Total equity KD 000
Balance as at 1 January 2025	249,311	158,897	(5,135)	97,338	82,075	8,065	(55,505)	11,927	81,068	224,968	628,041	91,560	1,320	720,921
Net profit for the period	-	-	-	-	-	-	-	-	31,732	31,732	31,732	-	182	31,914
Other comprehensive income for the period	-	-	-	-	-	-	7	3,370	-	3,377	3,377	-	21	3,398
Total comprehensive income for the period	-	-	-	-	-	-	7	3,370	31,732	35,109	35,109	-	203	35,312
Bonus shares issued (Note 7)	12,465	-	-	-	-	-	-	-	(12,465)	(12,465)	-	-	-	-
Dividend paid (Note 7)	-	-	-	-	-	-	-	-	(24,770)	(24,770)	(24,770)	-	-	(24,770)
Interest payment on Perpetual Tier 1 Capital Securities	-	-	-	-	-	-	-	-	(3,005)	(3,005)	(3,005)	-	-	(3,005)
Transfer due to derecognition of equity investments at FVOCI	-	-	-	-	-	-	-	77	(77)	-	-	-	-	-
Balance as at 30 June 2025	261,776	158,897	(5,135)	97,338	82,075	8,065	(55,498)	15,374	72,483	219,837	635,375	91,560	1,523	728,458

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2026

Note	Six months ended 30 June	
	2026 KD 000	2025 KD 000
OPERATING ACTIVITIES		
Profit for the period before taxation	47,091	37,718
Adjustments for:		
Net gain on sale of investment securities	(2,062)	(707)
Dividend income	(1,452)	(1,477)
Share of results from an associate	(1,729)	(1,954)
Depreciation and amortisation	3,321	2,892
Provision / impairment losses	20,756	25,221
Operating profit before changes in operating assets and liabilities	65,925	61,693
<i>Changes in operating assets and liabilities:</i>		
Deposits with banks	(53,123)	37,291
Kuwait Government treasury bonds	(77,855)	(25,000)
Central Bank of Kuwait bonds	16,772	3,828
Investments at fair value through profit or loss	(3,718)	(4,513)
Loans and advances	(399,232)	89,881
Other assets	(16,584)	(9,851)
Due to banks and other financial institutions	88,739	(177,339)
Customers' deposits	284,247	(92,740)
Certificates of deposit	(16,480)	-
Other liabilities	(3,151)	22,677
Taxes paid	(12,127)	(7,747)
Net cash flows used in operating activities	(126,587)	(101,820)
INVESTING ACTIVITIES		
Purchase of investment securities	(471,563)	(245,040)
Proceeds from sale/redemption of investment securities	572,982	338,538
Dividend received from investment in an associate	1,600	1,600
Net purchase of premises and equipment	(4,925)	(3,721)
Dividend income received	1,452	1,477
Net cash flows from investing activities	99,546	92,854
FINANCING ACTIVITIES		
Interest paid on Tier 1 Capital Securities	(2,993)	(3,005)
Dividend paid	(26,008)	(24,770)
Syndicated borrowings	-	53,944
Net cash flows (used in) from financing activities	(29,001)	26,169
Foreign currency translation difference	2,126	(4,292)
Net (decrease) increase in cash and cash equivalents	(53,916)	12,911
Cash and cash equivalents as at 1 January	669,594	888,055
Cash and cash equivalents as at 30 June	615,678	900,966
Cash and cash equivalents comprise:		
Cash in hand and in current account with other banks	54,465	60,586
Balances and deposits with the Central Banks (original maturity not exceeding thirty days)	291,988	557,469
Deposits with banks (original maturity not exceeding thirty days)	269,225	282,911
	615,678	900,966

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (“CBK”). Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking operations, primarily in Kuwait, United Arab Emirates and Egypt.

The interim condensed consolidated financial information of the Bank and its subsidiaries (collectively the “Group”) for the period ended 30 June 2026 were authorised for issue by the Bank’s Board of Directors on 12 July 2026.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” except for the point below.

The interim condensed consolidated financial information of the Group for the period ended 30 June 2026 was 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 as issued by the International Accounting Standards Board (IASB) with the following amendment:

Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 – Financial Instruments (“IFRS 9”) in accordance with 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 interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2025. Further, results for the six months period ended 30 June 2026, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2026.

2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the new standards and amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2026 and for those mentioned in Note 2.2. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to the 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), which are effective from annual periods starting on or after 1 January 2026. 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

2.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)

- ▶ 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)

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after 1 January 2026.

2.2 CASH SETTLED SHARE BASED COMPENSATION

The fair value of cash settled share-based compensation scheme (“the scheme”) at each reporting date is recognised as an expense in the interim condensed consolidated income statement with a corresponding increase in the liability. This liability is initially measured by reference to the fair value of the scheme calculated based on the 30-day average share price of the Bank prior to the grant date and the amount is expensed over the vesting period. Subsequently, the liability is remeasured to fair value at each reporting date, with all changes in fair value recognised in the interim condensed consolidated income statement.

2.3 USE OF ESTIMATES AND JUDGMENTS

The preparation of these interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, accompanying disclosures, including disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation of uncertainty were the same as those described in the last annual financial statements.

3 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earn revenue and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. The Group’s operating segments are as follows:

- Commercial Banking - Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers.
- Retail and Private Banking - Comprising a full range of products and services to customers which includes loans, credit cards and wealth and asset management.
- Treasury and Investments - Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, proprietary investment activities, asset management and residual impact of inter-segment fund transfer pricing.

3 SEGMENTAL INFORMATION (continued)

Segmental information for the six months period ended and as at 30 June is as follows:

	<i>Commercial banking KD 000</i>	<i>Retail and Private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
2026				
Net interest income	35,767	31,950	18,455	86,172
Operating income	52,001	40,009	27,206	119,216
Segment results	28,454	19,623	20,497	68,574
Unallocated expense				(21,483)
Profit for the period before taxation				47,091
Segment assets	4,145,142	946,565	2,025,708	7,117,415
Unallocated assets				153,633
Total assets				7,271,048
Segment liabilities	1,330,419	2,314,044	2,749,243	6,393,706
Unallocated liabilities				86,054
Total liabilities				6,479,760
	<i>Commercial banking KD 000</i>	<i>Retail and Private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
2025				
Net interest income	34,673	30,180	10,305	75,158
Operating income	55,860	39,901	13,065	108,826
Segment results	27,958	18,278	8,868	55,104
Unallocated expense				(17,386)
Profit for the period before taxation				37,718
Segment assets	3,945,375	928,366	2,160,885	7,034,626
Unallocated assets				151,546
Total assets				7,186,172
Segment liabilities	1,266,443	2,588,334	2,517,349	6,372,126
Unallocated liabilities				85,588
Total liabilities				6,457,714

3 SEGMENTAL INFORMATION (continued)

Geographic information:

The following table show the Group's operating income and segment assets from international operations (international branches and subsidiaries):

	2026 KD 000	2025 KD 000
Operating income	50,099	43,210
Segment assets	2,894,115	2,669,640

4 LOANS AND ADVANCES

	30 June 2026 KD 000	<i>(Audited)</i> 31 December 2025 KD 000	30 June 2025 KD 000
Loans and advances	5,225,487	4,889,141	5,053,739
Provision for credit losses as per CBK instructions	(301,575)	(323,451)	(336,558)
	4,923,912	4,565,690	4,717,181

The available provision on non-cash facilities of KD 27,382 thousand (31 December 2025: KD 27,358 thousand, 30 June 2025: KD 24,648 thousand) is included under other liabilities.

Expected Credit Losses (ECL) on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 133,288 thousand as at 30 June 2026 (31 December 2025: KD 136,198 thousand; 30 June 2025: KD 143,072 thousand), which is lower than the provision of KD 328,957 thousand for credit losses under the CBK Instructions as at 30 June 2026 (31 December 2025: KD 350,809 thousand; 30 June 2025: KD 361,206 thousand).

4 LOANS AND ADVANCES (continued)

An analysis of the gross amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

30 June 2026	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Loans and advances				
<i>Corporate</i>	4,204,327	157,651	48,857	4,410,835
<i>Retail</i>	776,550	22,482	15,620	814,652
	<u>4,980,877</u>	<u>180,133</u>	<u>64,477</u>	<u>5,225,487</u>
Commitments and contingent liabilities (Note 12)	1,991,409	31,608	31,595	2,054,612
Gross Credit Facilities	<u>6,972,286</u>	<u>211,741</u>	<u>96,072</u>	<u>7,280,099</u>
ECL on cash facilities				
<i>Corporate</i>	21,368	7,114	34,772	63,254
<i>Retail</i>	18,447	1,555	15,485	35,487
ECL on non-cash facilities	4,513	3,052	26,982	34,547
Total ECL	<u>44,328</u>	<u>11,721</u>	<u>77,239</u>	<u>133,288</u>
 31 December 2025 (Audited)	 Stage 1 KD 000	 Stage 2 KD 000	 Stage 3 KD 000	 Total KD 000
Loans and advances				
<i>Corporate</i>	3,784,020	171,631	47,674	4,003,325
<i>Retail</i>	852,390	18,660	14,766	885,816
	<u>4,636,410</u>	<u>190,291</u>	<u>62,440</u>	<u>4,889,141</u>
Commitments and contingent liabilities (Note 12)	1,924,546	37,924	32,955	1,995,425
Gross Credit Facilities	<u>6,560,956</u>	<u>228,215</u>	<u>95,395</u>	<u>6,884,566</u>
ECL on cash facilities				
<i>Corporate</i>	15,580	16,110	31,004	62,694
<i>Retail</i>	19,382	1,389	14,583	35,354
ECL on non-cash facilities	3,973	3,263	30,914	38,150
Total ECL	<u>38,935</u>	<u>20,762</u>	<u>76,501</u>	<u>136,198</u>

4 LOANS AND ADVANCES (continued)

<i>30 June 2025</i>	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
Loans and advances				
<i>Corporate</i>	3,986,206	190,270	51,201	4,227,677
<i>Retail</i>	795,314	15,431	15,317	826,062
	<u>4,781,520</u>	<u>205,701</u>	<u>66,518</u>	<u>5,053,739</u>
Commitments and contingent liabilities (Note 12)	<u>2,015,996</u>	<u>40,000</u>	<u>12,365</u>	<u>2,068,361</u>
Gross Credit Facilities	<u>6,797,516</u>	<u>245,701</u>	<u>78,883</u>	<u>7,122,100</u>
ECL on cash facilities				
<i>Corporate</i>	18,079	25,792	39,983	83,854
<i>Retail</i>	18,729	1,281	15,148	35,158
ECL on non-cash facilities	<u>5,829</u>	<u>6,234</u>	<u>11,997</u>	<u>24,060</u>
Total ECL	<u>42,637</u>	<u>33,307</u>	<u>67,128</u>	<u>143,072</u>

The ECL movement for the period is as follows:

<i>30 June 2026</i>	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
Opening balance of ECL as at 1 January	38,935	20,762	76,501	136,198
Net ECL movement for the period	5,393	(9,041)	43,596	39,948
Amounts written-off net of recovery	-	-	(42,858)	(42,858)
Closing balance of ECL as at 30 June	<u>44,328</u>	<u>11,721</u>	<u>77,239</u>	<u>133,288</u>
<i>31 December 2025 (Audited)</i>	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
Opening balance of ECL as at 1 January	40,809	42,024	66,376	149,209
Net ECL movement for the year	(1,874)	(21,262)	57,126	33,990
Amounts written-off net of recovery	-	-	(47,001)	(47,001)
Closing balance of ECL as at 31 December	<u>38,935</u>	<u>20,762</u>	<u>76,501</u>	<u>136,198</u>
<i>30 June 2025</i>	<i>Stage 1 KD 000</i>	<i>Stage 2 KD 000</i>	<i>Stage 3 KD 000</i>	<i>Total KD 000</i>
Opening balance of ECL as at 1 January	40,809	42,024	66,376	149,209
Net ECL movement for the period	1,828	(8,717)	15,255	8,366
Amounts written-off net of recovery	-	-	(14,503)	(14,503)
Closing balance of ECL as at 30 June	<u>42,637</u>	<u>33,307</u>	<u>67,128</u>	<u>143,072</u>

5 INVESTMENT SECURITIES

	30 June 2026 KD 000	(Audited) 31 December 2025 KD 000	30 June 2025 KD 000
Fair value through other comprehensive income (FVOCI)	733,065	781,346	740,212
Amortised cost (AC)	254,518	297,556	282,473
Fair value through profit or loss (FVTPL)	24,871	21,248	17,901
	<u>1,012,454</u>	<u>1,100,150</u>	<u>1,040,586</u>

Fair value hierarchy of investments carried at fair value is as follows:

	30 June 2026 KD 000		(Audited) 31 December 2025 KD 000		30 June 2025 KD 000	
	FVTPL	FVOCI	FVTPL	FVOCI	FVTPL	FVOCI
Level 1:						
<i>Equity</i>	-	36,085	-	19,679	-	11,472
<i>Debt securities</i>						
- Government	-	371,658	-	396,615	-	407,687
- Non-Government	-	84,710	-	138,121	-	243,892
Level 2:						
<i>Debt securities</i>						
- Government	14	192,899	-	188,384	-	38,899
- Non-Government	-	3,050	-	3,050	-	2,350
<i>Managed funds</i>	22,238	-	18,631	-	15,525	-
Level 3:						
<i>Debt securities</i>						
- Non-Government	2,619	9,916	2,617	8,873	2,376	10,751
<i>Equity</i>	-	34,747	-	26,624	-	25,161
	<u>24,871</u>	<u>733,065</u>	<u>21,248</u>	<u>781,346</u>	<u>17,901</u>	<u>740,212</u>

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 2 and level 3 were altered by 5 per cent.

6 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the period. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the interim condensed consolidated financial information are as follows:

	30 June 2026 KD 000	<i>(Audited)</i> 31 December 2025 KD 000	30 June 2025 KD 000
Loans and advances	7,746	11,919	9,102
Customers' deposits	42,182	38,288	48,686
Portfolio managed by Group	12,767	11,422	1,071
Commitment and contingent liabilities	10,064	11,006	10,286
Directors' compensation	-	1,253	-

Loans and advances to related parties are secured by collaterals in accordance with of Central Bank of Kuwait regulations.

Interest income and interest expense includes KD 232 thousand (30 June 2025: KD 281 thousand) and KD 675 thousand (30 June 2025: KD 962 thousand) respectively on transactions with related parties.

Key management compensation

Compensation for key management is as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2026 KD 000	2025 KD 000	2026 KD 000	2025 KD 000
Salaries and other benefits	1,056	1,056	2,162	2,080
Post-employment benefits	103	79	151	114
Share based compensation	20	-	46	-
	1,179	1,135	2,359	2,194

7 EQUITY

- (a) The shareholders at the Annual General Meeting held on 28 March 2026 approved the distribution of cash dividend of 10 fils per share (31 December 2024: 10 fils per share) and bonus shares of 5% (31 December 2024: 5%) for the year ended 31 December 2025. Accordingly, the authorised, issued and fully paid up capital of the Bank as at 30 June 2026 is KD 274,865 thousand (31 December 2025: KD 261,776 thousand and 30 June 2025 KD 261,776 thousand). The increase in authorised capital has been approved by Ministry of Commerce and Industry.

- (b) Treasury shares and Treasury shares reserve:

	30 June 2026	<i>(Audited)</i> 31 December 2025	30 June 2025
Number of shares held	17,770,596	16,923,674	16,923,674
Percentage of shares held	0.65%	0.65%	0.65%
Market value (KD 000)	4,620	4,959	5,094
Weighted average market value per share (fils)	279	289	286

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from general reserve throughout the holding period of these treasury shares.

- (c) Movement in other reserves is as below:

	<i>Property revaluation reserve KD 000</i>	<i>Foreign currency translation reserve KD 000</i>	<i>Employee benefit plan reserve KD 000</i>	<i>Total other reserves KD 000</i>
At 1 January 2025	10,697	(66,686)	484	(55,505)
Other comprehensive (loss) income for the period	(11)	11	7	7
As at 30 June 2025	<u>10,686</u>	<u>(66,675)</u>	<u>491</u>	<u>(55,498)</u>
At 1 January 2026	11,085	(63,843)	318	(52,440)
Other comprehensive (loss) income for the period	(37)	(2,116)	2	(2,151)
As at 30 June 2026	<u>11,048</u>	<u>(65,959)</u>	<u>320</u>	<u>(54,591)</u>

- (d) Perpetual Tier 1 Capital Securities

The Bank on 12 September 2024 issued Basel III compliant Perpetual Tier 1 Capital Securities (the "Securities"), amounting to USD 300 million (KD 91,560 thousand) and which is classified as equity. The Securities are perpetual, subordinated, unsecured and redeemable at the option of the Bank at or after first call date of 12 September 2029. The Securities carry a coupon of 6.5% per annum till first call date and thereafter will be reset at five years interval. Interest will be payable semi-annually in arrears and will be treated as a deduction from equity.

8 OTHER OPERATING INCOME

Other operating income includes an amount of KD Nil (30 June 2025: KD 4,054 thousand) which represented a gain on sale of a property acquired in settlement of debt.

9 PROVISION / IMPAIRMENT LOSSES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2026	2025	2026	2025
	KD 000	<i>KD 000</i>	KD 000	<i>KD 000</i>
Provision charge for credit losses on credit facilities	11,461	11,793	20,696	22,681
Expected credit losses charge (release) on other financial assets	44	(72)	60	130
Impairment on property acquired in settlement of debt	-	2,410	-	2,410
	11,505	14,131	20,756	25,221

10 TAXATION

The taxation amount during the period, represents contribution to Kuwait Foundation for the Advancement of Sciences and Tax on overseas locations.

On 31 December 2024, the State of Kuwait issued Law Number 157 of 2024 (the Law) introducing Domestic Minimum Top-up Tax (DMTT) effective from 1 January 2025 on entities which are part of Multi National Entities (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 in each of the jurisdictions it operates in. 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. The taxable income and effective tax rate shall be computed in accordance with the Executive Regulations, which was issued on 30 June 2025.

The Group has completed its registration under the MNE Group Tax Law and the management has assessed the applicability of the DMTT law to the Group as of the reporting date and has concluded that the Group should be eligible for tax relief for the current period in accordance with the provision of the Law where the tax liability should be zero.

This relief is subject to annual reassessment with the tax relief available for a maximum period of five years.

11 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share are computed by dividing the adjusted net profit for the period attributable to shareholders of the Bank by the adjusted weighted average number of shares outstanding during the period:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	2026	2025	2026	2025
Net profit for the period attributable to shareholders of the Bank (KD 000)	18,938	16,044	37,091	31,732
Less: Interest payment on perpetual tier 1 Capital Securities (KD 000)	-	-	(2,993)	(3,005)
Adjusted net profit for the period attributable to shareholders of the Bank (KD 000)	18,938	16,044	34,098	28,727
Weighted average number of the Bank's issued and paid-up shares (000)	2,748,650	2,748,650	2,748,650	2,748,650
Less: weighted average number of treasury shares (000)	(17,771)	(17,771)	(17,771)	(17,771)
Adjusted weighted average number of shares outstanding during the period (000)	2,730,879	2,730,879	2,730,879	2,730,879
Basic and diluted earnings per share attributable to shareholders of the Bank	6 fils	6 fils	12 fils	11 fils

For computation of earnings per share, the weighted average number of the outstanding shares for the period ended 30 June 2026 and 30 June 2025 have been adjusted for bonus shares for 2025 which was approved by the shareholders in the Annual General Assembly Meeting held on 28 March 2026.

12 COMMITMENTS AND CONTINGENT LIABILITIES

Financial instruments with contractual amounts representing credit risk.

	30 June 2026 KD 000	<i>(Audited)</i> 31 December 2025 KD 000	30 June 2025 KD 000
Acceptances	144,398	59,789	81,931
Letters of credit	166,047	191,777	295,504
Guarantees	990,891	891,407	912,939
	1,301,336	1,142,973	1,290,374

Total commitments to extend credit at the interim condensed consolidated statement of financial position date amounted to KD 753,276 thousand (31 December 2025: KD 852,452 thousand and 30 June 2025: KD 777,987 thousand).

13 DERIVATIVE INSTRUMENTS

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly, the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities which qualify as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into back-to-back transactions with counter parties.

The notional or contractual amounts of outstanding derivative instruments together with their fair values are as follows:

	30 June 2026			<i>(Audited)</i> 31 December 2025			30 June 2025		
	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000	Assets KD 000	Liabilities KD 000	Contractual amounts KD 000
Forward foreign exchange contracts	1,992	624	376,840	759	532	286,095	3,122	3,088	542,830
Interest rate swaps (held as fair value hedges)	1,101	1,088	163,990	838	3,915	188,198	1,045	5,288	223,688
Interest rate swaps (others)	64	26	23,773	213	171	23,009	194	149	22,385
	3,157	1,738	564,603	1,810	4,618	497,302	4,361	8,525	788,903

All derivative contracts are fair valued using observable market inputs and are classified as level 2.

14 IMPACT OF GEOPOLITICAL ESCALATION RISK AND RELATED UNCERTAINTY

Geopolitical events in the Middle East that commenced in late February 2026 have affected GCC countries, including Kuwait and other GCC jurisdiction where the Group operates, resulting in regional disruptions such as airspace closures, flight cancellations, supply chain delays and heightened uncertainty. These developments continue to evolve and have created increased business and economic uncertainties.

In response to address the crisis, the Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sector's ability to play a vital role in the economy, including but not limited to the expansion of lending capacity, strengthening financing capabilities and in the provision of liquidity to impacted customers. Some of the important measures are given below:

- ▶ Reducing the Liquidity Coverage Ratio (LCR) from 100% to 80%
- ▶ Reducing the Net Stable Funding Ratio (NSFR) from 100% to 80%
- ▶ Reducing the regulatory Liquidity Ratio from 18% to 15%
- ▶ Increasing the permissible negative cumulative liquidity gap
- ▶ Increasing the maximum lending limit (MLL) from 90% to 100%
- ▶ Releasing 1.0% of risk weighted assets from the Capital Conservation Buffer (CET1), reducing the capital adequacy requirement from 13% to 12%

Similar measures were announced in many of the jurisdictions where the Group has operations.

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the ongoing geopolitical event in its estimation of ECL requirements for the period ended 30 June 2026. The Group has also given specific consideration on the relevant quantitative and qualitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

Notwithstanding the above, ECL requirement for credit facilities estimated as at 30 June 2026 continues to be lower than the provisions required as per CBK instructions. In accordance with Group accounting policy, the higher amount, being the provision required as per CBK instructions, is therefore recognized as the provision requirement for credit losses on credit facilities.

Fair value measurement of financial and non-financial assets

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's fair value of the financial and non-financial assets. The reported amounts best represent management's assessment of the fair values based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental, and the Group will accordingly continue to reassess its position and the related impact on a regular basis.



**AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ahli Bank of Kuwait 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 income statement, 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 Auditors' 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 the consolidated 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.

Credit losses on credit facilities

The recognition of credit losses on loans, advances and non-cash credit facilities (together "credit facilities") to customers is the higher of Expected Credit Loss ("ECL") determined under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), according to Central Bank of Kuwait (the "CBK") guidelines, and the provision required by the CBK instructions as disclosed in the accounting policies and in Note 2.9 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

The recognition of ECL under IFRS 9, according to 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 credit 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 credit 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's estimate of expected cash flows related to that credit facility.

Due to the significance of the credit facilities and the related estimation uncertainty and management's judgement in assessing significant increase in credit risk, classification of credit facilities into various stages and adjustments to ECL models, where applicable, this was considered a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the inputs 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.

With respect to ECL based on IFRS 9, according to CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date, which included rescheduled credit facilities and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit 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 the ECL, including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

Further, for the CBK rules 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 credit facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples, which also included impaired credit facilities, we have assessed the valuation of collateral and verified the resultant provision calculations.

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 auditors' report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2025 Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

Auditors' 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 auditors' 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 scepticism 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 AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' 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 auditors' 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 auditors' 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 Group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT 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/ B.S. 342/2014 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/B.S. 342/2014 dated 21 October 2014 and its amendments respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor 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 CBK 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.



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



ALI B. AL-WAZZAN
LICENCE NO. 246A
DELOITTE & TOUCHE - AL WAZZAN & CO.

4 February 2026
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 KD 000	2024 KD 000
ASSETS			
Cash and balances with banks	9	790,404	1,043,183
Kuwait Government treasury bonds	10	159,000	5,000
Central Bank of Kuwait bonds	10	16,772	81,453
Loans and advances	5,11	4,565,690	4,829,046
Investment securities	12	1,100,150	1,119,235
Investment in an associate	13	35,482	33,434
Premises and equipment		111,987	107,519
Intangible assets	14	5,442	5,371
Other assets	15	140,180	149,272
TOTAL ASSETS		6,925,107	7,373,513
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	16	1,107,861	1,514,246
Customers' deposits	17	4,071,697	4,408,318
Certificates of deposit	18	151,387	-
Other borrowed funds	19	632,772	538,463
Other liabilities	20	186,807	191,565
TOTAL LIABILITIES		6,150,524	6,652,592
EQUITY			
Share capital	21	261,776	249,311
Share premium	21	158,897	158,897
Treasury shares	21	(5,135)	(5,135)
Reserves	21	265,624	224,968
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE BANK		681,162	628,041
Perpetual Tier 1 Capital Securities	21	91,560	91,560
Non-controlling interests		1,861	1,320
TOTAL EQUITY		774,583	720,921
TOTAL LIABILITIES AND EQUITY		6,925,107	7,373,513

Talal Mohamed Reza Behbehani
Chairman

Giel-Jan Van Der Tol
Group Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Notes	2025 KD 000	2024 KD 000
Interest income	22	493,267	477,776
Interest expense	23	(333,765)	(333,596)
NET INTEREST INCOME		159,502	144,180
Net fees and commission income	24	37,982	37,104
Net foreign exchange gain		6,871	8,106
Net gain on investment securities		4,406	1,857
Dividend income		3,213	1,791
Share of results from an associate	13	3,648	3,646
Other operating income		5,847	4,066
OPERATING INCOME		221,469	200,750
Staff expenses		(54,936)	(50,781)
Other operating expenses		(36,029)	(37,035)
Depreciation and amortisation		(5,974)	(5,521)
OPERATING EXPENSES		(96,939)	(93,337)
OPERATING PROFIT FOR THE YEAR		124,530	107,413
Provision / impairment losses	25	(46,297)	(42,661)
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' FEE		78,233	64,752
Taxation	26	(14,273)	(11,205)
Directors' fee	8	(990)	(810)
NET PROFIT FOR THE YEAR		62,970	52,737
Attributable to:			
Shareholders' of the Bank		62,591	52,414
Non-controlling interests		379	323
		62,970	52,737
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS' OF THE BANK	27	22 fils	20 fils

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 KD 000	2024 KD 000
Net profit for the year	62,970	52,737
Items that will not be reclassified subsequently to consolidated income statement:		
<i>Equity instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	9,722	(24)
Re-measurement of defined benefit obligation	(167)	394
Revaluation of freehold land	391	1,124
	9,946	1,494
Items that are or may be reclassified subsequently to consolidated income statement:		
<i>Debt instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	12,025	667
- Expected credit losses (release) charge	(137)	(271)
- Recycling of net gain on sale	(3,273)	(884)
	8,615	(488)
<i>Foreign currency translation:</i>		
- Net exchange difference on translation of foreign operations	2,882	(23,466)
Total other comprehensive income (loss) for the year	21,443	(22,460)
Total comprehensive income for the year	84,413	30,277
Attributable to:		
Shareholders' of the Bank	83,872	30,244
Non-controlling interests	541	33
	84,413	30,277

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2025

	Attributable to shareholders' of the Bank													
	Reserves										Non-controlling interests KD 000			
	Share capital KD 000	Share premium KD 000	Treasury shares KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve KD 000	Other reserves (Note 21) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000		Total KD 000		
At 1 January 2024	237,439	158,897	(5,135)	91,926	82,075	8,065	(33,866)	12,481	67,670	228,351	619,552	-	1,300	620,852
Net profit for the year	-	-	-	-	-	-	-	-	52,414	52,414	52,414	-	323	52,737
Other comprehensive loss for the year	-	-	-	-	-	-	(21,639)	(531)	-	(22,170)	(22,170)	-	(290)	(22,460)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(21,639)	(531)	52,414	30,244	30,244	-	33	30,277
Bonus shares issued (Note 21)	11,872	-	-	-	-	-	-	-	(11,872)	(11,872)	-	-	-	-
Dividends paid (Note 21)	-	-	-	-	-	-	-	-	(21,231)	(21,231)	(21,231)	-	-	(21,231)
Transfer due to derecognition of equity investments at FVOCI	-	-	-	-	-	-	-	(23)	23	-	-	-	-	-
Adjustment arising from change in Non-controlling interest	-	-	-	-	-	-	-	-	54	54	54	-	(13)	41
Proceeds from issuance of Perpetual Tier 1 Capital Securities (Note 21)	-	-	-	-	-	-	-	-	-	-	-	91,560	-	91,560
Perpetual Tier 1 Capital Securities issuance cost (Note 21)	-	-	-	-	-	-	-	-	(578)	(578)	(578)	-	-	(578)
Transfer to reserve	-	-	-	5,412	-	-	-	-	(5,412)	-	-	-	-	-
At 31 December 2024	249,311	158,897	(5,135)	97,338	82,075	8,065	(55,505)	11,927	81,068	224,968	628,041	91,560	1,320	720,921

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended 31 December 2025

	Notes	2025 KD 000	2024 KD 000
OPERATING ACTIVITIES			
Profit for the year before directors' fees and taxation		78,233	64,752
Adjustments for:			
Net gain on sale of investment securities		(3,077)	(836)
Dividend income		(3,213)	(1,791)
Share of results from an associate		(3,648)	(3,646)
Depreciation and amortisation		5,974	5,521
Provision / impairment losses	25	46,297	42,661
Operating profit before changes in operating assets and liabilities		120,566	106,661
<i>Changes in operating assets and liabilities:</i>			
Deposits with banks		41,552	(51,995)
Kuwait Government treasury bonds		(154,000)	12,500
Central Bank of Kuwait bonds		64,681	82,259
Loans and advances		227,066	(814,773)
Investments at fair value through profit or loss		(7,744)	(6,533)
Other assets		21,998	(37,326)
Due to banks and other financial institutions		(407,769)	412,825
Customers' deposits		(371,672)	907,572
Certificates of deposit		151,387	-
Other liabilities		(20,756)	7,600
Taxes paid		(7,823)	(9,970)
Net cash flows (used in) from operating activities		(342,514)	608,820
INVESTING ACTIVITIES			
Purchase of investment securities		(605,261)	(1,259,827)
Proceeds from sale/redemption of investment securities		665,804	966,191
Dividend received from investment in an associate		1,601	1,440
Net purchase of premises and equipment		(8,750)	(8,468)
Dividend income received		3,213	1,791
Net cash flows from (used in) investing activities		56,607	(298,873)
FINANCING ACTIVITIES			
Proceeds from issuance of Tier 1 Capital Securities	21	-	91,560
Interest paid on Tier 1 Capital Securities		(5,981)	-
Dividend paid		(24,770)	(21,231)
Transaction cost on issue of Perpetual Tier 1 Capital Securities		-	(578)
Syndicated borrowings	19	68,798	-
Proceeds from issuance of subordinated bonds	19	29,830	-
Net cash flows from financing activities		67,877	69,751
Foreign currency translation adjustments		(431)	(74,564)
Net (decrease) increase in cash and cash equivalents		(218,461)	305,134
Cash and cash equivalents at 1 January		888,055	582,921
Cash and cash equivalents at 31 December		669,594	888,055
Cash and cash equivalent comprise:			
Cash in hand and in current account with other banks		57,345	62,417
Balances and deposits with Central Banks (original maturity not exceeding thirty days)		366,721	569,087
Deposits with other banks (original maturity not exceeding thirty days)		245,528	256,551
		669,594	888,055

Interest received amounted to KD 493,492 thousand (2024: KD 464,833 thousand) and interest paid amounted to KD 344,568 thousand (2024: KD 316,070 thousand).

The attached notes 1 to 29 form part of these consolidated financial statements.

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (“CBK”). The Bank is listed on Boursa Kuwait. Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking operations, primarily in Kuwait, United Arab Emirates and Egypt.

These consolidated financial statements of the Bank and its subsidiaries (collectively the “Group”) for the year ended 31 December 2025 were authorised for issue by the Bank’s Board of Directors on 22 January 2026. The Bank is the ultimate parent of the Group. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES
2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait 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 with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures.

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

2.2 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis except for “investment securities classified as fair value through profit or loss and as fair value through other comprehensive income”, “freehold land”, and “derivative financial instruments” that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is the Bank’s functional currency, rounded to the nearest thousand except when otherwise stated.

2.3 Changes in material accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

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.

This amendment did not have a material impact on the Group’s consolidated financial statements.

Other amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2025 did not have any material impact on the accounting policies, financial position or performance of the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.4 Standards and revisions issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to the 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), which are effective from annual periods starting on or after 1 January 2026. 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)

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*, which are effective for reporting periods beginning on or after 1 January 2027. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of management-defined performance measures, 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 (PFS) 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.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2025 (the "reporting date") and its subsidiaries (investees which are controlled by the Bank) as at the same date or a date not earlier than one month from the reporting date. The Bank consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- ▶ The ability to use its power over the investee to affect its returns

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal business</i>	<i>Effective interest as at</i>	
			<i>31 December 2025</i>	<i>31 December 2024</i>
Ahli Capital Investment Company K.S.C. (Closed)	Kuwait	Investment	99.8%	99.8%
Al Ahli Bank of Kuwait Egypt S.A.E ("ABK- EGYPT")	Egypt	Banking	98.7%	98.7%
ABK Cayman Island Limited	Cayman Island	Investment	100%	100%
<i>Held through ABK- EGYPT</i>				
Al Ahli Bank of Kuwait - Egypt Leasing Co.	Egypt	Leasing	98.6%	98.6%
Al Ahli Bank of Kuwait - Egypt Investment Co.	Egypt	Investment	98.7%	98.7%
<i>Held through Ahli Capital Investment Company K.S.C. (Closed)</i>				
ABK Capital (DIFC) Ltd	UAE	Investment	99.8%	-

2.6 Initial measurement and recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using settlement date accounting i.e. the date the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.6 Initial measurement and recognition of financial assets and financial liabilities (continued)

All financial assets or financial liabilities are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated income statement.

2.7 Classification and measurement of financial assets and financial liabilities

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

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. 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 Group'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;

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.

SPPI 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 met the SPPI 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 repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI 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 interest rate is set.

In contrast, contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending 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.

2.7.1 Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories

- ▶ Amortised cost (AC)
- ▶ Fair value through other comprehensive income (FVOCI),
- ▶ Fair Value Through Profit and Loss (FVTPL)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities (continued)

2.7.1 Financial assets (continued)

Amortised cost (AC)

The Group classifies financial assets at AC 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 give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses, impairment and any gain or loss on derecognition are recognised in the consolidated income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest income" in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement under "provision / impairment losses".

The Group classifies cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait bonds, loans and advances and certain other financial assets as AC.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

- 1) The contractual terms of the financial asset meet the SPPI test.
- 2) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated income statement.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under "IAS 32 Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. Further, equity instruments which are fully written down will be derecognised.

Fair Value Through Profit and Loss (FVTPL)

The Group classifies financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together and includes managed funds, for which there is evidence of a recent pattern of short-term profit taking.

In addition to the above, 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.1 Financial assets (continued)
Fair Value Through Profit and Loss (FVTPL) (continued)

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated income statement. Interest income and dividends are recognised in the consolidated income statement according to the terms of the contract, or when the right to payment has been established.

Day 1 profit or loss

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. When the transaction price of the instrument differs from the fair value at origination 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 consolidated income statement. 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 consolidated income statement when the inputs become observable, or when the instrument is derecognised.

2.7.2 Financial liabilities

Financial liabilities are mainly classified as “Financial liabilities other than at fair value through profit or loss”. These comprise of Due to banks and other financial institutions, Customers’ deposits, Certificates of deposits, Other borrowed funds and certain other liabilities. The Group does not have any “Financial liabilities at fair value through profit or loss”.

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received, in other liabilities. The premium received is amortised in the consolidated income statement in ‘net fees and commission income’ on a straight-line basis over the life of the guarantee. The guarantee liability is subsequently measured as a higher of the amount initially recognised less amortisation or the value of any financial obligation that may arise therefrom. Any increase in the liability relating to financial guarantees is recognised in consolidated financial statements.

2.7.3 Offsetting of financial assets and liabilities

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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7.4 Modification of financial assets and financial liabilities

If the terms of a financial assets and liabilities are modified, the Group evaluates whether the cash flows of modified financial assets and liabilities are substantially different. If the cash flows of the financial assets and liabilities are substantially different, then the contractual rights to cash flows from the original assets and liabilities are deemed to have expired and a new financial assets and liabilities based on the modified terms are recognized at fair value.

If the cash flows of the modified financial assets and liabilities are not substantially different, then the modification does not result in derecognition of the financial assets and liabilities. In this case, the Group recalculates the gross carrying amount of the financial asset and liabilities using the original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.4 Modification of financial assets and financial liabilities (continued)

In the context of IBOR reform, the Group's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate.

2.7.5 Derivative financial instruments and hedging
Derivative financial instruments

Derivatives include interest rate swaps, forward foreign exchange contracts and options. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Group makes use of derivative financial instruments to manage exposures to interest rate and foreign currency risks. Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated income statement.

Hedge accounting

In order to manage particular risks, the Group applies hedge accounting for transactions, which meet the specified criteria. At inception of the hedge relationship, the Group formal hedge accounting 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.5 Derivative financial instruments and hedging (continued)
Hedge accounting (continued)

Any gains or losses arising from changes in the fair value of derivatives are taken directly to consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to consolidated income statement on disposal of hedge item.

The Group discontinues hedge accounting prospectively when the hedging relationship (or part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instruments expires or sold/terminated.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

In relation to fair value hedges, which meet the conditions for hedge accounting, any unrealised gain or loss from re-measuring the hedging instrument to fair value is recognised in 'Other assets' or 'Other liabilities' and in the consolidated income statement.

The fair value change on qualifying hedging instruments is recognised in consolidated income statement except when the hedging instrument hedges an equity instrument designated at FVOCI, in which case it is recognized in consolidated statement of comprehensive income. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in consolidated income statement instead of other comprehensive income. Where hedging gains or losses are recognised in consolidated income statement, they are recognised in the same line as the hedged item.

If the hedging instrument expires or sold/terminated, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In case of fair value hedges of interest-bearing financial instruments, any adjustment relating to the hedge is amortised over the remaining term to maturity.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect consolidated income statement, the effective portion of changes in the fair value of the derivative is recognised directly in the other comprehensive income. The amount recognised in the other comprehensive income is removed and included in the consolidated income statement in the same year as the hedged cash flows affect consolidated income statement under the same income statement line item as the hedged item. Any ineffective portion of gain or loss on the fair value of the derivative is recognised immediately in the consolidated income statement.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued and the amount recognised in the other comprehensive income remains in the other comprehensive income until the forecast transaction affects consolidated income statement. If the forecast transaction is no longer expected to occur, then the balance in the other comprehensive income is recognised immediately in the consolidated income statement.

Hedge of net investment in a foreign operation

Hedges of net investments in a foreign operation 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 in other comprehensive income and accumulated in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Derecognition of financial assets and financial liabilities

A financial asset (in whole or in part) is derecognised either when:

- ▶ the contractual rights to receive the cash flows from the asset have expired; or
- ▶ the Group retains the right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- ▶ the Group has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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 would be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2.9 Impairment of financial assets

The Group recognises ECL for loans and advances, non-cash credit facilities in the form of bank guarantees, letters of guarantee, bank acceptances, revocable and irrevocable undrawn commitments (together "credit facilities"), investment in debt securities measured at AC or FVOCI and other financial assets measured at AC.

Balances with the CBK and bonds issued by the CBK and Kuwait government bonds is low risk and fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

Impairment of credit facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions relating to classification of credit facilities and calculation of their provisions ('the CBK Instructions').

Expected Credit Losses under IFRS 9 according to the CBK guidelines

The Group applies three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

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 regulations.

Lifetime 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)

Except for retail credit facilities, transfer of credit facilities 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 credit facilities to Stage 2. Transfer of credit facilities from Stage 3 to Stage 2 or Stage 1 is subject to notification to the CBK.

When estimating lifetime ECL for undrawn commitments, the Group estimates the expected portion of the commitment that will be drawn down over its expected life in line with the CBK regulations. ECL is then calculated on the stage of the credit facilities.

Determining the stage of Expected Credit Loss

The Group considers a financial instrument with an external rating of “investment grade” as at the reporting date to have low credit risk.

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. 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 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. Evidence of Stage 2 classification includes observable data about the following:

- ▶ Significant deterioration of credit risk rating of the borrower in line with Central Bank of Kuwait regulations
- ▶ Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.

Credit facilities 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.

Event of default

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- ▶ the borrower is past due more than 90 days on any material credit obligation to the Group; or the borrower is considered as credit impaired based on qualitative assessment for internal credit risk Management purposes and
- ▶ the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- ▶ Downgrade of the Bond or the Borrower to default grade “D” by any External Rating Agency
- ▶ Any fixed income security fails to pay the coupon on the due date or principal on the redemption date and the default continues for over 7 days without any advice to the Bank.

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:

- ▶ borrower having past due liabilities to public creditors or employees;
- ▶ breaches of covenants;
- ▶ borrower is deceased; and
- ▶ Bankruptcy or declaring insolvency

Any credit impaired or stressed facility that has been restructured would also be considered as in default. The restructured facilities would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for moving the facility to stage 2/stage 1.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
Event of default (continued)

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. PD estimation process requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality.

The through the cycle (TTC) PDs are generated from S&P risk rating system based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade credit facilities except for credit facilities granted to Government and Banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing loans (except for credit cards).

For credit cards, observed default rates (ODRs) were estimated using a migration based approach over a 12 month performance window. The resulting quarterly ODRs were regressed against the selected macroeconomic variables to estimate portfolio level sensitivity to change in macroeconomic conditions. The scenarios specific impacts are then subsequently used to convert Through the Cycle (TTC) probabilities of default into point in time (PIT) PD term structures at portfolio level. The derived PIT PDs were finally applied at the Pool level to get the PIT PD term structure for ECL, consistent with IFRS 9 requirements.

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 repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per the CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash and non-cash facilities. For unutilized facilities CCF is applied based on the CBK requirements for leverage ratio issued on 21 October 2014.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. It is usually expressed as a percentage of the EAD. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. CBK has prescribed list of eligible collaterals and minimum hair-cuts that are applied in determination of LGD.

Further, for unsecured senior and subordinate credit facilities minimum LGD threshold applied is 50% and 75% respectively. The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier. However, for financial assets in Stage 2, the Group considers a minimum maturity of 7 years for all credit facilities (excluding consumer financing, credit cards and personal housing financing which is regulated by CBK based on salary) unless credit 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 in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
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 expected credit losses for each portfolio relevant to Kuwait or the respective country where the facility is granted. 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

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, energy and non- energy indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. Qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The Group prepares the scenarios using forecasts. The forecasts are created using internal and external models which are modified by Group as necessary to formulate a 'Baseline' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios (Upturn, and Downturn) and consideration of the relative probabilities of each outcome.

The 'baseline' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk, and credit losses.

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 AC. In the case of debt instruments measured at FVOCI, the loss allowances for ECL is presented in OCI with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are presented together with the loan. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities. The Group recognises the ECL charge in the consolidated income statement.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. 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.

Loans and advances together with the associated provision account are written off when there is no realistic prospect of future recovery and all collateral have been realised or have been transferred to the Group. If a write off is later recovered, the recovery is recognised in the consolidated income statement.

Financial guarantees are assessed, and impairment loss is recorded in a similar manner as for loans and advances. The carrying amount of the asset is reduced through the use of a provision account and the amount of impairment loss is recognised in the consolidated income statement. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reversed by adjusting the provision account.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
Write-offs (continued)

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macroeconomic factors.

The provision for credit facilities in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of the CBK on the classification of credit facilities and calculation of provisions. Credit facilities 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 credit facility is classified as past due and impaired when the interest/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 but not impaired and past due and impaired loans 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 up to 90 days	Based on management's judgement
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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

Central Bank of Kuwait directives require the Group to maintain a minimum general provision of 1 per cent on regular cash facilities and 0.5 per cent on regular non- cash credit facilities, net of certain categories of collateral, which are not subject to specific provisioning.

2.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of sale and value in use.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks with original maturity not exceeding thirty days.

2.12 Renegotiated loans

In the event of a default, the Group may seek to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. When the terms and conditions of these loans are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these loans remain past due. If renegotiated terms are substantial, the loan is derecognised and recognised as a new facility with amended terms and conditions. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management periodically reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur and its classification between stages.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.13 Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's material investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income of associate is recognised in consolidated statement of changes in equity. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than one month. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired, in which case the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

2.14 Premises and equipment

Premises and equipment other than freehold land are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all premises and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life.

Freehold land is initially recognised at cost. After initial recognition freehold land is carried at its revalued amount which is the fair value at the date of revaluation based on valuations by external independent valuers. The resultant revaluation surplus or deficit is recognised, as a separate component under other comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised surplus is recognised in the consolidated income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the consolidated income statement, the increase is recognised in the consolidated statement of comprehensive income. Upon disposal the revaluation surplus relating to the freehold land sold is transferred directly to retained earnings.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	5 years to 40 years
Furniture and fixtures	3 years to 5 years
Hardware and software	3 years to 10 years
Vehicles	5 years to 6 years

The carrying amounts of premises and equipment are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated income statement. Any gain or loss on the disposal of premises and equipment other than the revaluation surplus on freehold land is recognised in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**2.15 Intangible assets acquired in a business combination**

Intangible assets represent separately identifiable non-monetary assets without physical substance arising from business combinations. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition and is recognised separately from goodwill.

Intangibles with finite useful life are carried at cost, less any accumulated amortization and any accumulated impairment losses. Amortization is recognised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life is reviewed at least at each financial position date.

Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement under “depreciation and amortisation” consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually by estimating recoverable amount using Value in Use (VIU) or whenever there is an indication that the intangible asset may be impaired, either individually or at the cash-generating unit level. VIU calculation uses a five-year cash flow projection, unless a longer period can be justified. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the 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 income statement when the asset is derecognised. Impairment losses on intangible assets recognized in the consolidated income statement in previous periods are reversed when there is an increase in the recoverable amount.

2.16 Property acquired in settlement of debt

The Bank occasionally acquires property in settlement of certain loans and advances. Such property is recorded on initial recognition at the lower of the carrying value of the related loans and advances or the current fair value less cost to sell of such assets. After initial recognition these properties are carried at lower of the carrying value or fair value less cost to sell. Fair values are determined by appraisers having an appropriate recognised professional qualification. Gains or losses on disposal, and revaluation changes, are recognised in the consolidated income statement. Such properties are included as part of “Other assets”.

2.17 End of service benefits

The Group is liable to make defined contributions to local regulatory plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place they are employed. The defined benefit plan is unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Defined contribution plan

The Group makes fixed contribution to state plans under a defined contribution plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense in the consolidated income statement when they are due.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.18 Treasury shares

Treasury shares consist of the Bank's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to the "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.19 Fair value measurement

For those assets and liabilities carried at fair value, the Group measures fair value at each statement of financial position date. 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.

The fair value measurement of financial instruments is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial instruments takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured are categorised and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Valuation is derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exists which includes price to book value multiples, price earnings multiples, Net Asset Value issued by the Fund Manager and external quotes.
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Valuation techniques include discounted cash flow method, book value method or other relevant valuation techniques commonly used by market participants. The significant inputs for these valuation techniques include market interest rates, discount rates, terminal growth rate, illiquidity discount and cash flow estimates.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.20 Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective rate method.

2.21 Revenue recognition
The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial assets. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding profit or loss impact.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Fees and commission income

Fees and commission that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Other fees and commission are recognized over the period of service. Dividend income is recognised when the right to receive the payment is established.

2.22 Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.23 Taxation
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.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.23 Taxation (continued)
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 26 for further information.

Taxation is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries in which the Group operates. 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 is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

2.24 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at value date of the transaction. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose changes in fair values are recognised directly in other comprehensive income, related foreign exchange differences are also recognised directly in other comprehensive income. For other non-monetary assets foreign exchange differences are recognised directly in the consolidated income statement.

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income until the disposal of the foreign operation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated income statement.

2.25 Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying asset and a lease liability to make the lease payments at the lease commencement date.

The Group leases various premises and ATMs. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.25 Leases (continued)
Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and 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 lease term. The right-of-use assets are also subject to impairment.

Lease Liability

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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 lease payments or a change in the assessment of an option to purchase the underlying asset. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Group presents right-of-use assets in 'premises and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

2.26 Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
Use of judgements and estimates

The Group bases its estimates and judgements on parameters available when the consolidated financial statements were prepared. Existing circumstances and judgements about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. The basis used by management in determining the carrying values of certain class of assets and the underlying risks therein are discussed below:

Judgements
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 interest on the principal amount outstanding.

Determining whether or not the market for a quoted financial instrument is active requires judgement based on assessment of the volume/market conditions and availability of ready and regular quotes.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates

The key assumptions concerning the future and other key sources of estimates at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts. Considerable judgement by management is required in the estimation of the fair value of the assets acquired and liabilities assumed as a result of business combination including intangibles and contingent liabilities.

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.

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 criteria for assessing if there has been a significant increase in credit risk allowances for financial assets should be measured on a lifetime ECL basis and qualitative assessment
- ▶ 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 macro-economic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- ▶ Selection of forward-looking macro-economic 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.

Incorporation of forward-looking information

The following table shows certain key macro-economic variables (besides others) used to estimate the allowance for credit losses. For the base case, upturn and downturn scenarios, the projections are provided for the forward looking short to medium term view

Macro-economic factor	Outlook 2026 (2025)
GDP growth	Positive (Positive)
Energy Index	Negative (Negative)
Non-Energy Index	Negative (Negative)
Unemployment	Stable (Stable)
Market Index Average growth	Positive (Positive)

The macro-economic outlook for some of the international exposures remained conservative compared to other geographies and the models were adjusted accordingly. The weighting of the multiple scenarios remained primarily unchanged with major weights being assigned to "Base scenario", followed by Downturn scenario and upturn scenario in this order. The Group believes that the current macro-economic scenarios will affect some of the geographies where the Group operates and hence the Group has taken a conservative estimate for base as well as downturn scenarios for such geographies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Incorporation of forward-looking information (continued)

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.9 impairment of financial assets for more information.

Impairment of intangibles

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units to which the intangibles with indefinite useful lives are allocated. 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.

Effect of Climate risk

The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates.

4 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earn revenues and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the operations into the following operating segments:

Commercial Banking	- Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers.
Retail and Private Banking	- Comprising a full range of products and services to customers which includes loans, credit cards, and wealth and asset management.
Treasury and Investments	- Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, propriety investment activities, assets management and residual impact of inter-segment fund transfer pricing.

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4 SEGMENTAL INFORMATION (continued)

2025	Commercial banking KD 000	Retail and private banking KD 000	Treasury and Investments KD 000	Total KD 000
Net interest income	69,936	62,024	27,542	159,502
Operating income	107,608	79,281	34,580	221,469
Segment results	54,484	39,625	23,226	117,335
Unallocated expense				(39,102)
Profit for the year before taxation and directors' fee				78,233
Segment assets	3,773,506	946,783	2,058,519	6,778,808
Unallocated assets				146,299
Total assets				6,925,107
Segment liabilities	1,225,537	2,401,399	2,430,399	6,057,335
Unallocated liabilities				93,189
Total liabilities				6,150,524
2024	Commercial banking KD 000	Retail and private banking KD 000	Treasury and Investments KD 000	Total KD 000
Net interest income	63,672	62,490	18,018	144,180
Operating income	95,649	74,622	30,479	200,750
Segment results	46,885	37,721	19,639	104,245
Unallocated expense				(39,493)
Profit for the year before taxation and directors' fee				64,752
Segment assets	4,124,003	882,333	2,209,834	7,216,170
Unallocated assets				157,343
Total assets				7,373,513
Segment liabilities	1,329,350	2,661,345	2,579,199	6,569,894
Unallocated liabilities				82,698
Total liabilities				6,652,592

4 SEGMENTAL INFORMATION (continued)
Geographic information:

The following table show the Group's operating income and segment assets from international operations (international branches and subsidiaries):

	2025	2024
	KD 000	KD 000
Operating income	89,889	90,296
Segment assets	2,483,415	2,514,669

5 RISK MANAGEMENT
INTRODUCTION

Risk is inherent in the Group's activities but is managed through a process of ongoing risk identification, measurement and monitoring and by setting risk limits and controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her area of responsibilities. The Group has established comprehensive risk frameworks for managing all material risks. The frameworks address the risk identification, measurement and monitoring processes of all material risks across the Group. Risk management is embedded in the decision-making process on all risk types to enable the Group to manage the risks assumed within acceptable levels.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, including emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The operations of the overseas branches and subsidiaries are also subject to regulatory requirements within the jurisdictions where they operate. Such regulations also prescribe capital adequacy levels, the branches or subsidiaries should maintain besides other regulations to minimise the risk of default and insolvency to meet unforeseen liabilities when these arise.

The risk profile is assessed before entering into hedge transactions which are authorised by the appropriate level of seniority within the Group.

Descriptions of the risk appetite statement along with the risks identified and the methodology used to manage those risks are stated below:

5.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks is explained in the Risk Management section of the annual report.

The maximum exposure to credit risk as at the statement of financial position date is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. This also includes credit exposures to a single borrower or group of related borrowers. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Group's comprehensive capital as determined by the regulatory guidelines.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee which is composed of competent professional staff and which has as its purpose the study and evaluation of the existing credit facilities of each customer of the Group. This Committee is required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

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5 RISK MANAGEMENT (continued)

5.1 CREDIT RISK (continued)

The Group assesses provisioning requirements by monitoring Expected Credit Losses ("ECL") in line with IFRS 9 guidelines. Refer to Note 2.9 of the material accounting policies for the detailed guidelines.

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. Please refer to Note 2.9 of the material accounting policies for the assessment criteria and indicators of increase in credit risk.

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in stage 2/stage 1.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses S&P Risk Rating System (CRE) as its internal credit-rating engine. The CRE tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macro-economic factors.

Refer to Note 2.9 of the material accounting policies for further details on stage classification and measurement of ECL, forward looking information etc.

Derivative financial instruments

Credit risk arising from derivative financial instruments is limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers, financial guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the financial guarantees. They expose the Group to risks similar to loans and advances and these are mitigated by the same control processes and policies.

Credit concentration risks

Geographical and industry sector concentrations of financial assets and contingent liabilities with credit risk exposure, after provisions, are as follows:

	2025		2024	
	Assets	Credit related contingent liabilities	Assets	Credit related contingent liabilities
	KD 000	KD 000	KD 000	KD 000
Geographic region:				
Middle East and North Africa (MENA)	5,823,032	927,070	5,970,247	912,055
Europe	351,319	62,832	523,067	52,337
Asia Pacific	110,606	137,619	161,485	211,266
North America	157,668	15,299	259,210	14,888
Rest of the world	171,556	153	149,412	15,468
	<u>6,614,181</u>	<u>1,142,973</u>	<u>7,063,421</u>	<u>1,206,014</u>

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5 RISK MANAGEMENT (continued)

5.1 CREDIT RISK (continued)

Credit concentration risks (continued)

	2025		2024	
	Assets KD 000	Credit related contingent liabilities KD 000	Assets KD 000	Credit related contingent liabilities KD 000
Industry sector:				
Trading and manufacturing	463,690	274,261	614,129	256,351
Banks and other financial institutions	1,162,728	224,191	1,443,725	216,175
Construction and real estate	1,003,352	409,965	1,069,662	394,671
Government and related entities	1,577,208	105	1,610,269	109
Personal	1,214,141	3,953	1,139,875	2,898
Crude oil & gases	548,082	31,647	554,993	117,698
Transport and public utilities	266,405	35,438	228,788	37,290
Others	378,575	163,413	401,980	180,822
	6,614,181	1,142,973	7,063,421	1,206,014

Maximum exposures and credit quality of financial instruments

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

The table also shows the credit risk exposure, after provisions, by credit quality of financial assets by class, grade and status:

	Neither past due nor impaired			Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000	KD 000	KD 000
2025					
Balances with banks	708,141	53,780	-	-	761,921
Kuwait Government treasury bonds	159,000	-	-	-	159,000
Central Bank of Kuwait bonds	16,772	-	-	-	16,772
Loans and advances					
- Corporate	3,153,803	440,430	32,620	67,746	3,694,599
- Retail	713,919	98,042	352	58,778	871,091
Debt securities	1,032,416	2,800	-	-	1,035,216
Other assets	71,133	4,215	234	-	75,582
Total	5,855,184	599,267	33,206	126,524	6,614,181
				Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000	KD 000	KD 000
2024					
Balances with banks	879,555	123,253	-	-	1,002,808
Kuwait Government treasury bonds	5,000	-	-	-	5,000
Central Bank of Kuwait bonds	81,453	-	-	-	81,453
Loans and advances					
- Corporate	3,384,750	517,748	73,902	43,750	4,020,150
- Retail	684,343	81,683	1,205	41,665	808,896
Debt securities	1,063,907	4,550	-	-	1,068,457
Other assets	70,781	5,326	550	-	76,657
Total	6,169,789	732,560	75,657	85,415	7,063,421

5 RISK MANAGEMENT (continued)
5.1 CREDIT RISK (continued)
Maximum exposures and credit quality of financial instruments (continued)

Past due but not impaired loans as at 31 December 2025 amounting to KD 56,591 thousand (31 December 2024: KD 26,773 thousand) are past due for a period less than 30 days and KD 35,101 thousand (31 December 2024: KD 20,067 thousand) are past due for a period between 30 to 90 days. The fair value of collaterals held by the Group for past due loans as at 31 December 2025 was KD 33,480 thousand (31 December 2024: KD 15,877 thousand).

The gross maximum credit risk exposure relating to contingencies amounts as at 31 December 2025 KD 1,142,973 thousand (31 December 2024: KD 1,206,014 thousand).

The high, standard and acceptable grades of classification of loans to customers above is based on inherent credit quality of the counterparties, the assessed risk profile, acceptability and availability of collateral in accordance with Group's internal rating model. The borrower risk rating model takes into consideration key factors, such as business trends, management, financials, collaterals, etc., which are duly weighted to arrive at the rating. These ratings changes /migrations are monitored annually. The Bank has introduced retail risk rating with the launch of a retail risk scorecard, which also provides an end-to-end automated system for processing loans and credit cards. Grading of balances with banks and debt securities are based on the external rating of the counterparties.

The fair value of collateral held by the Group for individually impaired loans and advances to customers and impairment losses are disclosed in Note 11. The Group has taken adequate legal measures to secure recovery of collateral when needed.

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.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash, securities, and charges over real estate properties and counter-guarantees.

It is Group's policy to take legal recourse to enforce collaterals where warranted to recover the Bank's dues.

Of the total outstanding loans and advances, KD 1,913,705 thousand (2024: KD 2,018,728 thousand) were secured with a collateral value of KD 3,359,447 thousand (2024: KD 3,126,509 thousand).

5.2 LIQUIDITY RISK

Liquidity is the ongoing ability to accommodate maturing liabilities and deposit withdrawals; fund asset growth and business operations; and meet contractual obligations through unconstrained access to funding at reasonable market rates.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

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5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities				
2025				
Due to banks and other financial institutions	259,391	371,814	624,931	1,256,136
Customers' deposits	1,004,775	1,519,080	1,685,718	4,209,573
Certificates of Deposits	61,080	91,620	-	152,700
Other borrowed funds	4,726	26,698	719,306	750,730
Other liabilities	-	77,417	16,367	93,784
	<u>1,329,972</u>	<u>2,086,629</u>	<u>3,046,322</u>	<u>6,462,923</u>
Contingent liabilities	<u>202,973</u>	<u>639,329</u>	<u>300,671</u>	<u>1,142,973</u>
Contractual amounts of Forward foreign exchange contracts	<u>102,530</u>	<u>183,565</u>	<u>-</u>	<u>286,095</u>
	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities				
2024				
Due to banks and other financial institutions	331,765	446,633	809,307	1,587,705
Customers' deposits	1,215,228	1,856,434	1,504,457	4,576,119
Other borrowed funds	1,095	282,875	331,178	615,148
Other liabilities	-	76,504	15,686	92,190
	<u>1,548,088</u>	<u>2,662,446</u>	<u>2,660,628</u>	<u>6,871,162</u>
Contingent liabilities	<u>131,005</u>	<u>768,322</u>	<u>306,687</u>	<u>1,206,014</u>
Contractual amounts of Forward foreign exchange contracts	<u>281,750</u>	<u>408,106</u>	<u>-</u>	<u>689,856</u>

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date, except for equity investments classified at fair value through profit or loss, investment carried at fair value through other comprehensive income, investment in an associate, premises and equipment, intangible assets, other assets, customer sight deposits and other liabilities which has been determined based on management's estimate of liquidation.

The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and customers' deposits might be repaid before their maturity.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

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31 December 2025

5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK (continued)

The maturity profile as at 31 December 2025 is as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	733,838	56,566	-	-	790,404
Kuwait Government treasury bonds	-	25,000	87,000	47,000	159,000
Central Bank of Kuwait bonds	-	16,772	-	-	16,772
Loans and advances	470,237	1,608,968	1,554,330	932,155	4,565,690
Investment securities	116,906	410,796	333,880	238,568	1,100,150
Investment in an associate	-	-	-	35,482	35,482
Premises and equipment	-	-	-	111,987	111,987
Intangible assets	-	-	263	5,179	5,442
Other assets	-	99,457	40,723	-	140,180
Total assets	1,320,981	2,217,559	2,016,196	1,370,371	6,925,107
LIABILITIES					
Due to banks and other financial institutions	258,759	360,702	488,400	-	1,107,861
Customers' deposits	995,050	1,448,484	459,754	1,168,409	4,071,697
Certificates of deposit	60,964	90,423	-	-	151,387
Other borrowed funds	-	-	503,324	129,448	632,772
Other liabilities	-	141,141	45,666	-	186,807
Total liabilities	1,314,773	2,040,750	1,497,144	1,297,857	6,150,524

The maturity profile as at 31 December 2024 was as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	939,783	103,400	-	-	1,043,183
Kuwait Government treasury bonds	-	-	5,000	-	5,000
Central Bank of Kuwait bonds	14,000	67,453	-	-	81,453
Loans and advances	633,211	1,552,995	1,638,360	1,004,480	4,829,046
Investment securities	98,087	265,051	364,970	391,127	1,119,235
Investment in an associate	-	-	-	33,434	33,434
Premises and equipment	-	-	-	107,519	107,519
Intangible assets	-	-	386	4,985	5,371
Other assets	21,196	84,874	43,202	-	149,272
Total assets	1,706,277	2,073,773	2,051,918	1,541,545	7,373,513
LIABILITIES					
Due to banks and other financial institutions	346,237	422,248	745,761	-	1,514,246
Customers' deposits	1,199,103	1,775,581	453,073	980,561	4,408,318
Other borrowed funds	-	254,183	184,860	99,420	538,463
Other liabilities	-	148,665	42,900	-	191,565
Total liabilities	1,545,340	2,600,677	1,426,594	1,079,981	6,652,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

5 RISK MANAGEMENT (continued)

5.3 MARKET RISK

5.3.1 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated years. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The sensitivity of interest rate variability on the Group's consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2025 including the effect of hedging instruments. The sensitivity of interest rate variability on equity is calculated by revaluing fixed rate investments carried at fair value through other comprehensive income, including the effect of any associated hedges as at 31 December 2025 for the effects of the assumed changes in interest rates and is analysed by maturity of the asset or swap.

The following table reflects the effect of 25 basis points interest rate sensitivity, with all other variables held constant.

	Effect (KD 000)			
	2025		2024	
	Net profit	Equity	Net profit	Equity
Kuwaiti Dinar	2,020	15	1,297	2
US Dollars	286	1,376	792	2,518
Egyptian Pound	96	218	13	31

5.3.2 CURRENCY RISK

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. The financial instruments denominated in foreign currencies are exposed to these risks. The objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

Hedge of net investment in foreign operations

The Bank hedges part of EGP currency risk of its net investment in foreign operations (ABK- Egypt) using certain USD monetary assets held by ABK- Egypt. Gains or losses on the retranslation of these monetary assets are transferred to consolidated statement of comprehensive income to offset gains or losses on translation of the part of net investment in ABK- Egypt.

The effect on net profit for the year, as a result of 5 per cent change in currency rate due to the changes in fair value of monetary assets and liabilities, with all other variables held constant is shown below:

Currency	Effect (KD 000)	
	2025	2024
US Dollars	269	95
Egyptian Pound	151	61
Euro	11	19
Others	75	156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

5 RISK MANAGEMENT (continued)

5.3 MARKET RISK (continued)

5.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Bank's investment held in its proprietary books. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The effect on consolidated income statement (as a result of equity price risk on investments at fair value through profit and loss) and on Equity (as a result of a change in the fair value of FVOCI equity investments), as at 31 December, due to a 5 per cent change in equity indices, with all other variables held constant is as follows:

	Effect (KD 000)			
	2025		2024	
	Net profit	Equity	Net profit	Equity
GCC Stock Exchanges	109	233	100	325
Other Stock Exchanges	27	303	24	5

5.3.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans and advances when interest rates fall. Majority of the Group's interests bearing financial assets are at floating rates. Also, majority of the interest-bearing financial liabilities have a maturity of less than 1 year and accordingly, the Group is not exposed to significant prepayment risk. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

5.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to function, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage these risks. Controls include effective segregation of duties, access to assets and IT resources, authorisation and reconciliation procedures, staff education and assessment processes, compliance monitoring including the use of internal audit. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The Risk Management Division manages operational risks in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 December 2003, regarding the sound practices for managing and supervising operational risks in banks.

6 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong and healthy capital ratios in order to support its business and to 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.

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6 CAPITAL MANAGEMENT (continued)

The Group's regulatory capital and capital adequacy ratios calculated in accordance with Basel III regulations issued by Central Bank of Kuwait via circular 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2025	2024
	KD 000	KD 000
Risk weighted exposure	4,879,060	5,032,500
Capital required	658,673	679,387
Capital available:		
Tier 1 capital	743,834	691,704
<i>Common equity Tier 1</i>	652,274	600,144
<i>Additional Tier 1</i>	91,560	91,560
Tier 2 capital	188,530	161,014
Total Capital	932,364	852,718
Common equity Tier 1 capital adequacy ratio	13.37%	11.93%
Tier 1 capital adequacy ratio	15.25%	13.74%
Total capital adequacy ratio	19.11%	16.94%

The Group's financial leverage ratio calculated in accordance with circular 2/BS/ 342/2014 dated 21 October 2014 is shown below:

	2025	2024
	KD 000	KD 000
Tier 1 capital	743,834	691,704
Total exposure	7,852,744	8,358,953
Financial leverage ratio	9.47%	8.28%

The additional disclosures relating to the capital adequacy as per the above circulars are included under the 'Risk Management' section of the annual report.

7 FAIR VALUE MEASUREMENT
Financial Instruments

Financial Instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait Bonds, loans and advances, investment securities, certain other assets and derivatives. Financial liabilities consist of due to banks and other financial institutions, customer deposits, certificates of deposit, other borrowed funds and certain other liabilities.

The fair value of financial instruments is categorised as under:

Financial instruments carried at fair value

The financial instruments carried at fair value comprise of investment securities and derivatives. The fair value along with the valuation techniques for investment securities and derivatives are disclosed in Note 12 and Note 29 respectively.

Financial instruments carried at amortised cost

The fair value of financial instruments carried at amortised cost is not materially different from their carrying value as most of these assets and liabilities are of short-term maturities or are re-priced immediately based on market movement in interest rates except for investment securities and subordinated bonds.

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7 FAIR VALUE MEASUREMENT (continued)

Non-Financial Instruments

Instruments carried at fair value, other than financial instruments, include freehold land (classified under premises and equipment) which were fair valued using significant valuation inputs based on unobservable market data and are classified under level 3.

If the freehold land was measured using the cost model, the net carrying amount as at 31 December 2025 would be KD 32,380 thousand (31 December 2024: KD 32,377 thousand).

8 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the year. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the consolidated financial statements are as follows:

	<i>Number of directors</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
					<i>KD 000</i>	<i>KD 000</i>
Directors						
Loans and advances	4	3	4	6	11,245	12,429
Customers' deposits	6	6	18	20	33,931	49,959
Portfolio managed by Group	3	3	1	-	11,422	1,062
Commitments and contingent liabilities	-	-	5	5	10,994	9,537
Directors' compensation	-	-	-	-	1,253	1,039

Loans and advances to related parties are secured by collaterals in accordance with the regulations of Central Bank of Kuwait.

Directors' compensation above includes Directors' fees KD 990 thousand (2024: KD 810 thousand) and compensation for participation in executive committees of the Group which are subject to the approval of the shareholders at the annual general meeting. Directors' fees are within the amount permissible under local regulations.

	<i>Number of key management</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
					<i>KD 000</i>	<i>KD 000</i>
Key management						
Loans and advances	19	18	4	2	674	567
Customers' deposits	27	24	16	10	4,145	3,657

	<i>Number of Associate</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
					<i>KD 000</i>	<i>KD 000</i>
Associate						
Customers' deposits	1	1	1	1	212	245
Commitments and contingent liabilities	1	-	-	-	12	-

Interest income and interest expense includes KD 511 thousand (2024: KD 628 thousand) and KD 1,752 thousand (2024: KD 1,990 thousand) respectively, on transactions with related parties.

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8 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

Compensation for key management is as follows:

	2025	2024
	KD 000	KD 000
Salaries and other benefits	4,187	4,030
Post-employment benefits	252	208
	4,439	4,238

9 CASH AND BALANCES WITH BANKS

	2025	2024
	KD 000	KD 000
Cash on hand and balances with other banks	57,345	62,417
Deposits with other banks	350,878	398,344
Balances and deposits with Central Banks	382,404	582,715
	790,627	1,043,476
Expected credit losses (ECL)	(223)	(293)
	790,404	1,043,183

Balances and deposits with Central Banks include balances and deposits with Central Banks of Kuwait, UAE and Egypt. As at the reporting date, the balance with banks and the related ECL are classified under stage 1 (2024: stage 1). There have been no transfers between the stages.

10 KUWAIT GOVERNMENT TREASURY BONDS AND CENTRAL BANK OF KUWAIT BONDS

These are financial instruments carried at amortised cost and are issued on behalf of the Ministry of Finance or issued by Central Bank of Kuwait on its own behalf. As of reporting date, these financial instruments are classified under stage 1 (2024: stage 1) and are of low risk and fully recoverable and hence no ECL is measured.

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11 LOANS AND ADVANCES

	<i>Corporate and banks 2025 KD 000</i>	<i>Retail 2025 KD 000</i>	<i>Total 2025 KD 000</i>	<i>Corporate and banks 2024 KD 000</i>	<i>Retail 2024 KD 000</i>	<i>Total 2024 KD 000</i>
MENA	3,235,716	871,091	4,106,807	3,541,350	808,896	4,350,246
Europe	222,561	-	222,561	268,282	-	268,282
Asia Pacific	79,367	-	79,367	74,303	-	74,303
Rest of the World	156,955	-	156,955	136,215	-	136,215
TOTAL	3,694,599	871,091	4,565,690	4,020,150	808,896	4,829,046

An analysis of provisions for credit losses for the year for loans and advances is as follows:

	<i>2025 KD 000</i>	<i>2024 KD 000</i>
At 1 January	328,790	319,832
Exchange difference	243	(7,180)
Net amounts written off during the year	(47,001)	(27,658)
Net charge for the year	41,419	43,796
At 31 December	323,451	328,790
General Provision	298,619	307,707
Specific Provision	24,832	21,083

The charge for the year 2025 on non-cash facilities amounted to KD 2,943 thousand (2024: release of KD 2,099 thousand). The total available provision on non-cash facilities amounted to KD 27,358 thousand (2024: KD 24,398 thousand), which is included in other liabilities (Note 20).

Loans and advances individually determined to be impaired with related provision and fair value of collateral held are as follows:

	<i>2025 KD 000</i>	<i>2024 KD 000</i>
Gross loans and advances	62,440	60,423
Provision	24,832	21,083
Fair value of collateral held	31,661	21,705

The collateral consists of cash, securities, bank guarantees and properties.

Refer to Note 5.1 for disclosures relating to credit risk management, credit concentration, credit quality by class and credit risk mitigants.

Expected Credit Losses (ECL) on credit facilities determined under IFRS 9 according to the CBK guidelines amounted to KD 136,198 thousand as at 31 December 2025 (2024: KD 149,209 thousand), which is KD 214,611 thousand lower (2024: KD 203,979 thousand lower) than the provision of KD 350,809 thousand (2024: KD 353,188 thousand) for credit losses under CBK Instructions.

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11 LOANS AND ADVANCES (continued)

An analysis of the Gross amounts of Credit Facilities, and the corresponding Expected Credit Losses (ECL) based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>		
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
2025					
- Corporate					
Stage 1	3,339,680	438,824	390	5,126	3,784,020
Stage 2	62,278	19,694	54,267	35,392	171,631
Stage 3	-	-	-	47,674	47,674
- Retail					
Stage 1	720,076	98,341	-	33,973	852,390
Stage 2	417	684	358	17,201	18,660
Stage 3	-	-	-	14,766	14,766
	<u>4,122,451</u>	<u>557,543</u>	<u>55,015</u>	<u>154,132</u>	<u>4,889,141</u>
Commitments and contingent liabilities (refer Note 28)	<u>1,772,432</u>	<u>187,343</u>	<u>300</u>	<u>35,350</u>	<u>1,995,425</u>
Gross credit facilities	<u>5,894,883</u>	<u>744,886</u>	<u>55,315</u>	<u>189,482</u>	<u>6,884,566</u>
ECL on cash facilities					
- Corporate					
Stage 1	9,764	5,794	-	22	15,580
Stage 2	1,561	1,697	9,806	3,046	16,110
Stage 3	-	-	-	31,004	31,004
- Retail					
Stage 1	17,127	1,570	-	685	19,382
Stage 2	-	33	45	1,311	1,389
Stage 3	-	-	-	14,583	14,583
ECL on non-cash facilities	<u>3,578</u>	<u>3,543</u>	<u>61</u>	<u>30,968</u>	<u>38,150</u>
Total ECL	<u>32,030</u>	<u>12,637</u>	<u>9,912</u>	<u>81,619</u>	<u>136,198</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

11 LOANS AND ADVANCES (continued)

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>	<i>KD 000</i>	<i>KD 000</i>
2024	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
- Corporate					
Stage 1	3,536,044	527,292	-	3,259	4,066,595
Stage 2	70,888	16,398	125,687	8,246	221,219
Stage 3	-	-	-	47,793	47,793
- Retail					
Stage 1	690,531	82,481	-	19,715	792,727
Stage 2	-	26	1,226	15,620	16,872
Stage 3	-	-	-	12,630	12,630
	<u>4,297,463</u>	<u>626,197</u>	<u>126,913</u>	<u>107,263</u>	<u>5,157,836</u>
Commitments and contingent liabilities (refer Note 28)	1,872,446	98,024	28,019	13,395	2,011,884
Gross credit facilities	<u>6,169,909</u>	<u>724,221</u>	<u>154,932</u>	<u>120,658</u>	<u>7,169,720</u>
ECL on cash facilities					
- Corporate					
Stage 1	9,792	8,577	-	8	18,377
Stage 2	3,197	2,381	27,607	355	33,540
Stage 3	-	-	-	41,380	41,380
- Retail					
Stage 1	15,622	1,345	-	988	17,955
Stage 2	-	2	173	1,486	1,661
Stage 3	-	-	-	12,447	12,447
ECL on non-cash facilities	6,993	503	3,804	12,549	23,849
Total ECL	<u>35,604</u>	<u>12,808</u>	<u>31,584</u>	<u>69,213</u>	<u>149,209</u>

The expected credit losses and movement for the year is as follows:

2025	Stage 1	Stage 2	Stage 3	Total
	KD '000	KD '000	KD '000	KD '000
Opening balance of ECL as at 1 January	40,809	42,024	66,376	149,209
Net ECL movement for the year	(1,874)	(21,262)	57,126	33,990
Net amounts written off during the year	-	-	(47,001)	(47,001)
Closing Balance of ECL 31 December	<u>38,935</u>	<u>20,762</u>	<u>76,501</u>	<u>136,198</u>
2024	Stage 1	Stage 2	Stage 3	Total
	KD '000	KD '000	KD '000	KD '000
Opening balance of ECL as at 1 January	38,722	37,087	58,297	134,106
Net ECL movement for the year	2,087	4,937	35,737	42,761
Net amounts written off during the year	-	-	(27,658)	(27,658)
Closing Balance of ECL 31 December	<u>40,809</u>	<u>42,024</u>	<u>66,376</u>	<u>149,209</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

11 LOANS AND ADVANCES (continued)

The Bank noticed non-material cases of curing related to consumer lending during the year, the impact of which is captured in the ECL movement for the year. The ECL movement pertaining to corporate cured accounts amounted to KD 7,442 thousand with an ECL impact of KD 606 thousand (2024: KD 266 thousand with an impact of ECL KD 23 thousand). Further, foreign currency translation had an insignificant impact on overall ECL movement.

12 INVESTMENT SECURITIES

	2025	2024
	KD 000	KD 000
Classified as at:		
Fair value through other comprehensive income (FVOCI)	781,346	800,108
Amortised cost (AC)	297,668	306,045
Fair value through profit or loss (FVTPL)	21,248	13,388
	1,100,262	1,119,541
Expected credit losses (ECL)	(112)	(306)
	1,100,150	1,119,235

As of 31 December 2025, investments securities include debt securities amounting to KD 460,962 thousand (2024: KD 573,464 thousand) provided as collateral under repurchase agreements.

Valuation of Investments carried at fair value is determined as follows:

<i>Valuation techniques and key inputs</i>		<i>FVTPL</i>		<i>FVOCI</i>	
		2025	2024	2025	2024
		KD 000	KD 000	KD 000	KD 000
Level 1:					
<i>Equity</i>	Quoted bid price	-	-	19,679	11,058
<i>Debt securities</i>					
- Government	Quoted bid price	-	-	396,615	443,393
- Non-Government	Quoted bid price	-	-	138,121	285,160
Level 2:					
<i>Debt securities</i>					
- Government	External quote	-	-	188,384	16,478
- Non-Government	External quote	-	-	3,050	2,350
<i>Managed funds</i>	Net asset value basis	18,631	11,105	-	-
Level 3:					
<i>Debt securities</i>					
- Non-Government	Discounted cash flows	2,617	2,283	8,873	13,054
<i>Equity</i>	Discounted cash flows/ Dividend discount model/ Market multiples	-	-	26,624	28,615
		21,248	13,388	781,346	800,108

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

Movement in level 3 of investment securities is summarised as below:

	2025	2024
	KD 000	KD 000
Opening balance as at 1 January	43,952	31,836
Net (disposal) addition	(6,205)	9,719
Change in fair value	367	2,397
Closing balance as at 31 December	38,114	43,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

12 INVESTMENT SECURITIES (continued)

Investment securities classified under level 3 have cash flows, observable market information of comparable companies, discount rates and estimated maintainable dividend as their significant inputs where a change in these variables will result in change in fair value.

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 3 were altered by 5 per cent.

There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

Impairment losses on investment securities subject to impairment assessment

Investments in debt securities classified as FVOCI and AC are subject to expected credit losses. As at the reporting date, the Group had debt securities amounting to KD 1,032,711 thousand (2024: KD 1,062,146 thousand), classified under stage 1 and debt securities amounting to KD Nil (2024: KD 4,334 thousand) classified under stage 2. There are no debt securities classified under stage 3.

During the year there has been transfer of debt securities amounting to KD 4,334 thousands from stage 2 to stage 1 (2024: Nil).

13 INVESTMENT IN AN ASSOCIATE

The Bank holds 40 per cent equity interest in Credit One Kuwait Holding Company K.S.C. ("Credit One"), an unquoted holding company incorporated in Kuwait engaged in providing credit facilities to customers on instalment sale of goods and services and leasing of motor vehicles through its subsidiaries.

Summarised financial information is as follows:

	2025 KD 000	2024 KD 000
Current assets	74,725	71,705
Non-current assets	112,376	101,859
Current liabilities	80,037	75,878
Non-current liabilities	15,076	11,218
Equity	88,704	83,584
Investment in an associate	35,482	33,434
Revenue	33,789	30,364
Net profit	9,120	9,115
Share of results from an associate	3,648	3,646

The dividend received from Credit One amounted to KD 1,601 thousand (2024: KD 1,440 thousand).

14 INTANGIBLE ASSETS

	Banking license KD 000	Core deposits KD 000	Total KD 000
At 1 January 2025	4,985	386	5,371
Amortisation charge for the year	-	(133)	(133)
Exchange adjustment	194	10	204
Net carrying amount as at 31 December 2025	5,179	263	5,442
At 1 January 2024	8,021	834	8,855
Amortisation charge for the year	-	(155)	(155)
Exchange adjustment	(3,036)	(293)	(3,329)
Net carrying amount as at 31 December 2024	4,985	386	5,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2025
14 INTANGIBLE ASSETS (continued)

Intangible assets of the Group are allocated to ABK- Egypt. Banking license represents intangible asset with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of ABK- Egypt using value-in-use ("VIU") calculations. The Group's VIU calculations are based on approved cash flow projections considering market conditions in Egypt and market position of ABK-Egypt. The cash flow projections have been discounted at 27 per cent (2024: 30 per cent) with a terminal growth rate of 6 per cent (2024: 8 per cent). Based on such analysis, there are no indications that intangible assets are impaired.

Core deposits represents intangible asset with finite life and is amortized on a straight-line basis over its useful life of 12 years.

15 OTHER ASSETS

	2025 KD 000	2024 KD 000
Interest receivable	45,417	50,543
Properties acquired in settlement of debts	40,723	42,731
Others	54,040	55,998
	<u>140,180</u>	<u>149,272</u>

The fair values of properties acquired in settlement of debts are not materially different from their carrying values.

16 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 KD 000	2024 KD 000
Due to banks	928,704	1,373,084
Due to other financial institutions	179,157	141,162
	<u>1,107,861</u>	<u>1,514,246</u>

17 CUSTOMERS' DEPOSITS

	2025 KD 000	2024 KD 000
Sight deposits	1,525,759	1,399,782
Time deposits	2,545,938	3,008,536
	<u>4,071,697</u>	<u>4,408,318</u>

18 CERTIFICATES OF DEPOSIT

The Bank has established a Certificate of Deposit (CD) programme under which the outstanding principal amount will not exceed USD 500 million (or its equivalent in other currencies). The CDs are issued either at a discount to their face value or can bear interest at a fixed or floating rate and can be of tenures from 1 to 364 days.

As at 31 December 2025, the bank has outstanding CDs issued in tranches with a total face value of USD 500 million at a discount with original maturities ranging from 3 months to 9 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

19 OTHER BORROWED FUNDS

	2025	2024
	KD 000	KD 000
Syndicated borrowings (1)	503,324	439,043
Subordinated bonds – 2032 (2)	49,822	49,722
Subordinated bonds – 2033 (3)	49,796	49,698
Subordinated bonds – 2035 (4)	29,830	-
	632,772	538,463

(1) All syndicated borrowings are unsecured with a tenor of 3 years.

(2) During 2021 the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 10 October 2021 with a tenor of up to 11 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 4% per annum for the first six years and reset on the sixth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after six years from the date of issuance, subject to certain conditions and regulatory approvals.

(3) During 2023, the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 29 November 2023 with a tenor of up to 10 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 6.25% per annum for the first five years and reset on the fifth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after five years from the date of issuance, subject to certain conditions and regulatory approvals.

(4) During 2025, the Bank issued Subordinated Tier 2 bonds equivalent of KD 30 million, on 08 December 2025 with a tenor of up to 10 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 5.75% per annum for the first five years and reset on the fifth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after five years from the date of issuance, subject to certain conditions and regulatory approvals.

20 OTHER LIABILITIES

	2025	2024
	KD 000	KD 000
Interest payable	47,125	57,644
Staff related accruals	26,603	25,325
Accrued expenses and payables	41,125	31,758
Provisions on non-cash facilities	27,358	24,398
Provision for KFAS	538	448
Others	44,058	51,992
	186,807	191,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

21 EQUITY

- a) The authorised, issued and fully paid share capital comprises of 2,617,762,008 shares (2024: 2,493,106,675 shares) of 100 fils each.

The shareholders at the Annual General Meeting held on 16 April 2025 approved distribution of 5% bonus shares (31 December 2023: 5%) and cash dividend of 10 fils per share (31 December 2023: 9 fils per share) for the year ended 31 December 2024. Accordingly, the authorised, issued and fully paid up capital of the Bank was increased from KD 249,311 thousand to KD 261,776 thousand. The increase in authorised capital has been approved by the Ministry of Commerce and Industry.

- b) The balance in the share premium account is not available for distribution.

- c) As required by the Companies Law, 10 per cent of the profit for the year attributable to the shareholders' of the Bank before directors' fees and contribution to Kuwait Foundation for the Advancement of Sciences is required to be transferred to the statutory reserve until the reserve reaches 50% of the paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5 per cent of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

- d) The articles of association of the Bank require that an amount of not less than 10 per cent of the profit attributable to the shareholders' of the Bank for the year be transferred annually to a voluntary reserve. The transfer is before directors' fees and contribution to Kuwait Foundation for the Advancement of Sciences. This reserve, over and above the cost of treasury shares is available for distribution. Transfer to this reserve is discretionary and subject to approval of the shareholders at the annual general meeting. The annual general meeting of the shareholders for the year 2022 had approved the discontinuance of transfer to voluntary reserve.

- e) Treasury shares and Treasury share reserve:

	2025	2024
Number of shares held	16,923,674	16,117,152
Percentage of shares held	0.65%	0.65%
Market value (KD 000)	4,959	4,190
Weighted average market value per share (fils)	289	266

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from voluntary reserve throughout the holding period of these treasury shares.

- f) The directors have proposed a cash dividend of 10 fils per share (31 December 2024: 10 fils per share) and bonus shares of 5% (31 December 2024: 5%) for the year ended 31 December 2025, subject to the approval of the shareholders at the annual general meeting.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

21 EQUITY (continued)

g) Movement in other reserves is as below:

	<i>Property revaluation reserve KD 000</i>	<i>Foreign currency translation reserve KD 000</i>	<i>Employee benefit plan reserve KD 000</i>	<i>Total other reserves KD 000</i>
At 1 January 2024	9,577	(43,534)	91	(33,866)
Other comprehensive gain (loss) for the year	1,120	(23,152)	393	(21,639)
As at 31 December 2024	10,697	(66,686)	484	(55,505)
Other comprehensive gain for the year	388	2,843	(166)	3,065
As at 31 December 2025	11,085	(63,843)	318	(52,440)

h) Perpetual Tier 1 Capital Securities:

The Bank on 12 September 2024 issued Basel III compliant Perpetual Tier 1 Capital Securities (the "Securities"), amounting to USD 300 million (KD 91,560 thousand) and is classified as equity. The Securities are perpetual, subordinated, unsecured and redeemable at the option of the Bank at or after first call date of 12 September 2029. The Securities carry a coupon of 6.5% per annum till first call date and thereafter will be reset at five years interval. Interest will be payable semi-annually in arrears and will be treated as a deduction from equity.

22 INTEREST INCOME

	<i>2025 KD 000</i>	<i>2024 KD 000</i>
Balances with banks	49,356	44,944
Debt securities	77,112	75,054
Loans and advances	366,799	357,778
	493,267	477,776

23 INTEREST EXPENSE

	<i>2025 KD 000</i>	<i>2024 KD 000</i>
Due to banks and other financial institutions	60,833	74,865
Customers' deposits:		
- Sight deposits	73,369	59,712
- Time deposits	164,184	164,770
Other borrowed funds	35,379	34,249
	333,765	333,596

24 NET FEES AND COMMISSION INCOME

	<i>2025 KD 000</i>	<i>2024 KD 000</i>
Fees and commission income	55,186	52,366
Fees and commission expense	(17,204)	(15,262)
	37,982	37,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2025
25 PROVISION / IMPAIRMENT LOSSES

	2025 KD 000	2024 KD 000
Provision charge for credit losses on cash and non-cash credit facilities	44,362	41,697
Expected credit losses release on other financial assets	(425)	(36)
Impairment on property acquired in settlement of debt	2,360	1,000
	<u>46,297</u>	<u>42,661</u>

26 TAXATION

The taxation amount during the year, represents contribution to Kuwait Foundation for the Advancement of Sciences amounting to KD 538 thousand (2024: KD 448 thousand) and tax on overseas locations amounting to KD 13,735 thousand (2024: KD 10,309 thousand).

On 31 December 2024, the State of Kuwait issued Law Number 157 of 2024 (the Law) introducing Domestic Minimum Top-up Tax (DMTT) effective from 1 January 2025 on entities which are part of Multi National Entities (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 in each of the jurisdictions it operates in. 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. The taxable income and effective tax rate shall be computed in accordance with the Executive Regulations, which was issued on 30 June 2025.

The Group has completed its registration under the MNE Group Tax Law and the management has assessed the applicability of the DMTT law to the Group as of the reporting date and has concluded that the Group should be eligible for tax relief for the current year in accordance with the provision of the Law where the tax liability should be zero.

This relief is subject to annual reassessment with the tax relief available for a maximum period of five years.

27 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS' OF THE BANK

Basic and diluted earnings per share are computed by dividing the adjusted net profit/ (loss) for the year attributable to shareholders' of the Bank by the weighted average number of shares outstanding during the year net of treasury shares.

	2025	2024
Profit for the year attributable to shareholders' of the Bank (KD 000)	62,591	52,414
Less: Interest payment on Perpetual Tier 1 Capital Securities (KD 000)	(5,981)	-
Adjusted profit for the year attributable to shareholders' of the Bank (KD 000)	56,610	52,414
Weighted average number of the Bank's issued and paid-up shares (000)	2,617,762	2,617,762
Less: Weighted average number of treasury shares (000)	(16,924)	(16,924)
Weighted average number of shares outstanding during the year (000)	2,600,838	2,600,838
Basic and diluted earnings per share attributable to shareholders' of the Bank	<u>22 fils</u>	<u>20 fils</u>

For computation of earnings per share, the weighted average number of the outstanding shares for 2025 and 2024 have been adjusted for bonus shares issued for 2024 which was approved by the shareholders in the Annual General Assembly Meeting held on 16 April 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

28 COMMITMENTS AND CONTINGENT LIABILITIES

	2025 KD 000	2024 KD 000
Acceptances	59,789	110,234
Letters of credit	191,777	235,749
Guarantees	891,407	860,031
	<u>1,142,973</u>	<u>1,206,014</u>

The above balances represent the irrevocable contractual amounts of the Group's off-balance sheet financial instruments that commit the Group to make payments on behalf of the customers in the event of a specific act. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. The total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded and/or are cancellable at the discretion of the Bank. Total commitments to extend credit at the statement of financial position date amounted to KD 852,452 thousand (2024: KD 805,870 thousand).

An analysis of the gross amounts of commitments and contingent liabilities, based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

2025	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,075,887	34,131	32,955	1,142,973
Commitments	848,659	3,793	-	852,452
Total	<u>1,924,546</u>	<u>37,924</u>	<u>32,955</u>	<u>1,995,425</u>
2024	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,153,525	39,094	13,395	1,206,014
Commitments	794,696	11,174	-	805,870
Total	<u>1,948,221</u>	<u>50,268</u>	<u>13,395</u>	<u>2,011,884</u>

29 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of its business the Group utilises derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities which qualify as effective hedging instruments are classified as 'fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into back-to-back transactions with counter parties. Derivative transactions result, to varying degrees, in credit as well as market risks.

The Group's measure of derivative related credit risk is the cost of replacing contracts at current market rates should the counter party default on or prior to the settlement date and is limited to the positive fair value of instruments that are favourable to the Group.

Market risk arises as interest and foreign exchange rates fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their contractual amounts. The contractual amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The contractual amounts represent the volume of transactions outstanding at the year end and are not indicative of the credit or market risk.

	2025 KD 000			2024 KD 000		
	Assets	Liabilities	Contractual amounts	Assets	Liabilities	Contractual amounts
Forward foreign exchange contracts	759	532	286,095	1,039	4,909	689,856
Interest rate swaps (held as fair value hedges)	838	3,915	188,198	3,749	965	293,280
Interest rate swaps (others)	213	171	23,009	-	-	-
	<u>1,810</u>	<u>4,618</u>	<u>497,302</u>	<u>4,788</u>	<u>5,874</u>	<u>983,136</u>

All derivative contracts are fair valued based on observable market inputs and are classified as level 2.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

Swaps

Interest rate swaps relate to contracts taken out by the Bank with other counterparties in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest.



**AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024**



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ahli Bank of Kuwait K.S.C.P. (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, 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 policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the Central Bank of Kuwait ("CBK") for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the '*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Credit losses on credit facilities

The recognition of credit losses on loans, advances and non-cash credit facilities (together "credit facilities") to customers is the higher of Expected Credit Loss ("ECL") determined under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), according to Central Bank of Kuwait (the "CBK") guidelines, and the provision required by the CBK instructions as disclosed in the accounting policies and in Note 2.9 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

The recognition of ECL under IFRS 9, according to 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 credit 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 specific provision on impaired credit 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 credit facility.

Due to the significance of the credit facilities and the related estimation uncertainty and management's judgement in assessing significant increase in credit risk, classification of credit facilities into various stages and adjustments to ECL models, where applicable, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the inputs 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.

With respect to ECL based on IFRS 9 according to CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date which included rescheduled credit facilities and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit 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 the ECL including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

Further, for the CBK rules 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 credit facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and verified the resultant provision calculations.

Other information included in the Group's 2024 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

Auditors' 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 auditors' 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 scepticism 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 AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' 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 auditors' 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 auditors' 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 group 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

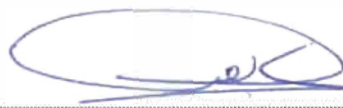
Report on Other Legal and Regulatory Requirements

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/ B.S. 342/2014 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/B.S. 342/2014 dated 21 October 2014 and its amendments respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.



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



ALI B. AL-WAZZAN
LICENCE NO. 246A
DELOITTE & TOUCHE -AL WAZZAN & CO.

18 February 2025
Kuwait

Al Ahli Bank of Kuwait K.S.C.P. and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 KD 000	2023 KD 000
ASSETS			
Cash and balances with banks	9	1,043,183	691,432
Kuwait Government treasury bonds	10	5,000	17,500
Central Bank of Kuwait bonds	10	81,453	163,712
Loans and advances	5,11	4,829,046	4,257,708
Investment securities	12	1,119,235	900,812
Investment in an associate	13	33,435	31,228
Premises and equipment		107,519	107,065
Intangible assets	14	5,371	8,855
Other assets	15	149,271	110,933
TOTAL ASSETS		7,373,513	6,289,245
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	16	1,497,755	1,101,754
Customers' deposits	17	4,424,809	3,830,891
Other borrowed funds	18	538,463	536,401
Other liabilities	19	191,565	199,347
TOTAL LIABILITIES		6,652,592	5,668,393
EQUITY			
Share capital	20	249,311	237,439
Share premium	20	158,897	158,897
Treasury shares	20	(5,135)	(5,135)
Reserves	20	224,968	228,351
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE BANK		628,041	619,552
Perpetual Tier 1 Capital Securities	20	91,560	-
Non-controlling interests		1,320	1,300
TOTAL EQUITY		720,921	620,852
TOTAL LIABILITIES AND EQUITY		7,373,513	6,289,245



Talal Mohamed Reza Behbehani
Chairman



Abdulla M. Al Sumait
Acting Group Chief Executive Officer

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

	Notes	2024 KD 000	2023 KD 000
Interest income	21	471,444	413,538
Interest expense	22	(327,264)	(276,146)
NET INTEREST INCOME		144,180	137,392
Net fees and commission income	23	37,104	34,861
Net foreign exchange gain		8,106	4,481
Net gain on investment securities		1,857	1,222
Dividend income		1,791	1,638
Share of results from an associate		3,646	3,053
Other operating income		4,066	2,376
OPERATING INCOME		200,750	185,023
Staff expenses		(50,781)	(48,414)
Other operating expenses		(37,035)	(33,669)
Depreciation and amortisation		(5,521)	(5,844)
OPERATING EXPENSES		(93,337)	(87,927)
OPERATING PROFIT FOR THE YEAR		107,413	97,096
Provision / impairment losses	24	(42,661)	(39,509)
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' FEE		64,752	57,587
Taxation	25	(11,205)	(11,275)
Directors' fee	8	(810)	(865)
NET PROFIT FOR THE YEAR		52,737	45,447
Attributable to:			
Shareholders of the Bank		52,414	45,185
Non-controlling interests		323	262
		52,737	45,447
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	26	21 fils	18 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 KD 000	2023 KD 000
Net profit for the year	52,737	45,447
Items that will not be reclassified subsequently to consolidated income statement:		
<i>Equity instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	(24)	1,704
Re-measurement of defined benefit obligation	394	56
Revaluation of freehold land	1,124	1,158
	1,494	2,918
Items that are or may be reclassified subsequently to consolidated income statement:		
<i>Debt instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	667	420
- Expected credit losses (release) charge	(271)	51
- Recycling of net gain on sale	(884)	(711)
	(488)	(240)
<i>Foreign currency translation:</i>		
- Net exchange difference on translation of foreign operations	(23,466)	(9,500)
Total other comprehensive loss for the year	(22,460)	(6,822)
Total comprehensive income for the year	30,277	38,625
Attributable to:		
Shareholders of the Bank	30,244	38,464
Non-controlling interests	33	161
	30,277	38,625

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

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CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2024

	Notes	2024 KD 000	2023 KD 000
OPERATING ACTIVITIES			
Profit for the year before directors' fees and taxation		64,752	57,587
Adjustments for:			
Net gain on sale of investment securities		(836)	(711)
Dividend income		(1,791)	(1,638)
Share of results from an associate		(3,646)	(3,053)
Depreciation and amortisation		5,521	5,844
Provision / impairment losses	24	42,661	39,509
Operating profit before changes in operating assets and liabilities		106,661	97,538
<i>Changes in operating assets and liabilities:</i>			
Deposits with banks		(51,995)	37,953
Kuwait Government treasury bonds		12,500	3,000
Central Bank of Kuwait bonds		82,259	4,172
Loans and advances		(814,773)	(350,560)
Investments at fair value through profit or loss		(6,533)	(108)
Other assets		(37,326)	(2,679)
Due to banks and other financial institutions		412,825	158,276
Customers' deposits		907,572	(432,830)
Other liabilities		1,538	56,870
Taxes paid		(3,908)	(5,689)
Net cash flows from (used in) operating activities		608,820	(434,057)
INVESTING ACTIVITIES			
Purchase of investment securities		(1,259,827)	(1,077,959)
Proceeds from sale/redemption of investment securities		966,191	934,961
Dividend received from investment in an associate		1,440	1,201
Net purchase of premises and equipment		(8,468)	(15,266)
Dividend income received		1,791	1,638
Net cash flows used in investing activities		(298,873)	(155,425)
FINANCING ACTIVITIES			
Proceeds from issuance of rights shares	20	-	100,000
Proceeds from issuance of Tier 1 Capital Securities	20	91,560	-
Redemption of Tier 1 Capital Securities	20	-	(92,670)
Interest paid on Tier 1 Capital Securities		-	(6,727)
Dividend paid		(21,231)	(14,164)
Rights shares issuance cost		-	(203)
Syndicated borrowings		-	184,848
Perpetual Tier 1 Capital Securities issuance cost		(578)	-
Proceeds from issuance of subordinated bonds		-	49,661
Net cash flows from financing activities		69,751	220,745
Foreign currency translation adjustments		(74,564)	(33,216)
Net increase (decrease) in cash and cash equivalents		305,134	(401,953)
Cash and cash equivalents at 1 January		582,921	984,874
Cash and cash equivalents at 31 December		888,055	582,921
Cash and cash equivalent comprise:			
Cash in hand and in current account with other banks		62,417	73,428
Balances and deposits with Central Banks (original maturity not exceeding thirty days)		569,087	402,207
Deposits with banks (original maturity not exceeding thirty days)		256,551	107,286
		888,055	582,921

Interest received amounted to KD 464,833 thousand (2023: KD 405,656 thousand) and interest paid amounted to KD 316,070 thousand (2023: KD 257,237 thousand).

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (“CBK”). The Bank is listed on Boursa Kuwait. Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking operations, primarily in Kuwait, United Arab Emirates and Egypt.

These consolidated financial statements of the Bank and its subsidiaries (collectively the “Group”) for the year ended 31 December 2024 were authorised for issue by the Bank’s Board of Directors on 15 January 2025. The Bank is the ultimate parent of the Group. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait 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 with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures.

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

2.2 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis except for “investment securities classified as fair value through profit or loss and fair value through other comprehensive income”, “freehold land”, and “derivative financial instruments” that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is the Bank’s functional currency, rounded to the nearest thousand except when otherwise stated.

2.3 Changes in material accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendment to IAS 1)

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that exists at the end of the reporting period to defer the settlement of liability for at least twelve months from the end of the reporting period, irrespective of whether the entity expects to exercise its right or not. The rights are considered to be in existence if covenants are complied with at the end of the reporting period.

The amendments also clarify that right to defer settlement of liability is not affected by the covenants that are required to be complied after the end of the reporting period. However, additional disclosure requirements apply for such liabilities. The amendments did not have an impact on the Group’s consolidated statement of financial position, which is presented in order of liquidity.

Other amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2024 did not have any material impact on the accounting policies, financial position or performance of the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Standards and revisions issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025.

Amendments to the 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), which are effective from annual periods starting on or after 1 January 2026. The Amendments include:

- ▶ A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements, which are effective for reporting periods beginning on or after 1 January 2027. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, 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 (PFS) 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.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2024 (the "reporting date") and its subsidiaries (investees which are controlled by the Bank) as at the same date or a date not earlier than one month from the reporting date. The Bank consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- ▶ The ability to use its power over the investee to affect its returns

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal business</i>	<i>Effective interest as at</i>	
			<i>31 December 2024</i>	<i>31 December 2023</i>
Ahli Capital Investment Company K.S.C. (Closed)	Kuwait	Investment	99.8%	99.8%
Al Ahli Bank of Kuwait Egypt S.A.E ("ABK- EGYPT")	Egypt	Banking	98.7%	98.6%
ABK Cayman Island Limited	Cayman Island	Investment	100%	100%
<i>Held through ABK- EGYPT</i>				
Al Ahli Bank of Kuwait - Egypt Leasing Co.	Egypt	Leasing	98.6%	98.5%
Al Ahli Bank of Kuwait - Egypt Investment Co.	Egypt	Investment	98.7%	98.6%

2.6 Initial measurement and recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using settlement date accounting i.e. the date the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All financial assets or financial liabilities are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

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. 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 Group'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;

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.

SPPI 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 met the SPPI 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 repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI 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 interest rate is set.

In contrast, contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending 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.

2.7.1 Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories

- ▶ Amortised cost (AC)
- ▶ Fair value through other comprehensive income (FVOCI),
- ▶ Fair Value Through Profit and Loss (FVTPL)

Amortised cost (AC)

The Group classifies financial assets at AC 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 give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities (continued)

2.7.1 Financial assets (continued)

Amortised cost (AC) (continued)

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses, impairment and any gain or loss on derecognition are recognised in the consolidated income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest income" in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement under "provision / impairment losses".

The Group classifies cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait bonds, loans and advances and certain other financial assets as AC.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

- 1) The contractual terms of the financial asset meet the SPPI test.
- 2) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated income statement.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. Further, equity instruments which are fully written down will be derecognised.

Fair Value Through Profit and Loss (FVTPL)

The Group classifies financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together and includes managed funds, for which there is evidence of a recent pattern of short-term profit taking.

In addition to the above, 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.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated income statement. Interest income and dividends are recognised in the consolidated income statement according to the terms of the contract, or when the right to payment has been established.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities (continued)

2.7.1 Financial assets (continued)

Day 1 profit or loss

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. When the transaction price of the instrument differs from the fair value at origination 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 consolidated income statement. 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 consolidated income statement when the inputs become observable, or when the instrument is derecognised.

2.7.2 Financial liabilities

Financial liabilities are mainly classified as “Financial liabilities other than at fair value through profit or loss”. These comprise of Due to banks and other financial institutions, Customers’ deposits, Medium term notes and certain other liabilities. The Group does not have any “Financial liabilities at fair value through profit or loss”.

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received, in other liabilities. The premium received is amortised in the consolidated income statement in ‘net fees and commission income’ on a straight-line basis over the life of the guarantee. The guarantee liability is subsequently measured as a higher of the amount initially recognised less amortisation or the value of any financial obligation that may arise therefrom. Any increase in the liability relating to financial guarantees is recognised in consolidated financial statements.

2.7.3 Offsetting of financial assets and liabilities

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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7.4 Modification of financial assets and financial liabilities

If the terms of a financial assets and liabilities are modified, the Group evaluates whether the cash flows of modified financial assets and liabilities are substantially different. If the cash flows of the financial assets and liabilities are substantially different, then the contractual rights to cash flows from the original assets and liabilities are deemed to have expired and a new financial assets and liabilities based on the modified terms are recognized at fair value.

If the cash flows of the modified financial assets and liabilities are not substantially different, then the modification does not result in derecognition of the financial assets and liabilities. In this case, the Group recalculates the gross carrying amount of the financial asset and liabilities using the original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in the consolidated income statement.

Interest Rate Benchmark Reform

In the context of IBOR reform, the Group’s assessment of whether a change to a financial asset or financial liability is substantial is made after applying the practical expedient introduced by Interest Rate Benchmark Reform, Amendments to IFRS 9, Phase 2. This practical expedient allows changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as changes to a floating interest rate to that instrument, if the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. In such cases, the Group updates the effective interest rate to reflect the change in an interest rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount.

When additional changes are made, which are not economically equivalent, the Group applies accounting policy on accounting for modification of financial assets and financial liabilities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities (continued)

2.7.5 Derivative financial instruments and hedging

Derivative financial instruments

Derivatives include interest rate swaps, forward foreign exchange contracts and options. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for “held for trading” derivatives, any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Group makes use of derivative financial instruments to manage exposures to interest rate and foreign currency risks. Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated income statement.

Hedge accounting

In order to manage particular risks, the Group applies hedge accounting for transactions, which meet the specified criteria. At inception of the hedge relationship, the Group formal hedge accounting 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to consolidated income statement on disposal of hedge item.

The Group discontinues hedge accounting prospectively when the hedging relationship (or part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instruments expires or sold/terminated.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

In relation to fair value hedges, which meet the conditions for hedge accounting, any unrealised gain or loss from re-measuring the hedging instrument to fair value is recognised in ‘Other assets’ or ‘Other liabilities’ and in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Classification and measurement of financial assets and financial liabilities (continued)

2.7.5 Derivative financial instruments and hedging (continued)

Fair value hedge (continued)

The fair value change on qualifying hedging instruments is recognised in consolidated income statement except when the hedging instrument hedges an equity instrument designated at FVOCI, in which case it is recognized in consolidated statement of comprehensive income. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in consolidated income statement instead of other comprehensive income. Where hedging gains or losses are recognised in consolidated income statement, they are recognised in the same line as the hedged item.

If the hedging instrument expires or sold/terminated, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In case of fair value hedges of interest-bearing financial instruments, any adjustment relating to the hedge is amortised over the remaining term to maturity.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect consolidated income statement, the effective portion of changes in the fair value of the derivative is recognised directly in the other comprehensive income. The amount recognised in the other comprehensive income is removed and included in the consolidated income statement in the same year as the hedged cash flows affect consolidated income statement under the same income statement line item as the hedged item. Any ineffective portion of gain or loss on the fair value of the derivative is recognised immediately in the consolidated income statement.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued and the amount recognised in the other comprehensive income remains in the other comprehensive income until the forecast transaction affects consolidated income statement. If the forecast transaction is no longer expected to occur, then the balance in the other comprehensive income is recognised immediately in the consolidated income statement.

Hedge of net investment in a foreign operation

Hedges of net investments in a foreign operation 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 in other comprehensive income and accumulated in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the consolidated income statement.

2.8 Derecognition of financial assets and financial liabilities

A financial asset (in whole or in part) is derecognised either when:

- ▶ the contractual rights to receive the cash flows from the asset have expired; or
- ▶ the Group retains the right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- ▶ the Group has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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 would be required to repay.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Derecognition of financial assets and financial liabilities (continued)

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2.9 Impairment of financial assets

The Group recognises ECL for loans and advances, non-cash credit facilities in the form of bank guarantees, letters of guarantee, bank acceptances, revocable and irrevocable undrawn commitments (together “credit facilities”), investment in debt securities measured at AC or FVOCI and other financial assets measured at AC.

Balances with the CBK and bonds issued by the CBK and Kuwait government bonds is low risk and fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

Impairment of credit facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions relating to classification of credit facilities and calculation of their provisions (‘the CBK Instructions’).

Expected Credit Losses under IFRS 9 according to the CBK guidelines

The Group applies three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

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 regulations.

Lifetime 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.

Except for retail credit facilities, transfer of credit facilities 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 credit facilities to Stage 2. Transfer of credit facilities from Stage 3 to Stage 2 or Stage 1 is subject to notification to the CBK.

When estimating lifetime ECL for undrawn commitments, the Group estimates the expected portion of the commitment that will be drawn down over its expected life in line with the CBK regulations. ECL is then calculated on the stage of the credit facilities.

Determining the stage of Expected Credit Loss

The Group considers a financial instrument with an external rating of “investment grade” as at the reporting date to have low credit risk.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)

Determining the stage of Expected Credit Loss (continued)

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. 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 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. Evidence of Stage 2 classification includes observable data about the following:

- ▶ Significant deterioration of credit risk rating of the borrower in line with Central Bank of Kuwait regulations
- ▶ Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.

Credit facilities 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.

Event of default

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- ▶ the borrower is past due more than 90 days on any material credit obligation to the Group; or the borrower is considered as credit impaired based on qualitative assessment for internal credit risk Management purposes and
- ▶ the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- ▶ Downgrade of the Bond or the Borrower to default grade "D" by any External Rating Agency
- ▶ Any fixed income security fails to pay the coupon on the due date or principal on the redemption date and the default continues for over 7 days without any advice to the Bank.

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:

- ▶ borrower having past due liabilities to public creditors or employees;
- ▶ breaches of covenants;
- ▶ borrower is deceased; and
- ▶ Bankruptcy or declaring insolvency

Any credit impaired or stressed facility that has been restructured would also be considered as in default. The restructured facilities would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for moving the facility to stage 2/stage 1.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. PD estimation process requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality.

The through the cycle (TTC) PDs are generated from S&P risk rating system based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade credit facilities except for credit facilities granted to Government and Banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing loans (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 repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per the CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash and non-cash facilities. For unutilized facilities CCF is applied based on the CBK requirements for leverage ratio issued on 21 October 2014.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. It is usually expressed as a percentage of the EAD. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. CBK has prescribed list of eligible collaterals and minimum hair-cuts that are applied in determination of LGD.

Further, for unsecured senior and subordinate credit facilities minimum LGD threshold applied is 50% and 75% respectively. The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier. However, for financial assets in Stage 2, the Group considers a minimum maturity of 7 years for all credit facilities (excluding consumer financing, credit cards and personal housing financing which is regulated by CBK based on salary) unless credit 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 in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

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 expected credit losses for each portfolio relevant to Kuwait or the respective country where the facility is granted. 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

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, energy and non-energy indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. Qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The Group prepares the scenarios using forecasts. The forecasts are created using internal and external models which are modified by Group as necessary to formulate a 'Baseline' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios (Upturn, and Downturn) and consideration of the relative probabilities of each outcome.

The 'baseline' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk, and credit losses.

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 AC. In the case of debt instruments measured at FVOCI, the loss allowances for ECL is presented in OCI with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are presented together with the loan. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities. The Group recognises the ECL charge in the consolidated income statement.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. 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.

Loans and advances together with the associated provision account are written off when there is no realistic prospect of future recovery and all collateral have been realised or have been transferred to the Group. If a write off is later recovered, the recovery is recognised in the consolidated income statement.

Financial guarantees are assessed, and impairment loss is recorded in a similar manner as for loans and advances. The carrying amount of the asset is reduced through the use of a provision account and the amount of impairment loss is recognised in the consolidated income statement. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reversed by adjusting the provision account.

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macroeconomic factors.

The provision for credit facilities in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of the CBK on the classification of credit facilities and calculation of provisions. Credit facilities 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 credit facility is classified as past due and impaired when the interest/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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

The provision for credit facilities in accordance with the CBK instructions (continued)

Past due but not impaired and past due and impaired loans 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 up to 90 days	Based on management's judgement
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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

Central Bank of Kuwait directives require the Group to maintain a minimum general provision of 1 per cent on regular cash facilities and 0.5 per cent on regular non- cash credit facilities, net of certain categories of collateral, which are not subject to specific provisioning.

2.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of sale and value in use.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks with original maturity not exceeding thirty days.

2.12 Renegotiated loans

In the event of a default, the Group may seek to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. When the terms and conditions of these loans are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these loans remain past due. If renegotiated terms are substantial, the loan is derecognised and recognised as a new facility with amended terms and conditions. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management periodically reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur and its classification between stages.

2.13 Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's material investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income of associate is recognised in consolidated statement of changes in equity. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.13 Investment in an associate (continued)

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than one month. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired, in which case the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

2.14 Premises and equipment

Premises and equipment other than freehold land are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all premises and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life.

Freehold land is initially recognised at cost. After initial recognition freehold land is carried at its revalued amount which is the fair value at the date of revaluation based on valuations by external independent valuers. The resultant revaluation surplus or deficit is recognised, as a separate component under other comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised surplus is recognised in the consolidated income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the consolidated income statement, the increase is recognised in the consolidated statement of comprehensive income. Upon disposal the revaluation surplus relating to the freehold land sold is transferred directly to retained earnings.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	5 years to 40 years
Furniture and fixtures	3 years to 5 years
Hardware and software	3 years to 10 years
Vehicles	5 years

The carrying amounts of premises and equipment are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated income statement. Any gain or loss on the disposal of premises and equipment other than the revaluation surplus on freehold land is recognised in the consolidated income statement.

2.15 Intangible assets acquired in a business combination

Intangible assets represent separately identifiable non-monetary assets without physical substance arising from business combinations. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition and is recognised separately from goodwill.

Intangibles with finite useful life are carried at cost, less any accumulated amortization and any accumulated impairment losses. Amortization is recognised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life is reviewed at least at each financial position date.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.15 Intangible assets acquired in a business combination (continued)

Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement under “depreciation and amortisation” consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually by estimating recoverable amount using Value in Use (VIU) or whenever there is an indication that the intangible asset may be impaired, either individually or at the cash-generating unit level. VIU calculation uses a five-year cash flow projection, unless a longer period can be justified. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the 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 income statement when the asset is derecognised. Impairment losses on intangible assets recognized in the consolidated income statement in previous periods are reversed when there is an increase in the recoverable amount.

2.16 Property acquired in settlement of debt

The Bank occasionally acquires property in settlement of certain loans and advances. Such property is recorded on initial recognition at the lower of the carrying value of the related loans and advances or the current fair value less cost to sell of such assets. After initial recognition these properties are carried at lower of the carrying value or fair value less cost to sell. Fair values are determined by appraisers having an appropriate recognised professional qualification. Gains or losses on disposal, and revaluation changes, are recognised in the consolidated income statement. Such properties are included as part of “Other assets”.

2.17 End of service benefits

The Group is liable to make defined contributions to local regulatory plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place they are employed. The defined benefit plan is unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Defined contribution plan

The Group makes fixed contribution to state plans under a defined contribution plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense in the consolidated income statement when they are due.

2.18 Treasury shares

Treasury shares consist of the Bank’s own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to the “treasury shares reserve”, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.19 Fair value measurement

For those assets and liabilities carried at fair value, the Group measures fair value at each statement of financial position date. 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 Fair value measurement (continued)

The fair value measurement of financial instruments is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial instruments takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured are categorised and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Valuation is derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exists which includes price to book value multiples, price earnings multiples, Net Asset Value issued by the Fund Manager and external quotes.
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Valuation techniques include discounted cash flow method, book value method or other relevant valuation techniques commonly used by market participants. The significant inputs for these valuation techniques include market interest rates, discount rates, terminal growth rate, illiquidity discount and cash flow estimates.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

2.20 Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective rate method.

2.21 Revenue recognition

Interest income and expenses are recognised on an effective interest basis. Once a financial instrument categorised as loans and advances is impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses for all interest-bearing financial instruments including those classified as investments at fair value through profit or loss, investments carried at amortised cost and investments carried at fair value through other comprehensive income are recognised within interest income in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

Fees and commission that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Other fees and commission are recognized over the period of service. Dividend income is recognised when the right to receive the payment is established.

2.22 Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.23 Taxation

Taxation is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries in which the Group operates. 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 is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

National Labour Support Tax, Kuwait Foundation for the Advancement of Sciences, Zakat are provided in accordance with applicable laws and regulations.

2.24 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at value date of the transaction. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose changes in fair values are recognised directly in other comprehensive income, related foreign exchange differences are also recognised directly in other comprehensive income. For other non-monetary assets foreign exchange differences are recognised directly in the consolidated income statement.

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income until the disposal of the foreign operation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated income statement.

2.25 Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying asset and a lease liability to make the lease payments at the lease commencement date.

The Group leases various premises and ATMs. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and 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 lease term. The right-of-use assets are also subject to impairment.

Lease Liability

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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 lease payments or a change in the assessment of an option to purchase the underlying asset. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Group presents right-of-use assets in 'premises and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

2.26 Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Use of judgements and estimates

The Group bases its estimates and judgements on parameters available when the consolidated financial statements were prepared. Existing circumstances and judgements about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. The basis used by management in determining the carrying values of certain class of assets and the underlying risks therein are discussed below:

Judgements

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 interest on the principal amount outstanding.

Determining whether or not the market for a quoted financial instrument is active requires judgement based on assessment of the volume/market conditions and availability of ready and regular quotes.

Estimates

The key assumptions concerning the future and other key sources of estimates at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts. Considerable judgement by management is required in the estimation of the fair value of the assets acquired and liabilities assumed as a result of business combination including intangibles and contingent liabilities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Impairment of financial instruments

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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 and qualitative assessment
- ▶ 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 macro-economic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- ▶ Selection of forward-looking macro-economic 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.

Incorporation of forward-looking information

The following table shows certain key macro-economic variables (besides others) used to estimate the allowance for credit losses. For the base case, upturn and downturn scenarios, the projections are provided for the forward looking short to medium term view

Macro-economic factor	Outlook 2025 (2024)
GDP growth	Positive (Positive)
Energy Index	Negative (Negative)
Non-Energy Index	Negative (Negative)
Unemployment	Stable (Stable)
Market Index Average growth	Positive (Negative)

The macro-economic outlook for some of the international exposures remained conservative compared to other geographies and the models were adjusted accordingly. The weighting of the multiple scenarios remained primarily unchanged with major weights being assigned to "Base scenario", followed by Downturn scenario and upturn scenario in this order. The Group believes that the current macro-economic scenarios will affect some of the geographies where the Group operates and hence the Group has taken a conservative estimate for base as well as downturn scenarios for such geographies.

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.9 impairment of financial assets for more information.

Impairment of intangibles

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units to which the intangibles with indefinite useful lives are allocated. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Effect of Climate risk

The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates.

4 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earn revenues and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the operations into the following operating segments:

- | | |
|----------------------------|---|
| Commercial Banking | - Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers. |
| Retail and Private Banking | - Comprising a full range of products and services to customers which includes loans, credit cards, and wealth and asset management. |
| Treasury and Investments | - Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, propriety investment activities, assets management and residual impact of inter-segment fund transfer pricing. |

2024	<i>Commercial banking KD 000</i>	<i>Retail and private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
Net interest income	63,655	62,490	18,035	144,180
Operating income	95,621	74,553	30,576	200,750
Segment results	46,858	37,651	19,736	104,245
Unallocated expense				(39,493)
Profit for the year before taxation and directors' fee				64,752
Segment assets	4,130,561	882,315	2,208,565	7,221,441
Unallocated assets				152,072
Total assets				7,373,513
Segment liabilities	1,320,911	2,667,662	2,574,170	6,562,743
Unallocated liabilities				89,849
Total liabilities				6,652,592

4 SEGMENTAL INFORMATION (continued)

	<i>Commercial banking KD 000</i>	<i>Retail and private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
2023				
Net interest income	54,916	62,499	19,977	137,392
Operating income	83,278	79,201	22,544	185,023
Segment results	39,468	46,104	11,255	96,827
Unallocated expense				(39,240)
Profit for the year before taxation and directors' fee				57,587
Segment assets	3,577,904	812,250	1,770,188	6,160,342
Unallocated assets				128,903
Total assets				6,289,245
Segment liabilities	959,792	2,425,045	2,188,301	5,573,138
Unallocated liabilities				95,255
Total liabilities				5,668,393

Geographic information:

The following table show the Group's operating income and segment assets from international operations (international branches and subsidiary):

	2024 KD 000	2023 KD 000
Operating income	90,296	75,972
Segment assets	2,514,669	2,392,623

5 RISK MANAGEMENT

INTRODUCTION

Risk is inherent in the Group's activities but is managed through a process of ongoing risk identification, measurement and monitoring and by setting risk limits and controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her area of responsibilities. The Group has established comprehensive risk frameworks for managing all material risks. The frameworks address the risk identification, measurement and monitoring processes of all material risks across the Group. Risk management is embedded in the decision-making process on all risk types to enable the Group to manage the risks assumed within acceptable levels.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, including emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The operations of the overseas branches and subsidiary are also subject to regulatory requirements within the jurisdictions where they operate. Such regulations also prescribe capital adequacy levels, the branches or subsidiary should maintain besides other regulations to minimise the risk of default and insolvency to meet unforeseen liabilities when these arise.

The risk profile is assessed before entering into hedge transactions which are authorised by the appropriate level of seniority within the Group.

5 RISK MANAGEMENT (continued)

Descriptions of the risk appetite statement along with the risks identified and the methodology used to manage those risks are stated below:

5.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks is explained in the Risk Management section of the annual report.

The maximum exposure to credit risk as at the statement of financial position date is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. This also includes credit exposures to a single borrower or group of related borrowers. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Group's comprehensive capital as determined by the regulatory guidelines.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee which is composed of competent professional staff and which has as its purpose the study and evaluation of the existing credit facilities of each customer of the Group. This Committee is required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

The Group assesses provisioning requirements by monitoring Expected Credit Losses ("ECL") in line with IFRS 9 guidelines. Refer to Note 2.9 of the material accounting policies for the detailed guidelines.

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. Please refer to Note 2.9 of the material accounting policies for the assessment criteria and indicators of increase in credit risk.

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in stage 2/stage 1.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses S&P Risk Rating System (CRE) as its internal credit-rating engine. The CRE tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macro-economic factors.

Refer to Note 2.9 of the material accounting policies for further details on stage classification and measurement of ECL, forward looking information etc.

Derivative financial instruments

Credit risk arising from derivative financial instruments is limited to those with positive fair values, as recorded in the consolidated statement of financial position.

5 RISK MANAGEMENT (continued)

5.1 CREDIT RISK (continued)

Credit-related commitments risks

The Group makes available to its customers, financial guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the financial guarantees. They expose the Group to risks similar to loans and advances and these are mitigated by the same control processes and policies.

Credit concentration risks

Geographical and industry sector concentrations of financial assets and contingent liabilities with credit risk exposure, after provisions, are as follows:

	2024		2023	
	Assets KD 000	Credit related contingent liabilities KD 000	Assets KD 000	Credit related contingent liabilities KD 000
Geographic region:				
Middle East and North Africa (MENA)	6,043,703	881,250	5,443,955	802,721
Europe	523,067	52,337	198,970	43,995
Asia Pacific	84,142	242,071	84,268	247,094
Rest of the world	415,102	30,356	288,357	14,581
	<u>7,066,014</u>	<u>1,206,014</u>	<u>6,015,550</u>	<u>1,108,391</u>
Industry sector:				
Trading and manufacturing	614,129	256,351	679,239	304,435
Banks and other financial institutions	1,420,436	216,175	856,008	185,245
Construction and real estate	1,068,712	394,671	813,405	365,630
Government and related entities	1,608,667	109	1,478,259	141
Personal	1,139,875	2,898	1,091,139	2,218
Crude Oil & Gases	554,993	117,698	443,091	35,101
Others	659,202	218,112	654,409	215,621
	<u>7,066,014</u>	<u>1,206,014</u>	<u>6,015,550</u>	<u>1,108,391</u>

Maximum exposures and credit quality of financial instruments

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

The table also shows the credit risk exposure, after provisions, by credit quality of financial assets by class, grade and status:

	Neither past due nor impaired			Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000	KD 000	KD 000
2024					
Balances with banks	879,555	123,253	-	-	1,002,808
Kuwait Government treasury bonds	5,000	-	-	-	5,000
Central Bank of Kuwait bonds	81,453	-	-	-	81,453
Loans and advances					
- Corporate	3,384,750	517,748	73,902	43,750	4,020,150
- Retail	684,343	81,683	1,205	41,665	808,896
Debt securities	1,063,907	4,550	-	-	1,068,457
Other assets	73,374	5,326	550	-	79,250
Total	<u>6,172,382</u>	<u>732,560</u>	<u>75,657</u>	<u>85,415</u>	<u>7,066,014</u>

5 RISK MANAGEMENT (continued)

5.1 CREDIT RISK (continued)

Maximum exposures and credit quality of financial instruments (continued)

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>		
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
2023					
Balances with banks	625,759	24,237	-	-	649,996
Kuwait Government treasury bonds	17,500	-	-	-	17,500
Central Bank of Kuwait bonds	163,712	-	-	-	163,712
<i>Loans and advances</i>					
- Corporate	2,889,027	492,958	78,675	49,632	3,510,292
- Retail	614,356	93,338	53	39,669	747,416
Debt securities	856,366	4,550	-	-	860,916
Other assets	60,423	4,694	601	-	65,718
Total	5,227,143	619,777	79,329	89,301	6,015,550

Past due but not impaired loans as at 31 December 2024 amounting to KD 26,773 thousand (31 December 2023: KD 38,326 thousand) are past due for a period less than 30 days and KD 20,067 thousand (31 December 2023: KD 15,517 thousand) are past due for a period between 30 to 90 days. The fair value of collaterals held by the Group for past due loans as at 31 December 2024 was KD 15,877 thousand (31 December 2023: KD 23,132 thousand).

The gross maximum credit risk exposure relating to contingencies amounts as at 31 December 2024 KD 1,206,014 thousand (31 December 2023: KD 1,108,391 thousand).

The high, standard and acceptable grades of classification of loans to customers above is based on inherent credit quality of the counterparties, the assessed risk profile, acceptability and availability of collateral in accordance with Group's internal rating model. The borrower risk rating model takes into consideration key factors, such as business trends, management, financials, collaterals, etc., which are duly weighted to arrive at the rating. These ratings changes /migrations are monitored annually. The Bank has introduced retail risk rating with the launch of a retail risk scorecard, which also provides an end-to-end automated system for processing loans and credit cards. Grading of balances with banks and debt securities are based on the external rating of the counterparties.

The fair value of collateral held by the Group for past due (including individually impaired) loans and advances to customers and impairment losses are disclosed in Note 11. The Group has taken adequate legal measures to secure recovery of collateral when needed.

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.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash, securities, and charges over real estate properties and counter-guarantees.

It is Group's policy to take legal recourse to enforce collaterals where warranted to recover the Bank's dues.

Of the total outstanding loans and advances, KD 2,018,728 thousand (2023: KD 1,617,151 thousand) were secured with a collateral value of KD 3,126,509 thousand (2023: KD 2,667,041 thousand).

5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK

Liquidity is the ongoing ability to accommodate maturing liabilities and deposit withdrawals; fund asset growth and business operations; and meet contractual obligations through unconstrained access to funding at reasonable market rates.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities 2024				
Due to banks and other financial institutions	331,765	446,633	809,307	1,587,705
Customers' deposits	1,215,228	1,856,434	1,504,457	4,576,119
Other borrowed funds	1,095	282,875	331,178	615,148
Other liabilities	-	76,504	15,686	92,190
	<u>1,548,088</u>	<u>2,662,446</u>	<u>2,660,628</u>	<u>6,871,162</u>
Contingent liabilities	<u>131,005</u>	<u>768,322</u>	<u>306,687</u>	<u>1,206,014</u>
Contractual amounts of Forward foreign exchange contracts	<u>281,750</u>	<u>408,106</u>	<u>-</u>	<u>689,856</u>
	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities 2023				
Due to banks and other financial institutions	224,010	469,446	503,622	1,197,078
Customers' deposits	1,089,914	1,510,723	1,379,656	3,980,293
Other borrowed funds	-	5,531	647,380	652,911
Other liabilities	-	91,667	17,458	109,125
	<u>1,313,924</u>	<u>2,077,367</u>	<u>2,548,116</u>	<u>5,939,407</u>
Contingent liabilities	<u>133,883</u>	<u>671,588</u>	<u>302,920</u>	<u>1,108,391</u>
Contractual amounts of Forward foreign exchange contracts	<u>218,350</u>	<u>183,864</u>	<u>-</u>	<u>402,214</u>

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date, except for equity investments classified at fair value through profit or loss, investment carried at fair value through other comprehensive income, investment in an associate, premises and equipment, intangible assets, other assets, customer sight deposits and other liabilities which has been determined based on management's estimate of liquidation.

The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and customers' deposits might be repaid before their maturity.

5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK (continued)

The maturity profile as at 31 December 2024 is as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	939,783	103,400	-	-	1,043,183
Kuwait Government treasury bonds	-	-	5,000	-	5,000
Central Bank of Kuwait bonds	14,000	67,453	-	-	81,453
Loans and advances	633,211	1,552,995	1,638,360	1,004,480	4,829,046
Investment securities	98,087	265,051	364,970	391,127	1,119,235
Investment in an associate	-	-	-	33,435	33,435
Premises and equipment	-	-	-	107,519	107,519
Intangible assets	-	-	-	5,371	5,371
Other assets	21,196	84,874	43,201	-	149,271
Total assets	1,706,277	2,073,773	2,051,531	1,541,932	7,373,513
LIABILITIES					
Due to banks and other financial institutions	330,867	421,127	745,761	-	1,497,755
Customers' deposits	1,203,714	1,776,702	453,073	991,320	4,424,809
Other borrowed funds	-	254,183	184,861	99,419	538,463
Other liabilities	-	148,665	42,900	-	191,565
Total liabilities	1,534,581	2,600,677	1,426,595	1,090,739	6,652,592

The maturity profile as at 31 December 2023 was as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	627,028	63,477	927	-	691,432
Kuwait Government treasury bonds	-	12,500	5,000	-	17,500
Central Bank of Kuwait bonds	21,000	142,712	-	-	163,712
Loans and advances	375,184	1,482,758	1,532,851	866,915	4,257,708
Investment securities	38,047	410,044	314,061	138,660	900,812
Investment in an associate	-	-	-	31,228	31,228
Premises and equipment	-	-	-	107,065	107,065
Intangible assets	-	-	-	8,855	8,855
Other assets	-	75,284	35,649	-	110,933
Total assets	1,061,259	2,186,775	1,888,488	1,152,723	6,289,245
LIABILITIES					
Due to banks and other financial institutions	222,877	451,926	426,951	-	1,101,754
Customers' deposits	1,078,401	1,438,243	393,504	920,743	3,830,891
Other borrowed funds	-	-	437,119	99,282	536,401
Other liabilities	-	150,784	48,563	-	199,347
Total liabilities	1,301,278	2,040,953	1,306,137	1,020,025	5,668,393

5 RISK MANAGEMENT (continued)

5.3 MARKET RISK

5.3.1 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated years. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The sensitivity of interest rate variability on the Group's consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2024 including the effect of hedging instruments. The sensitivity of interest rate variability on equity is calculated by revaluing fixed rate investments carried at fair value through other comprehensive income, including the effect of any associated hedges as at 31 December 2024 for the effects of the assumed changes in interest rates and is analysed by maturity of the asset or swap.

The following table reflects the effect of 25 basis points change in interest rates, with all other variables held constant.

	Effect (KD 000)			
	2024		2023	
	Net profit	Equity	Net profit	Equity
Kuwaiti Dinar	1,297	2	891	19
US Dollars	792	2,518	306	67
Egyptian Pound	13	31	115	169

5.3.2 CURRENCY RISK

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. The financial instruments denominated in foreign currencies are exposed to these risks. The objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

Hedge of net investment in foreign operations

The Bank hedges part of EGP currency risk of its net investment in foreign operations (ABK- Egypt) using certain USD monetary assets held by ABK- Egypt. Gains or losses on the retranslation of these monetary assets are transferred to consolidated statement of comprehensive income to offset gains or losses on translation of the part of net investment in ABK- Egypt.

The effect on net profit for the year, as a result of 5 per cent change in currency rate due to the changes in fair value of monetary assets and liabilities, with all other variables held constant is shown below:

Currency	Effect (KD 000)	
	2024	2023
US Dollars	95	126
Egyptian Pound	61	24
Euro	19	19
Others	181	182

5 RISK MANAGEMENT (continued)

5.3 MARKET RISK (continued)

5.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Bank's investment held in its proprietary books. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The effect on consolidated income statement (as a result of equity price risk on investments at fair value through profit and loss) and on Equity (as a result of a change in the fair value of FVOCI equity investments), as at 31 December, due to a 5 per cent change in equity indices, with all other variables held constant is as follows:

	Effect (KD 000)			
	2024		2023	
	<i>Net profit</i>	<i>Equity</i>	<i>Net profit</i>	<i>Equity</i>
GCC Stock Exchanges	110	325	96	-
Other Stock Exchanges	24	5	21	56

5.3.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans and advances when interest rates fall. Majority of the Group's interests bearing financial assets are at floating rates. Also, majority of the interest-bearing financial liabilities have a maturity of less than 1 year and accordingly, the Group is not exposed to significant prepayment risk. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

5.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to function, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage these risks. Controls include effective segregation of duties, access to assets and IT resources, authorisation and reconciliation procedures, staff education and assessment processes, compliance monitoring including the use of internal audit. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The Risk Management Division manages operational risks in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 December 2003, regarding the sound practices for managing and supervising operational risks in banks.

6 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong and healthy capital ratios in order to support its business and to 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.

6 CAPITAL MANAGEMENT (continued)

The Group's regulatory capital and capital adequacy ratios calculated in accordance with Basel III regulations issued by Central Bank of Kuwait via circular 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2024 KD 000	2023 KD 000
Risk weighted exposure	5,032,500	4,483,592
Capital required	679,387	605,286
Capital available:		
Tier 1 capital	691,704	596,033
<i>Common equity Tier 1</i>	600,144	596,033
<i>Additional Tier 1</i>	91,560	-
Tier 2 capital	161,014	154,446
Total Capital	852,718	750,479
Common equity Tier 1 capital adequacy ratio	11.93%	13.29%
Tier 1 capital adequacy ratio	13.74%	13.29%
Total capital adequacy ratio	16.94%	16.74%

The Group's financial leverage ratio calculated in accordance with circular 2/BS/ 342/2014 dated 21 October 2014 is shown below:

	2024 KD 000	2023 KD 000
Tier 1 capital	691,704	596,033
Total exposure	8,358,953	7,247,654
Financial leverage ratio	8.28%	8.22%

The additional disclosures relating to the capital adequacy as per the above circulars are included under the 'Risk Management' section of the annual report.

7 FAIR VALUE MEASUREMENT

Financial Instruments

Financial Instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait Bonds, loans and advances, investment securities, certain other assets and derivatives. Financial liabilities consist of due to banks and other financial institutions, customer deposits, other borrowed funds and certain other liabilities.

The fair value of financial instruments is categorised as under:

Financial instruments carried at fair value

The financial instruments carried at fair value comprise of investment securities and derivatives. The fair value along with the valuation techniques for investment securities and derivatives are disclosed in Note 12 and Note 28 respectively.

Financial instruments carried at amortised cost

The fair value of financial instruments carried at amortised cost is not materially different from their carrying value as most of these assets and liabilities, except for medium term notes, are of short-term maturities or are re-priced immediately based on market movement in interest rates.

7 FAIR VALUE MEASUREMENT (continued)

Non-Financial Instruments

Instruments carried at fair value, other than financial instruments, include freehold land (classified as premises and equipment) which were fair valued using significant valuation inputs based on unobservable market data and are classified under level 3.

If the freehold land was measured using the cost model, the net carrying amount as at 31 December 2024 would be KD 32,377 thousand (31 December 2023: KD 32,508 thousand).

8 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the year. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the consolidated financial statements are as follows:

	<i>Number of directors</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
					<i>KD 000</i>	<i>KD 000</i>
Directors						
Loans and advances	3	5	6	3	12,429	8,850
Customers' deposits	6	5	20	10	49,959	34,286
Portfolio managed by Group	3	2	-	-	1,062	738
Commitments and contingent liabilities	-	-	5	4	9,537	6,342
Directors' compensation	-	-	-	-	1,039	1,099

Loans and advances to related parties are secured by collaterals in accordance with regulation of Central Bank of Kuwait.

Directors' compensation above includes Directors' fees KD 810 thousand (2023: KD 865 thousand) and compensation for participation in executive committees and subsidiaries of the Group which are subject to the approval of the shareholders at the annual general meeting. Directors' fees are within the amount permissible under local regulations.

	<i>Number of key management</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
					<i>KD 000</i>	<i>KD 000</i>
Key management						
Loans and advances	18	16	2	-	567	533
Customers' deposits	24	23	10	2	3,657	2,871
Associate						
Customers' deposits	1	1	1	1	245	173

Interest income and interest expense includes KD 628 thousand (2023: KD 253 thousand) and KD 1,990 thousand (2023: KD 1,334 thousand) respectively, on transactions with related parties.

8 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

Compensation for key management is as follows:

	2024 KD 000	2023 KD 000
Salaries and other benefits	4,030	3,868
Post-employment benefits	208	214
	4,238	4,082

9 CASH AND BALANCES WITH BANKS

	2024 KD 000	2023 KD 000
Cash on hand and balances with other banks	62,417	73,428
Deposits with other banks	398,344	205,475
Balances and deposits with Central Banks	582,715	412,917
	1,043,476	691,820
Expected credit losses (ECL)	(293)	(388)
	1,043,183	691,432

Balances and deposits with Central Banks include balances and deposits with Central Banks of Kuwait, UAE and Egypt. As at the reporting date, the balance with banks and the related ECL are classified under stage 1 (2023: stage 1). There have been no transfers between the stages.

10 KUWAIT GOVERNMENT TREASURY BONDS AND CENTRAL BANK OF KUWAIT BONDS

These are financial instruments carried at amortised cost and are issued on behalf of the Ministry of Finance or issued by Central Bank of Kuwait on its own behalf. As of reporting date, these financial instruments are classified under stage 1 (2023: stage 1) and are of low risk and fully recoverable and hence no ECL is measured.

11 LOANS AND ADVANCES

	<i>Corporate and banks 2024 KD 000</i>	<i>Retail 2024 KD 000</i>	<i>Total 2024 KD 000</i>	<i>Corporate and banks 2023 KD 000</i>	<i>Retail 2023 KD 000</i>	<i>Total 2023 KD 000</i>
MENA	3,541,350	808,896	4,350,246	3,304,403	747,416	4,051,819
Europe	268,282	-	268,282	37,187	-	37,187
Asia Pacific	74,303	-	74,303	25,915	-	25,915
Rest of the World	136,215	-	136,215	142,787	-	142,787
TOTAL	4,020,150	808,896	4,829,046	3,510,292	747,416	4,257,708

An analysis of provisions for credit losses for the year for loans and advances is as follows:

	<i>2024 KD 000</i>	<i>2023 KD 000</i>
At 1 January	319,832	281,975
Exchange difference	(7,180)	(3,599)
Net amounts written off during the year	(27,658)	(3,783)
Net charge for the year	43,796	45,239
At 31 December	328,790	319,832
General Provision	307,707	296,498
Specific Provision	21,083	23,334

The release for the year 2024 on non-cash facilities amounted to KD 2,099 thousand (2023: release of KD 6,544 thousand). The total available provision on non-cash facilities amounted to KD 24,398 thousand (2023: KD 26,815 thousand), which is included in other liabilities (Note 19).

Loans and advances individually determined to be impaired with related provision and fair value of collateral held are as follows:

	<i>2024 KD 000</i>	<i>2023 KD 000</i>
Gross loans and advances	60,423	60,379
Provision	21,083	23,334
Fair value of collateral held	21,705	39,388

The collateral consists of cash, securities, bank guarantees and properties.

Refer to Note 5.1 for disclosures relating to credit risk management, credit concentration, credit quality by class and credit risk mitigants.

Expected Credit Losses (ECL) on credit facilities determined under IFRS 9 according to the CBK guidelines amounted to KD 149,209 thousand as at 31 December 2024 (2023: KD 134,106 thousand), which is KD 203,979 thousand lower (2023: KD 212,541 thousand lower) than the provision of KD 353,188 thousand (2023: KD 346,647 thousand) for credit losses under CBK Instructions.

11 LOANS AND ADVANCES (continued)

An analysis of the Gross amounts of Credit Facilities, and the corresponding Expected Credit Losses (ECL) based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>		
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
2024					
- <i>Corporate</i>					
Stage 1	3,536,044	527,292	-	3,259	4,066,595
Stage 2	70,888	16,398	125,687	8,246	221,219
Stage 3	-	-	-	47,793	47,793
- <i>Retail</i>					
Stage 1	690,531	82,481	-	19,715	792,727
Stage 2	-	26	1,226	15,620	16,872
Stage 3	-	-	-	12,630	12,630
	<u>4,297,463</u>	<u>626,197</u>	<u>126,913</u>	<u>107,263</u>	<u>5,157,836</u>
Commitments and contingent liabilities (refer Note 27)	<u>1,872,446</u>	<u>98,024</u>	<u>28,019</u>	<u>13,395</u>	<u>2,011,884</u>
Gross credit facilities	<u><u>6,169,909</u></u>	<u><u>724,221</u></u>	<u><u>154,932</u></u>	<u><u>120,658</u></u>	<u><u>7,169,720</u></u>
 ECL on cash facilities					
- <i>Corporate</i>					
Stage 1	9,792	8,577	-	8	18,377
Stage 2	3,197	2,381	27,607	355	33,540
Stage 3	-	-	-	41,380	41,380
- <i>Retail</i>					
Stage 1	15,622	1,345	-	988	17,955
Stage 2	-	2	173	1,486	1,661
Stage 3	-	-	-	12,447	12,447
ECL on non-cash facilities	<u>6,993</u>	<u>503</u>	<u>3,804</u>	<u>12,549</u>	<u>23,849</u>
Total ECL	<u><u>35,604</u></u>	<u><u>12,808</u></u>	<u><u>31,584</u></u>	<u><u>69,213</u></u>	<u><u>149,209</u></u>

11 LOANS AND ADVANCES (continued)

	Neither past due nor impaired			Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000	KD 000	KD 000
2023					
- Corporate					
Stage 1	2,998,633	493,446	-	6,695	3,498,774
Stage 2	105,439	30,769	120,743	13,871	270,822
Stage 3	-	-	-	46,542	46,542
- Retail					
Stage 1	619,671	94,357	38	21,805	735,871
Stage 2	89	38	96	11,471	11,694
Stage 3	-	-	-	13,837	13,837
	<u>3,723,832</u>	<u>618,610</u>	<u>120,877</u>	<u>114,221</u>	<u>4,577,540</u>
Commitments and contingent liabilities (refer Note 27)	<u>1,556,639</u>	<u>181,545</u>	<u>35,942</u>	<u>16,799</u>	<u>1,790,925</u>
Gross credit facilities	<u>5,280,471</u>	<u>800,155</u>	<u>156,819</u>	<u>131,020</u>	<u>6,368,465</u>
ECL on cash facilities					
- Corporate					
Stage 1	8,731	9,107	-	52	17,890
Stage 2	5,795	7,602	15,382	430	29,209
Stage 3	-	-	-	28,860	28,860
- Retail					
Stage 1	14,505	1,969	1	437	16,912
Stage 2	10	3	9	1,164	1,186
Stage 3	-	-	-	13,540	13,540
ECL on non-cash facilities	<u>3,792</u>	<u>4,277</u>	<u>2,543</u>	<u>15,897</u>	<u>26,509</u>
Total ECL	<u>32,833</u>	<u>22,958</u>	<u>17,935</u>	<u>60,380</u>	<u>134,106</u>

The expected credit losses and movement for the year is as follows:

2024	Stage 1 KD '000	Stage 2 KD '000	Stage 3 KD '000	Total KD '000
Opening balance of ECL as at 1 January	38,722	37,087	58,297	134,106
Net ECL movement for the year	2,087	4,937	35,737	42,761
Net amounts written off during the year	-	-	(27,658)	(27,658)
Closing Balance of ECL 31 December	<u>40,809</u>	<u>42,024</u>	<u>66,376</u>	<u>149,209</u>
2023	Stage 1 KD '000	Stage 2 KD '000	Stage 3 KD '000	Total KD '000
Opening balance of ECL as at 1 January	34,421	25,403	63,047	122,871
Net ECL movement for the year	4,301	11,684	(967)	15,018
Net amounts written off during the year	-	-	(3,783)	(3,783)
Closing Balance of ECL 31 December	<u>38,722</u>	<u>37,087</u>	<u>58,297</u>	<u>134,106</u>

11 LOANS AND ADVANCES (continued)

The Bank noticed non-material cases of curing related to consumer lending during the year, the impact of which is captured in the ECL movement for the year. The ECL movement pertaining to corporate cured accounts amounted to KD 266 thousand with an ECL impact of KD 23 thousand (2023: KD Nil thousand with an impact of ECL KD Nil thousand). Further, foreign currency translation had an insignificant impact on overall ECL movement.

12 INVESTMENT SECURITIES

	2024 KD 000	2023 KD 000
Classified as at:		
Fair value through other comprehensive income (FVOCI)	800,108	521,435
Amortised cost (AC)	306,045	373,076
Fair value through profit or loss (FVTPL)	13,388	6,855
	1,119,541	901,366
Expected credit losses (ECL)	(306)	(554)
	1,119,235	900,812

As of 31 December 2024, investments securities include debt securities amounting to KD 573,464 thousand (2023: KD 324,195 thousand) provided as collateral under repurchase agreements.

Valuation of Investments carried at fair value is determined as follows:

		<i>Valuation techniques and key inputs</i>		<i>FVTPL</i>		<i>FVOCI</i>	
				2024 KD 000	2023 KD 000	2024 KD 000	2023 KD 000
Level 1:							
<i>Equity</i>	Quoted bid price			-	-	11,058	5,964
<i>Debt securities</i>							
- Government	Quoted bid price			-	-	443,393	202,963
- Non-Government	Quoted bid price			-	-	285,160	123,943
Level 2:							
<i>Debt securities</i>							
- Government	External quote			-	13	16,478	142,379
- Non-Government	External quote			-	-	2,350	14,350
<i>Managed funds</i>	Net asset value basis			11,105	6,842	-	-
Level 3:							
<i>Debt securities</i>							
- Non-Government	Discounted cash flows			2,283	-	13,054	4,746
<i>Equity</i>	Discounted cash flows/ Dividend discount model/ Market multiples			-	-	28,615	27,090
				13,388	6,855	800,108	521,435

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

Movement in level 3 of investment securities is summarised as below:

	2024 KD 000	2023 KD 000
Opening balance as at 1 January	31,836	28,486
Net Addition	9,719	3,939
Change in fair value	2,397	(589)
Closing balance as at 31 December	43,952	31,836

12 INVESTMENT SECURITIES (continued)

Investment securities classified under level 3 have cash flows, observable market information of comparable companies, discount rates and estimated maintainable dividend as their significant inputs where a change in these variables will result in change in fair value.

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 3 were altered by 5 per cent.

There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

Impairment losses on investment securities subject to impairment assessment

Investments in debt securities classified as FVOCI and AC are subject to expected credit losses. As at the reporting date, the Group had debt securities amounting to KD 1,062,146 thousand (2023: KD 857,189 thousand), classified under stage 1 and debt securities amounting to KD 4,334 thousand (2023: KD 4,268 thousand) classified under stage 2. There are no debt securities classified under stage 3.

During the year there has been no transfer of debt securities from stage 1 to stage 2 (2023: KD 4,268 thousand).

13 INVESTMENT IN AN ASSOCIATE

The Bank holds 40 per cent equity interest in Credit One Kuwait Holding Company K.S.C. ("Credit One"), an unquoted holding company incorporated in Kuwait engaged in providing credit facilities to customers on instalment sale of goods and services and leasing of motor vehicles through its subsidiaries.

Summarised financial information is as follows:

	2024 KD 000	2023 KD 000
Current assets	71,705	62,691
Non-current assets	101,859	94,760
Current liabilities	75,878	65,565
Non-current liabilities	11,218	10,715
Equity	83,584	78,067
Revenue	30,364	19,648
Net profit	9,115	7,628

14 INTANGIBLE ASSETS

	Banking license KD 000	Core deposits KD 000	Total KD 000
At 1 January 2024	8,021	834	8,855
Amortisation charge for the year	-	(155)	(155)
Exchange adjustment	(3,036)	(293)	(3,329)
Net carrying amount as at 31 December 2024	4,985	386	5,371
At 1 January 2023	10,090	1,316	11,406
Amortisation charge for the year	-	(217)	(217)
Exchange adjustment	(2,069)	(265)	(2,334)
Net carrying amount as at 31 December 2023	8,021	834	8,855

14 INTANGIBLE ASSETS (continued)

Intangible assets of the Group are allocated to ABK- Egypt. Banking license represents intangible asset with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of ABK- Egypt using value-in-use ("VIU") calculations. The Group's VIU calculations are based on approved cash flow projections considering market conditions in Egypt and market position of ABK-Egypt. The cash flow projections have been discounted at 30 per cent (2023: 30 per cent) with a terminal growth rate of 8 per cent (2023: 6 per cent). Based on such analysis, there are no indications that intangible assets are impaired.

Core deposits represents intangible asset with finite life and is amortized on a straight-line basis over its useful life of 12 years.

15 OTHER ASSETS

	2024 KD 000	2023 KD 000
Interest receivable	50,543	44,730
Properties acquired in settlement of debts	42,731	35,649
Others	55,997	30,554
	149,271	110,933

The fair values of properties acquired in settlement of debts are not materially different from their carrying values.

16 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 KD 000	2023 KD 000
Due to banks	1,373,084	976,333
Due to other financial institutions	124,671	125,421
	1,497,755	1,101,754

17 CUSTOMERS' DEPOSITS

	2024 KD 000	2023 KD 000
Sight deposits	1,415,152	1,314,348
Time deposits	3,009,657	2,516,543
	4,424,809	3,830,891

18 OTHER BORROWED FUNDS

	2024 KD 000	2023 KD 000
Syndicated borrowings (1)	439,043	437,119
Subordinated bonds – 2032 (2)	49,722	49,621
Subordinated bonds – 2033 (3)	49,698	49,661
	538,463	536,401

(1) All syndicated borrowings are unsecured with a tenor of 3 years.

18 OTHER BORROWED FUNDS (continued)

(2) During 2021 the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 10 October 2021 with a tenor of up to 11 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 4% per annum for the first six years and reset on the sixth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after six years from the date of issuance, subject to certain conditions and regulatory approvals.

(3) During 2023, the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 29 November 2023 with a tenor of up to 10 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 6.25% per annum for the first five years and reset on the fifth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after five years from the date of issuance, subject to certain conditions and regulatory approvals.

19 OTHER LIABILITIES

	2024 KD 000	2023 KD 000
Interest payable	57,644	48,469
Staff related accruals	25,325	25,021
Accrued expenses and payables	31,758	52,999
Provisions on non-cash facilities	24,398	26,815
Provision for KFAS	448	392
Others	51,992	45,651
	<u>191,565</u>	<u>199,347</u>

20 EQUITY

- a) The authorised, issued and fully paid share capital comprises of 2,493,106,675 shares (2023: 2,374,387,310 shares) of 100 fils each.

The shareholders at the Annual General Meeting held on 30 March 2024 approved distribution of 5% bonus shares (31 December 2022: 5%) and cash dividend of 9 fils per share (31 December 2022: 8 fils per share) for the year ended 31 December 2023. Accordingly, the authorised, issued and fully paid up capital of the Bank was increased from KD 237,439 thousand to KD 249,311 thousand. The increase in authorised capital has been approved by the Ministry of Commerce and Industry.

- b) The balance in the share premium account is not available for distribution.
- c) As required by the Companies Law, 10 per cent of the profit for the year attributable to the shareholders of the Bank before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and Zakat is required to be transferred to the statutory reserve until the reserve reaches 50% of the paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5 per cent of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

- d) The articles of association of the Bank require that an amount of not less than 10 per cent of the profit attributable to the shareholders of the Bank for the year be transferred annually to a voluntary reserve. The transfer is before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and Zakat. This reserve, over and above the cost of treasury shares is available for distribution. Transfer to this reserve is discretionary and subject to approval of the shareholders at the annual general meeting. The annual general meeting of the shareholders for the year 2022 had approved the discontinuance of transfer to voluntary reserve.

20 EQUITY (continued)

e) Treasury shares and Treasury share reserve:

	2024	2023
Number of shares held	16,117,152	15,349,010
Percentage of shares held	0.65%	0.65%
Market value (KD 000)	4,190	3,454
Weighted average market value per share (fils)	266	259

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from voluntary reserve throughout the holding period of these treasury shares.

f) The directors have proposed a cash dividend of 10 fils per share (31 December 2023: 9 fils per share) and bonus shares of 5% (31 December 2023: 5%) for the year ended 31 December 2024, subject to the approval of the shareholders at the annual general meeting.

g) Movement in other reserves is as below:

	Property revaluation reserve KD 000	Foreign currency translation reserve KD 000	Employee benefit plan reserve KD 000	Total other reserves KD 000
At 1 January 2023	8,431	(34,165)	36	(25,698)
Other comprehensive gain (loss) for the year	1,146	(9,369)	55	(8,168)
As at 31 December 2023	9,577	(43,534)	91	(33,866)
Other comprehensive gain (loss) for the year	1,120	(23,152)	393	(21,639)
As at 31 December 2024	10,697	(66,686)	484	(55,505)

h) Perpetual Tier 1 Capital Securities:

The Bank on 12 September 2024 issued Basel III compliant Perpetual Tier 1 Capital Securities (the "Securities"), amounting to USD 300 million (KD 91,560 thousand) and is classified as equity. The Securities are perpetual, subordinated, unsecured and redeemable at the option of the Bank at or after first call date of 12 September 2029. The Securities carry a coupon of 6.5% per annum till first call date and thereafter will be reset at five years interval. Interest will be payable semi-annually in arrears and will be treated as a deduction from equity.

21 INTEREST INCOME

	2024 KD 000	2023 KD 000
Balances with banks	38,612	35,970
Debt securities	75,054	65,671
Loans and advances	357,778	311,897
	471,444	413,538

22 INTEREST EXPENSE

	2024 KD 000	2023 KD 000
Due to banks and other financial institutions	68,533	52,957
Customers' deposits:		
- Sight deposits	59,712	37,548
- Time deposits	164,770	159,119
Other borrowed funds	34,249	26,522
	327,264	276,146

23 NET FEES AND COMMISSION INCOME

	2024 KD 000	2023 KD 000
Fees and commission income	52,366	42,703
Fees and commission expense	(15,262)	(7,842)
	37,104	34,861

24 PROVISION / IMPAIRMENT LOSSES

	2024 KD 000	2023 KD 000
Provision charge for credit losses on cash and non-cash credit facilities	41,697	38,695
Expected credit losses (release) charge on other financial assets	(36)	814
Impairment on property acquired in settlement of debt	1,000	-
	42,661	39,509

25 TAXATION

	2024 KD 000	2023 KD 000
Kuwait Foundation for the Advancement of Sciences (KFAS)	448	392
National Labour Support Tax	320	401
Zakat	128	162
Tax on overseas locations	10,309	10,320
	11,205	11,275

The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from 1 January 2025 on entities which are part of Multi National Entities (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. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations. 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.

The Group is currently in the process of assessing the financial impact of evolving tax regulations on its future performance. However, in the absence of Executive Regulations in Kuwait, the expected impact in 2025 cannot be reasonably estimated at this time.

26 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share are computed by dividing the adjusted net profit/ (loss) for the year attributable to shareholders of the Bank by the weighted average number of shares outstanding during the year net of treasury shares.

	2024	2023
Profit for the year attributable to shareholders of the Bank (KD 000)	52,414	45,185
Less: Interest payment on Perpetual Tier 1 Capital Securities (KD 000)	-	(6,727)
Adjusted profit for the year attributable to shareholders of the Bank (KD 000)	52,414	38,458
Weighted average number of the Bank's issued and paid-up shares (000)	2,493,106	2,181,778
Less: Weighted average number of treasury shares (000)	(16,117)	(16,117)
Weighted average number of shares outstanding during the year (000)	2,476,989	2,165,661
Basic and diluted earnings per share attributable to shareholders of the Bank	21 fils	18 fils

For computation of earnings per share, the weighted average number of the outstanding shares for 2024 and 2023 have been adjusted for bonus shares issued in 2024 which was approved by the shareholders in the Annual General Assembly Meeting held on 30 March 2024.

27 COMMITMENTS AND CONTINGENT LIABILITIES

	2024 KD 000	2023 KD 000
Acceptances	110,234	150,908
Letters of credit	235,749	164,594
Guarantees	860,031	792,889
	1,206,014	1,108,391

The above balances represent the irrevocable contractual amounts of the Group's off-balance sheet financial instruments that commit the Group to make payments on behalf of the customers in the event of a specific act. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. The total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded and/or are cancellable at the discretion of the Bank. Total commitments to extend credit at the statement of financial position date amounted to KD 805,870 thousand (2023: KD 682,534 thousand).

An analysis of the gross amounts of commitments and contingent liabilities, based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

2024	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,153,525	39,094	13,395	1,206,014
Commitments	794,696	11,174	-	805,870
Total	1,948,221	50,268	13,395	2,011,884
2023	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,054,217	37,375	16,799	1,108,391
Commitments	680,319	2,215	-	682,534
Total	1,734,536	39,590	16,799	1,790,925

28 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of its business the Group utilises derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Derivative transactions result, to varying degrees, in credit as well as market risks.

The Group's measure of derivative related credit risk is the cost of replacing contracts at current market rates should the counter party default on or prior to the settlement date and is limited to the positive fair value of instruments that are favourable to the Group.

Market risk arises as interest and foreign exchange rates fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their contractual amounts. The contractual amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The contractual amounts represent the volume of transactions outstanding at the year end and are not indicative of the credit or market risk.

	2024 KD 000			2023 KD 000		
	<i>Assets</i>	<i>Liabilities</i>	<i>Contractual amounts</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Contractual amounts</i>
Forward foreign exchange contracts	1,039	4,909	689,856	3,992	109	402,214
<i>Held for hedging:</i>						
<i>Fair value hedges</i>						
Interest rate swaps	3,749	965	293,280	5,900	1,806	198,494
	<u>4,788</u>	<u>5,874</u>	<u>983,136</u>	<u>9,892</u>	<u>1,915</u>	<u>600,708</u>

All derivative contracts are fair valued based on observable market inputs and are classified as level 2.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

Swaps

Interest rate swaps relate to contracts taken out by the Bank with other counterparties in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest.



**AL AHLI BANK OF KUWAIT K.S.C.P. AND ITS
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, 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 policies.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), 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 ‘*Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements*’ section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Credit losses on credit facilities

The recognition of credit losses on loans, advances and non-cash credit facilities (together “credit facilities”) to customers is the higher of Expected Credit Loss (“ECL”) determined under International Financial Reporting Standard 9: Financial Instruments (“IFRS 9”), according to Central Bank of Kuwait (the “CBK”) guidelines, and the provision required by the CBK instructions as disclosed in the accounting policies and in Note 2.9 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

The recognition of ECL under IFRS 9, according to 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 credit 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 specific provision on impaired credit 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 credit facility.

We determined that '*Credit losses on credit facilities*' is a key audit matter due to the significance of the credit facilities and the related estimation uncertainty and judgement in the impairment calculation. This is further heightened by the high degree of estimation uncertainty due to the current inflationary pressure and high interest rate environment.

Our audit procedures included assessing the design and implementation of controls over the inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses.

For ECL based on IFRS 9 according to CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date which included rescheduled credit facilities and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit 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 considered by management in view of the ongoing inflationary pressure and high interest rate environment, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have evaluated the Group's staging criteria and computation of ECL including the eligibility and value of collateral considered in the ECL model used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Credit losses on credit facilities (continued)

Further, for the provision required by the CBK instructions, 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 credit facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and verified the resultant provision calculations.

Other information included in the Group's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2023 Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

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 IFRSs 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

Auditors' 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 auditors' 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 scepticism 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 AL AHLI BANK OF KUWAIT K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' 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 auditors' 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 auditors' 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 auditors' 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL AHLI BANK
OF KUWAIT K.S.C.P. (continued)**

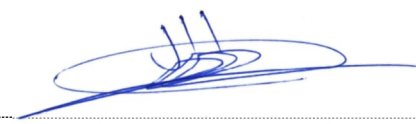
Report on Other Legal and Regulatory Requirements

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/ B.S. 342/2014 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/B.S. 342/2014 dated 21 October 2014 and its amendments respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 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 CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Bank or on its financial position.



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



TALAL Y. AL-MUZAINI
LICENCE NO. 209A
DELOITTE & TOUCHE -AL WAZZAN & CO.

12 February 2024
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 KD 000	2022 KD 000
ASSETS			
Cash and balances with banks	9	691,432	1,138,750
Kuwait Government treasury bonds	10	17,500	20,500
Central Bank of Kuwait bonds	10	163,712	167,884
Loans and advances	5,11	4,257,708	4,038,940
Investment securities	12	900,812	797,363
Investment in an associate	13	31,228	29,376
Premises and equipment		107,065	56,706
Intangible assets	14	8,855	11,406
Other assets	15	110,933	161,175
TOTAL ASSETS		6,289,245	6,422,100
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	16	1,101,754	952,959
Customers' deposits	17	3,830,891	4,421,247
Other borrowed funds	18	536,401	302,218
Other liabilities	19	199,347	149,685
TOTAL LIABILITIES		5,668,393	5,826,109
EQUITY			
Share capital	20	237,439	178,513
Share premium	20	158,897	108,897
Treasury shares	20	(5,135)	(5,135)
Reserves	20	228,351	221,827
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE BANK		619,552	504,102
Perpetual Tier 1 capital notes	20	-	90,750
Non-controlling interests		1,300	1,139
TOTAL EQUITY		620,852	595,991
TOTAL LIABILITIES AND EQUITY		6,289,245	6,422,100

Talal Mohamed Reza Behbehani
Chairman

Abdulla M. Al Sumait
Acting Group Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 KD 000	2022 KD 000
Interest income	21	413,538	269,327
Interest expense	22	(276,146)	(143,950)
NET INTEREST INCOME		137,392	125,377
Net fees and commission income	23	34,861	32,519
Net foreign exchange gain		4,481	4,289
Net gain on investment securities		1,222	1,907
Dividend income		1,638	1,638
Share of results from an associate		3,053	3,382
Other operating income		2,376	2,455
OPERATING INCOME		185,023	171,567
Staff expenses		(48,414)	(45,830)
Other operating expenses		(33,669)	(28,121)
Depreciation and amortisation		(5,844)	(7,110)
OPERATING EXPENSES		(87,927)	(81,061)
OPERATING PROFIT FOR THE YEAR		97,096	90,506
Provision / impairment losses	24	(39,509)	(47,428)
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' FEE		57,587	43,078
Taxation	25	(11,275)	(9,940)
Directors' fee	8	(865)	(760)
NET PROFIT FOR THE YEAR		45,447	32,378
Attributable to:			
Shareholders of the Bank		45,185	32,291
Non-controlling interests		262	87
		45,447	32,378
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	26	19 fils	13 fils

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 KD 000	2022 KD 000
Net profit for the year	45,447	32,378
Items that will not be reclassified subsequently to consolidated income statement:		
<i>Equity instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	1,704	1,176
Re-measurement of defined benefit obligation	56	19
Revaluation of freehold land	1,158	(98)
	2,918	1,097
Items that are or may be reclassified subsequently to consolidated income statement:		
<i>Debt instruments at fair value through other comprehensive income:</i>		
- Effect of net changes in fair value	420	(8,466)
- Expected credit losses (release) charge	51	(64)
- Recycling of net gain on sale	(711)	(150)
	(240)	(8,680)
<i>Foreign currency translation:</i>		
- Net exchange difference on translation of foreign operations	(9,500)	(23,936)
Total other comprehensive loss for the year	(6,822)	(31,519)
Total comprehensive income for the year	38,625	859
Attributable to:		
Shareholders of the Bank	38,464	1,195
Non-controlling interests	161	(336)
	38,625	859

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Attributable to shareholders of the Bank													
	Reserves													
	Share capital KD 000	Share premium KD 000	Treasury shares (Note 20) KD 000	Statutory reserve KD 000	Voluntary reserve KD 000	Treasury shares reserve (Note 20) KD 000	Other reserves (Note 20) KD 000	Cumulative changes in fair value KD 000	Retained earnings KD 000	Total reserves KD 000	Total KD 000	Perpetual Tier 1 capital notes KD 000	Non-controlling interests KD 000	Total equity KD 000
At 1 January 2022	170,012	108,897	(5,135)	83,823	82,075	8,065	(2,025)	18,822	53,526	244,286	518,060	90,750	1,475	610,285
Net profit for the year	-	-	-	-	-	-	-	-	32,291	32,291	32,291	-	87	32,378
Other comprehensive loss for the year	-	-	-	-	-	-	(23,673)	(7,423)	-	(31,096)	(31,096)	-	(423)	(31,519)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(23,673)	(7,423)	32,291	1,195	1,195	-	(336)	859
Interest payment on Perpetual Tier 1 capital notes	-	-	-	-	-	-	-	-	(6,722)	(6,722)	(6,722)	-	-	(6,722)
Dividend paid (Note 20)	-	-	-	-	-	-	-	-	(8,431)	(8,431)	(8,431)	-	-	(8,431)
Bonus shares issued (Note 20)	8,501	-	-	-	-	-	-	-	(8,501)	(8,501)	-	-	-	-
Transfer due to derecognition of equity investments at FVOCI	-	-	-	-	-	-	-	(63)	63	-	-	-	-	-
Transfer to reserves	-	-	-	3,402	-	-	-	-	(3,402)	-	-	-	-	-
At 31 December 2022	178,513	108,897	(5,135)	87,225	82,075	8,065	(25,698)	11,336	58,824	221,827	504,102	90,750	1,139	595,991

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended 31 December 2023

	Notes	2023 KD 000	2022 KD 000
OPERATING ACTIVITIES			
Profit for the year before directors' fees and taxation		57,587	43,078
Adjustments for:			
Net gain on sale of investment securities		(711)	(150)
Dividend income		(1,638)	(1,638)
Share of results from an associate		(3,053)	(3,382)
Depreciation and amortisation		5,844	7,110
Provision / impairment losses	24	39,509	47,428
Operating profit before changes in operating assets and liabilities		97,538	92,446
<i>Changes in operating assets and liabilities:</i>			
Deposits with banks		37,953	219,507
Kuwait Government treasury bonds		3,000	34,000
Central Bank of Kuwait bonds		4,172	(28,783)
Loans and advances		(350,560)	(900,609)
Investments at fair value through profit or loss		(108)	7,195
Other assets		(2,679)	(17,266)
Due to banks and other financial institutions		158,276	207,902
Customers' deposits		(432,830)	850,537
Other liabilities		56,870	29,237
Taxes paid		(5,689)	(10,972)
Net cash flows (used in) from operating activities		(434,057)	483,194
INVESTING ACTIVITIES			
Purchase of investment securities		(1,077,959)	(793,400)
Proceeds from sale of investment securities		934,961	487,101
Dividend received from investment in an associate		1,201	958
Net purchase of premises and equipment		(15,266)	(7,403)
Dividend income received		1,638	1,638
Net cash flows used in investing activities		(155,425)	(311,106)
FINANCING ACTIVITIES			
Proceeds from issuance of rights shares	20	100,000	-
Redemption of Tier 1 capital notes	20	(92,670)	-
Interest paid on Tier 1 capital notes		(6,727)	(6,722)
Dividend paid		(14,164)	(8,431)
Rights shares issuance cost		(203)	-
Syndicated borrowings		184,848	252,698
Settlement of Euro Medium Term Note		-	(153,325)
Proceeds from issuance of subordinated bonds		49,661	-
Net cash flows from financing activities		220,745	84,220
Foreign currency translation difference		(33,216)	(33,183)
Net (decrease) increase in cash and cash equivalents		(401,953)	223,125
Cash and cash equivalents at 1 January		984,874	761,749
Cash and cash equivalents at 31 December		582,921	984,874
Cash and cash equivalent comprise:			
Cash in hand and in current account with other banks		73,428	167,985
Balances and deposits with Central Banks (original maturity not exceeding thirty days)		402,207	535,699
Deposits with banks (original maturity not exceeding thirty days)		107,286	281,190
		582,921	984,874

Interest received amounted to KD 405,656 thousand (2022: KD 260,859 thousand) and interest paid amounted to KD 257,237 thousand (2022: KD 131,037 thousand).

The attached notes 1 to 29 form part of these consolidated financial statements

1 INCORPORATION AND REGISTRATION

Al Ahli Bank of Kuwait K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait on 23 May 1967 and is registered as a Bank with the Central Bank of Kuwait (“CBK”). The Bank is listed on Boursa Kuwait. Its registered office is at Al Safat Square, Ahmed Al Jaber Street, Kuwait City. It is engaged in banking operations, primarily in Kuwait, United Arab Emirates and Egypt.

These consolidated financial statements of the Bank and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 were authorised for issue by the Bank’s Board of Directors on 10 January 2024. The Bank is the ultimate parent of the Group. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES
2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait in the State of Kuwait. These regulations, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendment:

Expected credit loss (“ECL”) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as “IFRS as adopted by the CBK for use by the State of Kuwait”.

2.2 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis except for “investment securities classified as fair value through profit or loss and fair value through other comprehensive income”, “freehold land”, and “derivative financial instruments” that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is the Bank’s functional currency, rounded to the nearest thousand except when otherwise stated.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2023 (the “reporting date”) and its subsidiaries (investees which are controlled by the Bank) as at the same date or a date not earlier than one month from the reporting date. The Bank consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group’s voting rights and potential voting rights

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group’s consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

Name of company	Country of incorporation	Principal business	Effective interest as at	
			31 December 2023	31 December 2022
Ahli Capital Investment Company K.S.C. (Closed)	Kuwait	Investment	99.8%	99.8%
Al Ahli Bank of Kuwait Egypt S.A.E ("ABK- EGYPT")	Egypt	Banking	98.6%	98.6%
ABK Cayman Island Limited	Cayman Island	Investment	100%	100%
Held through ABK- EGYPT				
Al Ahli Bank of Kuwait - Egypt Leasing Co.	Egypt	Leasing	98.5%	98.5%
Al Ahli Bank of Kuwait - Egypt Investment Co.	Egypt	Investment	98.6%	98.6%

2.4 Changes in material accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The IASB amended the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

The State of Kuwait have joined the inclusive framework on Base Erosion and Profit Shifting (BEPS). The Group expects to be liable for the Global Minimum Tax under Pillar Two of the BEPS regulations starting from the year 2025.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.5 Standards and revisions issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

General requirements for disclosure of sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2) – 1 January 2024

In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across a Group's value chain. IFRS S2 is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The applicability of this standard is subject to local regulatory approvals.

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The Group will adopt this amendment when it becomes effective and applicable.

2.6 Initial measurement and recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using settlement date accounting i.e. the date the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All financial assets or financial liabilities are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated income statement.

2.7 Classification and measurement of financial assets and financial liabilities

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. 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 Group'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;

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.

SPPI 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 met the SPPI 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 repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI 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 interest rate is set.

In contrast, contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending 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.

2.7.1 Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories

- ▶ Amortised cost (AC)
- ▶ Fair value through other comprehensive income (FVOCI),
- ▶ Fair Value Through Profit and Loss (FVTPL)

Amortised cost (AC)

The Group classifies financial assets at AC 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 give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.1 Financial assets (continued)
Amortised cost (AC) (continued)

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses, impairment and any gain or loss on derecognition are recognised in the consolidated income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest income" in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement under "provision / impairment losses".

The Group classifies cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait bonds, loans and advances and certain other financial assets as AC.

Fair value through other comprehensive income (FVOCI)
Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

- 1) The contractual terms of the financial asset meet the SPPI test.
- 2) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated income statement.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. Further, equity instruments which are fully written down will be derecognised.

Fair Value Through Profit and Loss (FVTPL)

The Group classifies financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together and includes managed funds, for which there is evidence of a recent pattern of short-term profit taking.

In addition to the above, 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.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated income statement. Interest income and dividends are recognised in the consolidated income statement according to the terms of the contract, or when the right to payment has been established.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.1 Financial assets (continued)
Day 1 profit or loss

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. When the transaction price of the instrument differs from the fair value at origination 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 consolidated statement of 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.

2.7.2 Financial liabilities

Financial liabilities are mainly classified as “Financial liabilities other than at fair value through profit or loss”. These comprise of Due to banks and other financial institutions, Customers’ deposits, Medium term notes and certain other liabilities. The Group does not have any “Financial liabilities at fair value through profit or loss”.

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received, in other liabilities. The premium received is amortised in the consolidated income statement in ‘net fees and commission income’ on a straight-line basis over the life of the guarantee. The guarantee liability is subsequently measured as a higher of the amount initially recognised less amortisation or the value of any financial obligation that may arise therefrom. Any increase in the liability relating to financial guarantees is recognised in consolidated financial statements.

2.7.3 Offsetting of financial assets and liabilities

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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7.4 Modification of financial assets and financial liabilities

If the terms of a financial assets and liabilities are modified, the Group evaluates whether the cash flows are substantially different. In this case, original financial assets and liabilities are deemed to have expired and a new financial assets and liabilities based on the modified terms are recognised at fair value.

If the cash flows of the modified financial assets and liabilities are not substantially different, then the modification does not result in derecognition of the financial assets and liabilities. In this case, the Group recalculates the gross carrying amount of the financial asset and liabilities using the original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in the consolidated income statement.

Interest Rate Benchmark Reform

In the context of IBOR reform, the Group’s assessment of whether a change to a financial asset or financial liability is substantial is made after applying the practical expedient introduced by Interest Rate Benchmark Reform, Amendments to IFRS 9, Phase 2. This practical expedient allows changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as changes to a floating interest rate to that instrument, if the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. In such cases, the Group updates the effective interest rate to reflect the change in an interest rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount.

When additional changes are made, which are not economically equivalent, the Group applies accounting policy on accounting for modification of financial assets and financial liabilities.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.4 Modification of financial assets and financial liabilities (continued)
2.7.5 Derivative financial instruments and hedging
Derivative financial instruments

Derivatives include interest rate swaps, forward foreign exchange contracts and options. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for “held for trading” derivatives, any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Group makes use of derivative financial instruments to manage exposures to interest rate and foreign currency risks. Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated income statement.

Hedge accounting

In order to manage particular risks, the Group applies hedge accounting for transactions, which meet the specified criteria. At inception of the hedge relationship, the Group formal hedge accounting 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss on disposal of hedge item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

In relation to fair value hedges, which meet the conditions for hedge accounting, any unrealised gain or loss from re-measuring the hedging instrument to fair value is recognised in ‘Other assets’ or ‘Other liabilities’ and in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.7 Classification and measurement of financial assets and financial liabilities (continued)
2.7.5 Derivative financial instruments and hedging (continued)
Derivative financial instruments (continued)
Fair value hedge (Continued)

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in the other comprehensive income. The amount recognised in the other comprehensive income is removed and included in the consolidated income statement in the same year as the hedged cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of gain or loss on the fair value of the derivative is recognised immediately in the consolidated income statement.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued and the amount recognised in the other comprehensive income remains in the other comprehensive income until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in the other comprehensive income is recognised immediately in the consolidated income statement.

Hedge of net investment in a foreign operation

Hedges of net investments in a foreign operation 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 in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the consolidated income statement.

2.8 Derecognition of financial assets and financial liabilities

A financial asset (in whole or in part) is derecognised either when:

- ▶ the contractual rights to receive the cash flows from the asset have expired; or
- ▶ the Group retains the right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- ▶ the Group has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- ▶ 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.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.8 Derecognition of financial assets and financial liabilities (continued)

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 would be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2.9 Impairment of financial assets

The Group recognises ECL for loans and advances, non-cash credit facilities in the form of bank guarantees, letters of guarantee, bank acceptances, revocable and irrevocable undrawn commitments (together “credit facilities”), investment in debt securities measured at AC or FVOCI and other financial assets measured at AC.

Balances with the CBK and bonds issued by the CBK and Kuwait government bonds is low risk and fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

Impairment of credit facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions relating to classification of credit facilities and calculation of their provisions (‘the CBK Instructions’).

Expected Credit Losses under IFRS 9 according to the CBK guidelines

The Group applies three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

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 regulations.

Lifetime 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.

Except for retail credit facilities, transfer of credit facilities 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 credit facilities to Stage 2. Transfer of credit facilities from Stage 3 to Stage 2 or Stage 1 is subject to notification to the CBK.

When estimating lifetime ECL for undrawn commitments, the Group estimates the expected portion of the commitment that will be drawn down over its expected life in line with the CBK regulations. ECL is then calculated on the stage of the credit facilities.

Determining the stage of Expected Credit Loss

The Group considers a financial instrument with an external rating of “investment grade” as at the reporting date to have low credit risk.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
Determining the stage of Expected Credit Loss (continued)

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. 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 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. Evidence of Stage 2 classification includes observable data about the following:

- ▶ Significant deterioration of credit risk rating of the borrower in line with Central Bank of Kuwait regulations
- Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.

Credit facilities 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.

Event of default

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- ▶ the borrower is past due more than 90 days on any material credit obligation to the Group; or the borrower is considered as credit impaired based on qualitative assessment for internal credit risk Management purposes and
- ▶ the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- ▶ Downgrade of the Bond or the Borrower to default grade "D" by any External Rating Agency
- ▶ Any fixed income security fails to pay the coupon on the due date or principal on the redemption date and the default continues for over 7 days without any advice to the Bank.

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:

- ▶ borrower having past due liabilities to public creditors or employees;
- ▶ breaches of covenants;
- ▶ borrower is deceased; and
- ▶ Bankruptcy or declaring insolvency

Any credit impaired or stressed facility that has been restructured would also be considered as in default. The restructured facilities would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for moving the facility to stage 2/stage 1.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes.

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. PD estimation process requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality.

The through the cycle (TTC) PDs are generated from S&P risk rating system based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade credit facilities except for credit facilities granted to Government and Banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing loans (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 repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per the CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash and non-cash facilities. For unutilized facilities CCF is applied based on the CBK requirements for leverage ratio issued on 21 October 2014.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. It is usually expressed as a percentage of the EAD. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. CBK has prescribed list of eligible collaterals and minimum hair-cuts that are applied in determination of LGD.

Further, for unsecured senior and subordinate credit facilities minimum LGD threshold applied is 50% and 75% respectively. The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier. However, for financial assets in Stage 2, the Group considers a minimum maturity of 7 years for all credit facilities (excluding consumer financing, credit cards and personal housing financing which is regulated by CBK based on salary) unless credit 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 in Stage 2, the Group considers minimum maturity of 5 years and 15 years respectively.

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 expected credit losses for each portfolio relevant to Kuwait or the respective country where the facility is granted. 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

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, energy and non-energy indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. Qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.9 Impairment of financial assets (continued)
Expected Credit Losses under IFRS 9 according to the CBK guidelines (continued)
Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The Group prepares the scenarios using forecasts. The forecasts are created using internal and external models which are modified by Group as necessary to formulate a 'Baseline' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios (Upturn, and Downturn) and consideration of the relative probabilities of each outcome.

The 'baseline' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk, and credit losses

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 AC. In the case of debt instruments measured at FVOCI, the loss allowances for ECL is presented in OCI with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are presented together with the loan. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities. The Group recognises the ECL charge in the consolidated income statement.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. 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.

Loans and advances together with the associated provision account are written off when there is no realistic prospect of future recovery and all collateral have been realised or have been transferred to the Group. If a write off is later recovered, the recovery is recognised in the consolidated income statement.

Financial guarantees are assessed, and impairment loss is recorded in a similar manner as for loans and advances. The carrying amount of the asset is reduced through the use of a provision account and the amount of impairment loss is recognised in the consolidated income statement. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reversed by adjusting the provision account.

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macroeconomic factors.

The provision for credit facilities in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of the CBK on the classification of credit facilities and calculation of provisions. Credit facilities 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 credit facility is classified as past due and impaired when the interest/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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
The provision for credit facilities in accordance with the CBK instructions (continued)

Past due but not impaired and past due and impaired loans 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 up to 90 days	Based on management's judgement
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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

Central Bank of Kuwait directives require the Group to maintain a minimum general provision of 1 per cent on regular cash facilities and 0.5 per cent on regular non- cash credit facilities, net of certain categories of collateral, which are not subject to specific provisioning.

2.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of sale and value in use.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks with original maturity not exceeding thirty days.

2.12 Renegotiated loans

In the event of a default, the Group may seek to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. When the terms and conditions of these loans are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these loans remain past due. If renegotiated terms are substantial, the loan is derecognised and recognised as a new facility with amended terms and conditions. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management periodically reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur and its classification between stages.

2.13 Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's material investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income of associate is recognised in consolidated statement of changes in equity. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.13 Investment in an associate (continued)

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than one month. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired, in which case the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

2.14 Premises and equipment

Premises and equipment other than freehold land are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all premises and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life.

Freehold land is initially recognised at cost. After initial recognition freehold land is carried at its revalued amount which is the fair value at the date of revaluation based on valuations by external independent valuers. The resultant revaluation surplus or deficit is recognised, as a separate component under other comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised surplus is recognised in the consolidated income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the consolidated income statement, the increase is recognised in the consolidated statement of comprehensive income. Upon disposal the revaluation surplus relating to the freehold land sold is transferred directly to retained earnings.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	5 years to 40 years
Furniture and fixtures	3 years to 5 years
Hardware and software	3 years to 10 years
Vehicles	5 years

The carrying amounts of premises and equipment are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated income statement. Any gain or loss on the disposal of premises and equipment other than the revaluation surplus on freehold land is recognised in the consolidated income statement.

2.15 Intangible assets acquired in a business combination

Intangible assets represent separately identifiable non-monetary assets without physical substance arising from business combinations. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition and is recognised separately from goodwill.

Intangibles with finite useful life are carried at cost, less any accumulated amortization and any accumulated impairment losses. Amortization is recognised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life is reviewed at least at each financial position date.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.15 Intangible assets acquired in a business combination (continued)

Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement under “depreciation and amortisation” consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually by estimating recoverable amount using Value in Use (VIU) or whenever there is an indication that the intangible asset may be impaired, either individually or at the cash-generating unit level. VIU calculation uses a five-year cash flow projection, unless a longer period can be justified. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the 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 income statement when the asset is derecognised. Impairment losses on intangible assets recognized in the consolidated income statement in previous periods are reversed when there is an increase in the recoverable amount.

2.16 Property acquired in settlement of debt

The Bank occasionally acquires property in settlement of certain loans and advances. Such property is recorded on initial recognition at the lower of the carrying value of the related loans and advances or the current fair value less cost to sell of such assets. After initial recognition these properties are carried at lower of the carrying value or fair value less cost to sell. Fair values are determined by appraisers having an appropriate recognised professional qualification. Gains or losses on disposal, and revaluation changes, are recognised in the consolidated income statement. Such properties are included as part of “Other assets”.

2.17 End of service benefits

The Group is liable to make defined contributions to local regulatory plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place they are employed. The defined benefit plan is unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Defined contribution plan

The Group makes fixed contribution to state plans under a defined contribution plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense in the consolidated income statement when they are due.

2.18 Treasury shares

Treasury shares consist of the Bank’s own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to the “treasury shares reserve”, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.19 Fair value measurement

For those assets and liabilities carried at fair value, the Group measures fair value at each statement of financial position date. 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.19 Fair value measurement (continued)

The fair value measurement of financial instruments is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial instruments takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

Investment property is 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.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured are categorised and disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Valuation is derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exists which includes price to book value multiples, price earnings multiples, Net Asset Value issued by the Fund Manager and external quotes.
- ▶ Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Valuation techniques include discounted cash flow method, book value method or other relevant valuation techniques commonly used by market participants. The significant inputs for these valuation techniques include market interest rates, discount rates, terminal growth rate, illiquidity discount and cash flow estimates.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

2.20 Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective rate method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.21 Revenue recognition

Interest income and expenses are recognised on an effective interest basis. Once a financial instrument categorised as loans and advances is impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses for all interest-bearing financial instruments including those classified as investments at fair value through profit or loss, investments carried at amortised cost and investments carried at fair value through other comprehensive income are recognised within interest income in the consolidated income statement.

Fees and commission that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Other fees and commission are recognized over the period of service. Dividend income is recognised when the right to receive the payment is established.

2.22 Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.23 Taxation

Taxation is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries in which the Group operates. 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 is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

National Labour Support Tax, Kuwait Foundation for the Advancement of Sciences, Zakat are provided in accordance with applicable laws and regulations.

2.24 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at value date of the transaction. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose changes in fair values are recognised directly in other comprehensive income, related foreign exchange differences are also recognised directly in other comprehensive income. For other non-monetary assets foreign exchange differences are recognised directly in the consolidated income statement.

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income until the disposal of the foreign operation. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2.25 Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying asset and a lease liability to make the lease payments at the lease commencement date.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)
2.25 Leases (continued)

The Group leases various premises and ATMs. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and 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 lease term. The right-of-use assets are also subject to impairment.

Lease Liability

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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 lease payments or a change in the assessment of an option to purchase the underlying asset. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Group presents right-of-use assets in 'premises and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

2.26 Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
Use of judgements and estimates

The Group bases its estimates and judgements on parameters available when the consolidated financial statements were prepared. Existing circumstances and judgements about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. The basis used by management in determining the carrying values of certain class of assets and the underlying risks therein are discussed below:

Judgements
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 interest on the principal amount outstanding.

Determining whether or not the market for a quoted financial instrument is active requires judgement based on assessment of the volume/market conditions and availability of ready and regular quotes.

Estimates

The key assumptions concerning the future and other key sources of estimates at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)
Estimates (continued)
Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts. Considerable judgement by management is required in the estimation of the fair value of the assets acquired and liabilities assumed as a result of business combination including intangibles and contingent liabilities.

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.

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 and qualitative assessment
- ▶ 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 macro-economic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- ▶ Selection of forward-looking macro-economic 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.

Incorporation of forward-looking information

The following table shows certain key macro-economic variables (besides others) used to estimate the allowance for credit losses. For the base case, upturn and downturn scenarios, the projections are provided for the forward looking short to medium term view

Macro-economic factor	Outlook 2024 (2023)
GDP growth	Positive (Positive)
Energy Index	Negative (Positive)
Non-Energy Index	Negative (Stable)
Unemployment	Stable (Conservative)
Market Index Average growth	Negative (Conservative)

The macro-economic outlook for some of the international exposures remained conservative compared to other geographies and the models were adjusted accordingly. The weighting of the multiple scenarios remained primarily unchanged with major weights being assigned to "Base scenario", followed by Downturn scenario and upturn scenario in this order. The Group believes that the current macro-economic scenarios will affect some of the geographies where the Group operates and hence the Group has taken a conservative estimate for base as well as downturn scenarios for such geographies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)
Estimates (continued)

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.9 impairment of financial assets for more information.

Impairment of intangibles

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units to which the intangibles with indefinite useful lives are allocated. 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.

4 SEGMENTAL INFORMATION

The Group is organised into segments that engage in business activities which earn revenues and incur expenses. These segments are regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the operations into the following operating segments:

- | | |
|----------------------------|---|
| Commercial Banking | - Comprising a full range of credit facilities, deposit and related banking services provided to its corporate and institutional customers. |
| Retail and Private Banking | - Comprising a full range of products and services to customers which includes loans, credit cards, and wealth and asset management. |
| Treasury and Investments | - Comprising of treasury services provided to customers and balance sheet management activities including money market, derivatives, propriety investment activities, assets management and residual impact of inter-segment fund transfer pricing. |

	<i>Commercial banking KD 000</i>	<i>Retail and private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
2023				
Net interest income	62,068	63,713	11,611	137,392
Operating income	90,428	80,422	14,173	185,023
Segment results	46,817	47,950	2,060	96,827
Unallocated expense				(39,240)
Profit for the year before taxation and directors' fee				57,587
Segment assets	3,553,649	806,344	1,750,995	6,110,988
Unallocated assets				178,257
Total assets				6,289,245
Segment liabilities	989,136	2,340,876	2,166,949	5,496,961
Unallocated liabilities				171,432
Total liabilities				5,668,393

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31 December 2023
4 SEGMENTAL INFORMATION (continued)

2022	<i>Commercial banking KD 000</i>	<i>Retail and private banking KD 000</i>	<i>Treasury and Investments KD 000</i>	<i>Total KD 000</i>
Net interest income	56,625	48,259	20,493	125,377
Operating income	81,454	61,812	28,301	171,567
Segment results	30,911	26,280	18,649	75,840
Unallocated expense				(32,762)
Profit for the year before taxation and directors' fee				43,078
Segment assets	3,390,598	771,666	2,131,060	6,293,324
Unallocated assets				128,776
Total assets				6,422,100
Segment liabilities	1,307,454	2,169,742	2,233,803	5,710,999
Unallocated liabilities				115,110
Total liabilities				5,826,109

Geographic information:

The following table show the Group's operating income and segment assets from international operations (international branches and subsidiary):

	2023 KD 000	2022 KD 000
Operating income	76,880	67,869
Segment assets	2,392,623	2,188,996

5 RISK MANAGEMENT
INTRODUCTION

Risk is inherent in the Group's activities but is managed through a process of ongoing risk identification, measurement and monitoring and by setting risk limits and controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her area of responsibilities. The Group has established comprehensive risk frameworks for managing all material risks. The frameworks address the risk identification, measurement and monitoring processes of all material risks across the Group. Risk management is embedded in the decision-making process on all risk types to enable the Group to manage the risks assumed within acceptable levels.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, including emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The operations of the overseas branches and subsidiary are also subject to regulatory requirements within the jurisdictions where they operate. Such regulations also prescribe capital adequacy levels, the branches or subsidiary should maintain besides other regulations to minimise the risk of default and insolvency to meet unforeseen liabilities when these arise.

The risk profile is assessed before entering into hedge transactions which are authorised by the appropriate level of seniority within the Group.

5 RISK MANAGEMENT (continued)

Descriptions of the risk appetite statement along with the risks identified and the methodology used to manage those risks are stated below:

5.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks is explained in the Risk Management section of the annual report.

The maximum exposure to credit risk as at the statement of financial position date is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. This also includes credit exposures to a single borrower or group of related borrowers. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Group's comprehensive capital as determined by the regulatory guidelines.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee which is composed of competent professional staff and which has as its purpose the study and evaluation of the existing credit facilities of each customer of the Group. This Committee is required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

The Group assesses provisioning requirements by monitoring Expected Credit Losses ("ECL") in line with IFRS 9 guidelines. Refer to section 2.9 of the material accounting policies for the detailed guidelines.

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. Please refer to section 2.9 of the material accounting policies for the assessment criteria and indicators of increase in credit risk.

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in stage 2/stage 1.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses S&P Risk Rating System (CRE) as its internal credit-rating engine. The CRE tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

In case of the retail portfolio, borrowers have been segmented into pools that exhibit similar risk characteristics. The observed default rate in case of retail portfolio has been calibrated to probability of default using the statistical tools after incorporating macro-economic factors.

Refer to section 2.9 of the material accounting policies for further details on stage classification and measurement of ECL, forward looking information etc.

Derivative financial instruments

Credit risk arising from derivative financial instruments is limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 RISK MANAGEMENT (continued)

5.1 CREDIT RISK (continued)

Credit-related commitments risks

The Group makes available to its customers, financial guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the financial guarantees. They expose the Group to risks similar to loans and advances and these are mitigated by the same control processes and policies.

Credit concentration risks

Geographical and industry sector concentrations of financial assets and contingent liabilities with credit risk exposure, after provisions, are as follows:

	2023		2022	
	Assets KD 000	Credit related contingent liabilities KD 000	Assets KD 000	Credit related contingent liabilities KD 000
Geographic region:				
Middle East and North Africa (MENA)	5,443,955	802,721	5,723,540	959,644
Europe	198,970	43,995	93,973	23,518
Asia Pacific	84,268	247,094	54,091	134,420
Rest of the world	288,357	14,581	293,017	18,617
	6,015,550	1,108,391	6,164,621	1,136,199
Industry sector:				
Trading and manufacturing	549,358	304,435	653,805	147,428
Banks and other financial institutions	856,008	185,245	995,346	221,578
Construction and real estate	813,405	365,630	814,474	319,940
Government and related entities	1,478,259	141	1,804,488	12
Personal	1,091,139	2,218	1,107,717	5,839
Crude Oil & Gases	443,091	35,101	313,405	193,336
Others	784,290	215,621	475,386	248,066
	6,015,550	1,108,391	6,164,621	1,136,199

Maximum exposures and credit quality of financial instruments

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

The table also shows the credit risk exposure, after provisions, by credit quality of financial assets by class, grade and status:

	Neither past due nor impaired			Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000	KD 000	KD 000
2023					
Balances with banks	625,759	24,237	-	-	649,996
Kuwait Government treasury bonds	17,500	-	-	-	17,500
Central Bank of Kuwait bonds	163,712	-	-	-	163,712
Loans and advances					
- Corporate and banks	2,889,027	492,958	80,206	48,101	3,510,292
- Retail	614,356	93,338	53	39,669	747,416
Debt securities	856,366	4,550	-	-	860,916
Other assets	59,831	4,624	603	660	65,718
Total	5,226,551	619,707	80,862	88,430	6,015,550

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31 December 2023
5 RISK MANAGEMENT (continued)
5.1 CREDIT RISK (continued)
Maximum exposures and credit quality of financial instruments (continued)

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>	<i>impaired</i>	
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
2022					
Balances with banks	1,091,706	12,338	-	-	1,104,044
Kuwait Government treasury bonds	20,500	-	-	-	20,500
Central Bank of Kuwait bonds	167,884	-	-	-	167,884
<i>Loans and advances</i>					
- Corporate and banks	2,760,333	425,720	87,571	45,350	3,318,974
- Retail	590,073	87,954	67	41,872	719,966
Debt securities	745,146	13,044	-	-	758,190
Other assets	71,225	3,079	501	258	75,063
Total	5,446,867	542,135	88,139	87,480	6,164,621

Past due but not impaired loans as at 31 December 2023 amounting to KD 38,326 thousand (31 December 2022: KD 25,373 thousand) are past due for a period less than 30 days and KD 15,517 thousand (31 December 2022: KD 20,500 thousand) are past due for a period between 30 to 90 days. The fair value of collaterals held by the Group for past due loans as at 31 December 2023 was KD 23,132 thousand (31 December 2022: KD 7,701 thousand).

The gross maximum credit risk exposure relating to contingencies amounts as at 31 December 2023 KD 1,108,391 thousand (31 December 2022: KD 1,136,199 thousand).

The high, standard and acceptable grades of classification of loans to customers above is based on inherent credit quality of the counterparties, the assessed risk profile, acceptability and availability of collateral in accordance with Group's internal rating model. The borrower risk rating model takes into consideration key factors, such as business trends, management, financials, collaterals, etc., which are duly weighted to arrive at the rating. These ratings changes /migrations are monitored annually. The Bank has introduced retail risk rating with the launch of a retail risk scorecard, which also provides an end-to-end automated system for processing loans and credit cards. Grading of balances with banks, loans to banks and debt investments available for sale are based on the external rating of the counterparties.

The fair value of collateral held by the Group for past due (including individually impaired) loans and advances to customers and impairment losses are disclosed in Note 11. The Group has taken adequate legal measures to secure recovery of collateral when needed.

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.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash, securities, and charges over real estate properties and counter-guarantees.

It is Group's policy to take legal recourse to enforce collaterals were warranted to recover the Bank's dues.

Of the total outstanding loans and advances, KD 1,617,151 thousand (2022: KD 1,455,620 thousand) were secured with a collateral value of KD 2,667,041 thousand (2022: KD 2,657,183 thousand).

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK

Liquidity is the ongoing ability to accommodate maturing liabilities and deposit withdrawals; fund asset growth and business operations; and meet contractual obligations through unconstrained access to funding at reasonable market rates.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities 2023				
Due to banks and other financial institutions	224,010	469,446	503,622	1,197,078
Customers' deposits	1,089,914	1,510,723	1,379,656	3,980,293
Other borrowed funds	-	5,531	647,380	652,911
Other liabilities	-	91,667	17,458	109,125
	<u>1,313,924</u>	<u>2,077,367</u>	<u>2,548,116</u>	<u>5,939,407</u>
Commitment and contingent liabilities	<u>133,883</u>	<u>671,588</u>	<u>302,920</u>	<u>1,108,391</u>
Contractual amounts of derivatives	<u>218,350</u>	<u>183,864</u>	<u>-</u>	<u>402,214</u>
	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>Over one year KD 000</i>	<i>Total KD 000</i>
Financial liabilities 2022				
Due to banks and other financial institutions	169,896	424,476	395,365	989,737
Customers' deposits	1,114,566	2,137,536	1,279,921	4,532,023
Other borrowed funds	-	-	367,339	367,339
Other liabilities	-	59,655	18,812	78,467
	<u>1,284,462</u>	<u>2,621,667</u>	<u>2,061,437</u>	<u>5,967,566</u>
Commitment and contingent liabilities	<u>142,642</u>	<u>765,247</u>	<u>228,310</u>	<u>1,136,199</u>
Contractual amounts of derivatives	<u>98,497</u>	<u>97,088</u>	<u>-</u>	<u>195,585</u>

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date, except for equity investments classified at fair value through profit or loss, investment carried at fair value through other comprehensive income, investment in an associate, premises and equipment, intangible assets, other assets, customer sight deposits and other liabilities which has been determined based on management's estimate of liquidation.

The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and customers' deposits might be repaid before their maturity.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

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31 December 2023

5 RISK MANAGEMENT (continued)

5.2 LIQUIDITY RISK (continued)

The maturity profile as at 31 December 2023 is as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	627,028	63,477	927	-	691,432
Kuwait Government treasury bonds	-	12,500	5,000	-	17,500
Central Bank of Kuwait bonds	21,000	142,712	-	-	163,712
Loans and advances	375,184	1,482,758	1,532,851	866,915	4,257,708
Investment securities	38,047	410,044	314,061	138,660	900,812
Investment in an associate	-	-	-	31,228	31,228
Premises and equipment	-	-	-	107,065	107,065
Intangible assets	-	-	-	8,855	8,855
Other assets	-	75,284	35,649	-	110,933
Total assets	1,061,259	2,186,775	1,888,488	1,152,723	6,289,245
LIABILITIES					
Due to banks and other financial institutions	222,877	451,926	426,951	-	1,101,754
Customers' deposits	1,078,401	1,438,243	393,504	920,743	3,830,891
Other borrowed funds	-	-	437,119	99,282	536,401
Other liabilities	-	150,784	48,563	-	199,347
Total liabilities	1,301,278	2,040,953	1,306,137	1,020,025	5,668,393

The maturity profile as at 31 December 2022 was as follows:

	<i>Less than one month KD 000</i>	<i>One month to one year KD 000</i>	<i>One year to five years KD 000</i>	<i>Over five years KD 000</i>	<i>Total KD 000</i>
ASSETS					
Cash and balances with banks	1,038,858	93,971	5,921	-	1,138,750
Kuwait Government treasury bonds	-	3,000	17,500	-	20,500
Central Bank of Kuwait bonds	20,000	147,884	-	-	167,884
Loans and advances	377,085	1,285,966	1,427,345	948,544	4,038,940
Investment securities	92,341	333,870	288,126	83,026	797,363
Investment in an associate	-	-	-	29,376	29,376
Premises and equipment	-	-	-	56,706	56,706
Intangible assets	-	-	-	11,406	11,406
Other assets	-	83,712	77,463	-	161,175
Total assets	1,528,284	1,948,403	1,816,355	1,129,058	6,422,100
LIABILITIES					
Due to banks and other financial institutions	169,209	414,445	369,305	-	952,959
Customers' deposits	1,108,895	2,076,082	292,156	944,114	4,421,247
Other borrowed funds	-	-	252,698	49,520	302,218
Other liabilities	-	93,339	56,346	-	149,685
Total liabilities	1,278,104	2,583,866	970,505	993,634	5,826,109

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5 RISK MANAGEMENT (continued)
5.3 MARKET RISK
5.3.1 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated years. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The sensitivity of interest rate variability on the Group's consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2023 including the effect of hedging instruments. The sensitivity of interest rate variability on equity is calculated by revaluing fixed rate investments carried at fair value through other comprehensive income, including the effect of any associated hedges as at 31 December 2023 for the effects of the assumed changes in interest rates and is analysed by maturity of the asset or swap.

The following table reflects the effect of 25 basis points change in interest rates, with all other variables held constant.

	Effect (KD 000)			
	2023		2022	
	Net profit	Equity	Net profit	Equity
Kuwaiti Dinar	1,719	19	1,511	36
US Dollars	306	67	198	89
Egyptian Pound	115	169	238	390

5.3.2 CURRENCY RISK

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. The financial instruments denominated in foreign currencies are exposed to these risks. The objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

Hedge of net investment in foreign operations

The Bank hedges part of EGP currency risk of its net investment in foreign operations (ABK- Egypt) using certain USD monetary assets held by ABK- Egypt. Gains or losses on the retranslation of these monetary assets are transferred to consolidated statement of comprehensive income to offset gains or losses on translation of the part of net investment in ABK- Egypt.

The effect on net profit for the year, as a result of 5 per cent change in currency rate due to the changes in fair value of monetary assets and liabilities, with all other variables held constant is shown below:

Currency	Effect (KD 000)	
	2023	2022
US Dollars	126	59
Egyptian Pound	24	57
Euro	19	101
Others	182	22

5 RISK MANAGEMENT (continued)
5.3 MARKET RISK (continued)
5.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Bank's investment held in its proprietary books. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The effect on consolidated income statement (as a result of equity price risk on investments at fair value through profit and loss) and on Equity (as a result of a change in the fair value of FVOCI equity investments), as at 31 December, due to a 5 per cent change in equity indices, with all other variables held constant is as follows:

	Effect (KD 000)			
	2023		2022	
	Net profit	Equity	Net profit	Equity
GCC Stock Exchanges	96	-	97	-
Other Stock Exchanges	21	56	33	37

5.3.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans and advances when interest rates fall. Majority of the Group's interests bearing financial assets are at floating rates. Also, majority of the interest-bearing financial liabilities have a maturity of less than 1 year and accordingly, the Group is not exposed to significant prepayment risk. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

5.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to function, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage these risks. Controls include effective segregation of duties, access to assets and IT resources, authorisation and reconciliation procedures, staff education and assessment processes, compliance monitoring including the use of internal audit. The financial instruments exposed to these risks, the objectives, policies and procedures for managing and measuring these risks are explained in the Risk Management section of the annual report.

The Risk Management Division manages operational risks in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 December 2003, regarding the sound practices for managing and supervising operational risks in banks.

6 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong and healthy capital ratios in order to support its business and to 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.

Al Ahli Bank of Kuwait K.S.C.P. and its Subsidiaries

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6 CAPITAL MANAGEMENT (continued)

The Group's regulatory capital and capital adequacy ratios calculated in accordance with Basel III regulations issued by Central Bank of Kuwait via circular 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2023 KD 000	2022 KD 000
Risk weighted exposure	4,483,592	4,364,403
Capital required	605,286	589,194
Capital available:		
Tier 1 capital	596,033	578,636
Common equity Tier 1	596,033	487,886
Additional Tier 1	-	90,750
Tier 2 capital	154,446	103,142
Total Capital	750,479	681,778
Common equity Tier 1 capital adequacy ratio	13.29%	11.18%
Tier 1 capital adequacy ratio	13.29%	13.26%
Total capital adequacy ratio	16.74%	15.62%

The Group's financial leverage ratio calculated in accordance with circular 2/BS/ 342/2014 dated 21 October 2014 is shown below:

	2023 KD 000	2022 KD 000
Tier 1 capital	596,033	578,636
Total exposure	7,247,654	7,367,660
Financial leverage ratio	8.22%	7.85%

The additional disclosures relating to the capital adequacy as per the above circulars are included under the 'Risk Management' section of the annual report.

7 FAIR VALUE MEASUREMENT

Financial Instruments

Financial Instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and balances with banks, Kuwait Government treasury bonds, Central Bank of Kuwait Bonds, loans and advances, investment securities, certain other assets and derivatives. Financial liabilities consist of due to banks and other financial institutions, customer deposits, other borrowed funds and certain other liabilities.

The fair value of financial instruments is categorised as under:

Financial instruments carried at fair value

The financial instruments carried at fair value comprise of investment securities and derivatives. The fair value along with the valuation techniques for investment securities and derivatives are disclosed in Note 12 and Note 28 respectively.

Financial instruments carried at amortised cost

The fair value of financial instruments carried at amortised cost is not materially different from their carrying value as most of these assets and liabilities, except for medium term notes, are of short-term maturities or are re-priced immediately based on market movement in interest rates.

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7 FAIR VALUE MEASUREMENT (continued)
Non-Financial Instruments

Instruments carried at fair value, other than financial instruments, include freehold land (classified as premises and equipment) which were fair valued using significant valuation inputs based on unobservable market data and are classified under level 3.

If the freehold land was measured using the cost model, the net carrying amount as at 31 December 2023 would be KD 32,508 thousand (31 December 2022: KD 17,099 thousand).

8 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (directors and senior management of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence and associate of the Group) who were customers of the Group during the year. The terms of these transactions are approved by the Group's management.

In the normal course of business, these related parties have deposits with the Group and credit facilities granted to them by the Group. The balances included in the consolidated financial statements are as follows:

	<i>Number of directors</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
					<i>KD 000</i>	<i>KD 000</i>
Directors						
Loans and advances	5	4	3	4	8,850	4,348
Customers' deposits	5	5	10	10	34,286	32,714
Portfolio managed by Group	2	2	-	-	738	544
Commitments and contingent liabilities	-	-	4	3	6,342	5,814
Directors' compensation					1,099	943

Loans and advances to related parties are secured by collaterals in accordance with regulation of Central Bank of Kuwait.

Directors' compensation above includes Directors' fees KD 865 thousand (2022: KD 760 thousand) and compensation for participation in executive committees and subsidiaries of the Group which are subject to the approval of the shareholders at the annual general meeting. Directors' fees are within the amount permissible under local regulations.

	<i>Number of key management</i>		<i>Number of other related parties</i>		<i>Amount</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
					<i>KD 000</i>	<i>KD 000</i>
Key management						
Loans and advances	16	18	-	-	533	177
Customers' deposits	23	24	2	3	1,124	1,200
Portfolio managed by Group	-	-	-	1	-	78
Associate						
Customers' deposits	1	1	1	1	173	122

Interest income and interest expense includes KD 253 thousand (2022: KD 76 thousand) and KD 1,261 thousand (2022: KD 599 thousand) respectively, on transactions with related parties.

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8 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

Compensation for key management is as follows:

	2023	2022
	KD 000	KD 000
Salaries and other benefits	3,868	4,005
Post-employment benefits	214	260
	4,082	4,265

9 CASH AND BALANCES WITH BANKS

	2023	2022
	KD 000	KD 000
Cash on hand and balances with other banks	73,428	167,985
Deposits with other banks	205,475	418,383
Balances and deposits with Central Banks	412,917	552,649
	691,820	1,139,017
Expected credit losses (ECL)	(388)	(267)
	691,432	1,138,750

Balances and deposits with Central Banks include balances and deposits with Central Banks of Kuwait, UAE and Egypt. As at the reporting date, the balance with banks and the related ECL are classified under stage 1 (2022: stage 1). There have been no transfers between the stages.

10 KUWAIT GOVERNMENT TREASURY BONDS AND CENTRAL BANK OF KUWAIT BONDS

These are financial instruments carried at amortised cost and are issued on behalf of the Ministry of Finance or issued by Central Bank of Kuwait on its own behalf. As of reporting date, these financial instruments are classified under stage 1 (2022: stage 1) and are of low risk and fully recoverable and hence no ECL is measured.

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11 LOANS AND ADVANCES

	<i>Corporate and banks 2023 KD 000</i>	<i>Retail 2023 KD 000</i>	<i>Total 2023 KD 000</i>	<i>Corporate and banks 2022 KD 000</i>	<i>Retail 2022 KD 000</i>	<i>Total 2022 KD 000</i>
MENA	3,304,403	747,416	4,051,819	3,232,475	719,966	3,952,441
Europe	37,187	-	37,187	29,493	-	29,493
Asia Pacific	25,915	-	25,915	43,985	-	43,985
Rest of the World	142,787	-	142,787	13,021	-	13,021
TOTAL	3,510,292	747,416	4,257,708	3,318,974	719,966	4,038,940

An analysis of provisions for credit losses for the year for loans and advances is as follows:

	<i>2023 KD 000</i>	<i>2022 KD 000</i>
At 1 January	281,975	244,431
Exchange difference	(3,599)	(5,046)
Net amounts written off during the year	(3,783)	(3,251)
Net charge for the year	45,239	45,841
At 31 December	319,832	281,975
General Provision	296,498	264,827
Specific Provision	23,334	17,148

The release for the year 2023 on non-cash facilities amounted to KD 6,544 thousand (2022: charge of KD 325 thousand) and total available provision of KD 26,815 thousand (2022: KD 33,467 thousand) is included in other liabilities (Note 19).

Loans and advances individually determined to be impaired with related provision and fair value of collateral held are as follows:

	<i>2023 KD 000</i>	<i>2022 KD 000</i>
Gross loans and advances	61,054	61,677
Provision	23,334	17,148
Fair value of collateral held	39,388	48,110

The collateral consists of cash, securities, bank guarantees and properties.

Refer to Note 5.1 for disclosures relating to credit risk management, credit concentration, credit quality by class and credit risk mitigants.

Expected Credit Losses (ECL) on credit facilities determined under IFRS 9 according to the CBK guidelines amounted to KD 134,106 thousand as at 31 December 2023 (2022: KD 122,871 thousand), which is KD 212,541 thousand lower (2022: KD 192,571 thousand lower) than the provision of KD 346,647 thousand (2022: KD 315,442 thousand) for credit losses under CBK Instructions.

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11 LOANS AND ADVANCES (continued)

An analysis of the Gross amounts of Credit Facilities, and the corresponding Expected Credit Losses (ECL) based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

	Neither past due nor impaired			Past due including individually impaired	Total
	High Grade KD 000	Standard grade KD 000	Acceptable Grade KD 000		
2023					
- Corporate					
Stage 1	2,998,633	493,446	-	6,695	3,498,774
Stage 2	105,439	30,769	122,273	13,873	272,354
Stage 3	-	-	-	46,878	46,878
- Retail					
Stage 1	619,671	94,357	38	21,805	735,871
Stage 2	89	38	96	11,471	11,694
Stage 3	-	-	-	14,176	14,176
	<u>3,723,832</u>	<u>618,610</u>	<u>122,407</u>	<u>114,898</u>	<u>4,579,747</u>
Commitments and contingent liabilities (refer Note 27)	<u>1,556,641</u>	<u>181,545</u>	<u>35,942</u>	<u>16,798</u>	<u>1,790,926</u>
Gross credit facilities	<u>5,280,473</u>	<u>800,155</u>	<u>158,349</u>	<u>131,696</u>	<u>6,370,673</u>
ECL on cash facilities					
- Corporate					
Stage 1	8,731	9,107	-	52	17,890
Stage 2	5,795	7,602	15,382	430	29,209
Stage 3	-	-	-	28,860	28,860
- Retail					
Stage 1	14,505	1,969	1	437	16,912
Stage 2	10	3	9	1,164	1,186
Stage 3	-	-	-	13,540	13,540
ECL on non-cash facilities	<u>3,792</u>	<u>4,277</u>	<u>2,543</u>	<u>15,897</u>	<u>26,509</u>
Total ECL	<u>32,833</u>	<u>22,958</u>	<u>17,935</u>	<u>60,380</u>	<u>134,106</u>

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11 LOANS AND ADVANCES (continued)

	<i>Neither past due nor impaired</i>			<i>Past due including individually impaired</i>	<i>Total</i>
	<i>High Grade</i>	<i>Standard grade</i>	<i>Acceptable Grade</i>		
	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>	<i>KD 000</i>
2022					
- Corporate					
Stage 1	2,883,827	424,800	4,302	7,328	3,320,257
Stage 2	67,024	28,334	123,396	1,593	220,347
Stage 3	-	-	-	49,975	49,975
- Retail					
Stage 1	595,376	88,801	41	22,060	706,278
Stage 2	-	-	84	14,892	14,976
Stage 3	-	-	-	11,702	11,702
	<u>3,546,227</u>	<u>541,935</u>	<u>127,823</u>	<u>107,550</u>	<u>4,323,535</u>
Commitments and contingent liabilities (refer Note 27)	<u>1,512,343</u>	<u>79,868</u>	<u>-</u>	<u>24,473</u>	<u>1,616,684</u>
Gross credit facilities	<u>5,058,570</u>	<u>621,803</u>	<u>127,823</u>	<u>132,023</u>	<u>5,940,219</u>
ECL on cash facilities					
- Corporate					
Stage 1	9,251	5,556	34	70	14,911
Stage 2	2,037	4,043	13,192	23	19,295
Stage 3	-	-	-	28,484	28,484
- Retail					
Stage 1	13,285	1,866	1	566	15,718
Stage 2	-	-	9	1,379	1,388
Stage 3	-	-	-	11,184	11,184
ECL on non-cash facilities	<u>3,545</u>	<u>4,967</u>	<u>-</u>	<u>23,379</u>	<u>31,891</u>
Total ECL	<u>28,118</u>	<u>16,432</u>	<u>13,236</u>	<u>65,085</u>	<u>122,871</u>

The expected credit losses and movement for the year is as follows:

2023	Stage 1	Stage 2	Stage 3	Total
	KD '000	KD '000	KD '000	KD '000
Opening balance of ECL as at 1 January	34,421	25,403	63,047	122,871
Net ECL movement for the year	4,301	11,684	(967)	15,018
Net amounts written off during the year	-	-	(3,783)	(3,783)
Closing Balance of ECL 31 December	<u>38,722</u>	<u>37,087</u>	<u>58,297</u>	<u>134,106</u>
2022	Stage 1	Stage 2	Stage 3	Total
	KD '000	KD '000	KD '000	KD '000
Opening balance of ECL as at 1 January	31,133	22,952	52,743	106,828
Net ECL movement for the year	3,288	5,668	10,338	19,294
Net amounts written off during the year	-	(3,217)	(34)	(3,251)
Closing Balance of ECL 31 December	<u>34,421</u>	<u>25,403</u>	<u>63,047</u>	<u>122,871</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

11 LOANS AND ADVANCES (continued)

The Bank noticed non-material cases of curing related to consumer lending during the year, the impact of which is captured in the ECL movement for the year. The ECL movement pertaining to corporate cured accounts amounted to Nil with an ECL impact of Nil (2022: KD 10,960 thousand with an impact of ECL KD 388 thousand). Further, foreign currency translation had an insignificant impact on overall ECL movement.

12 INVESTMENT SECURITIES

	2023 KD 000	2022 KD 000
Classified as at:		
Fair value through other comprehensive income (FVOCI)	521,435	517,830
Amortised cost (AC)	373,076	272,940
Fair value through profit or loss (FVTPL)	6,855	6,747
	901,366	797,517
Expected credit losses (ECL)	(554)	(154)
	900,812	797,363

As of 31 December 2023, investments securities include debt securities amounting to KD 324,195 thousand (2022: KD 124,720 thousand) provided as collateral under repurchase agreements.

Valuation of Investments carried at fair value is determined as follows:

Valuation techniques and key inputs		FVTPL		FVOCI	
		2023 KD 000	2022 KD 000	2023 KD 000	2022 KD 000
Level 1:					
Equity	Quoted bid price	-	-	5,964	3,940
Debt securities					
- Government	Quoted bid price	-	-	202,963	303,142
- Non-Government	Quoted bid price	-	-	123,943	86,485
Level 2:					
Debt securities					
- Government	External quote	13	-	142,379	65,427
- Non-Government	External quote	-	-	14,350	30,350
Managed funds	Net asset value basis	6,842	6,747	-	-
Level 3:					
Debt securities					
- Non-Government	Discounted cash flows	-	-	4,746	-
Equity	Discounted cash flows/ Dividend discount model/ Market multiples	-	-	27,090	28,486
		6,855	6,747	521,435	517,830

Fair values of financial instruments that are carried at amortised cost are not materially different from their carrying values.

Movement in level 3 of investment securities is summarised as below:

	2023 KD 000	2022 KD 000
Opening balance as at 1 January	28,486	27,051
Net Addition (disposal)	3,939	(846)
Change in fair value	(589)	2,281
Closing balance as at 31 December	31,836	28,486

12 INVESTMENT SECURITIES (continued)

Investment securities classified under level 3 have cash flows, observable market information of comparable companies, discount rates and estimated maintainable dividend as their significant inputs where a change in these variables will result in change in fair value.

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the securities classified under level 3 were altered by 5 per cent.

There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

Impairment losses on investment securities subject to impairment assessment

Investments in debt securities are subject to expected credit losses. As at the reporting date, the Group had debt securities amounting to KD 857,189 thousand (2022: KD 758,344 thousand), classified under stage 1 and debt securities amounting to KD 4,268 thousand (2022: Nil) classified under stage 2. There are no debt securities classified under stage 3.

During the year there has been a transfer of debt securities from stage 1 to stage 2 amounting to KD 4,268 thousand (2022: Nil) due to increase in the credit risk for these securities.

13 INVESTMENT IN AN ASSOCIATE

The Bank holds 40 per cent equity interest in Credit One Kuwait Holding Company K.S.C. ("Credit One"), an unquoted holding company incorporated in Kuwait engaged in providing credit facilities to customers on instalment sale of goods and services and leasing of motor vehicles through its subsidiaries.

Summarised financial information is as follows:

	2023	2022
	KD 000	KD 000
Current assets	62,691	58,170
Non-current assets	94,760	84,073
Current liabilities	65,565	57,389
Non-current liabilities	10,715	8,513
Equity	78,067	73,440
Revenue	19,648	21,727
Net profit	7,628	7,664

14 INTANGIBLE ASSETS

	Banking license	Core deposits	Total
	KD 000	KD 000	KD 000
At 1 January 2023	10,090	1,316	11,406
Amortisation charge for the year	-	(217)	(217)
Exchange adjustment	(2,069)	(265)	(2,334)
Net carrying amount as at 31 December 2023	8,021	834	8,855
At 1 January 2022	15,522	2,438	17,960
Amortisation charge for the year	-	(351)	(351)
Exchange adjustment	(5,432)	(771)	(6,203)
Net carrying amount as at 31 December 2022	10,090	1,316	11,406

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31 December 2023
14 INTANGIBLE ASSETS (continued)

Intangible assets of the Group are allocated to ABK- Egypt. Banking license represents intangible asset with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of ABK- Egypt using value-in-use ("VIU") calculations. The Group's VIU calculations are based on approved cash flow projections considering market conditions in Egypt and market position of ABK-Egypt. The cash flow projections have been discounted at 30 per cent (2022: 26 per cent) with a terminal growth rate of 6 per cent (2022: 6 per cent). Based on such analysis, there are no indications that intangible assets are impaired.

Core deposits represents intangible asset with finite life and is amortized on a straight-line basis over its useful life of 12 years.

15 OTHER ASSETS

	2023 KD 000	2022 KD 000
Interest receivable	44,730	34,539
Properties acquired in settlement of debts	35,649	77,463
Others	30,554	49,173
	<u>110,933</u>	<u>161,175</u>

During the year, the Bank exchanged some of its properties acquired in settlement of debts in the purchase of a property acquired for its own use which is recorded under "Premises and equipment".

The fair values of properties acquired in settlement of debts are not materially different from their carrying values.

16 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 KD 000	2022 KD 000
Due to banks	976,333	842,447
Due to other financial institutions	125,421	110,512
	<u>1,101,754</u>	<u>952,959</u>

17 CUSTOMERS' DEPOSITS

	2023 KD 000	2022 KD 000
Sight deposits	1,314,348	1,347,529
Time deposits	2,516,543	3,073,718
	<u>3,830,891</u>	<u>4,421,247</u>

18 OTHER BORROWED FUNDS

	2023 KD 000	2022 KD 000
Syndicated borrowings (1)	437,119	252,698
Subordinated bonds – 2032 (2)	49,621	49,520
Subordinated bonds – 2033 (3)	49,661	-
	<u>536,401</u>	<u>302,218</u>

(1) During the year ended 31 December 2023, the Group obtained syndicated borrowings amounting to USD 600 million (31 December 2022: USD 825 million). All syndicated borrowings are unsecured with a tenor of 3 years.

18 OTHER BORROWED FUNDS (continued)

(2) During 2021 the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 10 October 2021 with a tenor of up to 11 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 4% per annum for the first six years and reset on the sixth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after six years from the date of issuance, subject to certain conditions and regulatory approvals.

(3) During 2023, the Bank issued Subordinated Tier 2 bonds equivalent of KD 50 million, on 29 November 2023 with a tenor of up to 10 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry a coupon rate of 6.25% per annum for the first five years and reset on the fifth-year anniversary of the date of issuance. Floating rate bonds carry a coupon rate of the prevailing Central Bank of Kuwait discount rate plus 2.25% per annum margin, subject to a maximum of 1% over the prevailing rate for the fixed rate bonds. The rates are reset semi-annually. These bonds are unsecured and callable in whole or in part at the option of the Bank after five years from the date of issuance, subject to certain conditions and regulatory approvals.

19 OTHER LIABILITIES

	2023	2022
	KD 000	KD 000
Interest payable	48,469	28,143
Staff related accruals	25,021	22,763
Accrued expenses and payables	52,999	30,091
Provisions on non-cash facilities	26,815	33,467
Provision for KFAS	392	339
Others	45,651	34,882
	199,347	149,685

20 EQUITY

- a) The authorised, issued and fully paid share capital comprises of 2,374,387,310 shares (2022: 1,785,130,772 shares) of 100 fils each.

The shareholders at the Annual General Meeting held on 25 March 2023 approved distribution of 5% bonus shares (31 December 2021: 5%) and cash dividend of 8 fils per share (31 December 2021: 5 fils per share) for the year ended 31 December 2022. Accordingly, the authorised, issued and fully paid up capital of the Bank was increased from KD 178,513 thousand to KD 187,439 thousand. The increase in authorised capital has been approved by the Ministry of Commerce and Industry.

At the Extraordinary General Meeting held on 17 July 2023, the shareholders approved to increase the authorised share capital of the Bank from KD 187,439 thousand to KD 237,439 thousand to be paid in cash, and to authorise the Board of Directors to decide on the amount and methods of share capital increase. Accordingly, after obtaining necessary approvals, the Bank increased the authorised, issued and fully paid up share capital through a rights issue of 500 million shares, each with a nominal value of 100 fils per share and a share premium of 100 fils per share.

The rights issue has been fully subscribed resulting in an increase in share capital by KD 50,000 thousand to KD 237,439 thousand (31 December 2022: KD 178,513 thousand) comprising of 2,374,387,310 shares (31 December 2022: 1,785,130,772 shares) and an increase in share premium by KD 50,000 thousand to KD 158,897 thousand (31 December 2022: KD 108,897 thousand).

- b) The balance in the share premium account is not available for distribution.
- c) As required by the Companies Law, 10 per cent of the profit for the year attributable to the shareholders of the Bank before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and Zakat is required to be transferred to the statutory reserve until the reserve reaches 50% of the paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5 per cent of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

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20 EQUITY (continued)

- d) The articles of association of the Bank require that an amount of not less than 10 per cent of the profit attributable to the shareholders of the Bank for the year be transferred annually to a voluntary reserve. The transfer is before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support tax and Zakat. This reserve, over and above the cost of treasury shares is available for distribution. Transfer to this reserve is discretionary and subject to approval of the shareholders at the annual general meeting. The annual general meeting of the shareholders for the year 2022 had approved the discontinuance of transfer to voluntary reserve.

- e) Treasury shares and Treasury share reserve:

	2023	2022
Number of shares held	15,349,010	14,616,959
Percentage of shares held	0.65%	0.82%
Market value (KD 000)	3,454	4,736
Weighted average market value per share (fils)	259	304

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from voluntary reserve throughout the holding period of these treasury shares.

- f) The directors have proposed a cash dividend of 9 fils per share (31 December 2022: 8 fils per share) and bonus shares of 5% (31 December 2022: 5%) for the year ended 31 December 2023, subject to the approval of the shareholders at the annual general meeting.
- g) Movement in other reserves is as below:

	Property revaluation reserve KD 000	Foreign currency translation reserve KD 000	Employee benefit plan reserve KD 000	Total other reserves KD 000
At 1 January 2022	8,523	(10,565)	17	(2,025)
Other comprehensive (loss) gain for the year	(92)	(23,600)	19	(23,673)
As at 31 December 2022	8,431	(34,165)	36	(25,698)
Other comprehensive gain (loss) for the year	1,146	(9,369)	55	(8,168)
As at 31 December 2023	9,577	(43,534)	91	(33,866)

- h) Perpetual Tier 1 Capital notes:

The Bank on 26 September 2018 issued Basel III compliant Perpetual Additional Tier 1 Capital notes (the "notes"), amounting to USD 300 million (KD 90,750 thousand). The notes are perpetual, subordinated, unsecured and redeemable at the option of the Bank at or after first call date of 26 September 2023.

On the first call date, the notes were fully redeemed together with the interest accrued. The notes carried a coupon of 7.25% with the interest payable semi-annually in arrears and treated as a deduction from shareholders' equity.

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21 INTEREST INCOME

	2023 KD 000	2022 KD 000
Balances with banks	35,970	10,740
Debt securities	65,671	56,836
Loans and advances	311,897	201,751
	<u>413,538</u>	<u>269,327</u>

22 INTEREST EXPENSE

	2023 KD 000	2022 KD 000
Due to banks and other financial institutions	52,957	26,587
Customers' deposits:		
- Sight deposits	37,548	28,210
- Time deposits	159,119	84,823
Other borrowed funds	26,522	4,330
	<u>276,146</u>	<u>143,950</u>

23 NET FEES AND COMMISSION INCOME

	2023 KD 000	2022 KD 000
Fees and commission income	42,703	35,915
Fees and commission expense	(7,842)	(3,396)
	<u>34,861</u>	<u>32,519</u>

24 PROVISION / IMPAIRMENT LOSSES

	2023 KD 000	2022 KD 000
Provision charge for credit losses on cash and non-cash credit facilities	38,695	46,166
Expected credit losses on other financial assets	814	459
Impairment on property acquired in settlement of debt	-	803
	<u>39,509</u>	<u>47,428</u>

25 TAXATION

	2023 KD 000	2022 KD 000
Kuwait Foundation for the Advancement of Sciences (KFAS)	392	339
National Labour Support Tax	401	449
Zakat	162	179
Tax on overseas locations	10,320	8,973
	<u>11,275</u>	<u>9,940</u>

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26 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

Basic and diluted earnings per share are computed by dividing the adjusted net profit/ (loss) for the year attributable to shareholders of the Bank by the weighted average number of shares outstanding during the year net of treasury shares.

	2023	2022
Profit for the year attributable to shareholders of the Bank (KD 000)	45,185	32,291
Less: Interest payment on perpetual Tier 1 capital notes (KD 000)	(6,727)	(6,722)
Adjusted profit for the year attributable to shareholders of the Bank (KD 000)	38,458	25,569
Weighted average number of the Bank's issued and paid-up shares (000)	2,063,059	1,919,224
Less: Weighted average number of treasury shares (000)	(15,349)	(15,349)
Weighted average number of shares outstanding during the year (000)	2,047,710	1,903,875
Basic and diluted earnings per share attributable to shareholders of the Bank	19 fils	13 fils

For computation of earnings per share, the weighted average number of the outstanding shares for 2023 and 2022 have been adjusted for bonus shares and rights shares issued during 2023. Earnings per share for the year ended 2022 was 14 fils per share before retroactive adjustment to the weighted average number of the outstanding shares.

27 COMMITMENTS AND CONTINGENT LIABILITIES

	2023 KD 000	2022 KD 000
Acceptances	150,908	196,102
Letters of credit	164,594	150,488
Guarantees	792,889	789,609
	1,108,391	1,136,199

The above balances represent the irrevocable contractual amounts of the Group's off-balance sheet financial instruments that commit the Group to make payments on behalf of the customers in the event of a specific act. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. The total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded and/or are cancellable at the discretion of the Bank. Total commitments to extend credit at the statement of financial position date amounted to KD 682,534 thousand (2022: KD 480,485 thousand).

An analysis of the gross amounts of commitments and contingent liabilities, based on the staging criteria under IFRS 9 in accordance with CBK guidelines are given below.

2023	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,054,217	37,375	16,799	1,108,391
Commitments	680,319	2,215	-	682,534
Total	1,734,536	39,590	16,799	1,790,925
2022	Stage 1 KD 000	Stage 2 KD 000	Stage 3 KD 000	Total KD 000
Contingent liabilities	1,078,546	33,180	24,473	1,136,199
Commitments	478,080	2,405	-	480,485
Total	1,556,626	35,585	24,473	1,616,684

28 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of its business the Group utilises derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Derivative transactions result, to varying degrees, in credit as well as market risks.

The Group's measure of derivative related credit risk is the cost of replacing contracts at current market rates should the counter party default on or prior to the settlement date and is limited to the positive fair value of instruments that are favourable to the Group.

Market risk arises as interest and foreign exchange rates fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their contractual amounts. The contractual amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The contractual amounts represent the volume of transactions outstanding at the year end and are not indicative of the credit or market risk.

	2023			2022		
	KD 000			KD 000		
	Assets	Liabilities	Contractual amounts	Assets	Liabilities	Contractual amounts
<i>Held for hedging:</i>						
<i>Fair value hedges</i>						
Interest rate swaps	5,900	1,806	198,494	12,911	-	197,634
Forward foreign exchange contracts	3,992	109	402,214	183	55	195,585
	9,892	1,915	600,708	13,094	55	393,219

All derivative contracts are fair valued based on observable market inputs and are classified as level 2.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis.

Swaps

Interest rate swaps relate to contracts taken out by the Bank with other counterparties in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest.

29. CHANGES IN REFERENCE RATES (IBOR)

As at 31 December 2023 the Group's exposure to unreformed financial asset contracts that are linked to USD LIBOR amounts to KD 127,578 thousand (31 December 2022: KD 559,979 thousand). For transition of these contracts, discussions are currently in progress with the counterparties/customers and expected to be finalized prior to the next repricing period.

The Group does not have exposure to any USD LIBOR linked financial liabilities or hedging instruments.

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