



ANNUAL REPORT 2025
ADVANCING WITH CONFIDENCE



HH Sheikh
Mishal Al-Ahmad Al-Jaber Al-Sabah
Emir of the State of Kuwait



HH Sheikh
Sabah Khaled Al-Hamad Al-Sabah
Crown Prince of the State of Kuwait



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Refer to our **Sustainability Report**

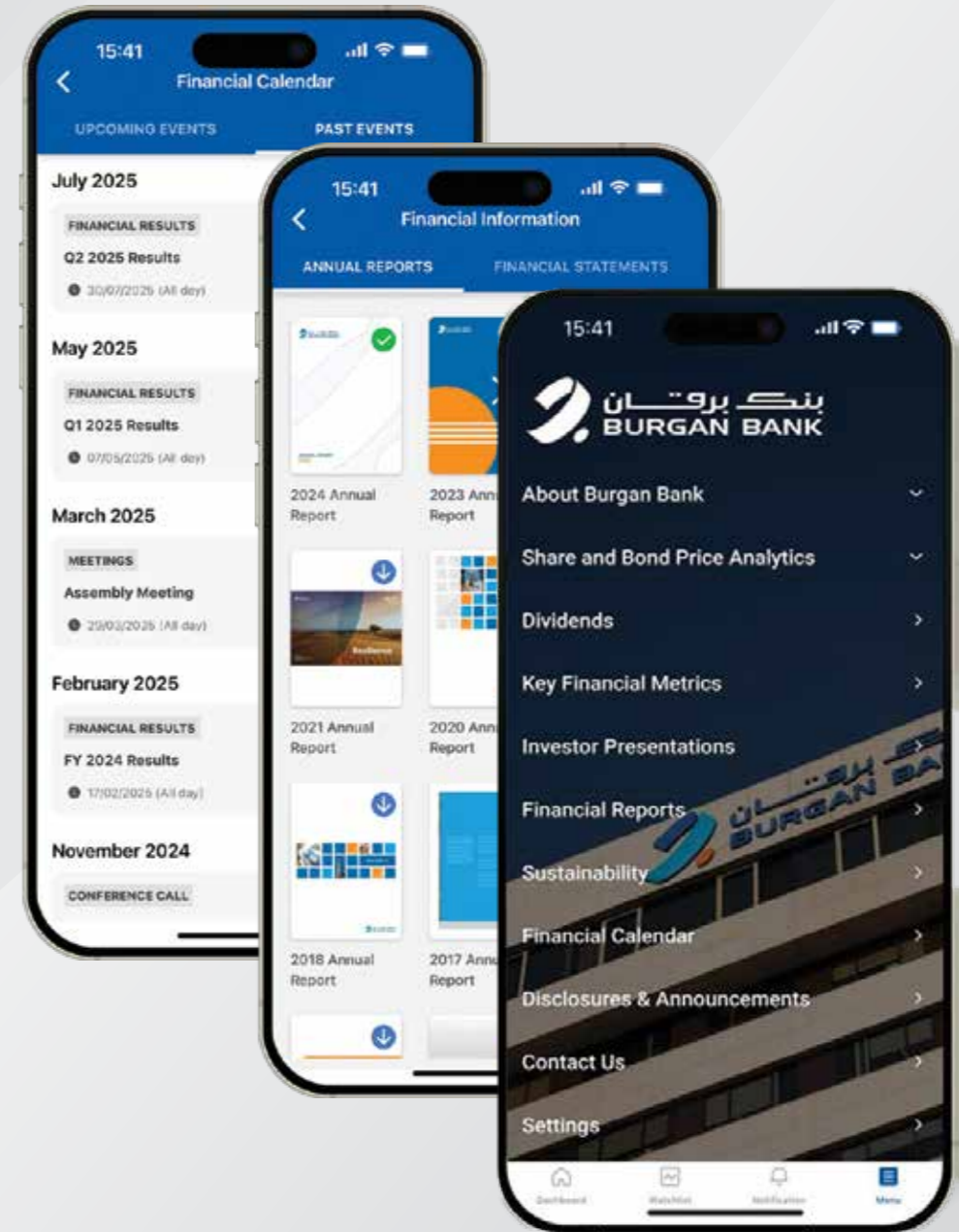




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01

STRATEGIC REVIEW

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At a Glance

Leading **Conventional Bank** in **Kuwait** with Presence Across MENAT



2.1 mn
Customers



4.2k
Employees



126
Branches



283
ATMs

9.1 bn
Total Assets (KD)

2.3%
Net Interest Margin
(NIM)

268mn
Revenue (KD)

1.9%
Non-Performing
Loan Ratio (NPL)

47mn
Net Income* (KD)

6fils
Cash Dividend
Per Share (DPS)

Consolidated financials for Burgan Bank Group

* Net Income attributable to equity shareholders

About the Bank



Vision

“To be the most modern and progressive bank in Kuwait, driven by our employees, customers, and community.**”**

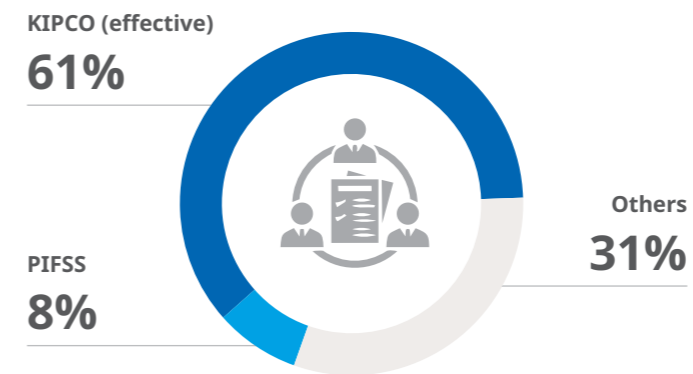
Mission

- Deliver excellent customer experience
- Lead with innovation
- Become an employer of choice
- Contribute to our community
- Pursue opportunities for the prosperity of our stakeholders

Values

- O**wnership
- T**ransparency
- T**eamwork
- P**assion

Shareholders



Awards



Brandon Hall Gold Award of Excellence for Best Learning Strategy



MENA Banking Excellence Award for Best Client Service



J.P. Morgan Elite-Quality Recognition Award



Visa Best-in-Class Premium Active Cards Growth in Kuwait



Global Brand Awards-Türkiye's Best Digital Bank



Communication and PR Campaign of the Year Bronze Stevie Award

Ratings

Credit Ratings

A
FitchRatings

Baa1
MOODY'S

BBB+
S&P Global

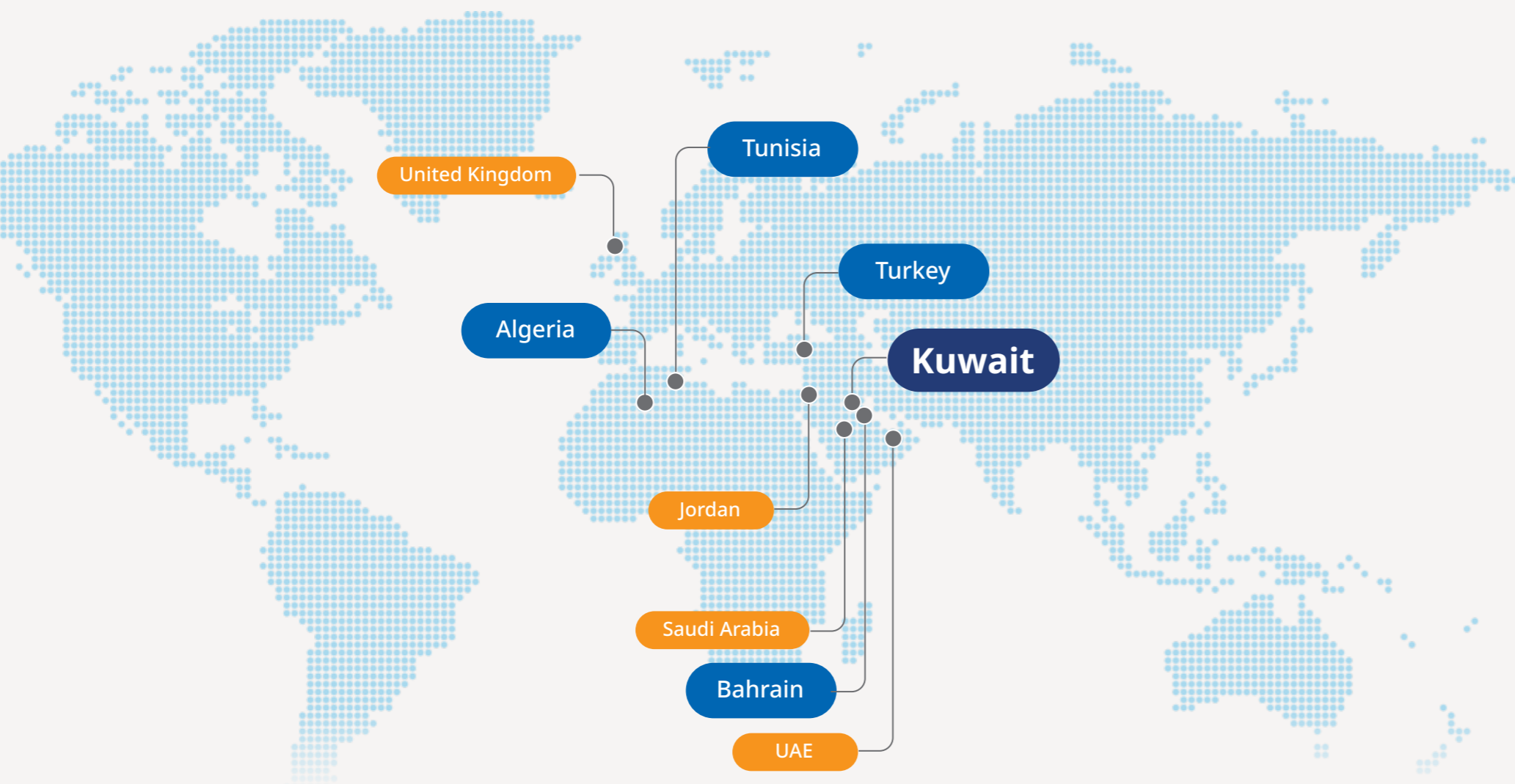
A+
CAPITAL intelligence

ESG Ratings

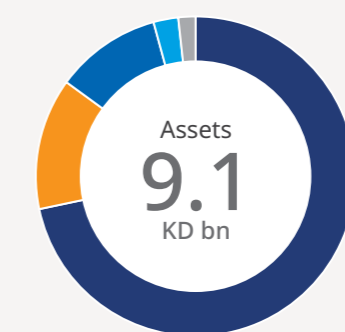


BB
MSCI

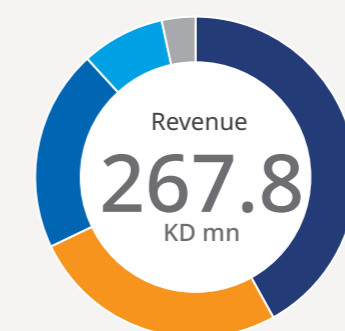
Regional Presence



- Headquarter of Burgan Bank and Kamco Invest
- Core subsidiaries
- Kamco Invest network



- 72% Kuwait
- 13% Turkey
- 11% Algeria
- 3% Bahrain
- 2% Tunisia



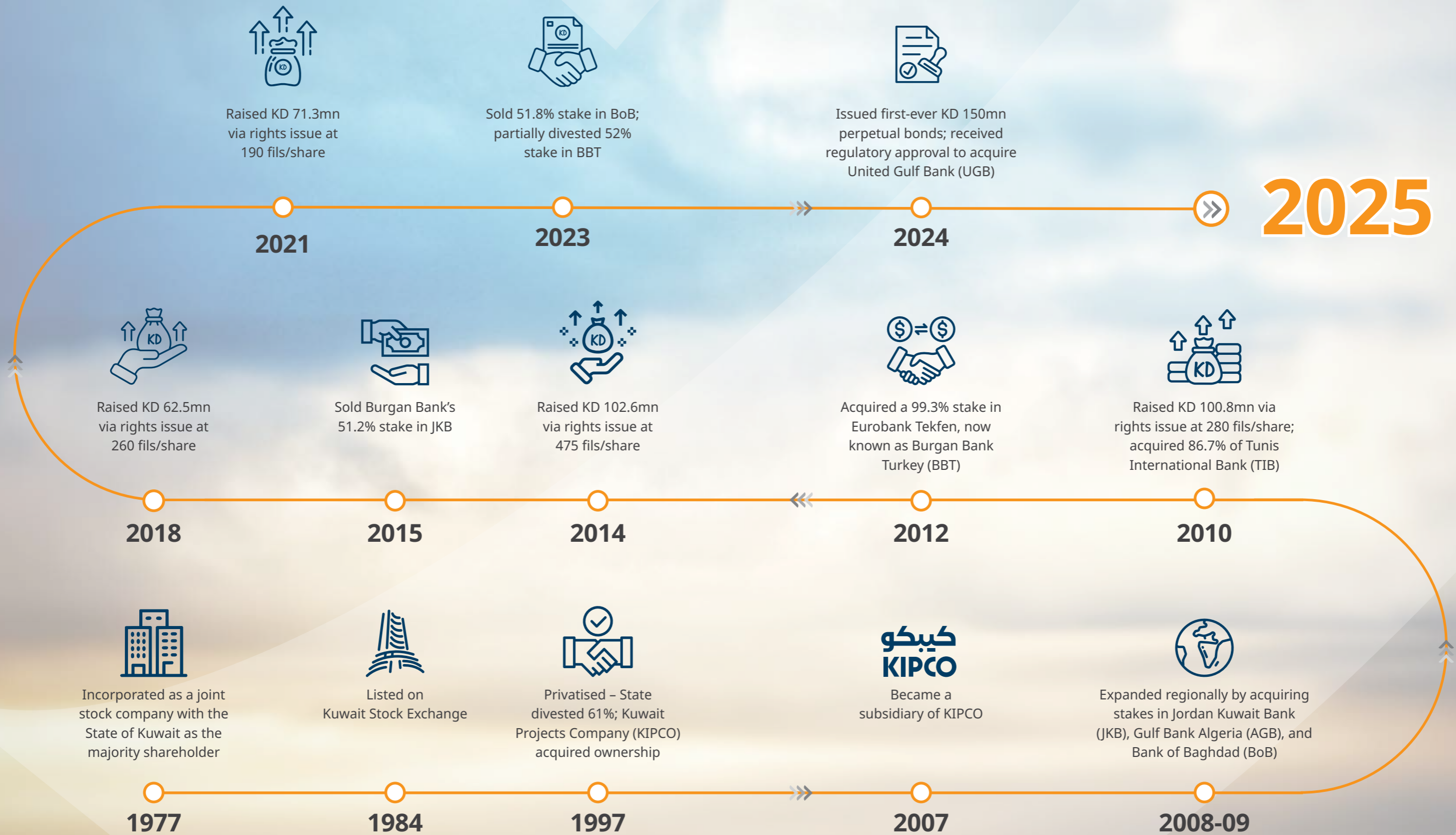
- 42% Kuwait
- 26% Turkey
- 20% Algeria
- 8% Bahrain
- 3% Tunisia

- Customers
- Employees
- Branches
- ATMs

	BURGAN BANK KUWAIT	BURGAN BANK TURKEY	ALGERIA GULF BANK	TUNIS INTERNATIONAL BANK	UNITED GULF BANK*
Customers	132,853	1,676,644	281,034	1,386	45,136
Employees	1,109	1,515	1,094	133	326
Branches	29	28	66	3	-
ATMs	156	22	105	-	-

* Figures represent UGB standalone and KAMCO Invest

Legacy of Progress



2025 in Perspective

First USD 500mn CD Program in Kuwait

- Launched USD 500mn CD program, rated “F1” by Fitch
- Short-term instrument structured with top-tier global partners (Mizuho as Lead Arranger)
- Strengthens the growth strategy, broadens the investor base diversifying funding sources & enhancing liquidity stability



Inclusion in the FTSE4Good Index

- Included in the FTSE4Good Index for strong ESG performance and commitment to global sustainability standards
- One of only five organisations in Kuwait to achieve this recognition
- Validates measurable progress in governance, responsible banking, environmental impact, and community development

Shaping Kuwait’s Future Talent

- Empowered emerging professionals through the ‘Data Champion’ Bootcamp with CODED.
- Delivered hands-on industry exposure for ‘Academy X’ students
- Forged strategic partnership with American University of Kuwait to drive innovation, skills, and Kuwait Vision 2035



Completed Acquisition of United Gulf Bank

- Acquired 100% stake in UGB for USD 190mn
- Strengthens Burgan’s revenue diversification and GCC market focus through strategic asset reallocation
- Access to UGB and its 60% stake in Kamco Invest enhances client offerings and drives cross-selling, upselling, and integration synergies

USD 500mn International Bond Offering

- Successful return to international debt markets with a USD 500mn five-year senior unsecured bond priced at 4.875%
- Oversubscribed 3.8x with strong interest from global investors across the Middle East, Europe/UK, Asia, and the US
- Enhances liquidity, broadens funding base, and reinforces investor confidence, supporting regional growth and long-term strategy

Authorised Capital Increase Approved at 38th Extraordinary General Assembly

- Shareholders approved increasing authorised capital from KD 400mn to KD 600mn, strengthening growth capacity
- Board authorised to manage future capital issuance under the revised framework



Digital Transformation: Elevating Banking Through Innovation

- **SoftPOS** – new digital payment solution enabling businesses to accept payments via smartphone
- **Click to Pay (Visa)** – First in Kuwait to offer seamless single-tap checkout experience
- **Digital Trade Finance** – Streamlining corporate banking with smarter solution
- **Investor Relations (IR) Application**– Launched iOS and Android IR app to provide investors with real-time data, financial reports, and event updates
- **Renewed ISO/IEC 20000-1:2018 certification**, reaffirming top-tier ITSM standards aligned with our digital transformation strategy



Message from the Chairman



2025 marked a year of significant strategic progress for the Bank. We reinforced our foundation, invested in key capabilities, and remained steadfast in creating value for our customers, employees, shareholders, and communities. By aligning our purpose with sustainable profitability, we are generating long-term value and positioning the Bank for its next phase of growth.



Dear Esteemed Shareholders,

On behalf of the Board of Directors, I am pleased to present Burgan Bank's Annual Report for the financial year 2025. This year reflects disciplined execution, thoughtful transformation, and steady progress as we continue to build a resilient, future-ready institution. At the heart of our journey lies an unwavering commitment to robust governance and compliance frameworks, ensuring that our growth is sustainable, responsibly managed, and positioned for lasting impact.

Global & Regional Economic Perspective

In 2025, the global economy expanded at a moderate pace, supported by sustained demand despite trade tensions, supply chain disruptions, and policy uncertainty. Elevated tariffs and evolving trade relations contributed to market volatility, while easing inflation prompted major central banks, including the U.S. Federal Reserve, to reduce interest rates. These measures supported economic activity and credit demand, though growth remained uneven and geopolitical risks continued to pose challenges for international banking operations.

In the GCC, resilience remained a defining feature despite global uncertainties. While oil price dynamics continued to influence fiscal and external positions, structural reforms and diversification - particularly in services, tourism, logistics, and financial sectors - sustained economic momentum. Strategic development agendas and targeted fiscal measures supported private sector growth and reinforced regional stability, highlighting the ongoing shift toward a more balanced and diversified economy.

Kuwait's Economic Landscape

Kuwait's economy returned to positive growth in 2025, with estimated real GDP growth of 2.6%, driven by increased oil output and solid non-oil sector performance. Investor confidence remained robust, underpinned by prudent fiscal management and ongoing structural reforms. Private sector activity strengthened, supporting broader domestic engagement and reinforcing a stable economic environment.

Legislative advancements further enhanced Kuwait's economic resilience and investment appeal. A new public borrowing law established a KD 30bn debt ceiling and a long-term financing framework with maturities up to 50 years, enhancing fiscal flexibility and enabling renewed access to domestic and international debt markets. Kuwait also implemented a 15 percent Domestic Minimum Top-Up Tax in line with OECD Pillar Two rules, reinforcing revenue sustainability while preserving investment competitiveness. Real estate and investment reforms, alongside proposed housing finance measures, are expected to broaden access

to mortgage lending, encourage private sector participation, and support sustainable growth in the property market.

The banking sector remained strong, with robust capital buffers, ample liquidity, disciplined risk management, and low non-performing loans. Positioned to benefit from fiscal, regulatory, and tax reforms, the sector continues to provide stable financial intermediation for corporate and retail clients, supporting Kuwait's ongoing economic recovery.

Strength, Discipline, and Resilient Performance

The year 2025 has witnessed steady progress and disciplined execution of strategic priorities for Burgan Bank, amidst a dynamic global financial landscape. The Bank delivered consistent financial performance, reflecting its robust business model, strong risk management framework, and steadfast focus on sustainable growth.

Our strategic initiatives over the past year have translated into tangible results across key financial and operational metrics. Burgan Bank's balance sheet expanded to KD 9.1bn (+12% y-o-y), supported by robust capital and liquidity positions. Total revenues reached KD 267.8mn (+17% y-o-y), while net income attributable to the equity holders of the bank stood at KD 46.5mn, with earnings per share of 9.4 fils. Non-performing loans remained low, reflecting the quality of our credit portfolio and the effectiveness of our disciplined lending practices.

The Bank's solid financial position and operational resilience have enabled continued investment in strategic priorities while providing flexibility to capture growth opportunities. Burgan Bank maintained its investment-grade rating with a stable outlook from leading rating agencies. In recognition of the Bank's strong performance and robust capital position, the board has proposed distribution of a cash dividend of 6 fils per share and a 5% bonus share, subject to AGM approval. This recommendation reflects our continued confidence in Burgan Bank's financial strength and reaffirms our commitment to delivering sustainable value to shareholders.



We sustained positive momentum across our core businesses, deepened our market impact in priority segments, and realised measurable gains in operational performance.

Message from the Chairman

Delivering on Our Strategy with Focus and Precision

In 2025, we made meaningful progress in advancing our strategic vision, reinforcing our leadership position in Kuwait while continuing to pursue sustainable growth across our international operations in the MENAT region. While regional diversification remains important, our strategy continues to focus primarily on investing in and expanding our core market - Kuwait.

The Bank delivered strong momentum across all key business lines in Kuwait. We broadened and diversified our corporate client portfolio, increased retail market share through innovative offerings, and enhanced private banking and wealth management solutions to deliver personalised, value-added services. These achievements were underpinned by robust liquidity, disciplined risk management, and consistently positive customer feedback - affirming the strength of our customer-centric approach and the Bank's growing competitiveness in its home market. Across our international operations, we pursued a cautious and carefully calibrated growth strategy.

One of the notable milestones in 2025 was Burgan Bank's successful USD 500mn five-year senior unsecured bond issuance, which garnered exceptional investor demand and very attractive pricing. This achievement underscores the strong confidence of global investors in Burgan Bank's strategy, financial resilience, and market credibility. The transaction strengthens our diversified funding profile, bolsters long-term liquidity, and provides a solid foundation to support the Bank's growth ambitions in Kuwait and across the MENAT region.

A landmark strategic accomplishment in 2025 was the acquisition of United Gulf Bank, along with its 60% stake in Kamco Invest. This transaction strengthens our market presence and enriches client offerings in Kuwait and the wider region through strategically complementary solutions.



We are building a future-ready bank that is resilient, scalable, and designed to drive innovation. Through strategic investments in integrated platforms and digital infrastructure, we are enhancing our ability to serve customers with greater speed, deeper insight, and more personalized experiences

Post-acquisition integration is progressing smoothly, with a new Board at UGB, a strengthened capital structure, and the repayment of high-cost borrowings. Early synergies - particularly with Kamco Invest - are already emerging, enhancing our capabilities across private and retail banking, investment, treasury, and wealth management, and positioning Burgan Bank as a comprehensive, one-stop financial solutions provider in Kuwait.

The acquisition of UGB reflects our broader strategic approach of disciplined asset reallocation and integration, aligning growth initiatives to optimize the portfolio, unlock synergies, and strengthen long-term competitiveness. By integrating complementary businesses such as Kamco Invest, we are accelerating growth while reinforcing our core strengths, ensuring each initiative drives meaningful progress toward our long-term objectives.

Digital transformation remains a cornerstone of our strategy, driving efficiency, innovation, and enhanced customer experience. The Bank has made significant investments in this area, including the development of our new core banking platform in Kuwait and the continued evolution of our "ON" digital banking brand in Turkey. These initiatives have strengthened Burgan Bank's digital capabilities while enhancing transparency and customer engagement. Each initiative is designed to deliver tangible value, emphasizing operational resilience, robust security protocols, and customer-focused innovation across all business lines.

Through these integrated initiatives - fortifying our Kuwait franchise, strategically reallocating and integrating assets, diversifying funding channels, and embracing digital transformation - Burgan Bank is well positioned to deliver sustainable growth, create long-term shareholder value, and reinforce its leadership as a forward-looking, innovative financial institution.

Developing Kuwaiti Talent, Driving Organisational Strength

Burgan Bank remains committed to developing and retaining exceptional talent. The Bank maintained one of the highest Kuwaitisation rates in the sector at 83.8%, significantly exceeding regulatory requirements. Kuwaiti nationals accounted for 94% of total hires during the year and 80% of promotions, reflecting the Bank's commitment to developing national talent. These efforts were recognised by the Public Authority of Manpower for achieving high localization rates.

The Bank continued to invest in leadership continuity and capability development through flagship programmes, including Ro'ya and new initiatives such as the Coaching Hub 2025. Training activity increased significantly from last year with an average of 65 hours of training per employee. The Bank was awarded the Brandon Hall Gold Award of Excellence for Best Learning Strategy.



The strength of Burgan Bank lies in its people. Through focused investment in talent, leadership, and workplace wellbeing, we are shaping an agile, high-performing organization ready for the future.

Employee engagement and well-being remain central to our people strategy, reflecting our belief that our people are key to delivering long-term value. Burgan Bank's flagship operations in Kuwait and our subsidiary in Turkey were each recognised as a "Great Place to Work," recognition that reflects the strength of our organizational culture and underscores our commitment to cultivating an engaged, high-performing workforce across all regions. Progressive workplace policies - including flexible working arrangements and enhanced leave benefits - support a healthy work-life balance, while targeted initiatives in values-based leadership, cultural alignment, and talent development further reinforce organisational cohesion, inspire high performance, and position the Bank as an employer of choice in the region.

Embedding ESG as a Foundation for the Future

Sustainability remains a core pillar of Burgan Bank's long-term strategy. In 2025, our inclusion in the FTSE4Good Index marked a key milestone, reflecting alignment with international ESG standards. Our environmental efforts support Kuwait's Net Zero by 2060 ambition, with a comprehensive decarbonisation strategy and integration of climate-related risks into lending, investment, and operational decisions.



Sustainability is not just an initiative; it is central to our value creation model. By integrating environmental stewardship, strong governance, and social responsibility into our operations, we are embedding ESG into every aspect of our business.

Social responsibility continues to guide our approach, with initiatives enhancing employee well-being, customer protection, financial inclusion, and community engagement through health, education, youth empowerment, and environmental programs. Strong governance underpins all ESG efforts, with the Board introducing pay-linked sustainability measures and reinforcing policies on ethics, anti-corruption, data security, and risk management. These actions ensure ESG is embedded in decision-making, fostering accountability, long-term value creation, and sustainable growth.

Looking Ahead

As we look to the future, we recognize that long-term value creation increasingly depends on institutional readiness, clarity of strategic direction, and organizational strength. Over the past year, the Board has worked closely with Executive Management to ensure that Burgan Bank's strategy evolves in line with a rapidly changing financial and regulatory environment.

We believe that sustainable success will be defined by banks that pair financial strength with diversified capabilities, disciplined risk management with innovation, and operational efficiency with adaptability. Burgan Bank's strategic direction reflects this belief, reinforced by ongoing investments in governance, sustainability, and our people.

Our Shared Commitment

On behalf of the Board of Directors, I extend my sincere appreciation to the Executive Management team and all members of the Burgan Bank family for their dedication and professionalism. I also thank our shareholders for their continued trust, and the Central Bank of Kuwait and the Capital Markets Authority for their guidance and support.

With a strong foundation, a clear strategic vision, and a talented and committed team, the Board remains confident in Burgan Bank's ability to navigate change, seize opportunities, and continue creating sustainable value for all stakeholders.

Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah
Chairman

Market Overview

GLOBAL MARKETS



Oil market saw deepening supply surpluses as demand growth slowed down

In 2025, the global oil market faced pressure as supply growth outpaced demand. Oil demand increased by around 830k barrels per day (b/d) to 103.8mn b/d, slower than in previous years, as post-pandemic recovery faded. Further, structural changes such as faster adoption of electric vehicles in China, and improved energy efficiency in advanced economies continue to impact demand. At the same time, global oil supply rose sharply by about 3.0mn b/d, led by record production from non-OPEC+ countries such as the US, Brazil, and Guyana, along with a gradual easing of OPEC+ voluntary output cuts. This imbalance led to higher inventories and pushed prices lower, with Brent crude averaging about USD 69 per barrel for the year and declining steadily in the second half.

Looking ahead to 2026, the market is expected to continue adjusting to excess supply. Demand growth is forecast to improve modestly to around 850k b/d, supported by better global economic conditions and China's continued strategic inventory buildup but it is likely to remain below supply growth. Global supply is expected to increase by a further 2.4mn b/d, which could widen the surplus to nearly 4mn b/d if production levels are unchanged. As a result, Brent crude prices are expected to remain under pressure, averaging USD 58 per barrel. However, the supply and the prices could vary depending upon the OPEC+ production policy, geopolitical developments in countries such as Russia and Venezuela, Iran and the pace of the global energy transition.

Global economy continues to be resilient despite trade tensions and technological changes

In 2025, the global economy proved more resilient than expected. Growth stayed steady at around 3.3%, despite rising geopolitical tensions and new trade barriers. This was mainly supported by a surge in imports into the United States, as companies brought in goods early to avoid higher tariffs, and by strong investment in technology. While advanced economies such as the Eurozone saw weak growth and high energy costs, emerging markets drove global momentum. India stood out as the fastest-growing major economy, while China shifted its

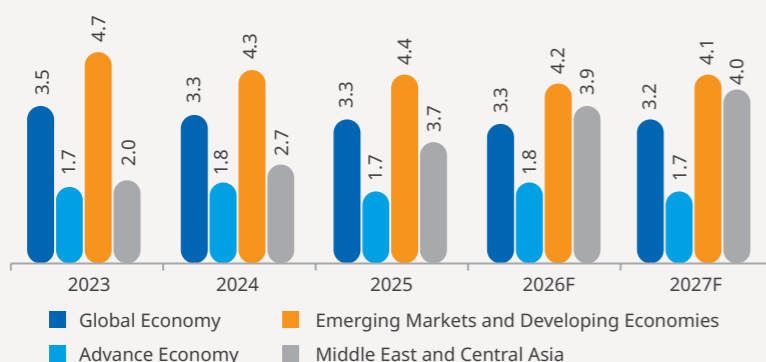
focus toward high-tech manufacturing and clean energy to offset ongoing weakness in its property sector.

Two key themes shaped the year: easing inflation and the rapid spread of artificial intelligence. Global inflation declined to about 4.5%, allowing central banks to begin cutting interest rates, though cautiously. Service costs and prices of locally protected goods remained high. At the same time, wider use of generative AI started to improve productivity, especially in developed economies. This helped push stock markets higher but also affected hiring, particularly for entry-level professional roles. As a result, some technology-driven sectors saw economic growth without a rise in employment.

Outlook

Looking ahead to 2026, global growth is expected to slow slightly to around 3.3%. The boost from early trade activity is likely to fade, while higher trade costs may start to weigh on consumers and business investment. Geopolitical risks remain elevated, with more countries choosing to trade mainly with political allies, adding pressure to global supply chains. Although a major recession has been avoided, the year ahead will require careful management of high debt levels and stretched market valuations in a more divided and technology-driven global economy.

Global Growth Outlook



Brent Oil Price (USD/bbl)



STRATEGIC REVIEW

Market Overview



Kuwait

Recorded economic growth, fueled by oil production gains and structural reforms

In 2025, Kuwait's economy transitioned from contraction to steady recovery, supported by the gradual easing of OPEC+ oil production cuts and resilient non-oil sector activity, aided by legislative reforms. Following a 2.6% decline in 2024, real GDP is projected to grow by 2.6% in 2025 and continue expanding in 2026. The recovery is underpinned by a 2.4% expansion in the oil sector and a 2.7% increase in non-oil activities.

The hydrocarbon sector remains the central pillar of Kuwait's economy, accounting for approximately 90% of government revenues and 95% of total exports. In 2025, the sector was freed from the 2023-24 production caps, as the gradual unwinding of OPEC+ voluntary supply cuts – specifically the restoration of 135k barrels per day (kb/d) – resulted in averaged crude production of 2.53mn barrels per day (mb/d) in H2 2025. The boost in oil production provided a lift to total GDP. In addition, the performance in the non-oil sector was primarily driven by the construction, real estate, and telecommunication sectors. In terms of business conditions, the S&P Global Kuwait PMI consistently stayed above the 50.0 neutral benchmark in 2025, signaling solid business expansion throughout the year.

Kuwait's fiscal policy marked a structural shift with the enactment of the Financing and Liquidity Law in March 2025 which established a public debt ceiling of KD 30bn, enabling Kuwait to re-enter international capital markets with a successful USD 11bn sovereign bond issuance in October 2025. This reinforced liquidity conditions, and supported S&P's decision to upgrade Kuwait's sovereign rating to 'AA-'. The fiscal deficit is estimated to widen to 7.8% of GDP in 2025, amid higher capital spending and softer oil prices. At the same time, progress on non-oil revenue mobilisation, including the introduction of a 15% OECD-aligned top-up tax on multinational enterprises – and ongoing rationalisation of fees and public sector costs – reflects a gradual shift toward a more diversified and resilient fiscal framework.

Kuwait's monetary policy in 2025 remained focused on price stability while supporting economic recovery. As global inflation pressures eased, the Central Bank of Kuwait adopted a cautious and well-calibrated easing cycle, cutting the key policy discount rate by a cumulative 75 basis points since September 2024 to 3.75%, as inflation steadied at around 2.4% in 2025. The flexibility afforded by the currency basket peg enabled the CBK to partially decouple from the more aggressive US policy rate moves – preserving stable domestic financing conditions.

Turkey

Managing growth and disinflation under tight financial conditions

Turkey's economy grew at a moderate but stable rate in 2025 with real GDP growth of 3.5% in line with 3.3% growth in 2024. Economic activity was uneven during the year, as GDP slowed in early 2025 due to high borrowing costs, before recovering in the second and third quarters of the year. Private consumption, especially construction and services, remained the key growth drivers – supported by earthquake reconstruction and strong domestic demand. Overall, economic growth showed resilience but remained sensitive to tight financial conditions and political developments.

Fiscal policy in 2025 focused on supporting economic stability while managing the large costs of earthquake reconstruction. The budget deficit is estimated to have narrowed to about 3.6% of GDP, despite significant reconstruction spending – reflecting stronger revenue collection and improved tax administration. Government revenues rose sharply, driven by higher indirect taxes and better compliance, while spending growth was contained outside reconstruction-related items. The authorities also introduced measures to broaden the tax base, reduce tax exemptions, and limit non-essential public spending. While interest costs remained high due to elevated policy rates, the overall fiscal stance supported disinflation efforts and helped maintain investor confidence.

Monetary policy in 2025 remained tight and cautious, aimed at bringing inflation under control after several years of very high price increases. The Central Bank kept policy rates at elevated levels for much of the year, before starting a gradual easing cycle in the second half as inflation declined. The policy rate was reduced to 38% by year-end, and remained above inflation, helping to support the performance of the Turkish lira, and encourage savings in local currency. Inflation fell significantly from a peak of 75.5% in 2024 to 30.1% by year-end 2025. Overall, monetary policy helped stabilize the economy, but confidence remained sensitive to political developments, and overall inflation expectations.



Outlook

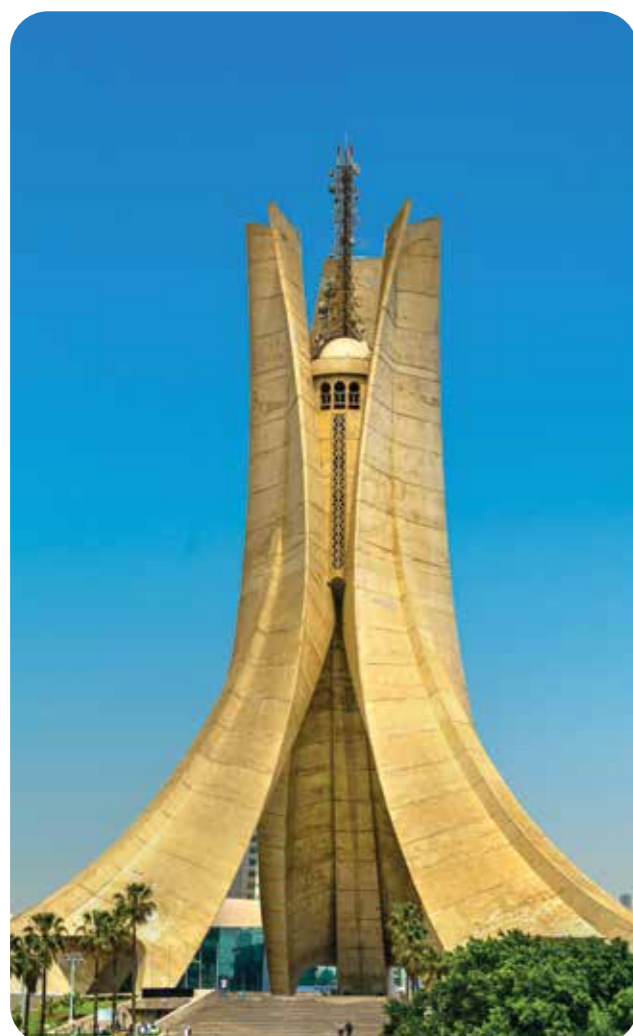
The outlook for 2026 remains bullish, with real GDP growth expected to accelerate to 3.9% driven by the full recovery of oil production, and a continued expansion in the non-oil sector – as the current pipeline of infrastructure projects enters its peak construction phase. Inflation is expected to moderate further toward 2.2% while the current account surplus remains robust, albeit on a declining trend as domestic demand for imports rises and oil prices remain low. Domestic interest rates will continue to trend lower; more slowly than US monetary policy easing. The fiscal deficit is expected to continue to rise – driven by increased infrastructure spending inline with Kuwait's Vision 2035.

Outlook

The outlook for Turkey in 2026 is cautiously balanced. Economic growth is expected to improve modestly, supported by easing inflation, lower borrowing costs, and continued investment in construction and manufacturing. Inflation is projected to decline gradually, though it may remain elevated, particularly in the services sector, potentially requiring a restrictive central bank stance. Fiscal policy is likely to remain disciplined, balancing deficit control with spending. Key risks include political uncertainty, global energy prices, and shifts in investor sentiment. Sustained policy consistency and strong institutional credibility will be crucial for maintaining stability and supporting long-term growth.

STRATEGIC REVIEW

Market Overview



Algeria

Growth supported by public investment, but fiscal risk rises

Algeria's economy grew at 3.4% in 2025 supported by public investment and improved performance in non-hydrocarbon sectors. GDP growth reflects a recovery in energy production and continued expansion in construction, agriculture, and manufacturing. Non-hydrocarbon activities benefited from large infrastructure projects, housing programs, and reforms in mining and industry. Inflation eased from 4% in 2024 to 1.5% by year-end 2025, helped by lower food prices and a relatively stable exchange rate, which supported household purchasing power. Overall, growth remained resilient, though still closely linked to public spending and energy market conditions.

Fiscal policy in 2025 was expansionary, driven by the largest budget in Algeria's history. Government spending increased sharply to support social programs, housing, infrastructure, and industrial development, resulting in a fiscal deficit estimated at around 11.5% of GDP. While external debt remains very low, domestic public debt rose significantly as the government relied on local banks to finance the deficit. The growing reliance on domestic borrowing has increased pressure on fiscal buffers and raised concerns about long-term sustainability if energy prices were to weaken.

Monetary policy in 2025 remained supportive of economic activity. The Bank of Algeria maintained an accommodative stance at 3.0%, before cutting its key policy rate to 2.75% in September – in order to support liquidity and credit growth. Inflation continued to moderate, allowing the central bank to ease policy without immediate price stability risks. At the same time, the banking system faced rising exposure to government financing needs, strengthening the link between public finances and financial stability. While liquidity conditions remained manageable, the central bank still faces the challenge of balancing growth with the need to preserve monetary discipline.

The current account deficit is estimated at 3.7% of GDP. The current account deficit has further widened from 1% recorded in 2024, and current account surplus in post-pandemic years. This reversal from the surpluses of the post-pandemic recovery is on account of cooling oil prices and a rise in capital goods imports needed for the country's industrialisation program. However, with foreign exchange reserves holding steady at around USD 50bn, Algeria retains a significant buffer against external shocks.

Outlook

The outlook for Algeria is mixed. Economic growth is expected to remain steady in the near term, supported by major mining projects, infrastructure investment, and continued diversification efforts. However, large fiscal deficits and rising domestic debt pose growing risks to overall macroeconomic stability. The success of flagship projects in iron ore and phosphates will be critical to generating new revenue sources and reducing reliance on hydrocarbons. Over the medium term, stronger private sector participation, fiscal discipline, and improved investment conditions will be essential to sustain growth and protect financial stability.

Tunisia

Gradual recovery in growth, constrained by fiscal and structural pressures

Tunisia's economy showed a modest but improving recovery in 2025, supported mainly by tourism, and agriculture. Real GDP growth is estimated at 2.5% in 2025, up from 1.6% in 2024. Despite this progress, growth is expected to moderate, while unemployment eases, and private investment and ongoing structural constraints linger.

Fiscal policy in 2025 focused on maintaining stability amid limited access to international financing and stalled IMF negotiations. The budget deficit target is at 5.4% of GDP, supported by tighter control over wages and subsidies, and stronger tax revenues. Public debt remained high at around 80.6% of GDP, but the government met all external debt repayments during the year, relying increasingly on domestic financing. While the government successfully contained some public spending and stabilised subsidies, the fiscal space remained constrained by a high wage bill and the financial burden of State-Owned Enterprises. Social spending remained a priority, particularly through cash transfer programs aimed at protecting vulnerable households.

Monetary policy remained cautious in 2025, with the Central Bank of Tunisia prioritising inflation control while gradually supporting economic activity. The policy rate was held at 8.0% for most of the year, helping inflation fall below 6% in 2025, supported by lower global commodity prices. As inflation pressures eased and growth slowed, the central bank cut rates twice, bringing the key policy rate to 7.5% at the end of the year. While monetary easing was limited, the central bank signaled a shift toward supporting recovery, even as risks remain from government reliance on domestic bank financing.

The Current Account Deficit (CAD) widened to 3.1% of GDP, compared to 1.7% in 2024. This was largely driven by a growing trade gap in energy and industrial inputs, which offset the substantial foreign currency inflows from tourism and record-high remittances from abroad. The forex reserves of around USD 8bn continue to provide external buffer.

Fitch upgraded Tunisia's long-term rating to 'B-' from CCC considering continued improvement in Tunisia's external position, with lower current account deficits, resilient net foreign direct investments (FDI) and disbursements from multilateral and bilateral partners – contributing to resilient international reserves and supporting sufficient external liquidity.



Outlook

The outlook for Tunisia remains cautious. Economic growth is expected to stay modest at around 2.1% in 2026, supported by tourism, agriculture, and gradual industrial recovery. Inflation is likely to remain contained, allowing for a broadly stable monetary policy stance. However, high unemployment, weak private investment, and fiscal pressures continue to weigh on the medium-term outlook. The primary risk remains Tunisia's external financing needs; without a comprehensive reform agreement with international lenders including IMF, the economy will remain vulnerable to liquidity shocks and limited private sector investment.

STRATEGIC REVIEW

Market Overview



Bahrain

Stable growth inspite of deteriorating public finances

In 2025, Bahrain's economy remained resilient driven by economic diversification efforts while facing fiscal headwinds. The economy maintained a steady growth rate, supported primarily by a robust non-oil sector, as subdued energy prices and high debt levels continue to pose structural challenges.

Bahrain's GDP growth for 2025 is estimated at 2.9% in line with 2.6% growth recorded in 2024. The non-oil sector, which now accounts for over 85% of real GDP, remained the primary engine of economic activities. However, economy was supported by several sectors including financial services, manufacturing, real estate and sustained momentum in hospitality and logistics under the National Economic Recovery Plan.

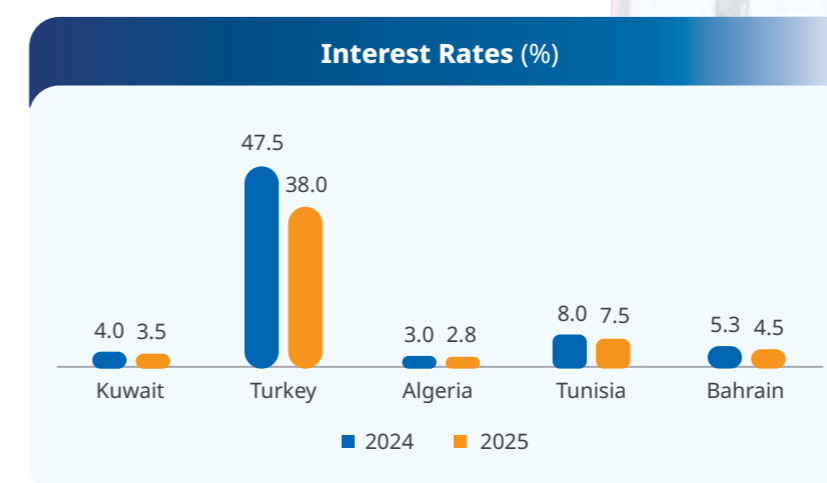
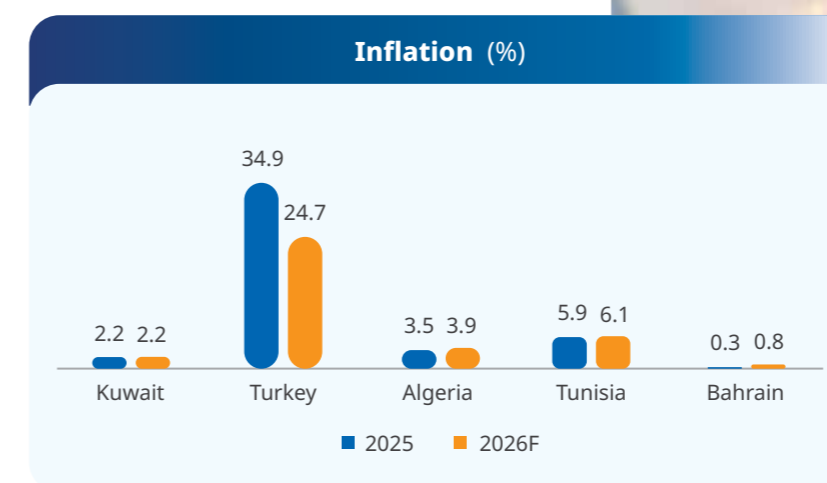
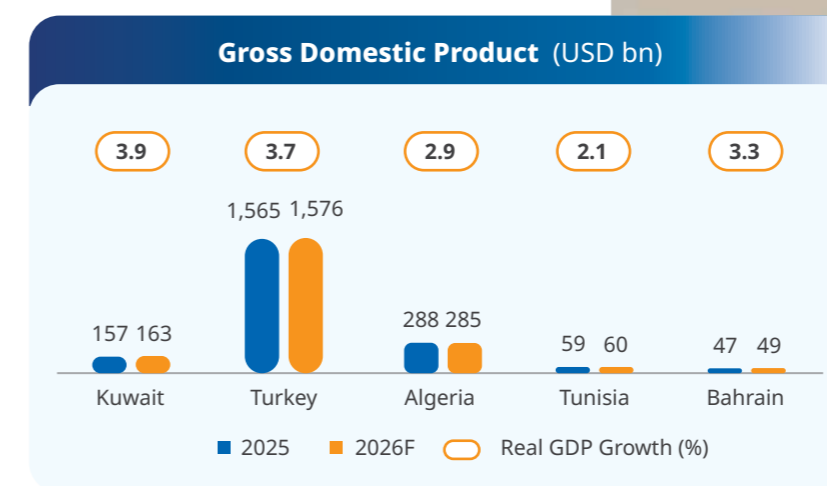
Inflation remained remarkably subdued at 0.3% in 2025, a further decline from 0.9% in 2024 driven by deflationary pressure in food and housing. Bahrain benefits from state subsidies, regulated prices for key goods, and the peg to the US Dollar helps it to contain imported inflation.

In line with the Bahraini Dinar's peg to the US Dollar, the Central Bank of Bahrain followed the moves of the US Federal Reserve. After holding the overnight deposit rate at 5.25% for much of the year, the CBB implemented a total of 75-basis points worth of cuts to 4.50% by year-end 2025, signaling a shift toward monetary easing to support private sector credit growth.

Bahrain continues to face macro challenges with high fiscal deficit and public debt. Despite ongoing reforms under the Fiscal Balance Program, net borrowing by general government as percent of GDP stood at 10.7% in 2025 – driven by high interest costs and structurally elevated spending needs. Gross Public debt is estimated at ~142% of GDP in 2025, keeping gross financing needs sizeable and leaving Bahrain sensitive to funding conditions and market sentiment. Dampened oil prices, higher fiscal financing costs because of the surging debt burden, and persistently higher social spending keeps fiscal deficits elevated resulting in Bahrain's long-term rating downgraded from 'B+' from 'B' from S&P in 2025.

Externally, Bahrain ran a current account surplus estimated at 3.5% of GDP in 2025, supported by refined products and aluminum exports as well as services receipts (finance and tourism). Remittance outflows remained a structural drag, but the external position continued to provide a buffer.

Key Macro Indicators



Outlook

In 2026, growth is expected to pick up as the services sector continues to expand. IMF forecasts 3.3% GDP growth in 2026, while inflation is projected to remain low at 0.8%. The fiscal deficit is projected to remain high and public debt elevated, keeping Bahrain exposed to global funding costs. The government revenue will increase driven by the tax on multinational companies introduced in 2025. Bahrain is expected to continue to benefit from the GCC sovereigns including low-cost funding from GCC government-related entities.

Message from the Group Chief Executive Officer



Burgan Bank delivered a strong performance in 2025, driven by agility, competitiveness, and digital innovation. Through operational excellence, we achieved consistent progress, enhanced our market position, and created long-term value for our stakeholders, while continuing to build a resilient, inclusive, and responsible institution.



Dear Shareholders,

On behalf of the management team, I am pleased to present our review of 2025 - a year that tested our perseverance, sharpened our focus, and challenged our ability to adapt and lead in a complex operating environment. Through disciplined execution and targeted investments in our people, technology, and risk management, we continued to strengthen the Bank's foundations while advancing our long-term strategic priorities.

Resilience Amidst a Shifting Global and Regional Landscape

In 2025, global markets were shaped by trade tensions, evolving monetary policies, and geopolitical uncertainty. Slower growth, easing inflation, and energy market transitions created both challenges and opportunities for financial institutions. Regionally, GCC economies demonstrated resilience, supported by strong oil revenues, economic diversification, and government-led infrastructure initiatives.

In Kuwait, the economy has rebounded, driven by increased oil output and a robust non-oil sector. Fiscal and regulatory reforms - including the enactment of the Public Debt Law, the introduction of the Domestic Minimum Top-Up Tax (DMTT), and progress on mortgage legislation - strengthened fiscal sustainability and boosted investor confidence.

Amid these global and regional dynamics, Burgan Bank maintained operational strength and delivered enduring value for our stakeholders through disciplined risk management, strategic investments, and a focus on long-term growth.

Sustained Financial Momentum and Operational Strength

Burgan Bank concluded 2025 with strong performance, underpinned by disciplined execution and resilient operations across markets. Our balance sheet momentum remained robust, with total assets as of December 31, 2025, reaching KD 9.1bn, up 12% y-o-y, driven primarily by our core Kuwait operations and expansion across international franchises. The loan portfolio increased to KD 4.8bn (+8% y-o-y), reflecting robust activity across corporate and institutional segments throughout the Group, while deposits rose to KD 5.5bn (+11% y-o-y), highlighting a stable and well-diversified funding base.

This balance sheet strength supported a healthy top line, with revenues rising to KD 267.8mn (+17% y-o-y), driven by growth in both net interest and non-interest income and a more diversified revenue mix. Net income (BB's share) remained

stable at KD 46.5mn compared with 2024, reflecting strategic investments to strengthen the Bank's capabilities and support long-term growth.

Asset quality remained sound, underpinned by prudent underwriting and proactive risk management. Liquidity and capital levels continued to exceed regulatory requirements, reinforcing Burgan Bank's ability to navigate market cycles and deliver enduring, long-term value for our stakeholders.

Our international operations progressed steadily despite challenging macroeconomic conditions and geopolitical developments. While growth varied across markets, the franchises continued to strengthen core business fundamentals, improve operational efficiency, and advance digital and technology initiatives.

Following a year of consistent performance, the Board of Directors has proposed a cash dividend of 6 fils per share, together with a 5% bonus share issuance, in recognition of our shareholders' continued support, subject to approval at the AGM.

Sharpening Focus on Our Core Market: Kuwait

In 2025, we continued executing our renewed strategy, with a clear focus on scaling our core Kuwait franchise while pursuing calibrated growth across our international markets.

In Kuwait, Corporate Banking remained a key growth driver. We focused on portfolio diversification, reducing sector concentration, and deepening relationships with existing clients, while actively engaging with emerging industries and onboarding new client businesses. These efforts contributed to growth in corporate deposits, enhanced client relationships, and enhanced cross-selling, reinforcing Burgan Bank's position as a trusted partner for businesses across the country.



We remain focused on rapidly scaling our core businesses while pursuing new avenues of growth. The pace and promise of Kuwait's economic transformation present significant opportunities, and our disciplined strategy ensures we are well-positioned to capitalize on them while creating long-term, sustainable value.

STRATEGIC REVIEW

Message from the Group CEO

In Private Banking and Wealth Management, we enhanced our advisory-led offerings for high-net-worth and ultra-high-net-worth clients, delivering bespoke solutions, faster execution, and improved cross-selling within an integrated platform.

Retail Banking continued its growth momentum through product innovation, targeted lending, and service enhancements, driving expansion in consumer loans and cards while consistently delivering superior customer experience.

Across our international markets, we pursued a risk-calibrated growth and diversification strategy, reinforcing core fundamentals, boosting operational capabilities, and enhancing efficiency. Despite macroeconomic and geopolitical challenges, our franchises maintained steady progress, driving enduring long-term growth.

Strategic Expansion and Integration

We successfully completed the acquisition of United Gulf Bank in Bahrain and have fully integrated its operations. A new board has been established, and UGB's banking platform has been revitalised, creating new lending opportunities. Synergies with Kamco Invest, in which UGB holds a 60% stake, have already delivered tangible benefits, while ongoing collaboration with our Kuwait teams across private banking, retail, investment, and treasury further strengthens client solutions. These initiatives not only support our Kuwait-first strategy but also expand our footprint and capabilities across the broader GCC, unlocking additional cross- and up-selling opportunities, enhancing competitiveness, and generating new income streams, reinforcing Burgan Bank's regional growth ambitions.

Strategic Funding and Investor Confidence

In 2025, Burgan Bank returned to the international debt market with a USD 500mn five-year senior unsecured bond issuance, achieving attractive pricing of 115bps over the US Treasuries, reflecting deep investor confidence in the Bank's performance and long-term strategic vision. The issuance was significantly oversubscribed, with demand nearly four times the size of the offering and attracted a broad and diversified investor base across the Middle East, Europe, and Asia - a clear testament to Burgan Bank's financial strength, credibility, and disciplined growth strategy. This successful international issuance further reinforces our position as a trusted and reliable partner for global investors, supporting the Bank's continued growth and expansion ambitions.

Advancing Digital Enablement with Purpose

Digital transformation remains a key pillar of Burgan Bank's strategy. In 2025, we made significant progress leveraging technology to enhance operational efficiency and client

experience. The ongoing implementation of the TCS BaNCS core banking platform strengthens our operational backbone, enabling agility and innovation across all business lines.

Key initiatives this year included the launch of digital trade finance services, allowing corporate clients to issue and amend letter of credit and letter of guarantee entirely online, streamlining processes, and accelerating transaction turnaround. SoftPOS by KNET empowers SMEs and entrepreneurs to accept payments directly via smartphones, eliminating the need for traditional POS hardware, while the Click to Pay feature, introduced in partnership with Visa, enables secure, biometric-enabled one-tap e-commerce payments - a first in Kuwait.

The Bank also launched its investor relations mobile app, providing real-time access to financial reports, disclosures, presentations, and performance metrics, reinforcing transparency and stakeholder engagement. Strategic investments in SAP SuccessFactors and the renewal of ISO/IEC 20000-1:2018 certification further strengthen operational excellence and employee experience.



Strengthening our technology backbone is central to our transformation. Guided by a customer-centric philosophy, we are making significant investments in building and upgrading our technology infrastructure and core capabilities across our group-wide digital platforms. This robust, secure, and scalable foundation enables faster, more intuitive customer experiences while supporting sustainable, long-term growth in a digital-first world.

With respect to our international operations, Burgan Bank continues to drive its digital transformation across key markets. In Turkey, our digital banking platform, ON, has added over 1.5mn customers in just four years since its launch in Q4 2021. The platform has benefited from continuous enhancements and advanced features, enabling seamless digital banking and maintaining a strong market share throughout 2025, with an average of 5.4% in remote customer

acquisitions. ON's growing adoption and consistent industry recognition underscore its pivotal role in our digital strategy.

In our subsidiaries in Algeria and Tunisia, we have strengthened our digital capabilities, expanding the reach of our platforms and bringing innovative banking solutions to an increasing number of customers in these markets.

Through these initiatives, Burgan Bank is embedding speed, security, and personalisation across every touchpoint, ensuring digital transformation delivers scalable growth, operational excellence, and a superior customer experience across all markets.

Building a High-Performing Workforce Through Purpose and Culture

At Burgan Bank, people development remains a strategic priority, focused on strengthening performance, building capabilities, and enabling sustainable growth. In 2025, we advanced our Kuwaitisation agenda, achieving a rate of 83.8% - among the highest in the industry - and received recognition from the Public Authority of Manpower for excellence in national talent development.

Our continued investment in learning, engagement, and leadership delivered tangible outcomes. Flagship initiatives including Ro'ya, Entelaqah, Burgan Lab Academy, specialised Retail and Investment & Wealth academies, and programs such as Empower Her, Burgan Cares, and Burgan Beacon collectively delivered over 98,000 training hours - nearly triple the prior year - and earned the Brandon Hall Gold Award for Best Learning Strategy for the third consecutive year.

Employee experience and wellbeing were further enhanced through progressive policies, engagement platforms, and the launch of the Value-Based Academy, embedding Burgan's core values into everyday practice. Technology remains a key enabler, with SAP SuccessFactors modernizing HR operations and Business AI capabilities planned to support data-driven talent management and career growth.

Together, these initiatives are cultivating a high-performing workforce aligned with Burgan Bank's strategic ambitions and Kuwait's broader vision for sustainable development and digital innovation.

Embedding Sustainability into Execution

In 2025, we continued to embed ESG considerations into how Burgan Bank operates, manages risk, and allocates capital, ensuring sustainability supports long-term performance and growth. A significant milestone was our inclusion in the FTSE4Good Index Series, a globally recognised benchmark that identifies companies demonstrating strong

Environmental, Social and Governance (ESG) practices aligned with transparent, internationally accepted criteria. Inclusion in this index reflects our progress in ESG performance and enhances our visibility with responsible investors who use this index to assess and build sustainable investment portfolios.

On the environmental front, we completed a comprehensive greenhouse gas emissions inventory covering Scope 1, 2 and selected Scope 3 emissions, and advanced our decarbonisation agenda in support of Kuwait's Net Zero by 2060 ambition. Climate risks are further integrated into our credit framework through the rollout of an ESG Risk Assessment Matrix, reflecting disciplined, forward-looking management of climate-related financial risks. We also delivered key environmental initiatives, including energy-efficiency upgrades, sustainable procurement, and enhanced waste management, demonstrating our commitment to reducing our environmental footprint and promoting responsible resource use.

Across the social pillar, we strengthened our focus on people,



At Burgan Bank, ESG is not just a commitment - it is a driver of enduring value and a cornerstone of our vision. Our growth is designed to strengthen the economic and environmental perseverance of the communities we serve, while we lead with purpose - empowering people, enabling livelihoods, and embedding sustainability into every aspect of our business to shape a better future.

customers, and communities. We sustained high employee engagement and well-being standards, advanced financial inclusion through digital channels and awareness initiatives, and maintained robust customer protection practices. From a governance perspective, we enhanced accountability by embedding ESG metrics into executive performance scorecards, strengthening anti-corruption and ethical controls, and reinforcing data security, cyber resilience, and operational continuity through internationally certified frameworks and rigorous testing.

Message from the Group CEO

Together, these actions reflect our commitment to disciplined, responsible growth and to building a sustainable institution that delivers value across economic cycles.

A Year Marked by Industry Accolades

Burgan Bank's achievements in 2025 were recognised through multiple prestigious local and international awards, reflecting our commitment to excellence across markets. In Kuwait, we received the Visa Award for Best-in-Class Premium Active Cards Growth, the 'Best Client Service' award at the MENA Banking Excellence Awards 2025 - Wealth & Private by MEED, and the 'Excellence and Leadership in Wealth and Credit Management Services' award at the 11th Arab Awards of Excellence organised by the World Union of Arab Bankers. In Turkey, our digital banking brand, ON, was named 'Turkey's Best Digital Bank' by Global Brands Magazine and received the Bronze Stevie Award from the Stevie International Business Awards.

Our flagship business in Kuwait and our Turkish subsidiary were also certified as "Great Place to Work", highlighting our strong culture, employee engagement, and commitment to nurturing talent. These recognitions underscore Burgan Bank's consistent performance, innovation, and dedication to delivering exceptional value to clients, employees, and communities, reinforcing our position as a leading financial institution across Kuwait, Turkey, and the broader MENAT region.

Staying the Course, Ready for Tomorrow

In 2025, Burgan Bank made deliberate and disciplined choices, balancing growth with prudence as we navigated a complex macroeconomic and market environment. We are proud of what we have achieved. While maintaining a strong focus on sustainable profitability, we continued to invest strategically in strengthening our operations, enhancing resilience, and embedding sustainability across the Bank.

Looking ahead, we remain optimistic. We will continue fortifying our core capabilities, positioning Burgan Bank to seize emerging opportunities while navigating challenges with agility and confidence. Our priorities remain clear - disciplined growth, deeper client engagement, expanded investment capabilities, ongoing digital innovation, embedding sustainability and ESG principles across our operations, and the continued development of our people.

Over the past several years, we have transformed Burgan Bank into a stronger, more consistent, and resilient institution. With every investment in technology, people, innovation, and sustainability, we are building not just a bank—but an all-weather institution, prepared to thrive across market cycles and deliver long-term value for our stakeholders.

A Note of Gratitude

I would like to express my sincere gratitude to our Board of Directors for their strategic guidance, our employees for their dedication, and our shareholders for their continued trust. I also extend my appreciation to the Central Bank of Kuwait and the Capital Markets Authority for their steadfast oversight and support. Together, we are shaping a stronger, more persistent Burgan Bank, ready to embrace the future with purpose, conviction, and a commitment to sustainable growth.



Antoine J. Daher
Group Chief Executive Officer



Solid Position in Kuwait and MENAT

- 2nd largest conventional bank in Kuwait by asset size.
- Well-established MENAT presence via direct subsidiaries; further strengthened by the recent UGB and Kamco Invest acquisitions.

Focused on Digitalisation

- Implementing TCS BaNCS™ to modernize the core banking platform and enhance operational efficiency.
- BBT's ON platform has scaled rapidly, reaching 1.5mn clients since its launch in late 2021.

Strong Capital & Liquidity Levels

- Capital levels remain robust and well above regulatory minimums, supporting continued growth momentum.
- Among the lowest loan-to-deposit ratio in Kuwait, complemented by healthy LCR and NSFR levels.

Investment Highlights

Strong Credit Ratings

- Investment Grade credit ratings with stable outlook: Fitch (A), Moody's (Baa1), S&P (BBB+) and Capital Intelligence (A+).
- Consistent financial performance supported by robust underlying metrics.

Experienced Management Team

- Revitalised senior management team to execute growth focused strategy.
- Building on core strength in the corporate banking space, developing the retail and private segment.

Supportive Environment and Shareholders

- Stable economy with positive developments and banking sector enjoying solid growth.
- Backed by KIPCO, a regionally renowned investment powerhouse, since 1997.

Business Model

Key Capabilities

Key Offerings

Value Creation

Business Impact



Leadership

- Strong governance and strategic direction from experienced board
- Effective execution and sustained performance from highly skilled management team



Financial Resources

- 2nd largest conventional bank with total assets of KD 9.1bn, Total deposits: KD 5.5bn, regulatory capital: KD 1.3bn



Brand

- Reliable brand value reflected from growing customer base
- Sizeable retail deposits with CASA ratio of 27%



Talent

- Employee base: 4,177
- Shared values and high-performance culture
- Continued skill development and capability building



Banking Infrastructure and Intellectual Capital

- Optimal mix of physical and digital channels
- Digital capabilities for service delivery
- State-of-the-art cyber security and risk management potential challenges.

Corporate Banking



Comprehensive solutions for corporate banking client

Retail Banking



Full suite of financial products and services for individuals

Private and Wealth Management



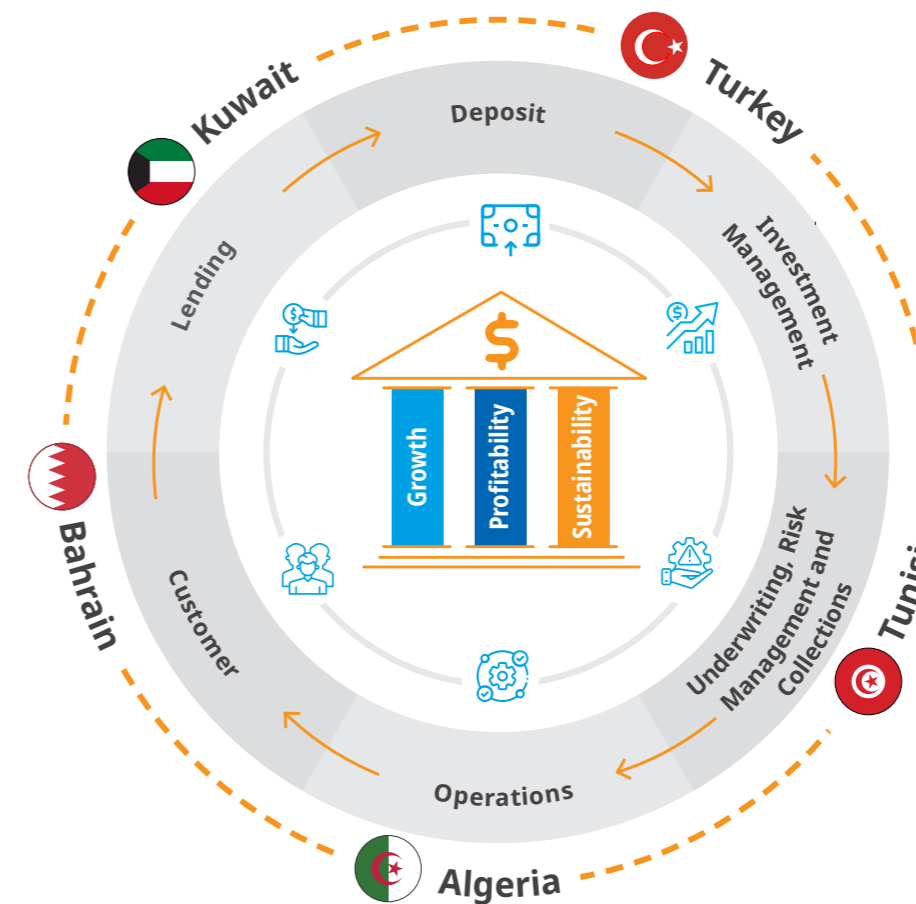
Tailored private banking, investment, and advisory solutions for high-net-worth clients

Treasury, Financial Institution and Investments



Treasury solutions, investment services, and FI banking

Customer Centric, Dynamic and Robust



4.8^{bn}
Net Loans (KD)

267.8^{mn}
Revenue (KD)

9.4
Earnings Per Share (fils)

64%
Dividend Payout Ratio



Included in FTSE4Good Index

Business Strategy

Burgan Bank’s strategy focuses on disciplined, sustainable growth, strengthening core operations in Kuwait while expanding its regional presence through strategic asset reallocation. By leveraging digital transformation to enhance agility, improve customer experiences, and drive efficiency, the Bank continues to invest in human capital, foster innovation, and embed sustainability and ESG principles, positioning itself as a resilient and forward-looking institution in Kuwait and the MENAT region.


Driving Excellence, Delivering Success



DRIVEN BY




**Culture
Transformation**



**Brand
Equity**



**Risk and
Control**



**Best
Practices**

STRATEGY IN ACTION

Private Banking, Redefined

Growing Wealth Through Trusted Relationships

Transformation Drivers

Brand Positioning

Reimagined Private Banking focused on trust-driven growth for HNW & UHNW clients

Personalised Experience

Custom solutions delivered by dedicated bankers and specialists

Comprehensive Offerings

Curated investments, Quick turnaround and CMA-licensed custody, advisory, and portfolio services

Kamco Invest Partnership

Institutional-grade expertise for enhanced investment access

Seamless Client Access

Integrated support via branches, digital platforms, and a dedicated hotline



Value Created

CAPABILITY

End-to-end, global solutions



EXPERIENCE

Personalised, client-centric advisory platform



CREDIBILITY

Trusted, modern, scalable partner



COLLABORATION

An integrated wealth platform experience



+31%
Loans

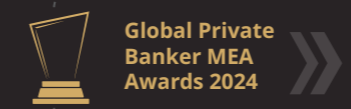
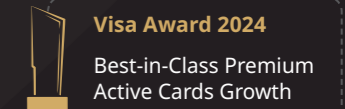
+37%
Deposits

+35%
Net Income

+290 bps
RoRAC

2025 vs 2023 – reflecting the pivot

Recognition



Best Private Bank for Credit

Best Private Bank for Fixed Income Securities

Best Private Bank for High-Net-Worth (HNW) Clients

Building on a strong foundation..

..redefining Private Banking for tomorrow

STRATEGY IN ACTION

Creating Synergies, Delivering Value

Leveraging Kamco Invest to enhance scale, efficiency, and strategic value



Harnessing Kamco Invest to elevate private and retail banking..

.. while unlocking new investment opportunities

STRATEGY IN ACTION

Digital by Design

ON: A scalable digital platform powering transformation

ON by BBT exemplifies Burgan Bank's commitment to relentless value creation and customer-first innovation. Since its launch, ON has evolved consistently - enhancing functionality, refining digital journeys, and scaling impact. This sustained progress reflects a disciplined approach to innovation, where customer needs drive continuous improvement, resulting in stronger engagement, improved service experience, and long-term strategic value.



Source: An NPS (Net Promoter Score) study conducted by Elephant Consultancy

Key Achievements & Strategic Impact



Scaling Customer Reach

- Scaled to 1.5M customers with 1,500+ daily acquisitions, reaching ~5.4% (average) remote onboarding, 7.4% vehicle loan market share.

Corporate Digital Transformation

- Launched fully mobile KYB onboarding and digital factoring with real-time approvals and mobile cheque submission.

Next-Gen Digital Platforms

- Delivered 250+ digital banking features while modernising all channels with conversion-focused UX and scalable cloud architecture.

AI-Powered Digital Banking

- Deployed AI across chatbots, eKYC, development, and workflows to modernize the platform and accelerate customer innovation.

Game-Changing Product Innovation

- Launched ON Credit Card, expanded investments and insurance driving 8x YoY growth and pioneered foreign money transfer via Visa Direct, A2A plus crypto and lottery payments in Turkey.

Strategic Ecosystem & Tech Leadership

- Founded ONx Venture Capital and BaaS platform; partnered with Hepsiburada and HangiKredi to drive digital growth and expand the bank's credit customer base.



Recognition



Global Brands Magazine
Best Digital Bank of Turkey



Communication & PR Campaign
Bronze Stevie Award



PRGN Best Practice Awards - ESG / CSR / DEI
Bronze Award

Tomorrow Starts Today, Moving Fast

Building on this year's achievements, we are accelerating growth and driving the next wave of digital innovation.

Elevating digital experiences

Delivering more personalised services and enhanced corporate and retail channels.

Driving engagement

Launching a refreshed loyalty program to boost retention and adoption.

Upgrading infrastructure

Modernising network, servers, storage, and cloud-native systems for speed, resilience, and scale.

These initiatives position us to redefine digital banking in Turkey while creating lasting value for customers and stakeholders.

Our Stakeholders



EMPLOYEES

Mode of engagement	How often we engage	Key parameters	Value creation
<ul style="list-style-type: none"> Bank-wide internal communications. Dedicated employee app, "Burgani". Employee focused social media and open-door policy of Executive Management. 	<ul style="list-style-type: none"> Town halls. Social media interactions. Staff days with families. 	<ul style="list-style-type: none"> Annual goal setting at the beginning and biannually performance appraisal. Review of individual, team and Bank performance. Employee engagement score. 	<ul style="list-style-type: none"> Building and fostering a culture of trust and integrity. Ensuring employees feel valued. Facilitating lateral and vertical growth for employees.



CUSTOMERS

<ul style="list-style-type: none"> Branches and relationship managers. Digital channels and 24/7 call centers. Customer related events. 	<ul style="list-style-type: none"> As and when customers require. Regular feedback collection. Customer complaints redressal through dedicated team. 	<ul style="list-style-type: none"> Mobile app rating. Resolution and response time of complaints. Customer retention. 	<ul style="list-style-type: none"> Servicing customers' needs. Delivering competitive product offerings. Providing customised solutions.
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INVESTORS

<ul style="list-style-type: none"> Investor relations (IR) webpage. IR app. Annual general meetings. Investor conferences and calls. 	<ul style="list-style-type: none"> Quarterly investor calls. Participation in key investor conferences. One-on-one calls and meetings with investors upon request. 	<ul style="list-style-type: none"> Timely and accurate dissemination of information. Communication of strategic priorities and key business drivers. 	<ul style="list-style-type: none"> Building a relationship of trust with the investor community. Ensuring transparency in Bank's reporting.
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COMMUNITY

<ul style="list-style-type: none"> Multiple events are organised throughout the year. Strategic partnerships to amplify impacts. 	<ul style="list-style-type: none"> Engagement occurs throughout the year. 	<ul style="list-style-type: none"> Increasing awareness of social issues. Driving engagement across key entities. Enhance social impact. 	<ul style="list-style-type: none"> Creating a positive impact on society. Raising awareness and solutions on societal issues. Upliftment of weaker sections of society.
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Group Chief Financial Officer's Review



Burgan Bank delivered another solid performance in 2025, driven by disciplined execution, sustained momentum, and a focus on diversification. With well-managed asset growth, a diversified funding base, an expanded regional footprint, and ongoing digital transformation, the Bank's operational and financial foundations remain strong, positioning us to deliver sustainable long-term value to stakeholders.

Khalid Fahed Al Zouman
Group Chief Financial Officer



4.8_{bn}
Net Loan (KD)

267.8_{mn}
Revenue (KD)

46.5_{mn}
Net Income (KD)

6_{fls}
Dividend Per Share (DPS)

In 2025, Burgan Bank Group navigated a complex operating environment shaped by evolving regional economic conditions and global uncertainties, including trade and geopolitical developments in the United States and other key markets. In Kuwait, positive sentiment around the economy was bolstered by sustained fiscal and structural reforms, including the passage of the Debt Law, the Domestic Minimum Top-Up Tax, and progress on the proposed mortgage law, as well as other government initiatives supporting growth and financial sector stability. As global and regional interest rates eased during the year, liquidity conditions improved, creating a more supportive environment for credit expansion, even as margin pressures persisted.

Against this backdrop, the Group delivered robust operating results, marked by well-managed asset growth, a stable bottom line, diversified revenue streams, disciplined cost management, and prudent asset quality, reflecting the strength and resilience of Burgan's business model in a dynamic environment.

Steady Earnings and Operational Resilience

For the year ended 31 December 2025, the Group delivered solid financial performance, with revenues increasing to KD 267.8mn, representing a 17% y-o-y growth. This performance was underpinned by broad-based expansion across both interest and non-interest income streams, reflecting the continued execution of the Group's diversification and growth strategy.

Net interest income increased by 13% y-o-y to KD 177.9mn, supported by sustained growth in the lending portfolio and stable net interest margins of 2.3%. Non-interest income grew by 25% y-o-y to KD 89.9mn, driven by higher fee and security gains as well as the successful integration of UGB, including Kamco Invest. As a result, the Group's revenue mix continued to diversify, enhancing earnings quality and reducing reliance on interest-based income.

In parallel with these growth initiatives, the Group continued to invest in its long-term capabilities, including talent development, digital transformation, IT infrastructure, and other technology-driven initiatives. These strategic investments, together with the full consolidation of UGB, resulted in higher operating costs. Cost pressures were particularly evident in certain international operations, most notably in Turkey, where persistent hyperinflationary conditions continued to expand the cost base.

Despite these pressures, operating profit increased by 6% year-on-year to KD 104.7mn, as strong revenue base outweighed higher operating expenses. Credit costs (net of recoveries) remained low at approximately 60bps, reflecting the quality of the credit portfolio and disciplined risk

management. Hyperinflation-related losses under IAS 29 declined to KD 17.4mn from KD 24.1mn in 2024, reflecting a gradually improving inflationary environment and favorable macroeconomic conditions in Turkey.

As a result, net income (BB's share) remained stable at KD 46.5mn, demonstrating a resilient and consistent earnings profile despite operational challenges in certain international markets. This performance underscores the Group's ability to sustain profitability in a dynamic and complex operating environment. Burgan's returns remained stable, with return on assets and return on equity broadly unchanged from 2024, further reinforcing the underlying strength and resilience of the Group's operations.

Enduring Balance Sheet Strength across Asset Quality, Capital, and Liquidity

The Group's balance sheet remained strong throughout 2025. Total assets grew by 12% y-o-y to KD 9.1bn, supported by broad-based franchise growth, with Kuwait contributing the largest share while other markets also recorded healthy growth. Loans and advances increased by 8% y-o-y to KD 4.8bn, reflecting expansion across key segments, sectors, and geographies.

Asset quality remained healthy, underpinned by a prudent approach to risk. Non-performing loan (NPL) Ratio remained stable at 1.9%. Net NPLs, after accounting for collateral, stood at just 0.4%, highlighting the low-risk profile of the portfolio. Provision coverage (excluding collateral) remained prudent at 161% and buffers against expected credit losses (ECL) remained at KD 75.3mn, reflecting a healthy and well-managed credit position.

Customer deposits grew by 11% y-o-y to KD 5.5bn, supported by diversified growth across geographies and business lines. The deposit mix remained strong, with CASA balances maintained at nearly 27%, supporting both liquidity and low-cost funding. Growing deposits reinforces Burgan Bank's ability to access regional and international liquidity efficiently.

Liquidity remained robust, with a Liquidity Coverage Ratio of 186% and a Net Stable Funding Ratio of 112%, well above the regulatory minimum of 100%. The regulatory loan-to-deposit ratio stood at 78%, comfortably below the maximum limit of 90%.

The Group's capital position remained solid, with a Basel III Common Equity Tier 1 (CET1) ratio of 11.2%, a Tier 1 Capital Ratio of 13.3%, and a total Capital Adequacy Ratio (CAR) of 16.8%, all well above the regulatory minimums of 10.5%, 12.0%, and 14.0%, respectively, providing a healthy capital buffer to support growth and strategic initiatives.

Group Chief Financial Officer's Review



Throughout 2025, Burgan maintained its strong credit ratings and demonstrated solid balance sheet fundamentals, providing a robust platform to drive growth and deliver sustainable shareholder returns, with Kuwait at the heart of our growth and supported by a broad regional footprint.

In November 2025, the Bank increased its authorised capital by KD 200mn to KD 600mn, following approval from the Extraordinary General Assembly. This strategic decision strengthens financial flexibility, supports future growth initiatives, and ensures ongoing compliance with regulatory capital requirements.

Well Diversified Operations with Focus on Kuwait

Kuwait remains Burgan Bank's core market and primary earnings engine, complemented by a well-diversified international footprint. As at 31 December 2025, Kuwait operations generated revenues of KD 113.3mn and net income of KD 37.7mn, representing 42% of total Group revenues and 77% of net income (before consolidation adjustments), respectively. International operations contributed the remaining 58% of revenues and 23% of net income (before consolidation adjustments), providing meaningful diversification to the Group's earnings base.

Kuwait operations remained the Group's core market, accounting for 72% of total assets (before consolidation adjustments) and 76% of total loans, with assets growing by 6% y-o-y, supported by 4% growth in net loans. Performance in the domestic market remained robust, driven by high non-interest income and an improved cross-sell ratio of 38%. Operating efficiency continued to improve, with the cost-to-income ratio declining by 511bps to 57%, while cost of credit (adjusted for recoveries) remained low. Asset quality remained sound, with a gross NPL ratio of 2.0% and a net NPL ratio, after collateral, of just 0.4%, supported by healthy NPL coverage (excluding collateral) of 147%.

International operations continued to complement the Group's domestic performance, contributing 28% of total assets and 24% of total loans (before consolidation adjustments), while generating revenues of KD 156.8mn and

net income of KD 11.2mn. Performance in these markets remained broadly stable, supported by improving operating conditions, disciplined growth, and prudent risk management. International operations also provided additional fee income, enhanced geographic diversification, and reinforced the Group's access to regional and international liquidity.

Successful Return to the International Debt Market

In line with the Group's strategy to diversify funding sources and strengthen its balance sheet, Burgan Bank successfully issued a USD 500mn five-year senior unsecured bond with a fixed coupon of 4.875%, representing an attractive spread of 115 basis points over US Treasuries. The transaction attracted prominent and geographically diversified investor participation - 30% from the Middle East, 29% from the UK and Europe, 38% from Asia, and 3% from the US - underscoring robust investor confidence in Burgan Bank's performance and balanced growth strategy.

This issuance further enhances the Bank's liquidity profile, broadens its funding base, and positions us to support growth across Kuwait and regional markets, in line with our long-term strategic objectives. The significant participation from a diversified international investor base also reinforces Burgan Bank's growing global presence and credibility.

UGB's Acquisition and Integration Strengthening Revenue Diversification

The acquisition of UGB, including its 60% stake in Kamco Invest, was successfully completed in February 2025. This strategic transaction materially strengthened the Group's earnings profile, contributing 27% to non-interest income (before consolidation adjustments) and providing asset-light, capital-efficient revenue streams. UGB's investment-focused business model further diversified the Group's revenue base, increased the contribution of fee-based income, and enhanced overall earnings quality.

Integration efforts progressed well during the year, with a focus on strategic alignment, cross-platform opportunities, and the realisation of synergies. These synergies leveraged Burgan Bank's private and retail banking operations in Kuwait, alongside its investment and treasury businesses, enhancing client solutions and broadening the Group's revenue base.

Most importantly, UGB was rejuvenated as a standalone platform, including the initiation of Islamic lending activities on a standalone basis. This development ensures operational efficiency, strengthens strategic flexibility, and provides a scalable foundation for future growth. The UGB Board was reconstituted to strengthen oversight and strategic direction, while Burgan Bank injected USD 80mn of fresh capital and

retired USD 33mn of AT1 instruments. Funding was optimised by replacing expensive third-party financing with Burgan Bank funding and new facilities from local Bahrain financial institutions at competitive rates, further improving the subsidiary's financial profile.

Burgan Maintained Investment Grade Credit Ratings

Throughout 2025, Burgan Bank maintained a solid credit profile, reflected in its strong ratings across all major agencies. Fitch affirmed the Group's long-term issuer default rating at "A" with a stable outlook, Moody's maintained the long-term deposit rating at "Baa1" with a stable outlook, S&P confirmed its long-term issuer default rating at "BBB+" with a stable outlook, and Capital Intelligence retained the long-term foreign currency rating at "A+" with a stable outlook.

Burgan Bank Turkey, upgraded by Fitch in 2024, maintained its long-term foreign- and local-currency IDRs at 'BB-' with a stable outlook throughout 2025, aligning with Turkey's sovereign rating. These ratings underscore the strength and regional stability of the Group's credit profile.

Proposed Dividends and Bonus Shares

Reflecting the Group's impressive financial performance and capital position, the Board recommended the distribution of a cash dividend of 6 fils per share, together with a 5% bonus share distribution, subject to shareholder approval at the Annual General Meeting.

Digital Innovation for Investor Engagement

As part of its ongoing digital transformation, Burgan Bank launched a new Investor Relations mobile application, available on both iOS and Android. While the Bank has undertaken multiple digital initiatives across its operations, this app is particularly significant as it directly connects with investors and stakeholders. The platform enhances transparency and engagement by providing secure, real-time access to financial disclosures, reports, presentations, performance metrics, and share price information. This user-friendly application demonstrates Burgan Bank's commitment to leveraging technology to strengthen investor communication and support informed decision-making.

Strategically Positioned for Future Growth in 2026 & Beyond

Kuwait's economy remains on a robust growth trajectory, supported by sustained macroeconomic momentum, structural reforms, and sector-specific initiatives. These factors provide solid tailwinds and underpin our confidence in a

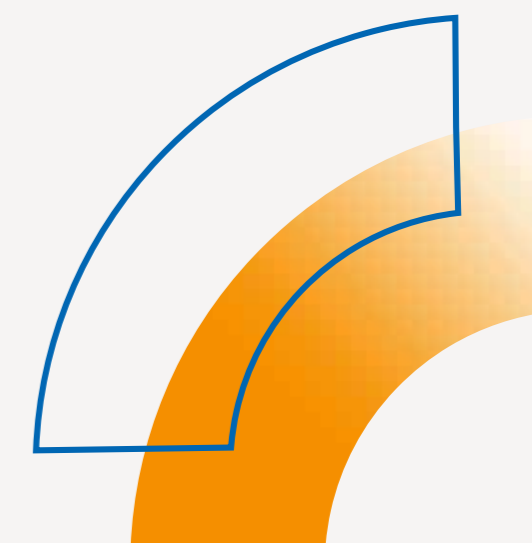
positive operating environment for 2026 and beyond.

We remain confident that the disciplined execution of our strategy, together with the Group's strong balance sheet and diversified business model, will continue to generate sustainable value for our shareholders. Burgan Bank's unique position as a leading Kuwaiti bank, combined with its presence in key regional markets and its pivotal role in facilitating international trade corridors, provides a compelling platform to drive future growth and achieve our return objectives.

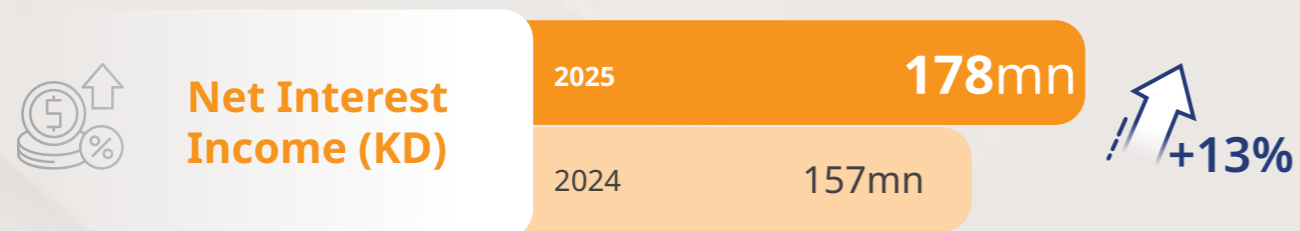
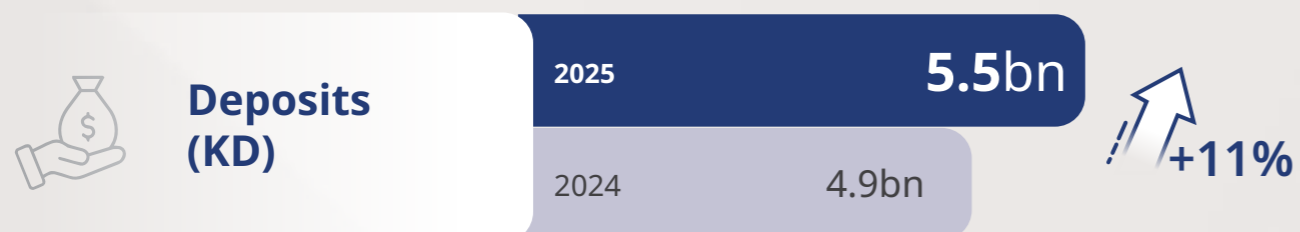
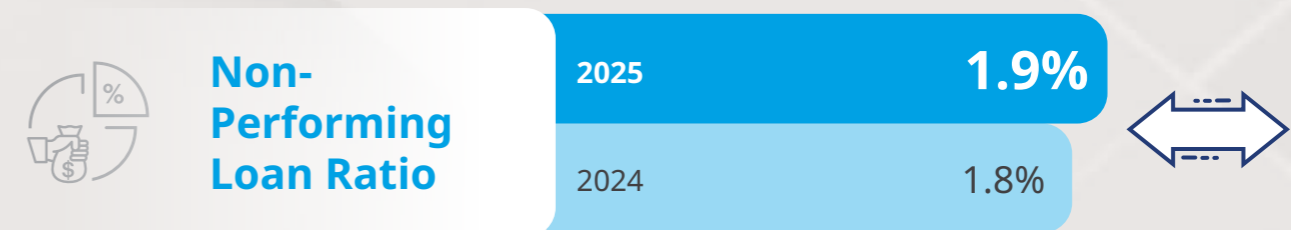
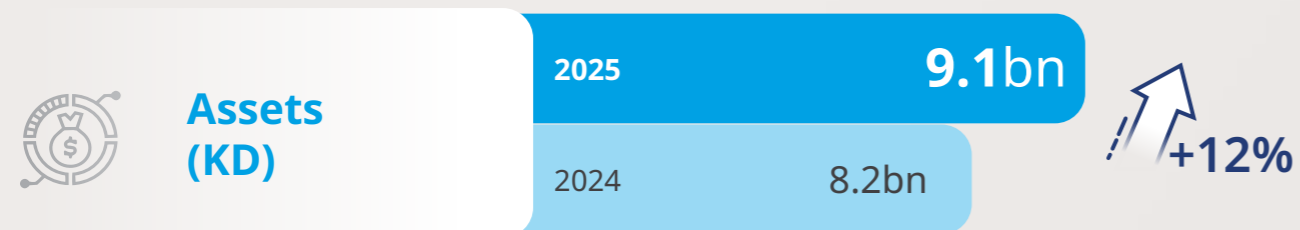
Looking ahead, we are focused on building a capable and resilient "Bank of the Future" — one with solid financial and operational foundations capable of delivering sustainable value to all stakeholders and thriving in a highly competitive and dynamic banking landscape.



We are committed to developing a forward-looking and flexible innovative banking platform, underpinned by robust foundations, advanced solutions, and a broad regional presence to drive lasting value for our stakeholders.



Key Performance Indicators



Accelerating momentum in asset growth, driving significant revenue growth, leveraging cross-sell opportunities, with strong asset quality, liquidity, and capital.

Going ahead, focus will remain on Kuwait, expanding asset-light revenue streams, and driving efficiency to deliver strong shareholder value.

Sustainability Strategy Review

OUR APPROACH TO SUSTAINABILITY



ESG Vision

To be a responsible banking institution that supports building a better future for our stakeholders, people and communities.

ESG Mission

To focus on financing responsibly, achieving positive community impact, endorsing ethical practices and transparency and minimising environmental impact.

ESG Governance

- Established ESG Framework, Roadmap, and Policy
- Established Management ESG Committee for governance
- Updated Board Charter to oversee ESG matters
- Reporting aligned with global sustainability standards since 2019

ESG Ratings

BB	33.0	32.8
MSCI 	S&P Global	SUSTAINALYTICS 



FTSE4Good

Burgan Bank is included in the FTSE4Good Index, reflecting its ESG leadership and commitment to global sustainability standards.



STRATEGIC REVIEW

Sustainability Strategy Review

The Bank recognises that effective management of ESG risks and embedding responsible banking is integral to sustaining long-term value creation and ensuring financial resilience. ESG considerations are systematically embedded into the Bank's governance, strategy, risk management, and operational practices, with a focus on climate-related risks and opportunities, resource efficiency, and environmental stewardship.

Environment

Carbon Emissions and Decarbonisation

Burgan Bank made meaningful progress in measuring and mitigating its environmental footprint during the year with the comprehensive inventorisation of Greenhouse Gas (GHG) emissions. This cross-functional initiative successfully mapped Scope 1, Scope 2, and Scope 3 emissions. The Bank enhanced data coverage for Scope 1 & 2 emissions and expanded its analysis of Scope 3 emissions to include financed emissions arising from lending and investment activities. Currently, approximately 40% of the lending portfolio meets the required data standards for emissions calculations, with ongoing initiatives underway to further expand coverage.

In alignment with Kuwait's national Net Zero by 2060 ambition, Burgan Bank has developed a Decarbonisation Strategy and the Bank intends to establish emission-reduction targets, aligned with regulatory expectations and strategic objectives.

Climate Risk Management

Climate-related risks are integrated within the Bank's core risk management framework and considered along with other material financial risks. The Bank assesses key transition risks such as regulatory development, market shifts as well as physical risks which may arise from acute or chronic climate events impacting operations, customers and counterparties. Further, climate-related scenario analysis has been developed to assess portfolio resilience under different transition pathways.

The Bank incorporates climate considerations into credit assessments with the implementation of ESG Risk Assessment Matrix for clients over the KD 10mn threshold. In 2025, clients representing KD 2.0bn in exposure were assessed,



Electric Vehicle chargers at select Burgan locations

which cover approximately 69% of the total portfolio by value, demonstrating a proactive and structured approach to managing climate-related financial risks.

Operational Environmental Performance

The Bank has continued to implement practical environmental initiatives to reduce its environmental footprint and improve resource efficiency. Burgan headquarters achieved LEED Gold certification for Operations & Maintenance as a validation of meeting stringent international benchmarks for sustainable building operations. It reflects the Bank's efforts to reduce its overall environmental impact through sustainable practices. Key initiatives include energy-efficiency upgrades, installation of Electric Vehicle chargers at select Burgan locations, and sustainable procurement policies for IT equipment. The Bank also significantly improved its waste management capacity, recycling 91 MT of waste in 2025 (increased from only 5 MT in 2024). This was primarily on account of a drive to shred and recycle all old files and papers no longer needed as per the Bank's retention policy.

Responsible Financing

SMEs remain a critical part of Kuwait's economic diversification and employment strategy. The Bank continues to play an active role in enabling their success with financing to SMEs amounting to 2.6% of the total corporate lending portfolio in Kuwait. Burgan Bank also played a key role in supporting Kuwait's economic growth through continued financing of sustainability related projects, evidenced by KD 23.5mn of project financing in 2025.

In 2025, we participated in an ESG-linked facility for QNB Turkey with a total size of USD 135.025 million, contributing USD 8.75 million (matured in Dec 2025) reflecting our continued commitment to responsible and sustainable lending practices.

Social

The social pillar of Burgan Bank's ESG agenda is centred on its customers, employees, and communities. Through targeted initiatives and responsible business practices, the Bank seeks to create positive and lasting social impact while supporting national priorities and Sustainable Development Goals.

Human Capital

Employee engagement and well-being remain central to Burgan Bank's people strategy. During the year, the Bank maintained its Great Place to Work® certification, supported by a strong employee engagement participation rate of 81%. Continued investment in talent development was complemented by leadership development initiatives and enhanced work-life balance practices, including reduced working hours and the introduction of self-care leave. These initiatives reflect the Bank's ongoing commitment to fostering a healthy, supportive, and high-performing workplace.

Diversity and inclusion are integral to the Bank's governance and people practices. The workforce comprises 83.8% Kuwaiti nationals and 44.5% female representation. Women's empowerment initiatives - including Lean In Circles, Academy X, wellness programmes, and targeted training - continued to support inclusion and career progression. Burgan Bank also participated in a forum celebrating Kuwait Women's Day titled "Strategies to Empower Kuwaiti Women in Accordance with the Fifth Goal of the Sustainable Development Goals (SDG 5)". Employees received specialised training to better serve customers with special needs, reinforcing inclusive service delivery across all customer touchpoints.



Customers

Burgan Bank remains focused on enhancing customer experience through digital innovation and service excellence. The Bank maintains robust consumer financial protection measures, supported by comprehensive product disclosure standards, effective customer complaint-handling mechanisms, and clearly defined grievance channels. Loan modification options are available to assist customers facing financial difficulties, ensuring fair, responsible, and transparent customer treatment.

Communities

Burgan Bank organised a year-long series of community initiatives as part of its Corporate Social Responsibility (CSR) programme, contributing to health, education, youth empowerment, and environmental awareness.

Financial inclusion continued to be a strategic priority, driven through the Diraya campaign and a range of financial education and awareness initiatives. Burgan Bank upheld its commitment to banking awareness by engaging directly with community members during events, distributing educational brochures, and extending outreach through its social media platforms. Digitalisation served as a key enabler, the digitisation of branch processes improving customer experience and operational efficiency, while contributing to reduced paper consumption.

Health

In line with Kuwait Vision 2035, Burgan Bank continued to support the health and wellness of community through a range of targeted initiatives. The Bank launched a comprehensive breast cancer awareness campaign for employees and the wider community, including illuminating its Head Office building in pink as a symbol of solidarity with breast cancer fighters and survivors. Educational workshops were organised to promote healthy habits, early detection, self-screening, and awareness of treatment protocols.



STRATEGIC REVIEW

Sustainability Strategy Review



The “Tree of Hope” initiative provided free screening services at a mobile clinic and, in line with the Bank’s commitment to inclusivity and equity, extended access to contracted female workers and cleaning staff. Burgan Bank also offered free annual mammogram screenings to all female employees and extended this benefit to the wives of male employees.

The Bank actively participated in the global “Movember” movement, raising awareness of men’s health issues, including prostate cancer and diabetes. On World Diabetes Day, Burgan Bank organised a diabetes awareness initiative in cooperation with Kuwait Hospital, offering free medical and nutritional consultations to encourage healthier lifestyle choices.

In addition, the Bank promoted the importance of regular blood donation by organising its annual blood drive at headquarters for employees and their families, reinforcing a culture of giving back. As part of its commitment to mental well-being, Burgan Bank collaborated with Anara to deliver an Emotional Aid workshop led by a licensed neuropsychologist, equipping selected employees to serve as Emotional Wellness Champions within the organisation.

Community Engagement and Cultural Initiatives

During Ramadan, Burgan Bank conducted a series of initiatives under the “Teach Them Young” campaign, aimed at instilling core cultural values and celebrating national identity.



In partnership with the Kuwait Food Bank, Burgan Bank distributed iftar meals across various neighbourhoods and encouraged employees’ children to volunteer, fostering social responsibility from a young age. Surplus food from the Bank’s Ramadan Ghabga was also distributed to underprivileged families and workers in full compliance with health and safety protocols.

In support of arts and culture, Burgan Bank concluded its sponsorship of Dar Al-Athar Al-Islamiyyah’s (DAI) ninth annual Fall Festival, which welcomed more than 1,000 visitors and featured live performances, workshops, and family-oriented activities.



Health and Wellness

Burgan Bank continues to champion health, fitness, and well-being through strategic partnerships and community initiatives that encourage healthier lifestyles. By supporting programs and platforms dedicated to wellness, the Bank aims to inspire individuals and families to embrace more active and balanced ways of living.

In 2025, the Bank reinforced its commitment to community well-being by serving as the Platinum Sponsor of NAWI, Kuwait’s annual health, fitness, and wellness expo. Through this partnership, Burgan Bank supported efforts to raise awareness around physical well-being, nutrition, and healthy lifestyle choices.

For the second consecutive year, Burgan Bank also supported “The Workout 2,” a community-focused fitness initiative held during the holy month of Ramadan. The program provided participants with an engaging environment to stay active and maintain healthy routines during the fasting period, guided by certified fitness coaches and wellness professionals.



Governance

Burgan Bank’s governance framework is designed to promote accountability, ethical conduct, and long-term value creation. In 2025, a comprehensive Bribery and Anti-corruption Policy was developed to ensure that the Bank comprehensively covers all aspects of anti-bribery and corruption controls and compliance standards.

To strengthen accountability, ESG key performance indicators were incorporated into the performance scorecards of Executive Management. This strategic move links executive remuneration to the achievement of tangible sustainability outcomes. Furthermore, in 2025, an internal audit assessing conduct, culture, and ethics was concluded with a “satisfactory” rating, complemented by the establishment of ESG-related Key Risk Indicators (KRIs) to enhance oversight and monitoring.

The Bank maintains rigorous data security and privacy protocols in compliance with CBK cybersecurity Framework as well as international standards including ISO/IEC 27001, 27701, and 20000-1 certifications for Information Security and Privacy Management. A comprehensive data breach management protocol is in place to ensure incident response mechanisms, while stringent vendor management policies ensure that all third-party partners adhere to the Bank’s mandated security levels.

To maintain operational resilience, the Bank has conducted multiple vulnerability assessments, penetration tests, and crisis simulations throughout 2025. These measures are supported by training and awareness programs designed to embed a culture of data privacy and security adherence across all organisational levels.

Burgan received the ISO 22301:2019 certification this year, validating the Bank’s forward-thinking risk management and mitigation strategies to ensure business continuity during times of disruption as per best international practices.



Going Forward: ESG Road Ahead

Looking ahead, Burgan Bank has defined a clear and ambitious roadmap to further strengthen its ESG performance and embed sustainability across its operations. Key initiatives currently underway include the pursuit of ISO 14001 certification, with the objective of achieving certification for the Bank’s Environmental Management System by the first quarter of 2026.

In parallel, the Bank is assessing a range of additional initiatives to further advance its ESG and sustainable finance agenda. These include the potential launch of retail green loan products for housing and automotive financing, the exploration of green bond issuance, and expanding the integration of ESG criteria into credit risk assessment and lending decision-making processes.

On the environmental front, future priorities include the setting of emissions reduction targets, increased use of renewable energy across facilities, enhanced waste management and recycling programmes, and the expansion of paperless and digital banking solutions to reduce the Bank’s environmental footprint.

From a social perspective, Burgan Bank aims to further strengthen human capital development through expanded leadership and skills development programmes, enhanced diversity and inclusion targets, and continued investment in employee well-being and mental health initiatives. The Bank also plans to broaden financial inclusion efforts through tailored products, financial literacy programmes, and greater outreach to underserved segments of the community.

On the governance side, Burgan Bank will continue to enhance ESG oversight and accountability through strengthened Board and management-level governance structures, improved ESG data collection and reporting capabilities, and greater alignment with leading international frameworks and disclosure standards.

Collectively, these initiatives underscore Burgan Bank’s commitment to responsible banking, sustainable growth, and long-term value creation for all stakeholders.

Talent and Culture



Burgan Bank is committed to being a trusted employer, a responsible corporate citizen, and a leader in human capital excellence. In 2025, the Bank made meaningful progress in strengthening national talent development, accelerating leadership readiness, enhancing employee experience, and embedding a culture of transparency, inclusion, and well-being across the organisation.

Organisational Culture Transformation

Burgan Bank's people philosophy is centred on developing our workforce in alignment with our vision to be the most progressive bank in Kuwait - driven by our employees, customers, and community.

To promote inclusivity and organisational alignment, pulse surveys were conducted in partnership with Great Place to Work® (GPTW) and outcomes shared with management and employees for development of tailored departmental action plans.

Burgan Bank launched the Value-Based Academy, to deliver training programmes and workshops to enable employees to actively practice the Bank's core values of Ownership, Teamwork, Transparency, and Progressiveness.

A strategy engagement event was held bringing employees together with senior leaders for an interactive discussion on the Bank's strategic priorities and progress.

Burgan Talk - Season 2, the Bank's internal podcast series, was also launched serving as a dynamic platform for dialogue and learning strengthening cultural connectivity across the organisation.

National Workforce Development

The Bank continued to demonstrate one of the strongest Kuwaitisation performances in the banking sector with a Kuwaitisation of 83.8% consistently surpassing the Central Bank of Kuwait (CBK) mandated threshold of 70%. Our investment in national talent continues to strengthen our leadership structure with Kuwaiti nationals representing 80% of our senior roles and 76% of our middle management roles.

During 2025, Burgan Bank achieved exceptional results in national recruitment, with Kuwaiti nationals accounting for 94% of total hires complemented by internal mobility for staffing of 34 roles.

The Bank continued to empower national talent through structured career progression, with approximately 80% promotions in 2025 awarded to Kuwaiti employees with 15% of these promotions for advancement to middle management roles. Burgan developed a Local Talent Market Mapping Booklet to enhance leadership readiness, for middle management positions, contributing to 85.3% of Kuwaiti hires.

Our achievements were recognised by the Public Authority of Manpower for outstanding achievements in Kuwaitisation and job localisation. The Bank was further honoured at the 21st Award Ceremony for Outstanding Companies in the GCC Labour Market, reflecting its consistent and long-standing commitment to national workforce development.

The Bank strengthened its national talent pipeline through active engagement in multiple career fairs, including Watheefi, AUK, GUST, KTECH, and AUM, and collaboration with the Public Authority for the Disabled to promote inclusive employment opportunities. A partnership with the American University of Kuwait was also agreed to access alumni talent for future employment opportunities.

These initiatives position Burgan Bank as a leading national employer fully aligned with CBK expectations and Kuwait's long-term workforce development agenda.

83.8%

Kuwaitisation

Building Talent Capability for Today and Tomorrow

Burgan Bank remains steadfast in its commitment to long-term organisational growth and leadership continuity. The Bank's flagship Ro'ya programme remains a cornerstone of our talent strategy, designed to develop future leaders across four structured tracks: Future Leaders, Rising Leaders, Transformational Leaders, and Visionary Leaders. Building on this foundation, Burgan continues to equip its leadership talent with future-ready capabilities through executive education programmes delivered under the CBK-led KAFAA initiative, as well as collaborations with KFAS and leading global institutions, including Harvard Business School, INSEAD, Cambridge Judge Business School, and HEC Paris.

To further strengthen leadership capability, Burgan expanded its executive coaching offerings through the launch of the Coaching Hub 2025, a dedicated platform providing structured coaching engagements where 11 leaders actively participated in the curated sessions in 2025.

98,343

Total Training Hours
(including contracted employees)

In 2025, Burgan delivered an average of 65 hours per employee of training reinforcing its strategic shift toward role-based, outcome-driven learning while ensuring a robust pipeline of skilled professionals capable of advancing the Bank's long-term vision. Burgan intensified its focus on leadership and capability building through initiatives such as The Role of Leadership in Change and Elevate, a leadership development programme for middle management; the Customer Experience Journey programme for frontline employees; and the Change Management Academy for line managers to



STRATEGIC REVIEW Talent and Culture

support organisational transformation. In addition, the Bank introduced the Data Champion Programme in collaboration with CODED Academy, along with Digital and AI Readiness workshops. The Retail Academy was launched to strengthen retail banking capabilities and elevate overall performance.

The Bank received international recognition with the Brandon Hall Gold Award of Excellence for Best Learning Strategy, underscoring our innovative and impactful approach to workforce development for a future-ready organisation.

Diversity, Equity, and Inclusion

Fostering diversity and a work culture of equity and inclusivity is at the core of the Bank's sustainable growth strategy. Adopting the Human Rights framework, ensuring respect, equal opportunity, and meaningful participation across the workforce is integral to our organisational culture. In 2025, we advanced these principles through initiatives promoting gender balance, accessibility, youth engagement, and generational diversity.

Burgan actively supports women through opportunities for skill development, career progression, and financial independence, empowering them to grow on a personal level, support their families, and positively impact the wider economy. Initiatives such as Academy X in partnership with CODED, Lean-In Circles and Burgan Women's Day are aligned with the principles of KWEEN – Kuwait Women's Economic Empowerment program, to which Burgan is a signatory.

Equal access to development, succession planning, and recognition platforms remains a priority supported by equal benefits, flexible working hours, and work-life balance.

Accessibility for people with disabilities was enhanced through workplace adjustments and sign language training, supplemented with participation in the national Employment Forum to support inclusive hiring. The Bank actively participated in national career fairs and recognised Kuwait's Class of 2025 top graduates to champion young talent.

44.5%
Female Employees



Performance & Recognition

Burgan continued to strengthen its performance management framework, aligned with the Bank's strategic priorities and cultural transformation. Key Performance Indicators for senior management were introduced to drive ESG implementation, employee engagement, and Kuwaitisation goals.

With our Total Rewards strategy, Burgan maintained a transparent approach to bonus and salary review cycles, earning the highest positive employee feedback in the Great Place to Work survey which underscores our dedication to fairness and clarity in compensation practices.

Employee Engagement & Well-Being

Burgan Bank remains committed to fostering a connected, caring, and engaged workplace that supports employee well-being. A range of cultural and community-focused initiatives were delivered to promote inclusion, collaboration, and social connection.

Employee recognition remained a key focus through the Burgan Beacon Programme, which celebrates individual and team achievements. Engagement was further strengthened with activities like Bring Your Kids to Work Day and the High School and Burgan Cares Graduation Ceremony.

In the spirit of enhancing employee well-being, employee benefits now include self-care leave days and a reduction in working hours.

Innovative communication and learning platforms, including the "Engage & Retain – The Burgan Bank Story" podcast and Burgan Talk Podcast Season 2 further enhanced employee engagement. The "Values Unlocked" an augmented reality-based team building experience was introduced, an interactive and immersive way to reinforce core values.

Collectively, these initiatives reflect the Bank's continued commitment to employee engagement, well-being, and a strong, value-driven organisational culture.

Digital Transformation

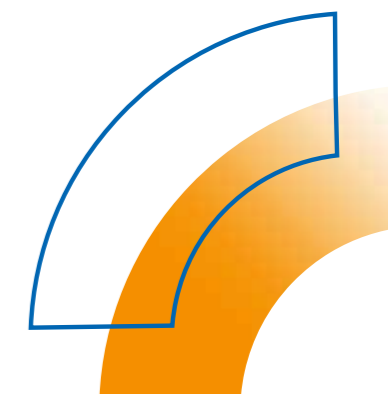
Burgan Bank continues to advance its digital innovation, aligning with Kuwait's national vision and our commitment to creating a future-ready organisation.

In 2025, Burgan commenced the implementation of SAP SuccessFactors, a comprehensive HR Management system designed to automate HR processes and enable a data-driven approach to talent management. Upon completion, it will deliver faster, accurate and accessible digital HR services,



elevating employee experience. Burgan will also be integrating SAP's Business AI capabilities to support smarter decision-making and professional growth.

Beyond internal transformation, Burgan is actively contributing to Kuwait's digital future through a specialised training program for the Ministry of Interior to equip national talent with essential digital skills in line with New Kuwait Vision 2035.





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Burgan Bank Kuwait



Our performance in 2025 reflects more than financial results; it underscores the resilience of our business model, the trust of our clients, and the unwavering commitment of our people. Through disciplined growth, strategic expansion, and a steadfast focus on sustainability and excellence, we further strengthened our position as a leading financial institution in Kuwait.

Fadel Mahmoud Abdullah
Chief Executive Officer



113.3_{mn}
Revenue (KD)

48.6_{mn}
Operating Profit (KD)

6.9_{bn}
Total Assets (KD)

4.1_{bn}
Total Deposits (KD)

Burgan Bank Kuwait continues to be the anchor of the Group's performance, contributing 42% of revenues, 77% of net income, and 72% of total assets (before consolidation adjustments). In 2025, the Bank reinforced its leadership by strengthening core operations in Kuwait and expanding capabilities to unlock growth. Investments in talent, operational resilience, and digital innovation solidified Burgan Bank as a forward-looking institution delivering sustainable value.

Kuwait's Economic Environment

Kuwait's economy remained buoyant in 2025, supported by higher oil production, non-oil sector growth, and disciplined fiscal management. Structural reforms, including the Public Debt and DMTT laws, strengthened investor confidence, while progress in housing finance reforms is expected to improve mortgage access, support sustainable real estate growth, and reinforce Kuwait's position as a transparent, investor-friendly market.

Disciplined Growth and Sustainable Profitability

In 2025, Burgan Bank Kuwait delivered strong results, reflecting disciplined execution and operational resilience. Total revenues rose to KD 113.3mn, up 8% y-o-y, driven primarily by non-interest income, which increased 61% to KD 42.7mn, supported by fees, FX gains, and security gain, while net interest income remained resilient at KD 70.6mn. Operating expenses declined, improving the cost-to-income ratio by 511bps to 57%, and operating profit reached KD 48.6mn. With a low cost of credit at 27bps, net income (BB's share) stood at KD 37.7mn, underscoring the Bank's ability to achieve sustainable profitability in a dynamic interest rate environment.

The Bank's balance sheet strengthened in 2025, with total assets rising 6% y-o-y. Loans reached KD 3.7bn, and customer deposits grew to KD 4.1bn, underpinned by strong client confidence and a stable, low-cost funding base. Asset quality remained robust, with an NPL ratio of 2.0% and coverage (excluding collateral) of 147%, reflecting disciplined risk management and prudent provisioning.

Driving Growth, Diversification, and Innovation

In 2025, Burgan Bank strengthened its franchise by diversifying the corporate portfolio, expanding retail market share, and enhancing private banking and wealth management offerings. Liquidity and risk management frameworks were reinforced, while service quality, cross-selling, and client engagement continued to improve.

The Bank successfully issued a USD 500mn five-year senior unsecured bond and launched a Certificates of Deposit program, broadening funding sources and enhancing liquidity. Synergies from the UGB acquisition are already generating new

revenue opportunities across private banking, retail, and other segments.

Digital innovation remained a key focus, with ongoing TCS BaNCS™ core banking upgrades providing a scalable foundation for efficiency. Visa Click-to-Pay and SoftPOS by KNET were launched, a new Investor Relations app enhanced transparency, and SAP SuccessFactors strengthened talent management and workforce development.

Investing in Future-Ready National Talent

Human capital remains a strategic priority, with the Bank maintaining one of the highest Kuwaitisation rates and national talent forming most new hires. Programs such as Ro'ya, Entelaqah, and Coaching Hub 2025 fostered leadership, technical skills, and continuous learning. Partnerships with CODED Academy, the American University of Kuwait, and other institutions supported the next generation of Kuwaiti professionals, while the Data Champion Program and digital initiatives strengthened analytics capabilities and national digital capacity. Employee wellbeing, inclusivity, and development were further enhanced through targeted initiatives and executive education programs.

ESG Leadership and Sustainable Impact

A key highlight of the year was Burgan Bank's inclusion in the FTSE4Good Index, reflecting strong ESG practices. Environmentally, the Bank advanced decarbonisation, improved energy efficiency, promoted sustainable procurement, and integrated climate risk into credit decisions. Social and governance efforts focused on financial inclusion, customer protection, ESG-linked scorecards, ethical controls, and cyber resilience.

Recognition and Awards

Burgan Bank's performance and culture of excellence were widely recognized in 2025, including the MEED MENA Banking Excellence Award for Best Client Service, Great Place to Work® certification for the third consecutive year, the Brandon Hall Group Gold Award for Best Learning Strategy, Best-in-Class Premium Active Cards Growth, the J.P. Morgan Elite Quality Recognition Award, and national recognition for one of the highest local workforce ratios.

Outlook

Looking to 2026, Burgan Bank remains focused on building a robust, diversified, and financially strong institution. Supported by economic reforms, digital innovation, and commitment to sustainability and talent development, the Bank is well-positioned to capture growth, navigate market cycles, and deliver long-term value for shareholders and stakeholders.

Burgan Bank Turkey



In 2025, BBT navigated a challenging operating environment with resilience, maintaining strong asset quality, advancing digital innovation, and growing our balance sheet. While we faced short-term pressures, our disciplined approach, customer-focused initiatives, and strategic diversification position the Bank for sustainable, long-term growth and value creation for our shareholders.

Ali Murat Dinç
Chief Executive Officer



70.1mn
Revenue (KD)

15.4mn
Operating Profit (KD)

1.3bn
Total Assets (KD)

449mn
Total Deposits (KD)

In 2025, Burgan Bank Turkey remained a key contributor to the Group, accounting for 26% of revenues and 13% of total assets (before consolidation adjustments). The Bank faced a challenging operating environment, resulting in a net loss at the Group level. While macroeconomic and inflationary pressures began to ease, high funding costs and regulatory constraints continued to weigh on performance. Despite these challenges, BBT strengthened its balance sheet, maintained strong asset quality, and advanced digital initiatives, positioning the Bank for sustainable, long-term growth.

Turkey's Economic Environment

In 2025, Turkey remained in a transitional economic phase, with improving macroeconomic conditions alongside ongoing structural challenges. Tight monetary and fiscal policies supported disinflation and financial stability, while economic activity demonstrated resilience, driven by domestic demand and exports. Despite these positive trends, elevated financing costs and lingering inflationary pressures continued to affect the broader economy, underscoring the importance of sustained structural reforms to support long-term growth.

Resilient Balance Sheet Underpins Strategic Growth

In 2025, BBT's revenues remained broadly flat y-o-y, reflecting stable business dynamics amid a challenging environment. Despite steady core earnings, the Bank reported a net loss of KD 3.5mn (Burgan's share), compared with a net profit in the prior period. The decline in profitability was primarily driven by persistently higher operating expenses, reflecting inflation-linked cost pressures and incremental staff- and account-related expenses, partially offset by lower IAS 29 losses.

Balance sheet growth remained robust, with loans expanding year-on-year. Loan growth was supported by selective asset origination and disciplined risk pricing, contributing to revenue stability through higher volumes and a widening of net interest margins, which increased by 130bps. Deposit growth was supported by a resilient customer base and continued traction in low-cost funding sources.

Asset quality remained very strong, with the NPL ratio declining further to just 33 basis points, compared with 92 basis points in the prior year. These results reflect the Bank's disciplined risk management and focus on building sustainable, high-quality growth.

Driving Digital Innovation and Customer Growth

ON delivered strong growth in 2025, expanding its customer base by 42% to 1.5mn clients and capturing 5.4% (average market share) of new remote customer acquisitions, while

increasing its car loan market share to 7.4%. This performance was supported by loan and deposit volumes rising 159% and 7% year-on-year, respectively, with NPLs remaining contained below 2%.

Building on this momentum, the successful launch of the ON Credit Card - with leading features and distinctive innovations - further strengthened customer acquisition and engagement, achieving a 70% activation rate, well above the 45% industry average.

Driving Diversification and Creating Sustainable Value

Burgan Leasing sustained strong growth in 2025. The fleet business expanded by 35% to 5,500 vehicles, representing a market value of TRY 8.4bn and a market share of 2.2%.

BBT also expanded into new business segments, including "Burgan'da Faktoring," providing flexible, collateral-free financing to SMEs. Additionally, the Bank enhanced its digital loan ecosystem by embedding end-to-end insurance applications, offering customers a seamless and efficient solution for loans and insurance.

These initiatives underscore BBT's commitment to diversification, sustainable growth, and delivering long-term value across its financial services portfolio.

Demonstrating Resilience Through Credit Ratings

Fitch reaffirmed BBT's Long-Term Foreign Currency rating at BB-/stable in July 2025, highlighting the Bank's solid financial metrics, strong capital base, and prudent risk management. In January 2026, Fitch revised the outlook to Positive in view of continued improvement in Turkey's operating environment.

Recognition and Awards

ON Digital Bank continued to receive recognition for its innovation and service excellence, being named "Best Digital Bank in Turkey" by Global Brands in 2025 and earning the Stevie Bronze Award from International Business Standards. These accolades reflect the Bank's leadership in digital transformation and customer experience.

Outlook

In 2026, BBT will leverage its digital foundations to deliver a seamless, client-centric banking experience across all segments. Continued investments in digital banking, wealth management, and corporate platforms will drive efficiency, personalisation, and sustainable growth. With disciplined execution, innovation, and a focus on talent and ESG, BBT is well-positioned to navigate market cycles and create long-term shareholder value.

Algeria Gulf Bank



In 2025, AGB focused on resilience and progress marked by revenue growth, enhanced digital services and commitment to operational excellence.

Rabah Soukarieh
Chief Executive Officer



54.9_{mn}
Revenue (KD)

35.2_{mn}
Operating Profit (KD)

1.0_{bn}
Total Assets (KD)

854_{mn}
Total Deposits (KD)

Algeria Gulf Bank continues to be a key contributor to the Group's performance, accounting for approximately 20% of revenues, 21% of net income, and 11% of total assets (before consolidation adjustments). In 2025, AGB aligned closely with national priorities, advancing financial inclusion through strategic investments in digital solutions, tailored products, customer education, and targeted outreach campaigns. These initiatives have integrated more citizens into the formal financial system, reinforcing the strength and modernisation of Algeria's banking sector.

Algeria's Economic Environment

The macroeconomic environment in 2025 demonstrated stability amid ongoing structural reforms. Higher oil production, moderate non-oil sector growth, and prudent fiscal management provided a foundation for economic stability, while efforts to diversify the economy and improve the business climate strengthened investor confidence. Reforms in the financial sector, housing, and digitalisation, alongside modernised regulatory frameworks, contributed to a more transparent, inclusive, and competitive economy, paving the way for sustainable long-term growth.

Strong Growth and Sustainable Profitability

AGB delivered solid financial results in 2025, supported by the ongoing modernisation of the Algerian banking sector and government-led initiatives in electronic banking, payment systems, and digitalisation. Total revenue reached KD 54.9mn, up 22% y-o-y, while operating profit rose to KD 35.2mn, a 31% y-o-y increase, reflecting disciplined cost management and operational efficiency. Net income (BB's share) grew 30% to KD 10.5mn, highlighting the Bank's ability to generate sustainable profitability.

The balance sheet remained strong and well-positioned for growth, with total assets of KD 1.0bn, up 22% from 2024. Customer loans and deposits also showed healthy growth, reaching KD 459.1mn and KD 854.2mn, respectively, reflecting strong client confidence and business momentum. Capital and liquidity levels remained very strong, well above regulatory requirements, providing a solid foundation to support future opportunities. Asset quality continued to be robust, with a low non-performing loan ratio of 2.8% and provision coverage of 171%, demonstrating disciplined risk management. Serving 281k customers across 66 branches, AGB maintained broad market reach and an effective distribution model, reinforcing its readiness to capitalise on Algeria's ongoing economic transformation.

Enhancing Customer Experience

The Bank improved its customer experience through more flexible and convenient measures for Visa cardholders,

including zero Euro/USD deposit requirements, simplified income documentation for Classic and Prepaid cards, monthly communication of card limits, and the removal of online transaction limits within the payment ceiling. These enhancements demonstrate AGB's dedication to modern banking that aligns with evolving customer habits and digital expectations.

Advancing Digital Capabilities for Seamless Banking

AGB continued to strengthen its digital capabilities, delivering seamless and efficient banking experience. In 2025, the Bank launched AGBByPack for conventional banking and AGBByPack El Safa for Islamic banking, introduced key product enhancements such as e-KYC for Welcome AGB and contactless upgrades for the Sahla card, and rolled out FawriPay, a mobile payment solution leveraging QR codes to enable fast and secure transactions for merchants and customers. These initiatives reflect AGB's commitment to remain an agile, innovative, and customer-focused institution.

Corporate Social Responsibility and Community Engagement

AGB strengthened its social impact in 2025 through a wide range of initiatives. The Bank partnered with charities supporting underprivileged families during Ramadan, organised collective Iftars and support programs for disadvantaged children during Eid, and provided back-to-school aid through the Cartable program. AGB also promoted inclusive community and cultural initiatives that celebrate arts and heritage, supporting artists such as Chikh Abdelkrim Dali and Lila Borsali. Additionally, AGB promoted health awareness through breast cancer initiatives, including "Les Coussins du Cœur", complemented by sports and arts events, reflecting the Bank's commitment to community wellbeing and social responsibility.

Outlook

AGB enters 2026 from a position of strength, focused on consolidating its leadership in Algeria's private banking sector while pursuing sustainable growth. Key priorities include upgrading the AGB Online application, digitalising the consumer-credit process to accelerate response times, expanding tailored financing solutions for individuals and businesses, and enhancing both Islamic and conventional banking portfolios. Well-positioned to capitalise on ongoing economic transformation, technological innovation, and emerging market opportunities, AGB remains committed to delivering long-term value to shareholders, clients, and society.

Tunis International Bank



In 2025, TIB strengthened its financial resilience, advanced innovation and operational excellence, and upheld the highest standards of risk management, all while supporting our clients and communities - positioning the Bank for sustainable growth and strategic expansion across the region in the years ahead.

Sami Fezzani
Chief Executive Officer



9.2_{mn}
Revenue (KD)

6.8_{mn}
Operating Profit (KD)

168_{mn}
Total Assets (KD)

68_{mn}
Total Deposits (KD)

In 2025, Tunis International Bank made solid progress delivering stable financial results, enhancing its services, and supporting clients while reinforcing a foundation for sustainable growth. With the contribution of approximately 3% of revenues, 6% of net income, and 2% of total assets to the Group (before consolidation adjustments), TIB expanded its fixed income, corporate, and syndicated loan portfolios while maintaining disciplined risk management. These efforts generated lasting value and reinforced our reputation as a reliable banking partner in the region.

Tunisia's Economic Environment

Tunisia's economy showed encouraging signs of recovery, driven by growth in agriculture, construction, and tourism. Falling inflation and an easing of monetary policy supported domestic demand, even as fiscal and external vulnerabilities persisted. The banking sector continued to evolve, with reforms that enhanced oversight of non-performing loans, aligned practices with IFRS, and strengthened risk management frameworks. Together, these measures are creating a more transparent, resilient, and investment-ready financial environment, laying the foundation for sustainable sectoral growth.

Disciplined Growth and Resilient Profitability

In 2025, TIB delivered a solid performance, with revenue rising to KD 9.2mn (+13% y-o-y), driven by a strong contribution from non-interest income of KD 4.0mn (+100% y-o-y), primarily from dividends received from AGB. This offset softer net interest income of KD 5.1mn (-16% y-o-y) amid lower syndicated loan volumes and margins. The Bank generated a strong operating profit of KD 6.8mn and, supported by proactive risk management and provision reversals, reported net income of KD 3.0mn.

The balance sheet strengthened further, expanding by 17% y-o-y, supported by robust loan growth (including OFIs) to KD 63.4mn, while deposits remained stable at KD 68.5mn. Asset quality remained strong with no non-performing loans, reflecting the resilience of the lending portfolio. These results demonstrate TIB's ability to deliver sustainable growth while maintaining financial discipline and high asset quality.

Enhancing Digital and Operational Excellence

In 2025, TIB advanced its digital and operational capabilities to better serve clients and safeguard transactions. Multi-factor authentication was implemented across IT systems, and processes were redesigned to comply with Tunisia's updated checks regulation, enabling real-time verification and fund reservation. Cash management services were upgraded with client-focused functionalities, all aligned with

international security standards. These initiatives demonstrate TIB's commitment to innovation, operational excellence, and delivering a seamless, secure banking experience.

Elevating Risk Management and Compliance

TIB continued to strengthen its operational and compliance frameworks, conducting comprehensive AML/CFT training, customer due diligence workshops, and active engagement with the Tunisian banking community in preparation for the 2026 FATF review. Participation in industry working groups and adherence to international standards - including measures to prevent the financing of weapons of mass destruction - have reinforced a strong culture of risk awareness, regulatory compliance, and client protection. These efforts ensure that TIB remains a safe, trusted, and forward-looking institution.

Corporate Social Responsibility Initiatives

CSR remains at the heart of TIB's values. In 2025, the Bank translated this commitment into tangible social impact, supporting the renovation of a public healthcare facility to improve patient care, sponsoring the Tunis Marathon to promote health and community engagement, and organising internal Pink October breast cancer awareness sessions to support employee wellbeing. These initiatives reflect our ongoing dedication to social responsibility, sustainability, and the wellbeing of our communities and employees.

Recognition

TIB was selected as a leading contender for the Best International Banking Partner Tunisia 2025 award. This nomination underscores our commitment to excellence and our strong reputation within the banking industry.

Outlook

TIB remains focused on delivering top-tier customer service, enhancing our ability to generate strong results, and consistently exceeding client expectations. We are committed to optimising shareholder value through strategic growth, with a particular focus on supporting non-resident companies and subsidiaries of international groups. Our efforts will concentrate on providing innovative financing solutions and leveraging our expertise to facilitate their operations across North Africa, Europe, and the Middle East.

United Gulf Bank



2025 was a landmark year for UGB, as we completed our integration into Burgan Bank and successfully repositioned the Bank for the future. By building scale, efficiency, and capital flexibility, expanding our offerings, and leveraging our regional footprint, we have strengthened our platform and are well-positioned to deliver sustainable growth and long-term value for our clients, shareholders, and communities.

Hussain Lalani

Chief Executive Officer



22.7_{mn}
Revenue (KD)

2.8_{mn}
Operating Profit (KD)

242_{mn}
Total Assets (KD)

85_{mn}
Shareholder Equity (KD)

In 2025, Burgan Bank successfully completed the acquisition of United Gulf Bank, representing a key milestone in the Group's strategic growth. Headquartered in Bahrain, UGB is a wholesale bank with a strong regional presence and holds a 60% stake in Kamco Invest, one of Kuwait's leading investment houses with established Asset Management, Brokerage, and Investment Banking platforms. During the year, UGB advanced its strategic priorities while delivering stable financial results, contributing approximately 8% of Group revenues, 2% of net income, and 3% of total assets before consolidation adjustments.

Bahrain's Economic Environment

Bahrain's economy remained resilient in 2025, supported by fiscal stability, diversification initiatives, and steady non-oil sector growth. Ongoing financial and investment reforms strengthened investor confidence and reinforced Bahrain's position as a regional financial hub, providing a favorable environment for UGB's strategic initiatives.

Repositioning UGB and Harnessing Kamco Invest Synergies

Following the acquisition, UGB's Board was reconstituted with a clear mandate to rejuvenate the Bank's standalone platform, focusing on core banking and sustainable growth, with the Islamic window as a key enabler. The Board set strategic priorities, which the management team has begun executing, including the development of a Corporate and Private Banking financing portfolio, the establishment of a Treasury Investment Portfolio of Bahraini T-Bills, Sukuks, and Government Bonds, targeted regional investments, and leveraging the Group's GCC footprint to maximize market potential. Early progress was also made with the receipt of a Primary Dealer License, laying the groundwork for a Bahraini short-term fixed-income portfolio.

In parallel, synergies with Kamco Invest were initiated, as our teams work closely with Burgan's Kuwait operations on Private Banking, Retail Banking, Investment, and Treasury initiatives.

Strengthening Capital and Funding Position

UGB reinforced its capital position through an USD 80 mn equity infusion from Burgan Bank, providing a solid foundation to support future growth initiatives. High-cost AT1 capital was redeemed to enhance capital efficiency, and expensive third-party borrowings were refinanced, reducing annual interest expenses and improving overall profitability. Additional credit lines from Burgan Bank further ensured reliable funding and supported the Bank's growth trajectory.

Refined Execution, Disciplined Growth and Robust Profitability

UGB's 2025 performance reflected disciplined capital management, optimised funding, and a resilient balance sheet. Total revenue reached KD 22.7mn, primarily driven by non-interest income of KD 25.1mn, while net income (BB's share) stood at KD 1.2mn, demonstrating strong profitability. The Bank maintained a conservative lending approach, focusing on T-Bills, Sukuks, government bonds, and selective regional financial institution investments.

Digitalisation and Operational Excellence

UGB made significant progress in its digital transformation, highlighted by the successful rollout of the TCS core banking system—a major milestone that modernizes infrastructure and strengthens operational capabilities. The Bank also upgraded SWIFT operations, prepared the core banking platform for Sharia-compliant products, and reinforced cybersecurity through assessments, staff awareness programs, and strengthened governance, positioning UGB as a future-ready, technology-driven bank.

Strengthening Risk, Governance, and ESG

Robust risk management, strong governance, and sustainability remain core priorities for UGB. In 2025, we enhanced risk monitoring, reporting, and alignment with our risk appetite, while corporate governance was reinforced through a reconstituted Board and committees, including a dedicated ESG Committee. Compliance was strengthened via a group-wide Enterprise Risk Assessment and updated corporate policies, ensuring accountability and operational resilience. At the same time, we formalised an ESG framework, established a dedicated committee, and developed a project roadmap. Our first ESG Report highlighted key initiatives and performance metrics, demonstrating our commitment to responsible governance, sustainable practices, and positive community impact. Together, these measures create a disciplined, future-ready framework that supports sustainable growth and long-term stakeholder value.

Outlook

Looking ahead, UGB remains focused on disciplined growth and strategic expansion. Plans include a diversified asset portfolio across Bahraini T-Bills, Government Bonds, Corporate and Private Banking financing, Treasury operations, and regional financial institution investments. The Islamic window will continue to be a core focus, while cross-selling opportunities across the Burgan Group will be explored. These initiatives reflect our strategy of client-focused innovation, operational excellence, and leveraging the Group's regional footprint to maximize market potential.

Risk Management

RISK MANAGEMENT FRAMEWORK

Burgan Bank's Risk Management Framework is an intrinsic part of its operations and culture. It aligns fully with the Bank's vision to deliver value to stakeholders and to meet customer needs. Risk exposures are identified, evaluated and managed to ensure they remain within the Bank's risk appetite. The Bank has an independent Risk Management Group (RMG), headed by the Chief Risk Officer (CRO) who reports directly to the Board Risk Committee (BRC). The BRC, in turn, reports to the Board of Directors which holds ultimate responsibility for overseeing the execution of the Bank's business strategy, risk strategy and risk appetite.

The risk management team implemented several initiatives to upgrade its risk management & controls framework, integrating additional functions such as the Enterprise Risk Management Department, Financial Analysis Unit and Fraud Risk within Risk Management. The Bank consistently conducts programs and workshops to enhance and embed its risk culture among employees through regular business and control activities.



Risk Management

PRINCIPAL RISK AND MITIGANTS

Comprehensive risk management architecture encompassing the following main categories:

CREDIT RISKS

Definition Default risk of clients and counterparties.

- Mitigants**
- Robust counterparty risk assessment standards
 - Credit enhancements through availability and acceptability of collaterals
 - Continuous improvement in credit risk monitoring framework
 - Periodic collateral valuations and annual review/renewal of facilities
 - Periodic review and update of credit policies, procedures and handbook including suitable Climate-related lending guidelines

MARKET RISKS

Definition Interest rates, foreign exchange fluctuations, liquidity, asset price volatility and model risk.

- Mitigants**
- Variable interest rate transactions to minimize mismatches
 - Aligning the durations of interest-bearing assets and liabilities to the extent possible to reduce exposure to interest rate changes
 - Matching foreign currency assets with foreign currency liabilities to minimize the foreign exchange fluctuations
 - Establishing strong governance frameworks around model development, usage, and oversight ensures that models are properly managed and updated as required

ENTERPRISE RISK MANAGEMENT

Definition Structured approach is used to identify, assess and manage various risks that could impact on the Bank's ability to achieve its strategic objectives.

- Mitigants**
- Monitoring and reporting of Key Risk Indicators under the Risk Appetite Framework



NON-FINANCIAL RISKS

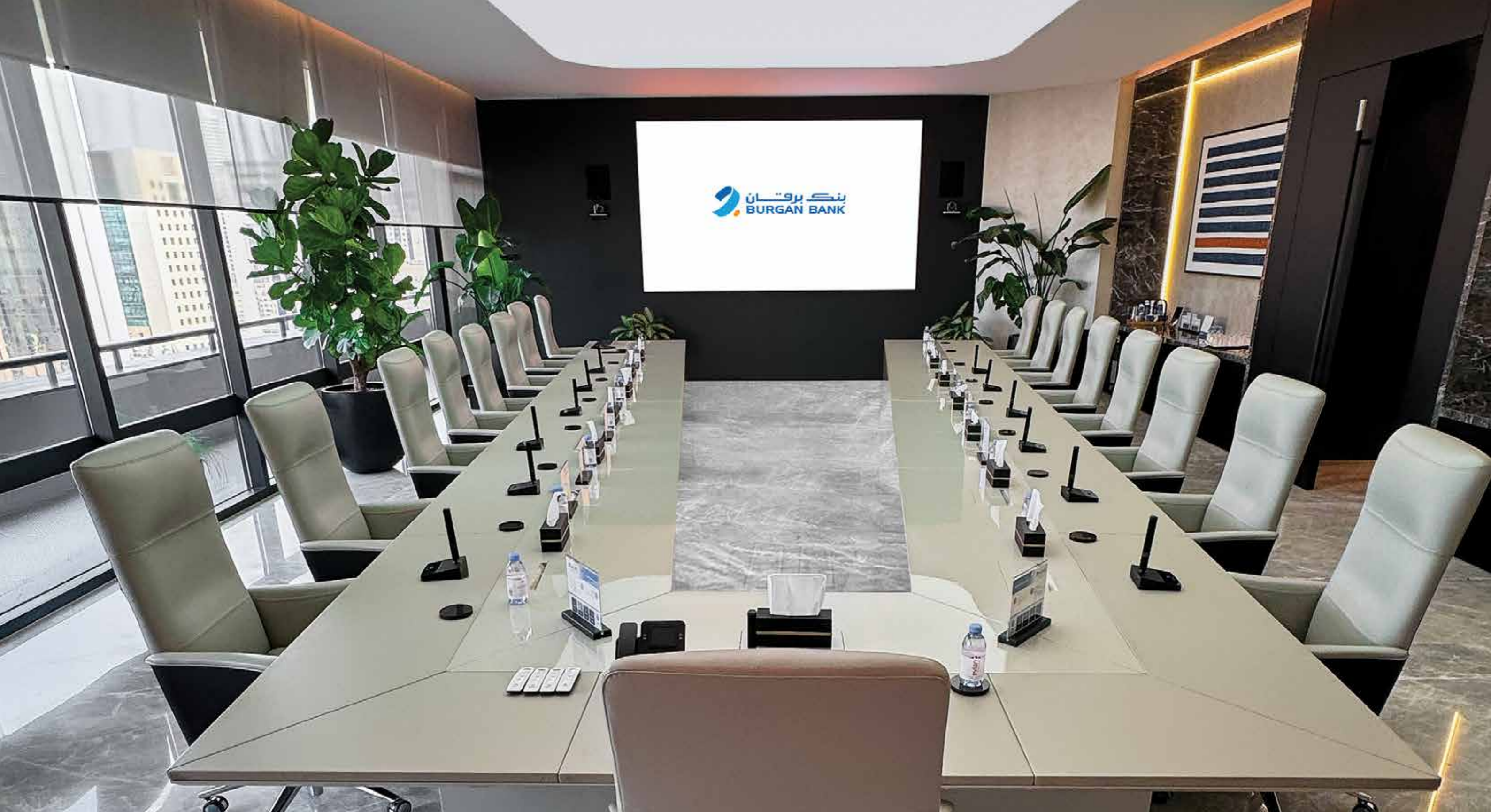
Definition All the other risks faced by the Bank such as operational risk, fraud risk, climate, third-party risks and the risks associated with business continuity and resilience.

- Mitigants**
- Constant development of risk indicators to measure and monitor non-financial risks across the Bank
 - Employee training to ensure the effectiveness of the business & operational continuity and fraud risk management program
 - Regular reporting of pertinent information to Management and Board to oversee and control the level of non-financial risks
 - Effective implementation of internal controls to identify and control the key operational risks across the businesses
 - The Bank has a consistent and organised approach to identifying, capturing, analysing and reporting operational losses

INFORMATION AND CYBER SECURITY RISKS

Definition Misappropriation or unauthorised access to information and data.

- Mitigants**
- Regular reporting of pertinent information to Management and Board to oversee and control the level of Information and Cybersecurity risks
 - A Cyber Threat and Risk Assessment Management Program to identify risks in new systems or material changes to existing systems. These systems are evaluated against top industry threats, and any identified risks are reported and monitored.
 - Continuous improvement in the cyber risk monitoring framework.
 - Continuous compliance monitoring of first-line security operations against industry-leading standards and best practices.
 - Regular cybersecurity training and awareness programs to reduce human-related vulnerabilities and strengthen overall cyber risk mitigation.
 - Cyber Incident response team both internal and external supported to enhance cyber resilience



بنک برغان
BURGAN BANK

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Board of Directors



Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah | Chairman | Since 2022

Professional Experience and Board Directorships

- Vice chairman Kamco Investment Co.
- Board Member Kuwait Projects Holding
- Chairman United Gulf Bank – Bahrain

Academic Qualifications

- Royal Military Academy, Sandhurst, UK
- BSc in Business Administration, New York Institute of Technology, USA



Mr. Sager Abdullah Al Sharhan | Independent, Non-Executive Board Member | Since 2022

Professional Experience and Board Directorships

- Chairman & CEO of Al Mutatawera Services Holding Company
- Board member at Private Universities Union
- Secretary Board Member at Australian University Industrial Advisory
- Board Member at Saudi Makamin
- Former chairman and Managing Director of Al Dorra Petroleum Company and also Managing director of the Metal and Recycling Company

Academic Qualifications

- Mechanical Engineering, from the University of Kuwait



Mr. Faisal M. Sarkhou | Vice Chairman | Since 2022

Professional Experience and Board Directorships

- CEO Kamco Invest
- Vice Chairman the Union of Investment Companies of Kuwait
- Board Member Kuwait Direct Investment Promotion Authority
- Board Member Kuwait Clearing Company

Academic Qualifications

- BSc Economics degree with honors from the University of Birmingham, UK
- EMBA with distinction from HEC Paris, France



Mr. Michel A. Accad | Independent, Non-Executive Board Member | Since 2022

Professional Experience and Board Directorships

- Executive General Manager (Group Chief Executive Officer) of BANKMED
- Former CEO of Ahli Bank of Kuwait and Gulf Bank of Kuwait
- Former Assistant CEO for Arab Bank PLC
- Chairman of Banque des Monts Blancs and T-Bank
- Former board member of BankMed, ABK-Egypt and Al-Ahli Capital Investment Company
- Former board member of Europe Arab Bank, Arab Tunisian Bank and Arab Invest

Academic Qualifications

- Master's in Business Administration, University of Texas, Austin, USA
- Bachelor's in Business Administration, The American University of Beirut, Lebanon



H.E. Abdulkareem El-Kabariti | Board Member | Since 2004

Professional Experience and Board Directorships

- Previous member of the Jordanian Senate - Head of the Economics and Finance Committee
- Chairman of Algeria Gulf Bank – Algeria
- Vice Chairman Burgan Bank Turkey – Turkey
- Board Member Bank of Baghdad – Iraq
- Board Member Gulf Insurance Group – Kuwait

Academic Qualifications

- Bachelor's degree (Honors) in Business Administration, St. Edwards University, Texas, USA
- Honorary Doctor of Business Administration (Hon DBA), Coventry University, UK



Mr. Abdullah Mohammed AlSharekh | Board Member | Since 2022

Professional Experience and Board Directorships

- Managing Director of Markets & Investment Banking at Kamco Investment Co. KSC
- Vice Chairman at First Securities Brokerage Company KSC

Academic Qualifications

- Dual BA in Economics and Public & Private Sector Organisations, Brown University, USA
- Dual MBA in Finance and Entrepreneurial Management, The Wharton School, University of Pennsylvania, USA



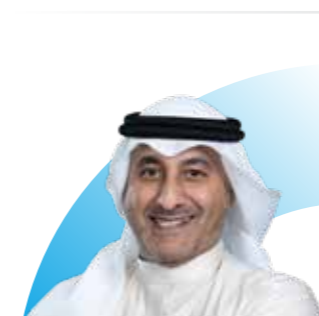
Mr. Fouad Husni Douglas | Non-Executive Board Member | Since 2019

Professional Experience and Board Directorships

- Former Partner and Board member at PWC
- Former Board Member at Burgan Bank Turkey
- Former Partner at Ernst and Young
- Former Partner at Arthur Anderson

Academic Qualifications

- Bachelors of Business Administration, American University of Beirut, Lebanon
- Masters of Business Administration, American University of Beirut, Lebanon



Mr. Abdulaziz Saad Al Rashed | Independent, Non-Executive Board Member | Since 2023

Professional Experience and Board Directorships

- Chairman & CEO of Al Rashed Group Holding Co.
- Chairman of STORK Mechanical Services & Maintenance Co.
- Chairman of Solutions and Services to Oil & Gas, Power and Petrochemical Industry.
- Vice Chairman of Al Qibla International Real Estate Co.
- Board Director at Saffar Capital – U.A.E. Financial Services, Kalaam Telecom – Bahrain
- Board Director at Al Rashed International Shipping Co.
- Director at Smith International Gulf Services – Kuwait
- Trustee at The Will of Late Abdulaziz Abdulmohsen Al Rashed

Academic Qualifications

- Bachelor's degree in Business Administration, Eastern Washington University, USA
- Diplomas in Financial Analysis, Investment Risk Management and Capital market

CORPORATE GOVERNANCE

Board of Directors



Mr. Jamal Abdullah Dashti | Board Member | Since 2023

Professional Experience and Board Directorships

- Founder and CEO of Nomad Entertainment
- Chairman of Credit One Kuwait Holding Company
- Former member of the Founding Board of Directors of Warba Bank Kuwait

Academic Qualifications

- Bachelor's degree in Economics, The American University, Washington DC, USA



Mr. Osama Rashed Saqer Al Armeli | Independent, Non-Executive Board Member | Since 2025

Professional Experience and Board Directorships

- Board Member in KFIC Invest Co., Kuwait
- Board Member in Kuwait National Cinema Co., Kuwait
- Former Member in Kuwait Stock Exchange Committee

Academic Qualifications

- BSc in Business Administration, Modern Academy, Egypt
- Advanced Diploma in Banking Sciences, The Institute of Banking Studies, Kuwait



Mr. Moustapha Samir Chami | Board Member | Since 2025

Professional Experience and Board Directorships

- Deputy Group CFO – Kuwait projects Co. (KIPCO).
- Board member at Jordan Kuwait Bank
- Board member at Burgan Bank - Turkey
- Board Member at Bank of Baghdad

Academic Qualifications

- Masters of Business Administration (MBA), USJ University, Lebanon
- Bachelor of Business Administration, USJ University, Lebanon
- CPA, Certified Public Accountant (USA)
- CFA, Chartered Financial Analyst (USA)
- CMA, Certified Management Accountant (USA)

Board Secretary



Mr. Abdullah Mahmoud Al Osta

Date of Joining: November 2017 | Total Experience: 32 years

Professional Experience and Board Directorships

- Chief Executive Officer - Iskan International Real Estate Development CO.
- Former General Manager, Board Secretary - Al Ahli Bank of Kuwait
- Board member, BAC Chairman and BRC Member, UNICAP Investment & Finance. - (Current)
- Board member, Credit One Holding Co. - (Former)
- Board member, Kuwait Reinsurance Co. - (Former)

Academic Qualifications

- Bachelor's degree in business from Grand View College, Iowa, USA



Executive Management



Mr. Antoine Jean Daher | Group Chief Executive Officer

Date of Joining: April 2023 | Total Experience: 27 years

Professional Experience & Memberships

- Chief Executive Officer - Gulf Bank
- Deputy Chief Executive Officer - Gulf Bank
- General Manager for Domestic Corporate Banking - National Bank of Kuwait
- Vice President in Structured Finance, Corporate Banking, - National City Bank

Academic Qualifications

- Advanced management program at Harvard Business School, USA
- Masters in Business Administration, Case Western Reserve University, Ohio, USA
- Bachelor of Science in Civil Engineering, Cleveland State University, USA



Mr. Fadel Mahmoud Abdullah | Chief Executive Officer - Kuwait

Date of Joining: September 1998 | Total Experience: 36 years

Professional Experience & Memberships

- Chairman, Burgan Bank Financial Services Ltd - Dubai International Financial Center- (Current)
- Board Member, Burgan Bank Turkey (Current)
- Chief Corporate Banking Officer - Burgan Bank
- General Manager, Corporate Banking - Burgan Bank
- Head of Investment and Real Estate Unit, Burgan Bank

Academic Qualifications

- Bachelor of Science degree in Mathematics, Kuwait University



Mr. Khalid Fahed Al Zouman | Group Chief Financial Officer

Date of Joining: January 2000 | Total Experience: 37 years

Professional Experience & Memberships

- Chief Financial Officer - Burgan Bank
- Head of Risk Management - Burgan Bank
- Various Senior Financial Management roles - Ernst & Young, Kuwait and USA

Academic Qualifications

- Bachelor's degree in Computer Science, Kuwait University
- Certified Public Accountant (CPA), State of New Hampshire, USA



Mr. Venkatakrisnan Menon | Chief Operating Services Officer

Date of Joining: April 2005 | Total Experience: 40 years

Professional Experience & Memberships

- Chief Center of Excellence - Burgan Bank
- Group Chief Operations & Information Technology Officer - Burgan Bank
- Chief Retail Banking Officer - Burgan Bank
- Head of Operations - Burgan Bank
- Senior Management roles - QNB, BNP Paribas, Standard Chartered Bank and HDFC Bank

Academic Qualifications

- Master's in Business Administration, University of Mumbai, India
- Bachelor's degree in Science, University of Mumbai, India



Mr. Andrew Christopher Singh | Chief Risk Officer

Date of Joining: February 2015 | Total Experience: 37 years

Professional Experience & Memberships

- Regional Head of Enterprise Risk for Europe - Credit Suisse
- Regional Head of Risk, Americas - Depfa Bank Plc
- Group Chief Risk Officer - EFG Hermes Holding for MENA region
- Various Risk and Control related roles- JP Morgan Asia Pacific and UK

Academic Qualifications

- Bachelor of Science degree in Chemistry, Imperial College, London
- Associate of the Royal College of Science in Management Science



Mr. Naqeeb Hamed Amin | General Manager - Human Resources & Development Group

Date of Joining: November 2023 | Total Experience: 28 years

Professional Experience & Memberships

- General Manager, Human Resources - Ahli United Bank
- Group Director, Human Resources - International Turnkey Systems
- Director, Human Resources - Dasman Diabetes Center
- Director, Human Resources - Zain

Academic Qualifications

- Executive Development programs - Harvard Business School, London Business School and University of Oxford
- Bachelor's degree in Management, University of South Carolina, USA



Mr. Mohamed Najeb AL-Zanki | General Manager - Corporate Banking

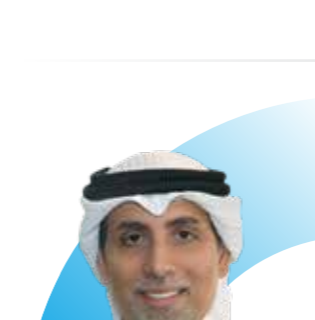
Date of Joining: January 2010 | Total Experience: 20 years

Professional Experience & Memberships

- Assistant General Manager, Corporate Banking & Financial Institutions Department - Burgan Bank
- Head of Contracting Unit, Corporate Banking - Burgan Bank
- Various Managerial roles - Commercial Bank of Kuwait
- Various roles in Investment and Real Estate - Al Tijaria Group (Commercial Real Estate)

Academic Qualifications

- Bachelor of Science in International Business Administration (Cum Laude), University of Baltimore, USA
- Fresh Graduate Training Program - Kuwait Investment Authority
- Executive Development programs, Harvard Business School and INSEAD (Alumni Status)



Mr. Abdullah Abdulmajeed Marafie | General Manager - Treasury & Financial Institutions

Date of Joining: July 2014 | Total Experience: 25 years

Professional Experience & Memberships

- Deputy General Manager, Investments & Treasury - Burgan Bank
- General Manager, Treasury Department - QNB
- Various Senior Management roles, Treasury & Investment - Gulf Bank
- Board Member, Real Estate Facilities Investment Co. (Current)
- Board Member, The Gulf Capital Market Association (Current)
- Board Member, 91 Springboard (Former)

Academic Qualifications

- Bachelor of Electrical Engineering, Cornell University, Ithaca, USA
- Executive Development programs- Harvard Business School
- Certified Valuation Analyst, IACVA

Executive Management

**Mr. Meshari Abduljalil Shehab | General Manager - Private Banking & Wealth Management**

Date of Joining: October 2023 | Total Experience: 22 years

Professional Experience & Memberships

- Deputy General Manager of Private Banking & Wealth Management - Ahli United Bank.
- AGM of Priority Banking, Wealth Management & Business Banking - Gulf Bank
- Executive Manager - Unit Head, Private Banking Group - NBK
- Senior Management roles in Retail & Affluent Banking, Investments & Product Development - NBK

Academic Qualifications

- Executive Master of Business Administration, American University of Beirut, Lebanon
- Bachelor's Degree in Finance, University of Miami, USA
- General Management Program (GMP) from Harvard Business School, USA

**Mr. Manaf Khaled Al-Menaifi | General Manager - Strategic Planning & Monitoring**

Date of Joining: October 2020 | Total Experience: 24 years

Professional Experience & Memberships

- General Manager (Acting) Retail - Burgan Bank
- General Manager, Strategic Planning & Monitoring - Burgan Bank
- Director General - National Fund for SME Development
- Principal - INVESTCORP
- Executive Roles in Corporate Finance - KFH, NBK, & CBK
- Board Member - K-Net (Current), Gulf Bank Algeria (current)
- Advisory Board Member - Gulf University for Science & Technology (Current)

Academic Qualifications

- Master of Business Administration, London Business School
- Bachelor's degree in Business Administration MIS, Northeastern University Boston, USA
- Senior Executive Development Program, Harvard Business School

**Mr. Mahmoud Mohamed Moursi | General Manager - Legal Group**

Date of Joining: October 2018 | Total Experience: 34 years

Professional Experience & Memberships

- Senior Counsel - CMA Commissioners' Counsel, Capital Markets Authority Kuwait
- Executive Director, Legal & Market Supervision - Bursa Kuwait
- Chief Legal Counsel - Burgan Bank
- Lawyer (Egypt) & Senior Legal Counsel (Kuwait)
- Participated in drafting many laws and bylaws such as Companies law and its bylaws, Public Private Partnership (PPP) Law, Commercial Licenses Law and its bylaws and the Bankruptcy law

Academic Qualifications

- Bachelors of Law (LL. B), Cairo University, Egypt

**Mr. Barrak Jassem Al-Mattar | General Manager - Information Technology**

Date of Joining: August 2023 | Total Experience: 24 years

Professional Experience & Memberships

- IT General Manager - Kuwait International Bank
- Enterprise Solutions Group Leader - EQUATE Petrochemical Company
- Board Member, SAP USER Group, MENA (Current)
- Advisory Board Member, Australian University, Kuwait (Current)
- Advisory Board Member, KFAS digital transformation (Current), IDC (Current)

Academic Qualifications

- Bachelor of Science degree in Management Information Systems, Kuwait University
- General Management Program (GMP) from Harvard Business School, USA
- Six Sigma - (Green Belt) Certification

**Mr. Mohammad Al Abdullah Al Zayed | General Manager - Operations**

Date of Joining: June 2009 | Total Experience: 27 years

Professional Experience & Memberships

- Head of Operations - Burgan Bank
- Unit Head, Centralised Funds Transfer & Swift Operations - Burgan Bank
- Various Operational roles - Kuwait Investment Authority and HSBC Middle East
- Assistant Communications Engineer - Ministry of Defense

Academic Qualifications

- Diploma in Electronic Communication Engineering
- Senior Executive Leadership program - Harvard Business School

**Mrs. Danah Faisal Al Jassem | General Manager - Corporate Communications**

Date of Joining: May 2025 | Total Experience: 21 years

Professional Experience & Memberships

- General Manager - Corporate Communications, stc Kuwait
- Former Vice President & Head of Marketing, Kamco Invest
- Program Assistant, Recruitment Unit - The World Bank Group, Washington D.C.
- Database & Website Editor - American-Arab Anti-Discrimination Committee (ADC)

Academic Qualifications

- Bachelor of Business Administration - Management Information Systems
- The George Washington University (GWU), Washington D.C., USA
- General Managers - Leadership Program, McKinsey
- NBK RISE Leadership Program

**Mr. Saud Abdulaziz Al-Hadbah | General Manager - General Services Administration**

Date of Joining: June 2010 | Total Experience: 26 years

Professional Experience & Memberships

- Deputy General Manager - General Services Administration
- Assistant General Manager of General Services Administration - Burgan Bank
- Manager of Security and Maintenance Department - Al Ahli Bank of Kuwait
- Head of Central Control Room - Ministry of Interior

Academic Qualifications

- Bachelor's degree in Civil Engineering, University of Toledo, Ohio, USA
- Maintenance Planning, Control and Documentation Certification

**Mr. Hamad Abdulhadi Al-Fadalah | Deputy General Manager - Anti Financial Crimes Group**

Date of Joining: March 2023 | Total Experience: 21 years

Professional Experience & Memberships

- Deputy General Manager- Ant-Financial Crimes (MLRO) - Burgan Bank
- Assistant General Manager, Group AML and CFT Effectiveness - Kuwait Finance House
- Senior Management roles in Retail Banking - National Bank of Kuwait

Academic Qualifications

- Bachelor's degree in Computer Science and Software Engineering, October 6 University, Egypt
- Executive Development programs from Harvard Business School
- PMI-RMP Risk Management / ACAMS / Lean Six Sigma (Black Belt) Certification
- Integrated Risk Management (Cambridge Judge Business School) Certification

Executive Management



Ms. Reham Essa Sultan | Deputy General Manager - Compliance Group

Date of Joining: June 2007 | Total Experience: 28 years

Professional Experience & Memberships

- Group Head - Compliance and Acting Head of AFC - Burgan Bank
- Group Head - Compliance - Burgan Bank
- Senior Management Roles in Risk and AFC - Burgan Bank
- Senior Management Roles in Credit Risk and Human Resources - Bank of Kuwait & the Middle East (Ahli United Bank) (KFH now)

Academic Qualifications

- Bachelor's degree of Science in Industrial Engineering, Kuwait University
- Anti-Money Laundry & Counter Terrorism Financing Certification - Ernst & Young
- Certified Compliance Manager - National Skills Institute



Mr. Mishary Yousef Al-Essa | Deputy General Manager - Investments

Date of Joining: February 2024 | Total Experience: 16 years

Professional Experience & Memberships

- Vice President of Alternative Investments - Kamco Invest
- Assistant Vice President of Corporate Finance and Advisory - Arab Investment Company
- Several positions in Alternative Investments - NBK Capital
- Board Member, United Gulf Bank and at Middle East Payment Services - (Current)
- Advisory Committee Member, HQ Capital Auda Co-Investment Fund III - (Current)

Academic Qualifications

- Master of Business Administration, MIT Sloan School of Management, USA
- Chartered Financial Analyst, CFA® Institute
- Bachelor of Computer Engineering, Kuwait University



Mr. Omar Khaled Khalifouh | Deputy General Manager - Digital Transformation

Date of Joining: March 2024 | Total Experience: 20 years

Professional Experience & Memberships

- Assistant General Manager, Digital Transformation & Data Intelligence - Kuwait International Bank
- Executive Manager, Digital Transformation - Warba Bank
- Chairman, Al-Awsat AlOula Holding (Former)
- Board Member, Middle East Financial Brokerage Co (Former)
- Senior Director - Financial Brokerage

Academic Qualifications

- Bachelor's degree in Business Administration Major Accounting from Kuwait University
- Executive Development programs at MIT, Chicago Booth, and Harvard Kennedy School
- Certified Agile Leader and full-stack development in various modern development frameworks

Corporate Governance Report



Corporate Governance and Sustainability are fundamental to our long-term success and organisational resilience. Embedding these principles within our core values creates a safe and positive work environment while delivering sustainable growth and long-term value for our stakeholders.

Corporate Governance

Burgan Bank Group has enhanced its administrative efficiency by following and applying the best practices in modern corporate governance methods, which contribute to reducing the risks that may be exposed to and increasing the degree of transparency.

Good practice of the rules of corporate governance requires controlling the practices and culture of the administration and adhering to all the laws and instructions issued by the regulatory authorities while following the internal policies and systems of work as it provides a good environment for self-monitoring of its activities which contributes to reducing risks.

This includes the conduct of the correct approach in dealing with related parties (internally or externally) and avoiding all improper practices that may lead to conflict of interest.

Board of Directors

The Bank is steered by an effective and unitary Board which assumes responsibility for its leadership and control and is collectively responsible for promoting Bank's long-term success by directing and supervising its affairs. The Directors are responsible for ensuring that the Board makes decisions objectively in fulfilling the Bank's public and corporate responsibilities. The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of the Executive Management. Furthermore, sound corporate governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The Board members' collective experience and expertise provide a balanced mix of attributes for it to fulfil its duties and responsibilities.

Board Composition

On the 29th of March, 2025, Burgan Bank held the 61st Ordinary Annual General Assembly meeting to elect and select members of the Board of Directors for the next three-years term (2025, 2026, 2027): "a maximum of seven ordinary members, and a minimum of four independent members." In compliance with the Central Bank of Kuwait's mandate on independent Board membership, Burgan Bank shareholders have elected four independent board members with proven leadership and extensive expertise.

The Board comprises of eleven Non-Executive Directors, as elected by the General Assembly. The Board will ensure independence in actions and decisions at all times and shall comprise of sufficient number of members to allow it to form the required number of Board Committees. Election and renewal of the Board membership shall be done in compliance with the applicable rules and regulations. The changes related to the number of Board members of the Bank shall be suitably reflected through amendments in the Articles of Association to correspond to the implementation of the rules, regulations and instructions. Each member of the Board shall serve a term of three years, at the end of which the Board shall be formed again and it shall be permissible to appoint the members whose term has expired. The Board is structured to ensure that the directors provide the Group with the appropriate balance of skills, experience and knowledge as well as independence.

Delegation of Authority

The Board retains effective control through its governance framework that provides for delegation of authority. In discharging its duties, the Board delegates some authorities to relevant Board Committees with clearly defined mandates and authorities, although the Board retains its accountability. Board Committees facilitate the discharge of Board responsibilities and provide in-depth focus on specific areas.

Board Committees

The Board has established the Board Committees in order to enhance its supervision effectiveness over operations of the Bank. Each committee member's expertise, skills and background were considered while forming the committees to assure the best supervision of the committee over the Bank's operation according to each committee responsibilities.

Board Training

Burgan Bank ensures that the Board of directors is up to date with all the latest banking trends and updates in international regulations through training. Throughout the year, the board had several training sessions, on Fraud and Anti Money laundry, Cybersecurity and Islamic banking and banking trends. These trainings have played an influential role on the Banks latest strategy.

Board Members Remuneration

Information on Board of Directors Remuneration is disclosed in the "Income Statement" as well as in the notes to the financial statement "Note 18 – Transactions with related parties " in the Annual Financials. The Proposed Board of Directors' remuneration for 2025 amounted KWD 445,000.

Transactions with Related Parties

For information on related party transactions, please refer to Note 18 "Transactions with related parties" in the Annual Financial Statements.

Code of Conduct

Burgan Bank's Code of Conduct describes the values and minimum standards for ethical business conduct that we expect all of our employees and Directors to follow. These values and standards govern employee interactions with our clients, competitors, business partners, government and regulatory authorities, and shareholders, as well as with other employees. In addition, it forms the cornerstone of our policies, which provide guidance on compliance with applicable laws and regulations. Burgan Bank's Directors, Executive Management and employees are committed to the highest degree of adherence to the code of conduct policies.

Conflicts of Interest

In accordance with the CBK corporate governance instructions, Board Members are required to disclose to the Board any interest they may have that might cause a conflict of interest. Any Board Member with a material personal interest in a matter being considered by the Board shall not attend nor vote on the matter being considered. Board Secretary maintains a record of Board Members interests that is being presented to the Board of Directors on annual basis and is being updated as and when changes occur.

Relations with Investors

The Chairman is responsible for ensuring effective communication with shareholders. The Bank communicates with shareholders through the Annual Report and Financial statements and by providing information in advance of the Annual General Meeting.

Corporate Governance Report

BOARD AND COMMITTEE ACCOMPLISHMENTS

This section will provide examples of some, but not limited to, of the key accomplishments achieved by the Board and Committee throughout the year.

Board of Directors

Members

- Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah
- Mr. Faisal M. Sarkhou
- H.E Abdulkareem El-Kabariti
- Mr. Fouad Husni Douglas
- Mr. Abdullah Mohammed AlSharekh
- Mr. Jamal Abdullah Dashti
- Mr. Moustapha Samir Chami
- Mr. Michel A. Accad
- Mr. Sager Abdullah Al Sharhan
- Mr. Abdulaziz Saad Al Rashed
- Mr. Osama Rashed Saqer Al Armeli

Key accomplishments

- Approved the Budget for the year 2025, the Interim Financial Information, the audited balance sheet, profit & loss account of the Banks and dividends for the financial year ended on 31/12/2025.
- Discussed the risk appetite and its impact on the Group's strategy.
- Reviewed the results of the Internal Capital Adequacy Assessment Process ("ICAAP"), financial stress testing as per the regulatory requirement of Basel (3).
- Discussed and approved general and specific provisions for the local and international loan portfolio.
- Followed the progress of the Banks operations, through bimonthly reports prepared by the Executive Management and discussed the results of the Banks business.
- Reviewed and evaluated the effectiveness of the Board and its Committees, in addition to conducting individual self-assessments of the Board and Committee members.
- Reviewed the remuneration framework, the mechanism of linking rewards to performance the level of risk exposure and updated the remuneration policy at Group level.
- Oversaw the implementation of the Corporate Governance Framework and ensured compliance with local regulations.
- Reviewed, developed and approved the policies related to Corporate Governance and charters of the Board of Directors and its committees, organisational structure, and to keep up with applicable international and leading Corporate Governance practices.
- Reviewed the results of the annual independent evaluation of the Internal Control Review conducted by the external auditors.
- Approved opening the nomination for supplementary members for the current tenor of the Bank's Board of Directors.
- Reviewed the updated regulations, legislations and provisions related to Bank's activities issued by Central Bank of Kuwait, Capital Markets Authority and other regulatory authorities.

Board Corporate Governance Committee (BCGC)

Members

- Sh. Abdullah Al Sabah (Chairman)
- Mr. Osama Al Armeli
- Mr. Abdullah Al Sharekh
- Mr. Jamal Dashti

Committee's role

Responsible for assisting the Board of Directors in setting the Bank's corporate governance policies, following up on their execution and their periodic review to ensure their effectiveness.

Key accomplishments

- Reviewed the implementation of Corporate Governance rules and regulations within BBK.
- Reviewed the Board and its Committee's charters, as well as Corporate Governance policies, accordingly to be in line with regulatory instructions.
- Reviewed the related parties' transactions report, the conflict of interest report, the whistleblowing cases, and discussed the effectiveness of the existing mechanisms.
- Supervised the progress of Corporate Governance.
- Reviewed and discussed the annual compliance report.
- Reviewed the disclosures related to Corporate Governance which are presented in the annual report.
- Reviewed the new instructions issued by the regulatory authorities in Kuwait and the procedures taken to comply with these instructions

Board Audit Committee (BAC)

Members

- Mr. Abdulaziz Al Rashed (Chairman)
- H.E Abdulkarem Kabariti
- Mr. Moustapha Al Chami
- Mr. Fouad Douglas

Committee's role

Responsible for setting and overseeing the sufficiency of internal control and the audit functions of the Bank, along with ensuring compliance with applicable laws, regulations, policies and codes of business conduct and ethics.

Key accomplishments

- Reviewed and approved the Group's internal audit annual plan for 2025. Also reviewed the updated internal audit policy and procedures and presented them to the Board for approval.
- Co-ordinated with external auditors and reviewed the interim and annual financial statements of the Bank and submitted recommendations to the Board of Directors.
- Reviewed and discussed the periodical reports of the Internal Audit Department.
- Reviewed and discussed the internal audit summary and considered what has been achieved in the internal audit plan, in comparison to performance during the previous year.
- Reviewed and approved the scope of the external auditor's plan related to Internal Control Review and discussed the results of the report.
- Reviewed the Committee charter and amendments, and submitted recommendations to the Board of Directors.
- Reviewed the efficiency and independence of the internal audit function, infrastructure and the overall annual assessment of the function's performance with the Chief Internal Auditor.
- Discussed aspects of internal audit that related to information technology and IT security.
- Discussed external audit results related to the internal audit department.
- Reviewed and discussed the internal audit reports for Kuwait, overseas branches and subsidiaries.



Corporate Governance Report

Board and Committee Accomplishments (Continued)

Board Risk Committee (BRC)

Members

- Mr. Osama Al Armeli (Chairman)
- Mr. Fouad Douglas
- Mr. Moustapha Al Chami

Committee's role

Responsible for reviewing and providing reports to the Board of Directors on the current and future risk strategy and tolerance of the Bank; supervising the implementation of this strategy by Executive Management; and ensuring the existence of effective systems for risk management in the Bank and the independence of the Risk Management function.

Key accomplishments

- Reviewed and discussed the strategy and challenges of Risk Management, the set of periodic risk management reports and the key risk indicators.
- Reviewed a report on the most important activities and achievements of the Risk Management.
- Reviewed and discussed the periodic market risk report, Internal Capital Adequacy Assessment Process ("ICAAP"), liquidity ratios, the stress testing scenarios and the methods.
- Reviewed and discussed the risk limit ratios, compared the ratios to the Group's approved risk appetite and the exposure levels of countries in which the Group operates, and discussed those ratios and the changes compared to previous periods and credit concentrations for companies, countries and sectors.
- Reviewed the reports of operational risk, market risk, compliance risk and compliance plan at Group level.
- Evaluated the Chief Risk Officer annual performance and determined their remunerations.
- Reviewed and approved the new Organisational Structures of Risk Management and made recommendation to Board for approval.
- Pursued the development of the cybersecurity function.

Board Credit and Investment Committee (BCIC)

Members

- Mr. Faisal Sarkhou (Chairman)
- Mr. Abdullah Al Sharekh
- Mr. Michel Accad
- Mr. Sager Al Sharhan

Committee's role

Responsible for overseeing the Bank's lending, credit recovery and investment activities, making recommendations to the Board of Directors within its delegated authorities, and implementing decisions made by the Board of Directors.

Key accomplishments

- Reviewed and approved the Bank's lending, credit recovery and investment activities, within the authority matrix delegated by the Board of Directors.

Board Nomination and Remuneration Committee (BNRC)

Members

- Mr. Sager Al Sharhan (Chairman)
- Mr. Faisal Sarkhou
- Mr. Michel Accad

Committee's role

Responsible for presenting recommendations to the Board of Directors regarding Board Member nominations; reviewing the Board's structure on an annual basis; undertaking performance evaluations of the Board and its individual Members on an annual basis; and developing a Bank-wide reward policy in line with applicable laws and regulations. In addition, BNRC is responsible for the appointment of individuals to key Executive Management posts, ensuring that they are occupied by qualified staff; and for setting performance standards and succession plans for Executive Management.

Key accomplishments

- Supervised the process of the annual assessment of the Board of Directors' performance for the Board, its committees, and the self-assessment of each member of the Board of Directors for the year 2024.
- Reviewed the proposed annual training plan for the year 2025 for the Board members.
- Reviewed the remuneration policy and presented it for approval to the Board of Directors.
- Reviewed and approved the rewards and incentives for 2025 based on the key performance indicators and key risk indicators, and discussed claw back cases for 2025 and put forward recommendations to the Board.
- Reviewed and discussed the succession plan prepared by Group Human Resources and recommended it to the Board for approval.
- Reviewed nominations regarding the selection of two supplementary member for Board of directors and make recommendation to the Board of Directors.
- Reviewed nominations for Board of Director's membership of Subsidiaries.

Board and Committee meetings attendance:

Attendance	BOD	BAC	BNRC	BCGC	BRC	BCIC
Number of Meetings	13	7	6	5	5	66
Minimum required meetings	6	4	4	4	4	4
Sheikh Abdullah Al Sabah	10			4		
Mr. Faisal Sarkhou	12		6			62
H.E Kabariti	11	6				
Mr. Fouad Douglas	13	7			5	
Mr. Abdullah Al Sharekh	11			5		64
Mr. Jamal Dashti	12			5		
Mr. Moustapha Chami	8	4			3	
Mr. Michel Accad	13		5			64
Mr. Sager AlSharhan	13		5			66
Mr. Abdulaziz AlRashed	13	7				
Mr. Osama Al Armali	13			4	3	

INTERNAL AUDIT

Internal Audit provides independent, objective assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework on areas of significant risk. The risk-based reviews cover the businesses, operations, technology and other support functions. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates. Management is responsible for ensuring that issues raised by Internal Audit are addressed within the agreed appropriate time. The Board Audit Committee receives Internal Audit reports on a range of matters following completion of its independent, risk-based assignments, investigations, or ad hoc reviews, and meets regularly with the Chief Internal Audit Officer. Internal Audit's responsibilities are carried out independently under the oversight of the Board Audit Committee. The Chief Internal Audit Officer reports functionally to Burgan Bank Board Audit Committee and administratively to the GCEO of Burgan Bank. Internal Audit's employees, which include professionals with a broad range of audit and industry experience, accordingly, report to the Chief Internal Audit Officer.

COMPLIANCE

The Compliance Department is an essential focus of the Burgan Bank Group to ensure that all tasks assigned to the bank's activity and businesses are carried out in accordance with the laws and instructions of the regulatory authorities and the relevant internal policies, as the Compliance Department reports directly and independently to the Governance Committee emanating from the Board of Directors.

At Burgan Bank, we believe that compliance is a comprehensive and multi-faceted responsibility, including but not limited to:

- Compliance implementing all the instructions of regulatory authorities such as the Central Bank of Kuwait, the Capital Markets Authority, and Boursa Kuwait.
- The supervisory role is represented through the department's work as a link between the bank and the regulatory authorities on one hand and providing support to the Board of Directors and the executive management through the vital role in achieving the bank's vision, mission and goals, maintaining the highest quality standards and applying best practices on the other.
- The advisory role is represented by assisting all the bank's departments in providing clarifications, interpretations, and correct understanding of the instructions of the regulatory authorities to ensure correct implementation. This role is highlighted by consolidating frameworks of communication and cooperation with all departments at the bank level.
- Ensure compliance with the requirements and rules of disclosure and transparency in accordance with the instructions of the Central Bank of Kuwait, the Capital Markets Authority, and the rules of Boursa Kuwait.
- The Compliance Department sets the rules and controls for all disclosure activities and provides accurate and updated information in accordance with regulatory requirements within the framework of transparency and what ensures justice, transparency and prevention of conflicts of interest.
- The Department is keen to follow up and ensure the implementation of integrated practices and activities for disclosing material information and the possibility of the public - including investors and individuals - obtaining the disclosed information immediately.

During the year 2025, the Compliance Department succeeded in assuming a leading and effective role in establishing a firm culture of compliance at Burgan Bank Group and being proactive and vital role in implementing the bank's vision, mission, objectives, values and strategy by maintaining the highest standards of quality and applying best practices in accordance with the transparency and disclosure framework.

REPORT ON INTERNAL CONTROL SYSTEMS

The Board of Directors has the ultimate responsibility for the Bank's Internal Control System, and it discharges its duties in this area by:

Providing oversight activities through the Board and Management Committees

- Ascertaining that Executive Management implements effective systems of controls for effectiveness and efficiency of operations;
- Reliability of processes of internal and external reporting;
- Adherence 2 with applicable laws, regulations and internal policies;
- Adherence to operational risk appetite of the bank; and
- Fulfilment of individual and collective responsibilities and link accountability.

Based on Board and Management directives, an Executive Management Risk Committee has been formed for reviewing the current and future risks faced by the Bank, Risk appetite adherence and the execution of the risk strategy by the Bank. The committee provides oversight for risks and internal control matters, across the Bank, with appropriate representation and participation of business and independent control functions, deliberates on matters which support in managing, minimizing and mitigating risks in order to foster a robust internal control environment across the Bank.

Non-Financial Risk Management role has been enhanced with the establishment of a Fraud Detection and Analytics function within the department, with the aim of detecting Early Warning Signs of frauds, through a detailed analysis of data extracted from bank's multiple systems.

In accordance with the CBK requirements on evaluation of internal controls system within Burgan Bank Group, the Bank arranges an annual review of the internal control systems via an independent external audit firm, approved by CBK. The opinion furnished by the external auditor in the Internal Control Review (ICR) report for the previous year does not refer to any significant control deficiency.

This ICR report was also reviewed by the Board of Directors. Overall, the ICR report rating of Burgan Bank Group internal control environment was satisfactory. Based on the evaluations conducted by the Executive Management and the Board of Directors during the year, there are no material control deficiencies identified which may need to be reported in the Annual Financial Statements for the year ended 31 December 2024.

RISK MANAGEMENT

The Bank's risk management framework is based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring. The Risk Management Group is headed by the Chief Risk Officer, who reports directly to the Board Risk Committee to ensure the independence of the function. The Risk Management Group does not have any business targets in terms of either level of business or income/profits to be achieved, to ensure that the Bank's risks are managed prudently and efficiently. One of the main focuses of the Risk Management Group is to drive the risk management framework and the risk culture within the Bank. The Bank has implemented a Risk Appetite Framework in line with internationally accepted best practices, which establishes the Risk Thresholds across Burgan Bank Group and its subsidiaries. It has implemented a Risk Culture Program over the past two years in order to raise risk awareness across the Bank. The Bank has a comprehensive Risk Policy that stipulates the need to identify, measure, manage and mitigate risks taken by the Bank.

Among the families of risks are:

- i. Credit Risk is the risk that a financial loss will be incurred if a counterparty does not fulfil its financial or contractual obligations.
- ii. Market Risk is the risk that the Bank's earnings or capital may fall as a result of changes in market rates (interest rates, foreign exchange rates) or market prices (commodity or equity prices).
- iii. Non-Financial Risks that include Operational, Business Continuity, Environmental, Social, and Governance (ESG), Third-Party, End-User Computing, Fraud and other risks.
- iv. Information Security Risk that covers the Cyber risk.

The Group Risk Function is organised into, among others, four major divisions each responsible for the aforementioned risks, and a Shared Services Unit that provides services to individual Risk functions including reporting, data management, stress testing, model validation, and quantitative analytics. Together these departments ensure that the Bank's risk exposures are measured and monitored effectively. Risk Management Policies are in place to monitor, report and recommend mitigation of the adverse effects of all risk elements in the Bank's operations. Risk Management reports are aimed at ensuring the timely reporting of the Group's risk profile to Senior Management, Board and to the relevant Committees for appropriate action. All subsidiaries have an independent risk management function reporting to the respective Board Risk Committee, as per their local regulatory guidelines. The overall framework for Risk Governance and management is robust and is supported by a variety of qualitative and quantitative tools that are implemented. The Bank has established forward-looking credit & market loss estimation models. The Bank also has a robust Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing framework which ensures that the Bank maintains the capital commensurate with the overall risks that it is exposed to or may be exposed to in hypothetical extreme scenarios. The framework also ensures that there are enough capital buffers to cover Pillar 2 risks which are not addressed in Pillar 1 capital requirements.

Corporate Governance Report

Risk Management (Continued)

Challenges at Bank Level: Cyber security risk

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of the Bank's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Given the increasing sophistication and scope of potential cyberattacks, it is possible that future attacks may lead to significant breaches of security.

Burgan Bank has a multi-faceted and pro-active risk-management approach to identify and address Cybersecurity risks. We have implemented a layered approach with overlapping controls to defend against Cybersecurity attacks and threats on networks, end-user devices, servers, applications and internet solutions. Burgan Bank has taken initiatives to bring about enhancements in areas such as identity and access management, data security, application security, network security and endpoint security.

Anti-Financial Crime Department

The Anti-Financial Crime ("AFC") Department is an independent function within Burgan Bank Group. The Department detects, prevents, and reports all suspicious Financial Crime activities that involve but not limited to Money Laundering, Terrorism Financing and breaches of local and international Sanctions' programs to the relevant competent authorities. The GAFC implements a Risk-Based Approach program that complies with the State of Kuwait Combating Money Laundering and Terrorist Financing laws and regulations, international laws and guidelines, and the international best practices in relation to combating financial crimes.

The Anti-Financial Crime Department performs the following ongoing activities:

- Updating and implementing Anti-Financial Crime policies and procedures
- Strengthening Know Your Customer (KYC) procedures and forms
- Raising awareness through training and guidance across the Group
- Adopting Anti-Financial Crimes best practices and international standards
- Investigating and reporting suspicious transactions
- Substantiating and enhancing Correspondent banks' relations
- Implementing all applicable legal and regulatory requirements related to sanctions
- Conducting AML/CFT and sanctions Risk Assessment across the Group

HUMAN RESOURCES AND DEVELOPMENT

Remuneration Policy

The remuneration policy aims at enabling the Bank to attract, retain, motivate and reward qualified workforce while ensuring fairness, consistency and equality in remuneration practices, as well as being appropriately risk balanced. The policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value creation for all stakeholders. The Remuneration policies and practices form part of the Bank's overall obligation to have robust governance arrangements in place.

Employees are entitled to different remuneration components targeting appropriate and balanced remuneration package based on the employee job grade taking into consideration the employees' skills, experience, his/her role in the Bank as well as market practice.

The remuneration components consist of all forms of payments or benefits in exchange for the services provided by the employee and can be divided into:

Fixed remuneration comprises of the basic salary and allowances as determined in the incumbents' individual employment contracts or as amended during their tenure at the Bank.

Variable remuneration depending on employee performance and the strategic goals of the bank.

Variable remuneration may be paid in cash and may be subject to a vesting or deferral period. Remuneration amounts are based on the bonus pools and Long Term Incentive (LTI) pool approved by the Board for the purpose of rewarding employee performance. The total amount of performance related remuneration is based on a combination of the assessment of the overall results of the Bank, of the performance of the business unit and of the individual concerned. When assessing individual performance, financial and non-financial targets and metrics are taken into account. The payout of the variable remuneration may be deferred as approved by the Board annually in line with the approved policy over a period of time not exceeding three years. The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Bank as a whole, and justified according to the performance of the Bank, the business unit and the individual concerned.

The Board Nominations and Remuneration Committee (BNRC) is responsible for presenting recommendations to the Board on the Bank-wide reward policy in line with applicable laws and regulations. The composition and responsibility of BNRC is further detailed under the Board Committees section of the Corporate Governance Report. The bank ensures conducting an annual audit review on its remuneration policy and practices to evaluate its compliance with the applicable Corporate Governance guidelines issued by the Central Bank of Kuwait (CBK) (Pillar V- Systems and Policies of Granting Rewards) Bearing in mind that BNRC members did not receive any additional remunerations other than the amount disclosed under Board Members Remuneration section mentioned above.

Remuneration Disclosure by Employee Category 2025

Category	No. of employees	Annual Remuneration Packages (KD)		
		Fixed	Variable**	Total Remuneration
Group 1: CEO and his deputies: CEO and his deputies and assistants and the main executive managers whose appointment is subject to the approval of supervisory parties (Senior Management)	17	2,526,106	1,129,850	3,655,956
Group 2: Financial Risk & Control responsibilities: Employees who handle financial supervision duties and risk supervision	3	338,194	190,650	528,844
Group 3: Material Risk Takers: Employees participating in activities with risks	4	440,559	140,280	580,839
Grand Total	24	3,304,859	1,460,780	4,765,639

Notes:

All remunerations are paid in cash.

Variable remuneration is on estimate basis for 2025.

Remuneration for five of the major executives who received the highest remuneration from the Bank, in addition to all the functions as required by the Corporate Governance guidelines (as a group): KD 1,499,348

Shareholder Composition

Main shareholders who own 5% or more of the Bank's shares (2024 and 2025):

Shareholder	Nationality	No. of Shares 31/12/2024	%	No. of Shares 31/12/2025	%
Kuwait Projects Company Holding K.S.C. (Closed)	Kuwaiti	1,214,032,722	33.49%	1,274,734,256	33.49%
United Gulf Holding Company B.S.C.	Bahraini	543,937,776	15.01%	571,134,664	15.01%
Public Institution for Social Security	Kuwaiti	283,367,210	7.82%	296,379,226	7.79%
Kuwait United Consulting Company	Kuwaiti	269,309,435	7.43%	282,774,909	7.43%

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062 Kuwait

Tel : +965 22408844, 22438060
Fax : +965 22408855, 22452080
www.deloitte.com



Independent Reasonable Assurance Report on Internal Controls to the Board of Directors OF BURGAN BANK K.P.S.C

Report on Internal Control

In accordance with our letter of engagement dated 5 March 2025, we have been engaged by Burgan Bank K.P.S.C (“the Bank”) to provide a reasonable assurance report on the effectiveness of the internal controls in the processes stated below (the “in-scope internal controls”) for the Bank and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2024 based on the requirements of the CBK Instructions.

We covered the following functions within the Bank.

- Board Secretariat & Corporate Governance
- Investments
- Treasury & Financial Institutions
- Retail Banking
- Private Banking & Wealth Management
- Corporate Communications
- Corporate Banking
- Operations
- Human Resources and Development Group
- Legal Group
- Strategic Planning & Monitoring
- Compliance Group
- Internal Audit Group
- Anti Financial Crimes Group
- Risk Management Group
- Client Complaints & Protection
- Information Technology
- Finance Group
- International Banks Office
- Digital Transformation
- General Services Administration

In addition to the above, we have covered the following subsidiaries of the Bank:

- Burgan Bank Financial Services Limited (Rep Office), UAE
- Tunis International Bank, Tunisia
- Burgan Bank AS, Turkey
- Gulf Bank Algeria, Algeria

Our examination has been carried out in accordance with the requirements of the Central Bank of Kuwait (“CBK”) circular dated 13 January 2025, considering the requirements contained in the following, together referred to as “CBK Instructions”:

- Manual of General Guidelines concerning Internal Control Reviews issued by the CBK on 14 November 1996 section 3 Internal control systems;
- Corporate Governance instructions in respect of risk management and internal controls at Kuwaiti Banks issued by the CBK, pillar 4 Risk Management & Internal Controls;
- Instructions issued on 16/02/2023 concerning AML & CFT as well as the relevant Ministerial Resolutions and Instructions;
- Instructions issued on 09/02/2012 on Maintaining Confidentiality of Information and Data Related to Your Bank Customers;
- Your bank’s securities business.

Management’s Responsibility for Internal Controls

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

Independent Auditor’s Responsibilities

Our responsibility is to express an opinion on the effectiveness of the internal controls in the processes stated above based on our procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Group has maintained, in all material respects, effective internal control in accordance with the requirements of the CBK instructions, for the year ended 31 December 2024.

A reasonable assurance engagement includes obtaining an understanding of internal control, identifying and assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk and performing such other procedures as considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Management 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Definition and Limitations of Internal Controls

A Group’s internal controls are designed to (1) provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; (2) provide reasonable assurance that banking risks are properly monitored and evaluated; and (3) provide reasonable assurance that transactions are executed in accordance with established authorisation procedures and are recorded properly.

Report on Internal Control (Continued)

Definition and Limitations of Internal Controls

Because of its inherent limitations, internal control may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Use of Report

This report is prepared to meet the requirements of the Central Bank of Kuwait. As a result, the report may not be suitable for another purpose. Our report is intended solely for the Bank's Management and Board of Directors and the Central Bank of Kuwait and should not be distributed to or used by parties other than the Bank's Management or Board of Directors, or the Central Bank of Kuwait.

Opinion

Having regard to the nature and volumes of the Bank's operations during the year ended 31 December 2024, and the materiality and risk rating of our findings set out in Appendix II, and the status of prior year findings set out in Appendix III, in our opinion the in-scope internal controls of the Bank were established and maintained in accordance with the requirements of the CBK instructions.

Yours faithfully,

Ali B. Al-Wazzan
License No. 246A
Deloitte & Touche - Al-Wazzan & Co. Office Managing Partner

Kuwait
22 June 2025





04

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Basel III – Pillar III

Qualitative and Quantitative Disclosures

INTRODUCTION

In June 2014, Central Bank of Kuwait (CBK) issued directives on the adoption of the Capital Adequacy Standards (Basel III) under the Basel Committee framework applicable to licensed banks in Kuwait, effectively replacing and superseding the earlier requirements under the circular issued in 2005 Basel framework (Basel II). These instructions cover comprehensively the calculation of the Capital Adequacy Ratio (CAR) under Pillar 1 of Basel III, the supervisory oversight under Pillar 2, the disclosure of information under Pillar 3, and additional liquidity and leverage controls. Given below are the necessary disclosures pertaining to the Bank's Capital Structure, Risk Management objectives and policies, information relating to the Credit Exposure, Credit Risk Mitigation, Market Risk, Operational Risk, and additional Capital Disclosure Requirements as required under the CBK Basel III regulations. In arriving at the CAR, in accordance with the regulations, the standardised approach has been used for the computation of Risk Weighted Assets (RWA).

REGULATORY SCOPE OF CONSOLIDATION

The consolidated financial statements and capital adequacy regulatory reports of the Group have been prepared and consolidated on a consistent basis, save as otherwise disclosed.

For additional information on the basis of preparation and basis of consolidation please refer to notes 2.1 and 2.3 of the Group's consolidated financial statement for the year ended 31 December 2025. The principal operating subsidiaries of the Group are presented in note 2.3 of the Group's consolidated financial statements. All subsidiaries have been fully consolidated under the regulatory scope of consolidation for Regulatory Capital calculations.

Significant investments (as defined) in Banking, Financial and Insurance entities which are outside the scope of regulatory consolidation are required to be subject to the threshold treatment prescribed under the CBK Basel III rules and are risk-weighted and/or deducted against equity.

- All the significant investments in Banking and Financial entities classified as Associates of the Group's consolidated financial statements have been subject to the applicable threshold treatment and risk-weighted as prescribed.
- Other significant investments in Banking and Financial entities classified as equities have been subject to the applicable threshold treatment and risk-weighted as prescribed.
- Minority Investments in Banking, Financial and Insurance entities classified as equities have been subject to the applicable threshold treatment and risk-weighted as required.

CAPITAL STRUCTURE

i. Main features of Capital Instruments

The Bank's paid-up capital entirely consists of ordinary shares which have proportionate voting rights. These are listed on the Kuwait Stock Exchange and are actively traded thereon.

As of 31 December 2025, the share capital comprised of 3,806,053,945 issued and fully paid equity shares (31 December 2024: 3,624,813,281) of 100 Fils each and the bank's capital structure was as follows:

CAPITAL STRUCTURE OF THE BANK

	Amounts in KD'000s	
	31-12-2025	31-12-2024
Share capital	380,605	362,481
Share premium	282,802	282,802
Statutory reserve	127,562	122,822
Voluntary reserve	127,940	123,200
Other disclosed reserves	(215,104)	(200,633)
Retained earnings	184,598	184,605
Eligible minority interest in consolidated subsidiaries	64,513	57,912
Less: Regulatory adjustments		
- Treasury shares	(17,253)	(1,742)
- Goodwill	(14,202)	(9,022)
- Other intangibles	(17,466)	(7,884)
- Cash flow hedge reserve	(7,084)	(7,786)
- Proposed dividends	(22,399)	(21,715)
- Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
COMMON EQUITY TIER 1 (CET1) CAPITAL	874,512	885,040
Perpetual Tier 1 capital securities	150,000	150,000
Eligible minority interest in consolidated subsidiaries	12,645	11,432
Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
ADDITIONAL TIER 1 (AT1) CAPITAL	162,645	161,432
TIER 1 CAPITAL (CET1 + AT1)	1,037,157	1,046,472
Capital Eligible as Tier 2	152,700	154,050
General provision subject to 1.25% of the credit RWAs	91,994	82,903
Eligible minority interest in consolidated subsidiaries	27,159	24,718
Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
TIER 2 CAPITAL	271,853	261,671
TOTAL ELIGIBLE CAPITAL	1,309,010	1,308,143

CAPITAL ADEQUACY

i. Bank's Approach to Capital Adequacy Assessment

The Bank has in place a system under which capital adequacy is calculated at regular intervals, based on CBK's circular instructions dated 24/06/2014.

In addition, the Bank has in place a policy for the Internal Capital Adequacy Assessment Process (ICAAP) that is compliant with CBK instructions regarding Pillar 2 of Basel III and has been duly approved by the Board Risk Committee and ratified by the Board of Directors. The ICAAP policy covers additional risks in addition to credit, market and operational risks covered under Pillar 1, and assesses additional capital requirements for all these risks (including credit, market, and operational risks) over and above the minimum level stipulated by the CBK. Additionally, the Bank conducts stress tests to assess the effect on profits and CAR under certain extreme but plausible scenarios.

When calculating internal capital requirements, the Bank considers all its future business plans to ensure that the level of eligible capital is sufficient to meet the expected increase in business and the corresponding level of RWAs. The Bank takes into consideration developments locally and in the region as well as the expected changes in the banking environment while examining the level of capital buffer that it would like to maintain.

As regards to the subsidiaries, the respective banking regulations regarding capital adequacy are different in each of the jurisdictions. While the authorities in Turkey have mandated the transition to Basel III standards, certain other jurisdictions are yet to finalize the regulations in this regard. All subsidiaries are using the standardised approach.

The relevant CBK regulations on Basel III have however been applied for the consolidated financial position of the Bank and its subsidiaries. The capital requirement for each standard portfolio stated below considers complete phase-out of real estate as an eligible collateral in line with CBK's Basel III regulation.

FINANCIAL STATEMENTS

Basel III – Pillar III

Qualitative and Quantitative Disclosures

CAPITAL REQUIREMENT FOR EACH STANDARD PORTFOLIO

	Amounts in KD'000s	
	31-12-2025	31-12-2024
Claims on sovereigns	81,401	83,469
Claims on public sector entities	5,127	3,115
Claims on multilateral development banks (MDBs)	-	922
Claims on banks	68,759	54,356
Claims on corporates	495,170	454,279
Regulatory retail exposures	100,095	83,225
Claims on central counterparties	8	74
Past due exposures	11,396	9,123
Other exposures	194,779	173,631
Total	956,735	862,194
Less: General provision in excess of 1.25% of RWA's	(10,060)	(8,629)
Total Credit risk weighted exposure	946,675	853,565
Market risk exposure under standardised approach	13,907	6,469
Operational risk exposure	54,208	52,191
Additional Capital Requirement - Domestic Systemically Important Bank (DSIB) Buffer	78,061	70,171
Total Capital Requirement	1,092,851	982,396
Capital Adequacy Ratio (%)	16.8%	18.6%
Tier 1 Ratio (%)	13.3%	14.9%
Common Equity Tier 1 Ratio (%)	11.2%	12.6%

The CET1, Tier1 & total capital ratios of the banking subsidiaries were as follows:

31-12-2025

Subsidiary Banks*	CET1*	Tier 1*	Total capital ratio*
Algeria Gulf Bank S.P.A ("AGB")	11.9%	11.9%	13.0%
Tunis International Bank S.A ("TIB")	26.9%	26.9%	27.3%
Burgan Bank A.S ("BBT")	10.1%	11.3%	15.3%
United Gulf Bank B.S.C ("UGB")	13.8%	13.8%	13.8%

31-12-2024

Subsidiary Banks *	CET1*	Tier 1*	Total capital ratio*
Algeria Gulf Bank S.P.A ("AGB")	13.1%	13.1%	14.2%
Tunis International Bank S.A ("TIB")	33.1%	33.1%	33.6%
Burgan Bank A.S ("BBT")	11.0%	12.3%	16.5%

*Ratios computed under Basel III regulations as adopted in the state of Kuwait. All subsidiaries are compliant with their local capital adequacy requirements.

RISK MANAGEMENT

The Bank has set up an independent Risk Management Group (RMG) headed by the Chief Risk Officer (CRO) who reports directly to the Board Risk Committee (BRC). RMG does not have any business targets in terms of either levels of business or income/profits to be achieved, with a view to ensuring its objectivity in analyzing various risks. The mission of RMG is to identify, measure and control various risks and report to the top management and BRC of the Bank on the effects and, where possible, mitigations. The Bank has comprehensive Risk Policy that classifies the risks faced by it in its activities into certain families of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified families of risks. Among the families of risks are:

- Credit Risk which includes default risk of clients and counterparties
- Market Risk which includes interest rate, foreign exchange, liquidity and equity risks
- Non-Financial Risks which include risks such as Operational Risk, Business Continuity, Third-Party Risk, Environmental, Social, and Governance (ESG), Fraud risk etc.
- Information and Cyber Security Department

The Risk Management Group is organised into, among others, four departments each responsible for one of the above risk areas, viz. Credit, Market, Non-Financial, and Information and Cyber security Risk departments.

All subsidiaries have an independent risk management function reporting directly to its respective Board Risk Committee. ICAAP is undertaken at both the Group and individual subsidiary levels.

In addition, a stress-testing framework that is commensurate with the Bank's size, locations and nature of activities is in place. Sensitivity and Scenario-based approaches to stress testing are used to assess the Bank's vulnerability and possible impact of negative economic events on its capital. The stress-testing framework is forward-looking and subject to change based on experience and evolving techniques. At least three stress-testing scenarios are applied to arrive at the stressed capital ratios, with a view to ensure that the Bank remains adequately capitalized under stressed conditions during economic down-turns. Adequate stress-testing procedures are in place for Credit, Market (trading book), Interest Rate (Banking book), Liquidity, and Non-Financial Risks. All the other risks covered under Internal Capital Adequacy Assessment Plan (ICAAP) have built-in mechanism to account for the forward-looking stressed conditions. Stress testing is carried out on semi-annual basis. However, in the event of imminent adverse changes in the overall economy, stress testing may be conducted more frequently.

A. Credit Risk

i. Strategies and Processes

The Bank has a well-documented Credit Policy that complies with CBK regulations and outlines the risk appetite of the Bank in its various business groups viz. the Corporate Banking, Private Banking & Wealth Management, Retail Banking and Financial Institutions groups. The Credit Policy has been developed by the Risk Management Group in line with the industry best practices, in consultation with the business groups and under the guidance and approval of the Board. Subject to the guidelines of the Policy, each business group may draw up its own business strategy. The Policy defines lending principles, credit granting & approval process and the types of products that the various business groups can market to their clients and counterparties. Any new product is required to undergo a specific validation process before its launch.

The Bank's subsidiaries also have their respective credit policies based on their local market practices and regulations that govern the credit granting to clients segmented suitably, subject to the respective local business environments and the specific requirements applicable in each jurisdiction, the policies of the subsidiaries have a similar coverage.

ii. Structure and Organisation

The Credit Risk Department is headed by Deputy General Manager – Risk Department who leads supervision of all credit risk activities within the risk department. The Credit risk function primarily undertakes an independent review of credit proposals submitted by business units by providing their views/recommendations on credit proposals. These proposals are approved in accordance with the delegation of powers approved by the Board. The Bank's structure of delegation of powers envisages that a credit approval requires, in addition to the recommendation of the concerned business group, an independent enabling opinion of the Risk Management Group. This ensures that the approval process has an in-built mechanism of checks and balances with the concurrence of an independent functionary before a credit proposal can be approved. To be noted that under the Corporate Governance Code, Risk Management personnel do not have any signing power or approving authority but can give their independent opinion on the proposal. Other key functions include ongoing portfolio monitoring, through various post fact reports and an oversight on provision adequacy and write offs.

The subsidiaries also have similar structures and organisations, subject to their respective local conditions and business environments.

iii. Scope and Nature of Reporting Systems

After the approval of the credit proposal, the Credit Control Department is entrusted with the responsibility of checking and ensuring that the conditions precedent for the draw-down of the credit facilities as approved are fulfilled before the disbursement of funds to the client/counterparty. This unit, which is under the oversight of Risk Management department and independent of Business Units also follows up on the conduct of the accounts by the client/counterparty in accordance with the terms of approval and reports any irregularities for necessary corrective action. This unit is also responsible to ensure that the relevant details for measurement of the risk and allocation of the appropriate risk weights to the exposures are made available in the system or otherwise, so that the computation of the RWAs can be made appropriately.

To keep pace with the changing business environment and regulatory developments, the bank has implemented Credit Lens for rating its Corporate, Non-Banking Financial Institutions and private banking customer portfolio.

The key subsidiaries have also implemented the same rating system for rating their wholesale banking customers.

iv. Hedges and Mitigants

The Credit Policy of the Bank also stipulates guidelines for credit enhancements through availability of collaterals to mitigate the risk. This primarily covers the minimum required coverage ratio of acceptable collaterals to the loan granted/ to be granted and the threshold levels for top-up of security. The policy and procedures of the Bank also stipulate the frequency of valuation of the different collaterals so as to determine the necessity for top-up by the client and/or procedure for liquidation in line with market best practices and regulatory guidelines prescribed in this regard. Since there are limited avenues for other types of hedges such as Credit Default Swaps etc. in the Kuwaiti banking environment, the key mitigants considered are eligible collaterals and/or guarantee of acceptable third parties.

The collaterals accepted by the bank normally consist of cash in the form of deposits with the Bank, shares, bonds and units of mutual funds, various forms of real estate such as vacant lands, investment and commercial buildings, projects under construction etc. The scope to obtain any other type of collateral such as movables etc. is limited since the law does not recognize a hypothecation charge or a chattel mortgage. For the purposes of credit risk mitigation, only collaterals permitted by the CBK and where the conditions stipulated are fully met are considered.

As regards shares, bonds etc., the Bank fulfills the stipulated regulatory requirements for their periodic valuation, application of haircuts etc. Regarding real estate assets, as per CBK regulations, the Bank is required to obtain two independent valuations of which KFH/KIB has to be one for Kuwait based assets. The periodicity of the valuation is in line with the regulatory requirements.

The amount of a secured facility that a borrower can avail of is based on the valuation of security and minimum required collateral coverage to be maintained thereon. Additional consideration is also given to the expected cash flows of the customer and income from the assets mortgaged.

The respective credit policies of the subsidiaries also define the collaterals acceptable for their respective credit facilities with the ratios for coverage, top-up, and liquidation. However, unlike the laws of Kuwait, the laws in the jurisdictions of some of the subsidiaries permit hypothecation of immovable properties of clients in favor of a bank and where this is permitted, such collateral is also obtained, subject to the conditions stipulated in the respective legal provisions. Based on their respective local regulatory requirements and banking practices, the collaterals are valued by independent sources.

B. Market Risk

The primary objective of Burgan Bank's market risk management function is to provide a coherent policy and operating framework for a strong Bank-wide management of market and liquidity risks.

i. Strategies and Processes

The operations of the Bank's Investment Banking and Treasury Groups give rise to the market risks assumed by the Bank. The Bank has a well-defined, Board approved and CBK compliant treasury, liquidity and investment policies that outline the framework that governs trading and investing activities which give rise to market risk. These policies cover rules concerning the positions that the Bank assumes in the course of its trading in foreign exchange, equities and fixed-income securities as well as the interest rate and liquidity risk exposures in the banking book in terms of mismatches in maturity and/or re-pricing periods.

Every year, during the annual budget exercise, Treasury decides upon and proposes its expected strategy and business plan for the coming year. These business and strategy forecasts are discussed during Asset Liability Committee (ALCO) meetings throughout the year and when necessary corrective actions are decided. The ALCO discusses and deliberates on all aspects of market and liquidity risks.

Liquidity management policy and limits ensure that liquidity is maintained at sufficient levels to support operations and meet payment demands even under stressed conditions that might arise with a sudden change in the market environment. The Bank has also in place a comprehensive stress testing policy and liquidity contingency funding plan.

The subsidiaries have their respective well-defined ALCO and Market Risk policies with a similar content of topics but suited to their respective business environments. These policies have been framed with consideration for the respective local regulations that influence the market and liquidity risks assumed by each of them. The respective Board of Directors of each subsidiary approves the market risk appetite, in terms of limits, for market and liquidity risks including foreign currency risk, interest rate risk, liquidity risk and equity risk. These limits are based on notional amount/MTM/ sensitivity and/or VAR (Value at Risk).

Treasury in consultation with Risk Management, proposes various limits and rules under which front-office traders and dealers are allowed to take positions. These limits are based on notional amount, sensitivity, and stop-loss. These limits are approved by the Board Executive Committee and where so required under regulations, by CBK. These limits relate to intra-day and overnight positions as well as positions under different maturity buckets, tenor limits, counterparty exposure limits, stop-loss levels etc. While the adherence to these limits is monitored by Treasury, they are also independently monitored by Market Risk Control and Reporting whose reporting lines are independent of Treasury.

While quantifying market risks, the Bank considers risks arising from movements in interest rates (for each of the currencies in which it holds significant positions), foreign exchange and price of traded equity securities. At present, the Bank does not assume positions in commodities. Based on the composition of the risk assets that give rise to these risks, the Bank applies various rules to measure market risk. These are in line with the applicable regulatory guidelines and are considered commensurate with the positions assumed by the Bank. Securities held in Trading Book are carried at the fair value as prescribed by the regulatory guidelines.

Treasury is responsible for managing day-to-day funding activities within the established liquidity risk management policies and limits. It is responsible for establishing appropriate procedures and effective communication channels with operational and business areas to alert the funding desks of imminent funding requirements including loan drawdowns, deposit withdrawals and off-balance sheet commitments. It monitors market developments, understands their implications for the Bank's liquidity risk exposure and recommends appropriate risk management measures to ALCO.

Market Risk periodically reviews liquidity risk policies and procedures, performs liquidity stress testing independently and reports their findings and recommendations to the management as well as BRC. It is also responsible for monitoring adherence to the various liquidity ratios and limits, both internal and regulatory.

For subsidiaries, dealing and trading activities are governed by the applicable local regulations and prescribed limits. In addition to these regulatory limits, internal limits are applied where deemed appropriate and these are monitored and reported upon by the relevant local units that are independent of the business units. For Subsidiaries that are active in Capital markets trading (mainly via back-to-back deals with customers), P&L and risk sensitivity reports are sent to Group Market Risk more frequently.

ii. Structure and Organisation

Market and Liquidity risks are overseen by the Asset Liability Committee (ALCO). ALCO deals with Bank-wide market risk issues as well as Treasury specific issues. ALCO meets on a regular basis to discuss the risk exposures vis-à-vis the prevailing market conditions and sets guidelines to manage these risks within the risk appetite limits set by the Board.

Market Risk Control and Reporting responsible for monitoring and escalating to senior management and concerned stakeholders all breaches of limits or controls, if any, that are related to Treasury activities to ensure timely rectification.

iii. Scope and Nature of Reporting Systems

The Bank has in place systems that allow independent, on-line monitoring of key Market Risk positions assumed by the Front-Office. Various P&L and risk reports covering trading activities and their impact on key Market and liquidity metrics are sent daily to Senior Management. Stress testing for interest rate risk, foreign exchange risk and liquidity risk is conducted on a regular basis and results are presented to ALCO for review. Detailed market risk reviews are submitted to the Board Risk Committee on a quarterly basis. These reviews highlight major changes in the Group's market and liquidity risk profiles as well as compositions of the investment portfolio.

iv. Hedges and Mitigants

A major part of the banking and trading books of the Bank is in Kuwaiti Dinars (KD's) and the other important internationally actively traded currencies. Due to the limited scope for hedging interest rate positions in KD's arising from a limited range of hedging products, the Bank enters into, where reasonably possible, variable interest rate transactions structured to enable it to minimize maturity/re-pricing mismatches.

Open positions in other currencies are also subject to internal limits and, when hedging is required, the Bank makes use of interest rate and currency swaps. Subsidiaries that deal in derivatives (such as Burgan Bank Turkey) do so to meet client requests on a fully matched basis as well as to manage their respective Asset Liability mismatch, and dealing only in vanilla derivatives and does not deal in exotic derivatives or structured derivatives. The Bank has implemented a policy to hedge its net currency exposure in its

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Basel III – Pillar III**Qualitative and Quantitative Disclosures**

major subsidiary in compliance with the International Accounting Standards. The Bank mainly uses currency swaps to hedge the specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

With the exception of BBT, subsidiaries have modest dealing operations. The range of products offered by them to their clients is limited, due to the market environment and where applicable, exchange control regulations.

BBT deals in foreign exchange and interest rate derivatives to cover client needs on a back-to-back basis and for Asset Liability Management activities. All derivatives activities are regulated through various limits approved by the BOD and monitored through P&L and risk systems.

C. Non-Financial Risks

The Non-Financial Risks Department covers risks such as Operational Risk, Business Continuity, Third-Party Risk, Environmental, Social, and Governance (ESG), Fraud risk etc.

Operational Risk Management is a second line of defense function which is aligned to provide support to Management in the identification, capture, and mitigation of risk of loss resulting from inadequate or failed processes, people, technology, and external events across the business.

Burgan Bank has placed an increased focus on the depth of the coverage in this area to ensure effective oversight over the operational risks that are being faced.

The Operational Risk Department provides oversight across the Bank in order to identify, measure, monitor and control its inherent risk exposures across the Bank's Operational Business areas at all levels by using different tools such as Risk and Control Assessment, Incident Management, and Key Risk Indicators. The department plays an important role by enabling the Bank to evaluate the key controls, based on the identified inherent risks, and to measure the residual risks which remain after the assessment of the effectiveness of these key controls. The Operational Risk Management Policy of the Bank classifies the various areas of operational risks and identifies who are primarily responsible for rectifying these risks according to the three lines of defense model.

Burgan Bank (BB) has implemented an Operational Risk Management Framework (ORMF) that sets out the approach for the management of operational risks, which has been approved by the Board of Directors. The function is also supported by an automated system that manages the process of collecting, storing, analyzing, tracking and reporting on information relevant to operational losses, risk and control assessments, and management of key risk indicators.

Operational Risk Key Management processes include but are not limited to the following:

- Governance – incorporates the direction and review by senior management of operational risk within the bank.
- Risk and Control Assessment process is to identify, assess the key operational risks and its associated controls across the businesses.
- Key Risk Indicators (KRIs) - KRIs are a tool to measure and monitor operational risks across the bank in a consistent format and provide an 'early warning indicator' of potential process failures and/or control issues.
- Operational Loss Events - A key component of the Operational Risk Management process is the collection and tracking of operational loss events. The objective of the loss event collection process is to provide a consistent and organized approach to identify, capture, analyze and report the operational losses. The loss event collection will encourage root cause analysis which can be used to drive improvement action, and identify control gaps, highlighting correlations between risk and controls.
- Reporting – allows the above processes (i.e. management and control self-assessment, incident management & key indicators) to be brought together in a coherent manner for use by all levels of management to oversee and control the level of operational risk.

The goal of the Operational Risk Management framework is to provide management with the information needed to be able to make proper decisions regarding the level of operational risks that they are running. Burgan Bank will continue to develop and improve methods and processes for managing operational risk by ensuring a common language for operational risks and controls classification and categorization.

The Business Continuity (BC) Risk function is responsible for coordination the BC and Disaster Recovery (DR) activities across the bank enhancing the bank's resilience. It conducts the annual Business Impact Analysis exercise with the Business to assess the criticality of the processes run by the individual departments, the systems and people needed for the continuation of the critical processes during crisis.

The Business Continuity policy provides an overview of the roles and responsibilities across the three lines of defense for BC/DR readiness and the Business Continuity Plan details the crisis scenarios that the bank is considering in planning for the BC related emergencies.

A crisis management team is available at the group level for high-level coordination and communication internally and externally. In addition, business continuity plans are in place for business-critical operations and services that are critical for society.

The Emerging Risk department looks into the ESG, Third Party, End User Computing Applications and Resilience risks faced by the bank.

The Fraud Governance Unit was established in February 2024 within the Non-financial Risk department is working on the implementation of the Fraud Risk Management Framework, coordinating the fraud investigations, and monitoring the fraud occurrences and attempts across the bank. The bank has acquired an Enterprise-wide Fraud risk monitoring system Clari5 that was deployed to production at the end of May 2025 and is expected to enhance the fraud monitoring and response.

The Fraud Risk Committee chaired by the CEO Kuwait has been established at the end of 2024 to guide the bank in its anti-fraud efforts.

D. Information and Cyber Security

Effective management of information, whether internal or external, is essential for any organization. At Burgan Bank, we are committed to maintaining a strong cybersecurity posture through a structured prevention, detection, and response strategy implemented across the organization. In the banking sector, where financial assets are central, ensuring the reliability and protection of information is fundamental to supporting institutional resilience and maintaining stakeholder trust.

Burgan Bank adopts an Information Security Management System (ISMS) designed to uphold the confidentiality, integrity, and availability of information. The ISMS is supported by a framework of policies, procedures, and controls, technical, organizational, and administrative, covering all asset types, including personnel. Our practices are aligned with international standards and industry-recognized frameworks, including CBK mandates, SWIFT Customer Security Program (CSP), Payment Card Industry Data Security Standards (PCI DSS), ISO-based Information Security Management Systems (ISO-ISMS), and Privacy Information Management Systems (ISO-PIMS).

In line with the CBK Cyber Crisis Strategy, Burgan Bank has established a Cyber Crisis Management Team (CCMT), led by the CEO – Kuwait, to ensure executive oversight and coordinated response during cyber incidents. The CCMT plays a key role in managing cyber crisis events with executive-level support, complemented by the Cyber Security Incident Response Team (CSIRT), which comprises cross-functional subject matter experts who monitor, identify, isolate, and escalate cyber threats to ensure timely and effective response.

As part of our risk management framework, Burgan Bank applies the Three Lines of Defense model to strengthen governance and accountability in managing information security risks. This structure enables clear separation of responsibilities: operational teams serve as the first line, implementing controls and managing risks directly; risk and compliance functions form the second line, providing independent oversight and guidance; and internal audit acts as the third line, offering assurance through objective evaluation. This layered approach enhances visibility, promotes informed decision-making, and supports a more resilient security posture. Residual risks, including cyber risks, are addressed through defined treatment plans, which may include risk transfer mechanisms such as dedicated cyber insurance coverage.

Through these efforts, Burgan Bank demonstrates its commitment to continuously enhancing its information security capabilities, ensuring regulatory compliance, and aligning with evolving industry expectations.

Credit Exposures**i. Impairment of financial assets**

The Group records impairment of financial assets as follows:

Impairment of financial assets classified as credit facilities:

Impairment of financial assets classified as credit facilities is recorded as the higher of Expected Credit losses (ECL) on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instructions. Credit

Qualitative and Quantitative Disclosures

facilities consist of loans and advances to customers, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, bank acceptances, undrawn cash and non-cash credit facilities (revocable and irrevocable).

Impairment of financial assets other than credit facilities:

Impairment of financial assets other than credit facilities is computed under IFRS 9 in accordance with the CBK guidelines. These financial assets comprise of investment in debt securities measured at amortized cost or fair value through other comprehensive income (FVOCI) and on balances and deposits with banks. Equity investments are not subject to ECL.

Expected Credit Losses under IFRS 9 as per CBK guidelines

The Group has established a policy to perform an assessment at the end of each reporting period of whether there has been a significant increase in credit risk since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. ECLs are estimated based on present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between:

- The contractual cash flows that are due to the Group under the contract; and
- The cash flows that the Group expects to receive, discounted at the effective profit rate of the financing facility.

The Group applies a three-stage approach to classify and measure the ECL on the financial assets classified as credit facilities, as described below:

Stage 1: 12-month ECL

For financial assets classified as credit facilities where there has not been any significant increase in credit risk since their initial recognition or those credit facilities which are determined to have a low credit risk at the reporting date, the Group classifies these facilities under Stage 1 and measures the loss allowance which is a result of defaults that are expected to arise over the next 12 months (12-month ECL) on these financial assets.

Stage 2: Lifetime ECL – not credit impaired

For financial assets classified as credit facilities where there has been a significant increase in credit risk since initial recognition but are not credit impaired, the Group classifies these facilities under Stage 2 and measures loss allowance which is a result of defaults that are expected to arise over the lifetime (Lifetime ECL) on these financial assets.

Stage 3: Lifetime ECL – credit impaired

For financial assets classified as credit facilities which are in default and credit impaired, the Group classifies these facilities under Stage 3 and measures loss allowance at an amount equal to 100% of net exposure i.e. exposure after deduction of eligible collaterals.

Staging of credit facilities

The Group continuously monitors all financial assets classified as credit facilities and applies a series of absolute thresholds and other criteria to determine the staging. All financial assets classified as credit facilities that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and are classified under Stage 2. All rescheduled credit facilities are classified under the Stage 2 unless it qualifies for Stage 3. The Group also applies other criteria to determine a significant increase in credit risk for financial assets, such as:

- Deterioration in the customer rating of the borrower indicating default;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material deterioration in the customer's financial position in the opinion of the Group causing concerns on the repayment ability;
- A material covenant breach in a committed facility;
- Filing for bankruptcy or liquidation;
- Downgrade in the facility's credit rating by 2 grades for the facilities with Investment Grade rating and by 1 grade for those with Non-Investment Grade rating.

Except for consumer and instalment financing, transfer of credit facility from Stage 2 to Stage 1 is made after a curing period of 12 months from the satisfaction of all conditions that triggered classification of the credit facility to Stage 2 and after necessary CBK approvals.

Definition of default

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) when:

- The borrower is past due for more than 90 days on its credit obligation to the Group;
- The borrower is facing significant financial difficulty;
- The borrower is assessed as credit impaired based on internal qualitative and quantitative assessment;
- Other indicators such as breach of covenants, customer being deceased etc;

The Group assess whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfalls represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL includes exposure at default, probability of default and loss given default.

The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including expected drawdowns on committed facilities, repayments of principal and interest, whether scheduled by contract or otherwise. In addition, Group also complies with the CBK guidelines with respect to application of Credit Conversion Factors.

The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. For credit facilities other than retail, Through-The-Cycle PD (TTC PD) are generated from the rating tool based on internal / external credit ratings. The Group converts the TTC PD to Point in Time (PIT) PD term structure using appropriate models and techniques. The Group assesses the PD for its Retail portfolio through application and behavioral scorecards using logistic regression techniques. In addition, Group also complies with the CBK guidelines with respect to minimum PD.

The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. In addition, Group also complies with the CBK guidelines with respect to eligible collaterals and minimum haircuts.

The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier except for financial assets in Stage 2 where the maturity is determined in accordance with the CBK guidelines.

Incorporation of forward looking information

The Group incorporates forward-looking economic inputs that are relevant to the region in which the Group is located, for both its assessment of significant increase in credit risk and its measurement of ECL. Qualitative overlays are made as and when necessary to correctly reflect the impact of the movement in the relevant economy on the Group. Incorporating forward-looking information increases the degree of judgement required. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Renegotiated credit facilities

In the event of a default, the Group seeks to restructure financing to customers rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. When the financing to customers has been renegotiated or modified but not derecognized, any impairment is measured using the original effective interest method as calculated before the modification of terms. Management continually reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur.

Write-offs

Financial assets are written off either partially or in their entirety only when there is no realistic prospect of 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.

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Qualitative and Quantitative Disclosures

Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of 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 financing receivable is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and impaired loans and advances to customers are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provisions
Watch list	Irregular for a period of up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

However, based on the circumstances of a particular exposure, when the Bank considers it necessary, a higher level of provisioning is made even if these default periods are not attained.

In March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non-cash facilities.

After implementation of IFRS9 rules the ECLs are computed for Stage 1, Stage 2, and Stage 3 classified clients in accordance with the prescribed CBK guidelines.

Higher provision charges amongst the two approaches are considered thereafter.

In all cases of non-performing exposures, the Bank does not recognize any accrued income. Interest/commission on such exposure is recognized as income only on actual receipt.

The Provision Committee of the Bank examines, at regular intervals, all the delinquent accounts to determine if a specific provision needs to be made for any particular account. The Committee is chaired by the Group Chief Executive Officer or his nominee to ensure an objective assessment of the concerned exposure without taking into consideration the performance of the Bank or its profits/profitability.

The subsidiaries follow their respective applicable regulations in regard to impaired assets and provisioning requirements.

However, at the time of consolidation of the accounts, The Bank applies the CBK rules regarding provisioning on the consolidated basis. Any shortfall arising on account of the difference between the respective regulatory requirements of a subsidiary and the CBK regulatory requirements are covered by the Bank at the consolidated level.

ii. Credit Risk Management Policy

The Bank has developed a comprehensive credit policy encompassing evaluation of the customer request, assessment of the purpose of request, business of the client, market, management, financials, conduct of the account and such other means to establish the credit worthiness of the counterparty.

The Bank performs independent credit risk evaluation every time when it extends or renews credit to its borrowers and also when it amends any approval terms and conditions to ensure that the risk is within the acceptable level.

The availability or otherwise of acceptable collateral, the standing and reputation of the client/counterparty, market reports, the exposures assumed by other banks on the same client/counterparty etc. are some of the considerations that are examined before approving credit facilities. All credit exposures are reviewed at least once in a year. In the case of locally incorporated unlisted companies and partnerships with limited liability, the personal guarantees of the main promoters of the enterprise are normally also required.

Since the Bank is at present required to follow the Standardized Approach for credit risk, it does not follow any statistical methods to estimate either the probability of default or exposure at default or loss given default. However, the bank has since implemented Moody's PD model for its wholesale banking portfolio. Based on the public ratings given to the clients/counterparties by recognized

and approved External Credit Assessment Institutions (ECAIs), the exposures are risk weighted in accordance with the CBK regulations.

iii. ECAIs and Mapping Process

An exercise to map these ratings to the exposure of the Bank where applicable is carried out. Where a general issuer rating is available in the public domain, the same is used for the relevant exposure of the rated client/counterparty. Where only an issue rating is available in the public domain and if the rated issue has comparable characteristics to the Bank's exposure both in terms of the tenor and other features such as availability of credit enhancement etc. such rating is considered. CBK at present considers Moody's, Standard and Poor's and Fitch as the Approved ECAIs and only those clients/counterparties who have a solicited rating from one or more of these ECAIs, are considered to be rated. Based on the ratings declared by the ECAIs as made available by the respective clients or established public domains, the ratings are classified into Investment Grade and Non-Investment Grade ratings. Those who are not rated by any of these three ECAIs are considered to be unrated. In order to ensure that the ratings are not considered selectively, if a current rating from one of these ECAIs available in respect of any client/counterparty, it is always considered and, in such cases, the client/counterparty is not considered as unrated.

31-12-2025

	Gross credit exposure Amounts in KD 000s		Gross average credit exposure* Amounts in KD 000s	
	Funded	Unfunded	Funded	Unfunded
Claims on sovereigns	1,473,960	-	1,059,820	-
Claims on public sector entities	125,979	58,032	119,985	26,483
Claims on MDBs	35,456	-	58,170	395
Claims on banks	1,224,044	1,741,692	945,191	595,045
Claims on corporates	3,898,338	2,289,371	3,785,649	1,850,492
Cash items	73,818	-	42,904	-
Regulatory retail exposures	768,578	135,672	789,682	116,294
Claims on central counterparties	-	3,194	-	31,961
Past due exposures	91,136	2,676	124,673	1,940
Other exposures	1,480,163	88,521	1,014,638	68,864
Total	9,171,472	4,319,158	7,940,712	2,691,474

31-12-2024

	Gross credit exposure Amounts in KD 000s		Gross average credit exposure* Amounts in KD 000s	
	Funded	Unfunded	Funded	Unfunded
Claims on sovereigns	1,448,378	-	877,683	-
Claims on public sector entities	91,536	-	65,645	8,700
Claims on MDBs	62,157	-	62,085	-
Claims on banks	1,053,009	1,033,154	671,733	282,759
Claims on corporates	3,472,809	1,611,486	3,571,557	1,350,953
Cash items	80,640	-	43,144	-
Regulatory retail exposures	636,162	137,053	693,833	113,943
Claims on central counterparties	-	28,625	-	37,915
Past due exposures	79,732	1,502	113,041	684
Other exposures	1,328,809	75,040	1,049,386	91,951
Total	8,253,232	2,886,860	7,148,107	1,886,905

* Average exposure represents daily average outstanding except in the case of past due exposures, which show quarterly averages since the classification of past due exposures is done quarterly

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Basel III – Pillar III

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GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURE

31-12-2025

Amounts in KD 000s

	Kuwait	Algeria	Tunisia	Turkey	Other Middle East	Europe	Rest of the world	Total
Claims on sovereigns	639,663	354,031	22,364	191,109	172,317	23,942	70,534	1,473,960
Claims on public sector entities	89,667	-	-	17,472	17,327	56,499	3,046	184,011
Claims on MDBs	-	784	-	-	-	12,551	22,121	35,456
Claims on banks	288,459	95,972	17,522	105,538	1,540,872	756,669	160,704	2,965,736
Claims on corporates	4,048,694	670,967	4,900	992,152	326,719	45,967	98,310	6,187,709
Cash items	30,840	30,858	128	11,992	-	-	-	73,818
Regulatory retail exposures	621,945	36,330	37	244,267	64	1,414	193	904,250
Claims on central counterparties	-	-	-	3,194	-	-	-	3,194
Past due exposures	83,658	8,670	-	1,484	-	-	-	93,812
Other exposures	1,066,008	84,352	14,448	244,890	41,517	17,359	100,110	1,568,684
Total	6,868,934	1,281,964	59,399	1,812,098	2,098,816	914,401	455,018	13,490,630

31-12-2024

Amounts in KD 000s

	Kuwait	Algeria	Tunisia	Turkey	Other Middle East	Europe	Rest of the world	Total
Claims on sovereigns	652,465	307,605	9,709	249,891	143,258	22,517	62,933	1,448,378
Claims on public sector entities	23,501	-	-	-	17,315	47,766	2,954	91,536
Claims on MDBs	-	-	-	-	18,445	11,780	31,932	62,157
Claims on banks	180,083	29,485	11,823	58,098	1,238,132	361,638	206,904	2,086,163
Claims on corporates	3,674,692	517,001	6,262	625,164	206,959	16,884	37,333	5,084,295
Cash items	43,713	27,664	142	9,121	-	-	-	80,640
Regulatory retail exposures	570,972	33,914	37	168,276	-	14	2	773,215
Claims on central counterparties	-	-	-	28,625	-	-	-	28,625
Past due exposures	59,621	17,113	-	4,500	-	-	-	81,234
Other exposures	976,867	74,206	13,935	197,124	40,853	7,769	93,095	1,403,849
Total	6,181,914	1,006,988	41,908	1,340,799	1,664,962	468,368	435,153	11,140,092

GROSS CREDIT RISK EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY

31-12-2025

Amounts in KD 000s

	Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Claims on sovereigns	976,760	17,468	40,651	439,081	1,473,960
Claims on public sector entities	48,347	7,672	19,818	108,174	184,011
Claims on MDBs	784	-	8,879	25,793	35,456
Claims on banks	1,906,041	385,576	530,686	143,433	2,965,736
Claims on corporates	1,502,993	466,200	800,052	3,418,464	6,187,709
Cash items	73,818	-	-	-	73,818
Regulatory retail exposures	108,795	33,475	80,376	681,604	904,250
Claims on central counterparties	3,194	-	-	-	3,194
Past due exposures	93,812	-	-	-	93,812
Other exposures	113,880	79,540	78,430	1,296,834	1,568,684
Total	4,828,424	989,931	1,558,892	6,113,383	13,490,630

31-12-2024

Amounts in KD 000s

	Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Claims on sovereigns	745,543	74,565	69,573	558,697	1,448,378
Claims on public sector entities	-	-	9,254	82,282	91,536
Claims on MDBs	-	6,162	12,973	43,022	62,157
Claims on banks	1,157,473	274,330	468,211	186,149	2,086,163
Claims on corporates	1,747,746	584,563	1,009,823	1,742,163	5,084,295
Cash items	80,640	-	-	-	80,640
Regulatory retail exposures	124,546	28,748	61,052	558,869	773,215
Claims on central counterparties	28,625	-	-	-	28,625
Past due exposures	81,234	-	-	-	81,234
Other exposures	289,310	94,797	243,025	776,717	1,403,849
Total	4,255,117	1,063,165	1,873,911	3,947,899	11,140,092

IMPAIRED LOANS AND PROVISIONS BY STANDARD PORTFOLIO

31-12-2025

Amounts in KD 000s

	Impaired loans (net of suspended interest and collateral)	Total provisions	Specific provision charge / charge off (-)
Claims on banks	-	252	-
Claims on corporates	9,341	167,288	29,776
Regulatory retail exposures	15,482	23,583	9,733
Other exposures	-	3,217	-
Total	24,823	194,340	39,509

31-12-2024

Amounts in KD 000s

	Impaired loans (net of suspended interest and collateral)	Total provisions	Specific provision charge / charge off (-)
Claims on banks	-	1,263	-
Claims on corporates	6,284	146,819	86,823
Regulatory retail exposures	13,302	20,420	6,016
Other exposures	-	5,156	-
Total	19,586	173,658	92,839

GEOGRAPHICAL DISTRIBUTION OF IMPAIRED LOANS (NET)

31-12-2025

Amounts in KD 000s

	Kuwait	Algeria	Turkey	Total
Claims on corporates	6,539	1,550	1,252	9,341
Regulatory retail exposures	11,728	2,991	763	15,482
Total	18,267	4,541	2,015	24,823

31-12-2024

Amounts in KD 000s

	Kuwait	Algeria	Tunisia	Turkey	Total
Claims on corporates	675	4,827	220	562	6,284
Regulatory retail exposures	9,677	2,710	154	761	13,302
Total	10,352	7,537	374	1,323	19,586

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Basel III – Pillar III**Qualitative and Quantitative Disclosures****RECONCILIATION OF CHANGES IN PROVISIONS****31-12-2025****Amounts in KD 000s**

	Funded	Unfunded	Total
Provisions as on 1 January 2025	148,553	25,105	173,658
Acquisition of a subsidiary	2,473	-	2,473
Exchange adjustment	11	(55)	(44)
Amounts written off	(41,168)	-	(41,168)
Charge to income statement	62,506	(3,085)	59,421
Provisions as on 31 December 2025	172,375	21,965	194,340

31-12-2024**Amounts in KD 000s**

	Funded	Unfunded	Total
Provisions as on 1 January 2024	206,257	25,338	231,595
Exchange adjustment	(1,599)	(294)	(1,893)
Amounts written off	(94,116)	-	(94,116)
Charge to income statement	38,011	61	38,072
Provisions as on 31 December 2024	148,553	25,105	173,658

COUNTERPARTY CREDIT RISK**i. Objective and Policies**

The primary objective of counterparty credit risk management is to effectively identify, measure, report and manage all derivatives related counterparty exposures through regular review of counterparty limits and daily monitoring of exposures vs. limits.

ii. Strategies and Process

All derivative limits for counterparties are approved by Board Credit Committee or its delegated authority. The Bank has signed Credit Support Annexure with major derivative financial counterparties to mitigate counterparty credit risk. Regarding non-banking customers, derivative products with set limits are mainly offered only to selective large customers with a demonstrated need to employ these products to manage the financial risks in their businesses.

iii. Structure and Organisation

Treasury Group manages day-to-day counterparty exposures for derivatives within the limits set by the Board Credit Committee or its delegated authority. Market Risk Control and Reporting monitors the exposures independently so that the exposures remain within the approved limits.

iv. Scope and Nature of Risk Measurement and Reporting Systems

Market Risk Control and Reporting is responsible for calculating Mark-to-market of derivative positions on regular basis using the necessary systems/applications. Capital charge for Over the Counter (OTC) derivative products is calculated using the current exposure method ("CEM"). Under this method exposure is calculated, applying CBK recommended add-on factors and mark-to-market of the transactions.

As regards the subsidiaries, except for BBT, other entities do not actively deal in derivative transactions. BBT also has similar objectives, policies, strategies, processes, structure and organization but customized to local market environment and regulations. BBT also uses CEM to calculate capital charge on its OTC derivative products.

CREDIT SECURITIZATION

The Bank does not conduct any securitization activities.

CREDIT RISK MITIGATION (CRM)

The main CRM techniques applied by the Bank are based on eligible collaterals. Cases where the guarantee of a better-rated client/counterparty is obtained for exposures to a lower rated client/counterparty are few, mainly due to the limited number of Kuwaiti and other regional corporates for which ratings from ECAIs are available in the public domain or as made available by the clients. In cases where specific pledge or blocking of deposits is available, on and off- balance sheet netting is also used to mitigate client risks.

i. On and Off-Balance Sheet Netting

The generic legal documents that the Bank obtains from its clients normally include a clause that permits the Bank to offset the client's dues to the Bank against the Bank's dues to the client. Thus, if the same legal entity that has obtained credit facilities from the Bank also maintains credit balances in its accounts, the Bank would normally have the legal right to set off the credit balances against its dues. In respect of some counterparty banks, there are specific agreements that provide for netting on and/or off-balance sheet exposures. Additionally, in specific cases, the Bank approves credit facilities to a client against pledge/block of his deposits to cover the whole or part of his dues. For the purposes of computation of CAR (also for calculation of general provisions), as a prudential measure, the Bank does not consider the general lien available to it under the generic documentation but only considers cases where specific pledge/block of deposits is in place.

ii. Collateral Policy

It is the Bank's endeavor to obtain acceptable collateral cover for its exposures as far as commercially practicable. The collateral normally consists of real estate properties, shares listed in Kuwait and other leading stock exchanges, other traded and untraded securities such as bonds, mutual funds etc. In some cases, to ensure the promoter's commitment, the Bank also obtains other forms of collateral such as unlisted shares/securities etc. While the Bank will be willing to accept other eligible collaterals as defined by the CBK such as gold, eligible debt instruments etc. these are not generally offered by clients/counterparties to the Bank.

Under Kuwaiti laws, the repossession and enforcement of a mortgage on the primary residence of a borrower is not permitted except under specific conditions.

Only in some cases, where the legal conditions for enforcement are fulfilled, these are considered to be retail exposures collateralized by residential mortgages.

However, as regards the subsidiaries, the respective local laws do not pose any constraints on enforcement of the mortgage on the primary residence and hence these constraints do not apply in their cases.

For the purposes of computation of CAR, the eligible collateral predominantly consists of Shares listed and traded on the recognized stock exchanges, Guarantees issued by eligible banks and Cash collateral where specific pledge/block of deposits is in place.

iii. Main Types of Collateral

The Credit Policy of the Bank defines the types of collateral that are acceptable and the collateral coverage ratio, which is the ratio of the value of the collateral to the exposure, for each type of acceptable collateral. If the value of collateral falls to a level where the actual coverage available breaches the stipulated coverage, the client is followed up either to lodge additional collateral or reduce his outstanding dues accordingly. The collaterals, after approval, are monitored independently by the Credit Control unit and reported to the concerned business group for follow up with the client.

iv. Collateral Valuation and Management

The Bank follows a system under which the collateral valuation is independently verified. In respect of real estates in Kuwait accepted as collateral, the valuation is done on an annual basis by two independent valuers, one by a valuer approved by Central Bank of Kuwait and another by a registered valuer approved by the Bank and the average of two values being considered for risk mitigation. In respect of shares and other securities listed on the Kuwait Stock Exchange, the valuation is computed daily, based on the prices declared by the Stock Exchange at the end of the day. The valuation of other collateral such as unlisted shares is done by independent third-party evaluators and updated on an annual basis. The valuation process is handled by the Credit Control unit of the Bank with the concerned business group kept informed of the value of client collateral.

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v. Guarantees for Credit Enhancement

As stated earlier, there are very few cases where guarantee of a better-rated entity is obtained for the exposure to a lower rated entity. In these cases, where the rating is given by an approved ECAI, the guarantor's rating is substituted in place of the rating of the borrower, for the purpose of computation of RWAs. Where the guarantor and/or the borrower are/is not rated by an approved ECAI, the Bank uses its internal assessment to determine the acceptability of the guarantee but for the purpose of computation of RWA, this has no effect.

vi. Concentration

The Bank makes an endeavor to avoid concentration of collateral as far as possible. To this intent, when collateral in the form of listed shares is accepted, market capitalization, one year trend in market value and traded volumes of the concerned share are examined and these are, among other points, taken into consideration in deciding to accept the collateral and stipulating the concerned threshold ratios.

NET CREDIT EXPOSURE AFTER RISK MITIGATION AND CREDIT CONVERSION FACTOR

31-12-2025

Amounts in KD 000s

	Before CRM	CRM	Net Exposure
Claims on sovereigns	1,473,960	-	1,473,960
Claims on public sector entities	125,983	-	125,983
Claims on MDBs	35,456	-	35,456
Claims on banks – Rated	1,180,816	3,295	1,177,521
Claims on banks – Unrated	112,532	-	112,532
Claims on corporates	4,406,276	550,867	3,855,409
Cash items	73,818	-	73,818
Regulatory retail exposures	804,784	10,270	794,514
Claims on central counterparties	3,194	-	3,194
Past due exposures	92,351	194	92,157
Other exposures	1,493,164	180,137	1,313,027
Total	9,802,334	744,763	9,057,571

31-12-2024

Amounts in KD 000s

	Before CRM	CRM	Net Exposure
Claims on sovereigns	1,448,378	-	1,448,378
Claims on public sector entities	91,536	-	91,536
Claims on MDBs	62,157	-	62,157
Claims on banks – Rated	1,063,470	3,902	1,059,568
Claims on banks – Unrated	49,253	5	49,248
Claims on corporates	3,945,353	427,925	3,517,428
Cash items	80,640	-	80,640
Regulatory retail exposures	671,281	9,209	662,072
Claims on central counterparties	28,625	-	28,625
Past due exposures	80,223	5,699	74,524
Other exposures	1,337,160	188,616	1,148,544
Total	8,858,076	635,356	8,222,720

EXPOSURE COVERED BY ELIGIBLE COLLATERAL AND GUARANTEE

31-12-2025

Amounts in KD 000s

	Exposure after CCF, net of suspended interest	Covered by Financial collateral after application of haircuts as stipulated by CBK
Claims on sovereigns	1,473,960	-
Claims on public sector entities	125,983	-
Claims on MDBs	35,456	-
Claims on banks	1,293,348	3,295
Claims on corporates	4,406,276	550,867
Cash items	73,818	-
Regulatory retail exposures	804,784	10,270
Claims on central counterparties	3,194	-
Past due exposures	92,351	194
Other exposures	1,493,164	180,137
Total	9,802,334	744,763

31-12-2024

Amounts in KD 000s

	Exposure after CCF, net of suspended interest	Covered by Financial collateral after application of haircuts as stipulated by CBK
Claims on sovereigns	1,448,378	-
Claims on public sector entities	91,536	-
Claims on MDBs	62,157	-
Claims on banks	1,112,723	3,907
Claims on corporates	3,945,353	427,925
Cash items	80,640	-
Regulatory retail exposures	671,281	9,209
Claims on central counterparties	28,625	-
Past due exposures	80,223	5,699
Other exposures	1,337,160	188,616
Total	8,858,076	635,356

MARKET RISK FOR TRADING PORTFOLIO, FOREIGN EXCHANGE AND COMMODITIES EXPOSURES

The Bank applies the Standardized Approach for computing the market risk on its trading portfolio and at present does not use the Internal Model Approach (IMA). Under the Standardized Approach, the risk exposure is quantified according to the rules stipulated by CBK.

CAPITAL REQUIREMENT FOR MARKET RISK

Amounts in KD 000s

	31-12-2025	31-12-2024
Equity position risk	957	516
Foreign exchange risk	4,091	1,271
Interest rate position risk	2,908	1,931
Commodity risk	520	-
Options	82	263
Total	8,558	3,981

Basel III – Pillar III**Qualitative and Quantitative Disclosures****EQUITY PRICE RISK IN THE BANKING BOOK****i. Classification of Investments**

The Bank has a set of investment Policies that outline the type of investments, the accounting requirements, the risk appetite for investments etc. The Bank's equity investments in the banking book are classified as either 'Fair Value through other comprehensive income'(FVOCI), 'Fair Value through P&L'(FVTPL) and Investment in associates.

Equity instruments at FVOCI

Upon initial recognition, the Bank 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 FVTPL

Financial assets carried at FVTPL is initially recorded in the consolidated statement of financial position at fair value. The financial assets classified under this category are either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as financial asset carried at FVTPL where even though it meets the classification criteria of financial asset carried at amortized cost or financial asset carried at FVOCI, this designation eliminates, or significantly reduces, the inconsistent accounting treatment that would otherwise arise. Such designation is determined on an instrument-by-instrument basis.

Investments in associates

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in 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.

ii. Accounting Policy and Valuation Methodology

The accounting policies concerning investments, and their valuation methodologies are described in detail under the "Summary of Significant Accounting Policies" elsewhere in this Annual Report. During the year 2024, there has been no significant change in these policies and methodologies.

The Board Credit and Investment Committee (BCIC) examines and approves investment limits and investments proposed by the Investment Department. BCIC deliberates on these proposals, considering RMG's view, before deciding whether to approve them. As regards the subsidiaries, they also have their respective investment policies along the above lines, which are also in line with their applicable regulatory requirements.

INVESTMENTS**31-12-2025****Amounts in KD 000s**

	Publicly traded*	Privately held
Equities	71,742	132,019
Fixed income instruments	538,293	32,037
Any other investments	-	70,960
Total	610,035	235,016

31-12-2024**Amounts in KD 000s**

	Publicly traded*	Privately held
Equities	54,938	63,052
Fixed income instruments	624,183	6,712
Any other investments	-	76,354
Total	679,121	146,118

* The Bank does not have any publicly traded investments whose fair value as disclosed in the financial statements is materially different from publicly quoted values.

Amounts in KD'000s

	31-12-2025	31-12-2024
Realized gains/(losses) recorded in the income statement	15,684	10,641
Unrealized gains/(losses) recognized in the shareholder's equity	(111,686)	(107,928)

Capital requirement by equity groupings**Amounts in KD'000s**

	31-12-2025	31-12-2024
Investments whose fair value is designated through other comprehensive income	58,181	71,198
Investments at amortized cost	36,459	30,502
Investments whose fair value is designated through profit & loss	24,431	13,147
Investment in associates	5,834	1,469
Total	124,905	116,316

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book arises due to maturity or re-pricing mismatches of assets and liabilities. IRRBB represents the most significant market risk exposure in the Bank's banking book. For monitoring such interest rate risk, the Bank has in place a system that tracks interest repricing dates for all of its interest-bearing assets and liabilities. From such data, an interest repricing profile is prepared showing the relevant mismatches classified into various buckets.

Interest rate re-pricing reports are based on each product's contractual re-pricing characteristics overlaid where appropriate by behavioral adjustments. Behavioral adjustments are derived by an analysis of customer behavior over time augmented by input from the business units. The behavioral adjustments are applied mainly for those assets and liabilities with no fixed maturity dates such as overdrafts, demand deposits etc. These adjustments are based on historical trends and are spread over a re-pricing period range of 3 to 6 months. This data is then utilized to generate various IRRBB measures such as Earnings-at-Risk and Economic Value of Equity. IRRBB details and risk measures are prepared and presented at ALCO meetings, and these offer an additional tool to assist ALCO in managing interest rate risk. These measures are also presented to BRC on a quarterly basis.

EAR (Earnings at Risk) and EVE (Economic Value of Equity) measures are quantified under various rate shock scenarios, which include six prescribed internal interest rate shock scenarios to capture parallel shocks for EAR and two prescribed internal interest rate shock scenarios for EVE. For a parallel 25/50/100 basis point shock along the yield curve, net interest income for one year including derivatives is affected as shown below:

Amounts in KD 000s

Sensitivity	2025	2024
+25 bps	3,130	2,692
-25 bps	(3,297)	(2,711)
+50 bps	6,274	5,400
-50 bps	(6,589)	(5,426)
+100 bps	12,555	10,801
-100 bps	(12,563)	(10,826)

OPERATIONAL RISK

As stipulated by CBK, the Bank uses the Standardized Approach for computation of Operational Risk and the capital required for the same. Out of the eight business lines defined by CBK, the Bank's operations are confined only to five, and as at the reporting date the Bank does not presently operate in Corporate Finance, Agency Services and Retail Brokerage. For the remaining business lines, the Bank uses the stipulated beta factors. Additionally, as stated earlier, the Bank has put in place an Incident Management System to track operational risk incidents and eventually, the system is expected to assist the Bank develop a more advanced approach for operational risk, if and when this is approved or mandated by the authorities. The risk dashboards give a view of the areas of operational risk to the senior management of the Bank and the Board.

The subsidiaries apply the Basic Indicator Approach for computing operational risk under their respective local regulations. However, during the consolidation process, the operational risks are considered under the Standardized Approach where the

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activities of the subsidiaries are considered under the various business lines as stipulated under the CBK regulations on Basel III calculations.

LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk and funding management of the Group are described in detail under the section “Summary of Significant Accounting Policies” in the Annual Report. Also, a maturity analysis of cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date is shown under the section “Notes to Accounts” in the audited consolidated financial statements of the Group for the year ended 31 December 2025.

REMUNERATION PRACTICES**Remuneration Governance**

The Board Nominations and Remuneration Committee (BNRC) is responsible for presenting recommendations to the Board regarding nomination to the Board’s membership, review of Board structure on an annual basis, undertake performance evaluation of the overall Board and the performance of each member on annual basis, and developing Bank-wide reward policy in line with applicable laws and regulations. In addition, BNRC is responsible for appointment of the senior positions of the Executive Management, ensuring that these positions are occupied by qualified employees along with setting performance standards and succession plans.

There were 5 meetings held during the year by the BNRC.

The Committee is formed and operates as per the guidelines provided under the Corporate Governance manual and the Board / Committee Meeting Guidelines. In addition, specifically for the BNRC composition, the Chairman of the Board is not a member of the BNRC.

The scope of this remuneration policy covers Burgan bank and its subsidiaries where the regulatory requirements of the subsidiaries in the countries they operate are not in conflict with the remuneration policy.

For the purposes of the disclosures, the Bank has identified 17 staff members as being senior management group comprising mainly of the Group CEO (GCEO) and CEO Kuwait and his deputies who are directly responsible for the governance and management of the Bank and 4 staff members as being Material risk takers- group whose roles are not covered in the above group and whose activities, individually or collectively, have a significant impact on the Banks financial performance and stability/ control soundness.

Remuneration Policy

The remuneration policy aims at enabling the Bank to attract, retain, motivate and reward qualified workforce while ensuring fairness, consistency and equality in remuneration practices, as well as being appropriately risk balanced. The policy reflects the Bank’s objectives for good corporate governance as well as sustained and long-term value creation for all stakeholders. The Remuneration policies and practices form part of the Bank’s overall obligation to have robust governance arrangements in place.

Employees are entitled to different remuneration components targeting appropriate and balanced remuneration package based on the employee job grade taking into consideration the employees’ skills, experience, his/her role in the Bank as well as market practice.

The remuneration components consist of all forms of payments or benefits in exchange for the services provided by the employee and can be divided into:

- Fixed remuneration comprises of the basic salary and allowances as determined in the incumbents’ individual employment contracts or as amended during their tenure at the Bank.
- Variable remuneration depending on employee performance and the strategic goals of the bank.

Variable remuneration may be paid in cash and may be subject to a vesting or deferral period. Remuneration amounts are based on the bonus pools and Long-Term Incentive (LTI) pool approved by the Board for the purpose of rewarding employee performance. The total amount of performance related remuneration is based on a combination of the assessment of the overall results of the Bank, of the performance of the business unit and of the individual concerned. When assessing individual

performance, financial and non-financial targets and metrics are taken into account. The payout of the variable remuneration may be deferred as approved by the Board annually in line with the approved policy over a period of time not exceeding three years. The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Bank as a whole, and justified according to the performance of the Bank, the business unit and the individual concerned.

The Board Nominations and Remuneration Committee (BNRC) is responsible for presenting recommendations to the Board on the Bank-wide reward policy in line with applicable laws and regulations. The composition and responsibility of BNRC is further detailed under the Board Committees section of the Corporate Governance Report. The bank ensures conducting an annual audit review on its remuneration policy and practices to evaluate its compliance with the applicable Corporate Governance guidelines issued by the Central Bank of Kuwait (CBK) (Pillar V- Systems and Policies of Granting Rewards) Bearing in mind that BNRC members did not receive any additional remunerations other than the amount disclosed under Board Members Remuneration section mentioned above.

Remuneration and Risk Management

The general remuneration policy is aimed at the alignment of remuneration with prudent risk taking. The long-term strategy will include the overall business strategy and quantified risk tolerance levels with a multi-year horizon, as well as other values such as compliance culture, ethics, behavior towards customers, measures to mitigate conflicts of interest.

The remuneration practices are carefully managed within the risk appetite as laid out by the Board taking into account all key risks- financial, operational as well as compliance. The Bank ensures that the remuneration is designed and implemented to include, in particular,

1. a proper balance of variable to fixed remuneration,
2. the measurement of performance as well as the structure and,
3. the risk adjustment of the variable remuneration.

The assessment of the performance-based components of remuneration are based on longer-term performance as outlined in the Long Range Plan (LRP) and take into account the outstanding risks associated with the performance. Variable remuneration is decided based on the individual performance against KPI’s set at the beginning of the performance year and the risk appetite.

In order to minimize incentives for excessive risk-taking, variable remuneration will constitute a balanced proportion of total remuneration. Having a fully-flexible policy on variable remuneration provides that all rewards may be reduced as a result of negative performance or even adjusted to zero in cases of risk management issues. There are no material changes in these measures over the past year.

Linking performance and remuneration

The banks remuneration practices are linked to both short term and long term performance goals. Key financial and non-financial performance measures are aligned to the Bank’s business strategy. Performance based remuneration is based on the bonus pools allocated by the BNRC/Board for the purpose of rewarding employee performance. The rewards are based on the bank’s overall performance, department/group performance and individual contribution thereof. The senior management team’s performance is measured through balanced scorecard which reviews the key performance areas of Customer focus, financial performance, process improvement and people management. All other employees in the bank have annual performance appraisals assessing financial and non-financial objectives based on their roles.

Risk being a key factor in determining the sustainability of long term performance the deferral of remuneration is essential to improving risk alignment in the remuneration package. The deferral of remuneration currently applies to staff identified such as the Group CEO and CEO Kuwait and senior management team.

1. Deferral Amount: A portion of the variable remuneration including Phantom Share component not exceeding 50%, should be deferred over an appropriate period of time as defined in point 2 below.
2. Deferral Period: the deferred portion of the variable remuneration should be spread over a period not exceeding five years, and is to be aligned with the nature of the business, its risks and the activities of the member of staff in question. The actual payment of variable remuneration is spread over a period which takes account of the underlying business cycle of the Bank and its business risks.
3. The deferral portion and percentage may be adjusted in accordance with the level of seniority or responsibility of the person remunerated.

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The deferral schedule is defined by different components:

- the time horizon of the deferral,
- the proportion of the variable remuneration that is being deferred,
- the speed at which the deferred remuneration vests (vesting process) and
- the time span from accrual until the payment of the first deferred amount;
- the form of the deferred variable remuneration

The Bank will differentiate the deferral schedules by varying these five components.

Claw back

The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Bank as a whole, and justified according to the performance of the Bank, the business unit and the individual concerned.

The claw-back applies to identified staff such as the Group CEO and CEO Kuwait and Executive management team

Claw back would necessitate that the executive pays back an amount already received under a cash bonus award following receipt of the cash either due to the fact that the performance of the business had been overstated at the time the payment was made; or the recipient was, at the time the payment was made, in serious breach of his employment contract and/ or bank's policy or breach of regulatory issues, which resulted in declining financial performance of the Bank.

The claw back will be applicable even after the severance of the employment relationship for a period of one year from the award of the variable remuneration and the Bank will follow the legal recourse available to it for the recovery.

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer where:

- the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of the Bank's published financial statements;
- the Board determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and
- a lower payment would have been made to the executive based upon the restated financial results

In each such instance, the Bank will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results.

- Total number of Senior management for 2025 is 17 (2024: 15)
- Total number of Material risk takers for 2025 is 4 (2024: 1)

31-12-2025**A) Awards for senior managers and material risk-takers paid during the year (related to performance of 2025)**

	Senior Management		Material Risk Takers	
	Number of Employees	Total amount in KD	Number of Employees	Total amount in KD
Variable Awards paid during the year*:				
Cash	14	658,690	4	102,866
Fixed Awards granted during the year:				
Cash		20,000		
Total awards paid during the year (variable & fixed)	14	678,690	4	102,866
Employees who received Sign on Awards during the year				-
End of Service termination benefits paid during the year	1	54,610		-

31-12-2024**A) Awards for senior managers and material risk-takers paid during the year (related to performance of 2024)**

	Senior Management		Material Risk Takers	
	Number of Employees	Total amount in KD	Number of Employees	Total amount in KD
Variable Awards paid during the year*:				
Cash	14	689,657	1	17,174
Fixed Awards granted during the year:				
Cash	1	20,000		
Total awards paid during the year(variable & fixed)	15	709,657	1	17,174
Employees who received Sign on Awards during the year	2	40,000		-
End of Service termination benefits paid during the year	3	493,030		-

* represents 1.6 % (2024: 1.4%) of total employees

Variable and Fixed awards are only in the form of Cash awards

B) Deferred cash remuneration outstanding as of end of the year (Salary & Bonus) relating to performance of 2025 amounted to KD 1,426,635**C) Deferred remuneration paid during the year amounted to KD 186,669****31-12-2025****D) Summary of remunerations (salary & awards) for senior managers and material risk-takers for the 2025 financial year**

	Senior Management		Material Risk Takers	
	Total amount in KD			
	Unrestricted	Deferred	Unrestricted	Deferred
Variable cash remuneration:	790,895	338,955	98,196	42,084
Fixed cash remuneration:	2,526,106	-	440,559	-

31-12-2024**D) Summary of remunerations (salary & awards) for senior managers and material risk-takers for the 2024 financial year**

	Senior Management		Material Risk Takers	
	Total amount in KD			
	Unrestricted	Deferred	Unrestricted	Deferred
Variable cash remuneration :	677,485	364,800	17,175	7,361
Fixed cash remuneration :	2,596,454	-	73,732	-

OVERVIEW AND CONCLUSION

In summary, the institution has in place a management, control and evaluation system that is:

- Responsive to present business environment, the bank's growth plans and the attendant risks,
- Compliant with historic regulatory instructions and in conformity with the Basel III driven requirements detailed by CBK in their June 2014 instruction document and further enhancements to the same issued from time to time including the detailed additions on Pillar II matters, and
- Meets generally accepted international risk management standards for a financial institution of the size and complexity of the Bank.

The Bank also appoints an independent audit firm other than its external auditors, to examine the internal control systems in the Bank and its subsidiaries and to point out any deficiencies that may give rise to risks. This is being done in fulfillment of the CBK regulations and a copy of these reports along with the steps taken to correct any deficiencies is presented to the Board Audit Committee and also to CBK. This provides additional comfort regarding the checks and balances in place in the Bank and its subsidiaries.

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The Bank has in place relevant policies and detailed procedures for all its major departments/functions aimed to achieve full operational conformity with the policies set out in this section in an integrated and cost-efficient manner. In this regard,

- Detailed operating procedures are in place in respect of all major functions and the concerned staff members may refer to them as and when necessary, to ensure their compliance.
- An international control framework monitored by a dedicated internal control unit covering all areas of the Bank.
- The Bank's IT security and control structure has been effectively functioning and is certified under an international information security certification.

ADDITIONAL CAPITAL DISCLOSURE REQUIREMENTS

1. Common Disclosure Template – Composition of Regulatory Capital

Common Equity Tier 1 capital: instruments and reserves		All amounts are in KD'000
1	Directly issued qualifying common share capital plus related stock surplus	663,407
2	Retained earnings	162,199
3	Accumulated other comprehensive income (and other reserves)	40,398
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	64,513
6	Common Equity Tier 1 capital before regulatory adjustments	930,517
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	14,202
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	17,466
10	Deferred tax assets excluding those arising from temporary differences (net of related tax liability)	
11	Cash flow hedge reserve	7,084
12	Shortfall of provisions to expected losses (based on Internal Models Approach, if applied)	
13	Securitisation gain on sale	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	17,253
17	Reciprocal cross holdings in common equity of banks, Fis and insurance entities	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the common stock of financials	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	Total regulatory adjustments to Common Equity Tier 1	56,005
29	Common Equity Tier 1 capital (CET1)	874,512
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	150,000
31	of which: classified as equity under applicable accounting standards	150,000
32	of which: classified as liabilities under applicable accounting standards	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	12,645
35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 capital before regulatory adjustments	162,645
Additional Tier 1 capital: regulatory adjustments		

37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
41	National specific regulatory adjustments	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	Total regulatory adjustments to Additional Tier 1 capital	
44	Additional Tier 1 capital (AT1)	162,645
45	Tier 1 capital (T1 = CET1 + AT1)	1,037,157
Tier 2 capital: instruments and provisions		All amounts are in KD'000
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	152,700
47	Directly issued capital instruments subject to phase out from Tier 2	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	27,159
49	of which: instruments issued by subsidiaries subject to phase out	
50	General provisions included in Tier 2 capital	91,994
51	Tier 2 capital before regulatory adjustments	271,853
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross holdings in Tier 2 instruments	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
56	National specific regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	271,853
59	Total capital (TC = T1 + T2)	1,309,010
60	Total risk-weighted assets	7,806,078
Capital ratios and buffers		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	11.2%
62	Tier 1 (as percentage of risk-weighted assets)	13.3%
63	Total capital (as percentage of risk-weighted assets)	16.8%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk-weighted assets)	10.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: DSIB buffer requirement	1.0%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets)	4.2%
National minima		
69	Kuwait Common Equity Tier 1 minimum ratio	9.5%
70	National Tier 1 minimum ratio	11.0%
71	National total capital minimum ratio excluding CCY and DSIB buffers	13.0%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	56,195
73	Significant investments in the common stock of financials	32,185
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	10,366
Applicable caps on the inclusion of allowances in Tier 2		
76	Provision eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	169,382
77	Cap on inclusion of allowances in Tier 2 under standardised approach	91,994
78	Provision eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap on inclusion of allowances in Tier 2 under internal ratings-based approach	

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2. Reconciliation requirements

The basis for the scope of consolidation for accounting and regulatory purposes is consistent for the Group. In order to provide a full reconciliation of all regulatory capital elements to the balance sheet in the consolidated financial information, a three step approach has been mandated under the Pillar 3 disclosures section of the CBK Basel III framework.

Below table provides the comparison (Step1) of the balance sheet published in the consolidated financial information and the balance sheet under the regulatory scope of consolidation. Lines have been expanded and referenced with letters (Step 2) to display the relevant items of the regulatory capital.

All amounts are in KD'000

Item	Balance sheet as in published financial statements 31-Dec-25	Under regulatory scope of consolidation 31-Dec-25	Reference
Assets			
Cash and cash equivalents	811,938	811,938	
Treasury bills and bonds with CBK and others	510,818	510,818	
Due from banks and other financial institutions	1,251,274	1,251,274	
Loans and advances to customers	4,830,710	4,830,710	
of which General Provisions (netted above) capped for Tier 2 inclusion	91,994	91,994	a
Investment securities	845,051	845,051	
of which goodwill in investment in associate	-	-	b
Investment Properties	40,864	40,864	
Other assets	555,932	555,932	
Property and equipment	220,560	220,560	
Intangible assets	31,668	31,668	
of which goodwill	14,202	14,202	c
of which other intangibles	17,466	17,466	d
Total assets	9,098,815	9,098,815	
Liabilities			
Due to banks	834,916	834,916	
Due to other financial institutions	846,793	846,793	
Deposits from customers	5,456,555	5,456,555	
Certificates of deposit issued	61,125	61,125	
Other borrowed funds	557,183	557,183	
Directly issued qualifying Tier 2 instruments plus related stock surplus	152,700	152,700	e
Other liabilities	290,942	290,942	
Total liabilities	8,047,514	8,047,514	
Equity			
Share capital	380,605	380,605	f
Share premium	282,802	282,802	g
Treasury shares	(17,253)	(17,253)	h
Statutory reserve	127,562	127,562	i
Voluntary reserve	127,940	127,940	j
Other reserves	(215,104)	(215,104)	k
of which cash flow hedge reserve	7,084	7,084	l
Retained earnings	184,598	184,598	m
of which proposed dividend	22,399	22,399	n
Total equity attributable to the equity holders of the Bank	871,150	871,150	
Perpetual Tier 1 capital securities	150,000	150,000	p
Non-controlling interests	30,151	30,151	
Eligible as CET1 Capital under Basel III	64,513	64,513	q
Eligible as AT1 Capital under Basel III	12,645	12,645	r
Eligible as Tier2 Capital under Basel III	27,159	27,159	s
Total equity	1,051,301	1,051,301	
Total liabilities and equity	9,098,815	9,098,815	

Below table provides the relevant lines under Common Disclosure Template - Composition of Regulatory Capital' with cross references to the letters in above Table, thereby reconciling (Step 3) the components of regulatory capital to the published balance sheet.

All amounts are in KD'000

Relevant Row Number in Common Disclosure Template	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	663,407	f+g
2	Retained earnings	162,199	m-n
3	Accumulated other comprehensive income (and other reserves)	40,398	i+j+k
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	64,513	q
6	Common Equity Tier 1 capital before regulatory adjustments	930,517	
Common Equity Tier 1 capital : regulatory adjustments			
8	Goodwill (net of related tax liability)	14,202	b+c
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	17,466	d
11	Cash flow hedge reserve	7,084	l
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	17,253	h
28	Total regulatory adjustments to Common Equity Tier 1	56,005	
29	Common Equity Tier 1 capital (CET1)	874,512	
Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	150,000	p
31	of which: classified as equity under applicable accounting standards	150,000	p
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	12,645	r
36	Additional Tier 1 capital before regulatory adjustments	162,645	
Additional Tier 1 capital : regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	162,645	
45	Tier 1 capital (T1 = CET1 + AT1)	1,037,157	
Tier 2 capital : instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	152,700	e
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	27,159	s
50	General Provisions included in Tier 2 Capital	91,994	a
51	Tier 2 capital before regulatory adjustments	271,853	
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	271,853	
59	Total capital (TC = T1 + T2)	1,309,010	

3. Disclosure for main features of regulatory capital instruments

1	Issuer	BURGAN BANK K.P.S.C.	Burgan Bank K.P.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	"Fixed: KWODI0190606 Floating: KWODI0190614"	XS2265369491
3	Governing law(s) of the instrument	KUWAIT LAW	English law save for Issuer status and subordination provisions under Kuwaiti law
Regulatory treatment			
4	Type of Capital (CET1, AT1 or T2)	AT1	T2
5	Eligible at solo/group/group & solo	Group & Solo	Group & Solo
6	Instrument type (types to be specified by each jurisdiction)	Sub-ordinated debt	Senior unsecured bonds issued in registered global format
7	Amount recognised in regulatory capital (Currency in thousands, as of most recent reporting date)	KWD 150,000 thousand	USD 500,000 thousand
8	Par value of instrument	KWD 50,000 per Bond	100
9	Accounting classification	Equity	Subordinated debt
10	Original date of issuance	09th May 2024	15th December 2020
11	Perpetual or dated	Perpetual	Dated
12	Original maturity date	No Maturity	15th December 2031
13	Issuer call subject to prior supervisory approval	Yes	Yes

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14	Optional call date, contingent call dates and redemption amount	Optional Call Date: 9th May 2029: prevailing principal amount plus accrued but unpaid interest. Capital event (full or partial disqualification): prevailing principal amount plus accrued but unpaid interest Or tax event call: prevailing principal amount + accrued but unpaid interest	At par (in whole but not in part) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or on any Interest Payment Date thereafter subject to the relevant Conditions being satisfied
15	Subsequent call dates, if applicable	Quarterly: prevailing principal amount + accrued but unpaid interest	As above

Coupons / dividends

16	Fixed or floating dividend/coupon	KWD 75 million at fixed rate of 7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) and KWD 75 million at floating interest rate of 3.25% above CBK discount rate.	Fixed
17	Coupon rate and any related index	“Fixed Coupon rate :7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) Floating Coupon rate: 3.25% above CBK discount rate”	2.750% fixed per annum from the Issue Date (15 December 2020) until the Reset Date (15 September 2026) Resets to the then prevailing 5-Year US Treasury Rate (the “Reset Rate”) plus the Margin (2.229%) on the Reset Date (15 September 2026)
18	Existence of a dividend stopper	Yes	No
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Interest payment are mandatory, subject to write down at the point of non-viability
20	Existence of step up or other incentive to redeem	No	N/A
21	Noncumulative or cumulative	Non-cumulative	There is no ability to cancel coupon (see above)
22	Convertible or non-convertible	Non-convertible	Non-convertible. Write down (in whole or in part) is the only loss absorption mechanism at the point of non-viability (see below)
23	If convertible, conversion trigger (s)	N/A	N/A
24	If convertible, fully or partially	N/A	N/A
25	If convertible, conversion rate	N/A	N/A
26	If convertible, mandatory or optional conversion	N/A	N/A
27	If convertible, specify instrument type convertible into	N/A	N/A
28	If convertible, specify issuer of instrument it converts into	N/A	N/A
29	Write-down feature	Yes	At the Regulator’s sole discretion, full or partial permanent write down in case of a Non-Viability Event.
30	If write-down, write-down trigger(s)	Determination by regulator that the bank will be non-viable without a write-down	“Non-Viability Event” means that the Financial Regulator has informed the Issuer in writing that it has determined that a Trigger Event has occurred. A “Trigger Event” will have occurred if either of the following events occurs: • the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or • an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable
31	If write-down, full or partial	Can be partial or full	Full or partial
32	If write-down, permanent or temporary	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	N/A	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Tier 1 securities are immediately junior to Basel III -Tier 2 subordinated securities which are considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.	The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank pari passu and without preference among themselves. The payment obligations of the Issuer under the Subordinated Notes (a) rank junior to all Senior Obligations of the Issuer, (b) rank pari passu with all Pari Passu Obligations of the Issuer, and (c) rank senior to all Junior Obligations of the Issuer (each as defined in the Conditions of the Subordinated Notes).

35	Non-compliant transitioned features	None	None
36	If yes, specify non-compliant features	N/A	N/A

4. Financial leverage ratio

Below table provides the reconciliation of the balance sheet assets from the published interim condensed consolidated financial information with total exposure amount in the calculation of leverage ratio.

Summary comparison of accounting assets vs leverage ratio exposure measure:

Item	KD 000s
1 Total consolidated assets as per published consolidated financial information	9,098,815
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(31,668)
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4 Adjustments for derivative financial instruments	36,745
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	670,807
7 Other adjustments	-
8 Leverage ratio exposure	9,774,699

Leverage ratio common disclosure template:

Item	KD 000s
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	9,098,815
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(31,668)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,067,147
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8,727
5 Add-on amounts for PFE associated with all derivatives transactions	28,018
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8 (Exempted CCP leg of client-cleared trade exposures)	-
9 Adjusted effective notional amount of written credit derivatives	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11 Total derivative exposures (sum of lines 4 to 10)	36,745
Securities financing transaction exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14 CCR exposure for SFT assets	-
15 Agent transaction exposures	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	2,219,541
18 (Adjustments for conversion to credit equivalent amounts)	(1,548,734)
19 Off-balance sheet items (sum of lines 17 and 18)	670,807
Capital and total exposures	
20 Tier 1 capital	1,037,157
21 Total exposures (sum of lines 3, 11, 16 and 19)	9,774,699
Leverage ratio	
22 Basel III leverage ratio	10.6%

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Basel III – Pillar III

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COMPARATIVE INFORMATION FOR YEAR 2024:

ADDITIONAL CAPITAL DISCLOSURE REQUIREMENTS

1. Common Disclosure Template – Composition of Regulatory Capital

Item	All amounts are in KD 000s
Common Equity Tier 1 capital: instruments and reserves	
1 Directly issued qualifying common share capital plus related stock surplus	645,283
2 Retained earnings	162,890
3 Accumulated other comprehensive income (and other reserves)	45,389
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	
5 Common share capital issued by subsidiaries and held by third parties (minority interest)	57,912
6 Common Equity Tier 1 capital before regulatory adjustments	911,474
Common Equity Tier 1 capital: regulatory adjustments	
7 Prudential valuation adjustments	
8 Goodwill (net of related tax liability)	9,022
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	7,884
10 Deferred tax assets excluding those arising from temporary differences (net of related tax liability)	
11 Cash flow hedge reserve	7,786
12 Shortfall of provisions to expected losses (based on Internal Models Approach, if applied)	
13 Securitisation gain on sale	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	
15 Defined benefit pension fund net assets	
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	1,742
17 Reciprocal cross holdings in common equity of banks, Fis and insurance entities	
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20 Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22 Amount exceeding the 15% threshold	
23 of which: significant investments in the common stock of financials	
24 of which: mortgage servicing rights	
25 of which: deferred tax assets arising from temporary differences	
26 National specific regulatory adjustments	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28 Total regulatory adjustments to Common Equity Tier 1	26,434
29 Common Equity Tier 1 capital (CET1)	885,040
Additional Tier 1 capital: instruments	
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	150,000
31 of which: classified as equity under applicable accounting standards	150,000
32 of which: classified as liabilities under applicable accounting standards	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	11,432
35 of which: instruments issued by subsidiaries subject to phase out	
36 Additional Tier 1 capital before regulatory adjustments	161,432
Additional Tier 1 capital: regulatory adjustments	
37 Investments in own Additional Tier 1 instruments	
38 Reciprocal cross holdings in Additional Tier 1 instruments	
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
41 National specific regulatory adjustments	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43 Total regulatory adjustments to Additional Tier 1 capital	
44 Additional Tier 1 capital (AT1)	161,432
45 Tier 1 capital (T1 = CET1 + AT1)	1,046,472

Item	All amounts are in KD 000s
Tier 2 capital: instruments and provisions	
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	154,050
47 Directly issued capital instruments subject to phase out from Tier 2	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	24,718
49 of which: instruments issued by subsidiaries subject to phase out	
50 General provisions included in Tier 2 capital	82,903
51 Tier 2 capital before regulatory adjustments	261,671
Tier 2 capital: regulatory adjustments	
52 Investments in own Tier 2 instruments	
53 Reciprocal cross holdings in Tier 2 instruments	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
55 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-
56 National specific regulatory adjustments	
57 Total regulatory adjustments to Tier 2 capital	-
58 Tier 2 capital (T2)	261,671
59 Total capital (TC = T1 + T2)	1,308,143
60 Total risk-weighted assets	7,017,117
Capital ratios and buffers	
61 Common Equity Tier 1 (as percentage of risk-weighted assets)	12.6%
62 Tier 1 (as percentage of risk-weighted assets)	14.9%
63 Total capital (as percentage of risk-weighted assets)	18.6%
64 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk-weighted assets)	10.5%
65 of which: capital conservation buffer requirement	2.5%
66 of which: bank specific countercyclical buffer requirement	-
67 of which: DSIB buffer requirement	1.0%
68 Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets)	5.6%
National minima	
69 Kuwait Common Equity Tier 1 minimum ratio	9.5%
70 National Tier 1 minimum ratio	11.0%
71 National total capital minimum ratio excluding CCY and DSIB buffers	13.0%
Amounts below the thresholds for deduction (before risk weighting)	
72 Non-significant investments in the capital of other financials	56,959
73 Significant investments in the common stock of financials	4,643
74 Mortgage servicing rights (net of related tax liability)	-
75 Deferred tax assets arising from temporary differences (net of related tax liability)	6,987
Applicable caps on the inclusion of allowances in Tier 2	
76 Provision eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	149,283
77 Cap on inclusion of allowances in Tier 2 under standardised approach	82,903
78 Provision eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79 Cap on inclusion of allowances in Tier 2 under internal ratings-based approach	

2. Reconciliation requirements

The basis for the scope of consolidation for accounting and regulatory purposes is consistent for the Group. In order to provide a full reconciliation of all regulatory capital elements to the balance sheet in the consolidated financial information, a three step approach has been mandated under the Pillar 3 disclosures section of the CBK Basel III framework.

Below table provides the comparison (Step1) of the balance sheet published in the consolidated financial information and the balance sheet under the regulatory scope of consolidation. Lines have been expanded and referenced with letters (Step 2) to display the relevant items of the regulatory capital.

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All amounts are in KD'000s

Item	Balance sheet as in published financial statements 31-Dec-24	Under regulatory scope of consolidation 31-Dec-24	Reference
Assets			
Cash and cash equivalents	1,053,071	1,053,071	
Treasury bills and bonds with CBK and others	315,393	315,393	
Due from banks and other financial institutions	835,045	835,045	
Loans and advances to customers	4,471,403	4,471,403	
of which General Provisions (netted above) capped for Tier 2 inclusion	82,903	82,903	a
Investment securities	825,239	825,239	
of which goodwill in investment in associate	771	771	b
Other assets	443,494	443,494	
Property and equipment	198,706	198,706	
Intangible assets	16,135	16,135	
of which goodwill	8,251	8,251	c
of which other intangibles	7,884	7,884	d
Total assets	8,158,486	8,158,486	
Liabilities			
Due to banks	853,013	853,013	
Due to other financial institutions	712,339	712,339	
Deposits from customers	4,903,922	4,903,922	
Other borrowed funds	399,541	399,541	
Directly issued qualifying Tier 2 instruments plus related stock surplus	154,050	154,050	e
Other liabilities	269,813	269,813	
Total liabilities	7,138,628	7,138,628	
Equity			
Share capital	362,481	362,481	f
Share premium	282,802	282,802	g
Treasury shares	(1,742)	(1,742)	h
Statutory reserve	122,822	122,822	i
Voluntary reserve	123,200	123,200	j
Other reserves	(200,633)	(200,633)	k
of which cash flow hedge reserve	7,786	7,786	l
Retained earnings	184,605	184,605	m
of which proposed dividend	21,715	21,715	n
Total equity attributable to the equity holders of the Bank	873,535	873,535	
Perpetual Tier 1 capital securities	150,000	150,000	p
Non-controlling interests	(3,677)	(3,677)	
Eligible as CET1 Capital under Basel III	57,912	57,912	q
Eligible as AT1 Capital under Basel III	11,432	11,432	r
Eligible as Tier2 Capital under Basel III	24,718	24,718	s
Total equity	1,019,858	1,019,858	
Total liabilities and equity	8,158,486	8,158,486	

Below table provides the relevant lines under Common Disclosure Template - Composition of Regulatory Capital' with cross references to the letters in above Table, thereby reconciling (Step 3) the components of regulatory capital to the published balance sheet.

All amounts are in KD'000s

Relevant Row Number in Common Disclosure Template	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	645,283	f+g
2	Retained earnings	162,890	m-n
3	Accumulated other comprehensive income (and other reserves)	45,389	i+j+k
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	57,912	q
6	Common Equity Tier 1 capital before regulatory adjustments	911,474	
Common Equity Tier 1 capital : regulatory adjustments			
8	Goodwill (net of related tax liability)	9,022	b+c
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	7,884	d
11	Cash flow hedge reserve	7,786	l
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	1,742	h
28	Total regulatory adjustments to Common Equity Tier 1	26,434	
29	Common Equity Tier 1 capital (CET1)	885,040	
Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	150,000	p
31	of which: classified as equity under applicable accounting standards	150,000	p
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	11,432	r
36	Additional Tier 1 capital before regulatory adjustments	161,432	
Additional Tier 1 capital : regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	161,432	
45	Tier 1 capital (T1 = CET1 + AT1)	1,046,472	
Tier 2 capital : instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	154,050	e
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	24,718	s
50	General Provisions included in Tier 2 Capital	82,903	a
51	Tier 2 capital before regulatory adjustments	261,671	
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	261,671	
59	Total capital (TC = T1 + T2)	1,308,143	

3. Disclosure for main features of regulatory capital instruments

1	Issuer	BURGAN BANK K.P.S.C.	Burgan Bank K.P.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	"Fixed: KWODI0190606 Floating: KWODI0190614"	XS2265369491
3	Governing law(s) of the instrument	KUWAIT LAW	English law save for Issuer status and subordination provisions under Kuwaiti law
Regulatory treatment			
4	Type of Capital (CET1, AT1 or T2)	AT1	T2
5	Eligible at solo/group/group & solo	Group & Solo	Group & Solo
6	Instrument type (types to be specified by each jurisdiction)	Sub-ordinated debt	Senior unsecured bonds issued in registered global format
7	Amount recognised in regulatory capital (Currency in thousands, as of most recent reporting date)	KWD 150,000 thousand	USD 500,000 thousand
8	Par value of instrument	KWD 50,000 per Bond	100
9	Accounting classification	Equity	Subordinated debt
10	Original date of issuance	09th May 2024	15th December 2020
11	Perpetual or dated	Perpetual	Dated
12	Original maturity date	No Maturity	15th December 2031
13	Issuer call subject to prior supervisory approval	Yes	Yes

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Basel III – Pillar III

Qualitative and Quantitative Disclosures

14	Optional call date, contingent call dates and redemption amount	Optional Call Date: 9th May 2029: prevailing principal amount plus accrued but unpaid interest. Capital event (full or partial disqualification): prevailing principal amount plus accrued but unpaid interest Or tax event call: prevailing principal amount + accrued but unpaid interest	At par (in whole but not in part) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or on any Interest Payment Date thereafter subject to the relevant Conditions being satisfied
15	Subsequent call dates, if applicable	Quarterly: prevailing principal amount + accrued but unpaid interest	As above
Coupons / dividends			
16	Fixed or floating dividend/coupon	KWD 75 million at fixed rate of 7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) and KWD 75 million at floating interest rate of 3.25% above CBK discount rate.	Fixed
17	Coupon rate and any related index	“Fixed Coupon rate :7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) Floating Coupon rate: 3.25% above CBK discount rate”	2.750% fixed per annum from the Issue Date (15 December 2020) until the Reset Date (15 September 2026) Resets to the then prevailing 5-Year US Treasury Rate (the “Reset Rate”) plus the Margin (2.229%) on the Reset Date (15 September 2026)
18	Existence of a dividend stopper	Yes	No
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Interest payment are mandatory, subject to write down at the point of non-viability
20	Existence of step up or other incentive to redeem	No	N/A
21	Noncumulative or cumulative	Non-cumulative	There is no ability to cancel coupon (see above)
22	Convertible or non-convertible	Non-convertible	Non-convertible. Write down (in whole or in part) is the only loss absorption mechanism at the point of non-viability (see below)
23	If convertible, conversion trigger (s)	N/A	N/A
24	If convertible, fully or partially	N/A	N/A
25	If convertible, conversion rate	N/A	N/A
26	If convertible, mandatory or optional conversion	N/A	N/A
27	If convertible, specify instrument type convertible into	N/A	N/A
28	If convertible, specify issuer of instrument it converts into	N/A	N/A
29	Write-down feature	Yes	At the Regulator’s sole discretion, full or partial permanent write down in case of a Non-Viability Event.
30	If write-down, write-down trigger(s)	Determination by regulator that the bank will be non-viable without a write-down	“Non-Viability Event” means that the Financial Regulator has informed the Issuer in writing that it has determined that a Trigger Event has occurred. A “Trigger Event” will have occurred if either of the following events occurs: • the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or • an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable
31	If write-down, full or partial	Can be partial or full	Full or partial
32	If write-down, permanent or temporary	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	N/A	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Tier 1 securities are immediately junior to Basel III -Tier 2 subordinated securities which are considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.	The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank pari passu and without preference among themselves. The payment obligations of the Issuer under the Subordinated Notes (a) rank junior to all Senior Obligations of the Issuer, (b) rank pari passu with all Pari Passu Obligations of the Issuer, and (c) rank senior to all Junior Obligations of the Issuer (each as defined in the Conditions of the Subordinated Notes).
35	Non-compliant transitioned features	None	None
36	If yes, specify non-compliant features	N/A	N/A

4. Financial leverage ratio

Below table provides the reconciliation of the balance sheet assets from the published interim condensed consolidated financial information with total exposure amount in the calculation of leverage ratio.

Summary comparison of accounting assets vs leverage ratio exposure measure:

Item	KD 000s
1 Total consolidated assets as per published consolidated financial information	8,158,486
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(16,906)
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4 Adjustments for derivative financial instruments	52,609
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	602,931
7 Other adjustments	-
8 Leverage ratio exposure	8,797,120

Leverage ratio common disclosure template:

Item	KD 000s
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	8,158,486
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(16,906)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8,141,580
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	11,541
5 Add-on amounts for PFE associated with all derivatives transactions	41,068
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8 (Exempted CCP leg of client-cleared trade exposures)	-
9 Adjusted effective notional amount of written credit derivatives	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11 Total derivative exposures (sum of lines 4 to 10)	52,609
Securities financing transaction exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14 CCR exposure for SFT assets	-
15 Agent transaction exposures	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	1,837,093
18 (Adjustments for conversion to credit equivalent amounts)	(1,234,162)
19 Off-balance sheet items (sum of lines 17 and 18)	602,931
Capital and total exposures	
20 Tier 1 capital	1,046,472
21 Total exposures (sum of lines 3, 11, 16 and 19)	8,797,120
Leverage ratio	
22 Basel III leverage ratio	11.9%

Liquidity Coverage Ratio & Net Stable Funding Ratio; Qualitative and Quantitative Disclosures

Liquidity Risk Management

The purpose of this document is to disclose both qualitative and quantitative information regarding the Bank's liquidity position, LCR and NSFR results and internal liquidity risk measurement and management processes.

Liquidity risk is the risk to earnings or capital arising from a bank's inability to meet its obligations or commitments to a customer, creditor, or investor as they fall due without incurring unacceptable losses. It generally arises from either an inadequate liabilities profile or a bank's failure to recognize or address changes in market conditions that affect its ability to liquidate assets (i.e. convert them to cash) quickly and with minimal loss in value. The primary objective of Burgan Bank's Liquidity Risk management framework is to ensure that the Bank has sufficient liquidity to meet its obligations in both normal and stressed conditions without having to make unplanned sales of assets or borrow expensive funds under emergency conditions.

The Bank's Board of Directors ("the Board") has overall responsibility for liquidity risk management and for ensuring that risk exposures are maintained at prudent levels. To this end, the Board has established an appropriate liquidity risk management framework for the management of the Bank's funding and liquidity management requirements. The Board sets the Bank's liquidity risk strategy based on recommendations made by the Asset and Liability Committee ("ALCO"). The Board reviews and approves liquidity management policies and ensures that senior management manages liquidity risk effectively in the context of the Bank's business plan and long-term funding strategy, taking into account prevailing economic and financial conditions. To this end, the Board has set limit and tolerance levels for its liquidity risk appetite. The utilization of these appetite limits is reported to the Board regularly.

The Bank adopts a multipronged approach to managing liquidity risk. This involves monitoring and managing several liquidity metrics, such as conservative loans to deposits ratio, more than adequate reserves, a portfolio of high-quality liquid assets and banking facilities, and the continuous monitoring of forecast and actual cash flows. In addition, the Bank uses liquidity ratios (LCR, NSFR) and liquidity scenarios (behavioral, contractual and stressed) as key metrics to establish its liquidity risk tolerance levels. These metrics measure the Bank's ability to fulfill all its payment obligations stemming from ongoing business operations under various scenarios. The tolerance levels are defined either in the form of limits or management action triggers and are part of the Bank's overall liquidity management framework which is approved and reviewed by the Board on regular basis.

The Bank's Treasury Department is responsible for managing the day-to-day funding within established liquidity risk management policies and limits. It is responsible for maintaining effective communication channels within the Bank's operational and business areas to alert the funding desks of imminent funding requirements including loan drawdowns, deposit withdrawals and off-balance sheet commitments. Treasury and Market Risk personnel monitor market developments, understand their implications for the Bank's liquidity risk exposures and recommend appropriate risk management measures to ALCO.

Group Market Risk (GMR), a unit of the Risk Management Group (RMG), periodically reviews liquidity risk policies and procedures, the adequacy of these policies and of the overall liquidity management process, including key assumptions and scenarios used and reports its findings and recommendations to ALCO. GMR is also responsible for monitoring and reporting adherence to the various liquidity ratios and limits, both internal and regulatory on a regular basis.

The Bank uses several tools to manage the NSFR ratio, like holding excess HQLA, selling non-HQLA assets and buying HQLA assets, attracting more retail deposits and raising longer tenor debts through EMTN program and syndicated loans. A slight duration lengthening of deposits longer than 1 year is beneficial to the NSFR ratio.

Funding strategy

The Bank's funding strategy is to develop a diversified funding base, while providing protection against unexpected fluctuations. It aims to align sources of funding with their use. As such, earning assets (Loans and Bonds) are largely funded with customer deposits. The funding gap for these assets is met using medium to long term debt issuance and other secured/unsecured long- and short-term funding sources.

The Bank maintains access to a variety of sources of wholesale funds in multiple currencies across a variety of distribution channels, maturities, instruments and geographies, including those available from syndications, bond investors, money markets, repo markets and term depositors. It is an active participant in the money market and has direct access to local and international liquidity providers. On 30 June 2016, the Bank successfully established a US\$1.5BN Reg S EMTN Program, under which the Bank may issue senior unsecured debt securities (through public or private placements). The Bank issued bonds worth US\$500MM under this program in Q3'16. Also, during Q4'20, the Bank successfully placed US\$500MM Subordinated Tier 2 Capital Securities (bonds) in the international debt capital markets with an eleven-year tenor, and an option for redemption after six years from the date of their issuance. This bond issue complies with the Basel III regulatory framework, as adopted by the Central Bank of Kuwait. Furthermore, Treasury successfully executed 3-year Club Loan facilities with a group of international and regional banks amounting to US\$800MM in Q2'23. Also, the bank successfully executed multiple bilateral loan transactions totaling US\$1BN over the period from Q4'20 to date.

In Q2'24, Burgan concluded the first ever KD denominated perpetual bond issuance in the local market with an issue size of KD 150MM. The issuance entails fixed and floating tranches equally split 50-50%. In addition, Burgan Bank established the first Certificates of Deposit (CD) programme, with five Asian counterparties; multi-currency programme size is US\$500MM. During Q4'25, the Bank has successfully issued senior unsecured bonds worth US\$500MM.

Burgan Bank Group is constantly looking at strengthening its funding mix through new issuances to lengthen the tenor of its long-term funding portfolio (EMTN program, Syndicated & Bilateral Borrowings). The Bank evaluates how each product and business line is currently funded, assess required NSFR impacts. It is also looking to incorporate NSFR into FTP for business evaluations in order to optimize funding strategy within regulatory limits, risk appetite and its objectives.

Liquidity Risk Mitigation Techniques

The Bank maintains excess liquidity in the form of cash and unencumbered high-quality liquid securities that together serve as the Bank's primary means of liquidity risk mitigation. Additionally, the Bank remains focused on diversifying funding sources. Access to both local and international money markets allows the Bank to maintain liquidity in both local and foreign currencies.

Stress Testing

The Bank's Liquidity management policies and limits ensure that liquidity is maintained at sufficiently comfortable levels to support operations and meet payment demands even under stressed market conditions. The Bank also has in place comprehensive stress testing policies and liquidity contingency funding that incorporate multiple scenarios covering both specific and general market-related events. The purpose of liquidity stress testing is to determine the incremental funding that may be required under extreme scenarios.

Stress testing is fully integrated into the Bank's liquidity risk management framework. It assesses the Bank's ability to generate sufficient liquidity under extreme conditions and is a key input when defining liquidity targets and limits.

Contingency Funding Plan

The Bank's contingency funding plan sets out the action the Bank would take to fund business activity in crisis situations and periods of market stress. The plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of a liquidity crisis and/or market dislocation. It also describes in detail the Bank's potential response if the assessment indicates it has entered a liquidity crisis. Mitigants and action items to address specific risks are also described and assigned to groups and/or individuals responsible for implementation.

The contingency funding plan identifies key groups of individuals to ensure effective coordination, control and distribution of information that is critical to the management of a crisis or period of funding stress. It also details the responsibilities of these groups and/or individuals, which include making and disseminating key decisions, coordinating all contingency activities throughout the duration of the crisis or period of market stress, implementing liquidity maintenance activities and managing internal and external communication.

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Liquidity Coverage Ratio & Net Stable Funding Ratio; Qualitative and Quantitative Disclosures

Other Qualitative Information

The Liquidity Coverage Ratio (LCR) is a Basel III metric that measures the sufficiency of High-Quality Liquid Assets (HQLA) available to meet net short-term financial obligations over a thirty-day period in an acute stress scenario. In December 2014, CBK released the final guideline on "Liquidity Coverage Ratio Disclosure Standards", requiring banks to disclose the LCR ratio beginning in Q1, 2016. LCR is disclosed using CBK's template and is calculated using the average of daily positions during the quarter.

The LCR report for the Bank is prepared in accordance with the public/market disclosure requirements and guidelines in respect of the Liquidity Coverage Ratio Disclosure Standards as published by Central Bank of Kuwait ("CBK") in December 2014.

The Net stable funding ratio (NSFR) is designed to promote medium- and long-term stable funding of the assets and off-balance-sheet activities over a one-year time horizon. Effective Jan'23, the regulatory minimum LCR and NSFR went back to their pre-pandemic minimum 100% levels.

As at 31 December 2025, Burgan Bank Group's Net Stable Funding Ratio (NSFR) stood at well above 100%, largely due to a beneficial wholesale funding and equity mix, which remained stable. This suggests the Bank is in a solid position to manage any short-term funding shocks should they arise.

High Quality Liquid Assets (HQLA)

HQLAs are assets which can be easily and immediately converted into cash at little or no loss of value. There are two categories of assets that can be included in the stock of HQLA. Level 1 assets can be included without limit and with no haircut and are comprised of coins and banknotes, central bank reserves, Kuwaiti government securities, balances with central banks of countries where the Bank has subsidiaries, and securities issued by highly-rated foreign sovereigns, multilateral development banks and supranationals. Level 2 assets can be included subject to the requirement that they comprise no more than 40% of the overall stock of HQLA after haircuts have been applied. These may include certain qualifying government securities, public sector and corporate bonds. For the quarter ended Q4 2025, the stock of HQLA held by the Bank includes 94% Level 1 assets and 6% Level 2 assets. Also, on a conservative basis and as required by regulators, it is assumed that HQLAs held in excess of the total cash outflows of any Group entity are not considered as surplus liquidity at the overall Group level.

Net Cash Outflows

Net cash outflows are defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the stress scenario up to an aggregate cap of 75% of total expected cash outflows. All cash outflows and inflows are considered and disclosed for LCR reporting purposes.

Available Stable Funding

Available stable funding is the portion of capital and liabilities expected to be realizable over the time horizon considered by the NSFR, which extends to one year. It includes retail deposits, wholesale deposits, Tier I and Tier II Capital.

In order to increase the level of ASF, the Bank is increasing share of deposits, extend maturity of wholesale debt to higher than 1 year, increase share of Tier 1 capital through retained earnings.

Required Stable Funding

Required stable funding is based on the measurement of the broad characteristics of the liquidity risk profile of an institution's assets and off-balance sheet exposures. It includes unencumbered HQLA, short- and medium-term lending (<12months), long term lending (over 1 year), other assets and non-performing loans. The more illiquid the assets the more stable funding is required.

In order to decrease the required stable funding requirement, the bank can, for example, change composition of investments (sell lower rated investments for cash or replace lower rated investments with higher rated).

Table 6: Disclosure Form on LCR during the quarter ended on 31/12/2025*

No	Statement	Value before implementing flow rates (average)**	Value after implementing flow rates(21) (average)**
KD 000s			
High Quality Liquid Assets (HQLA)			
1	Total HQLA (before amendments)	1,487,810	1,461,320
Cash Outflow			
2	Retail deposits and small enterprises	1,548,819	211,764
3	Stable deposits	221,465	11,073
4	Less stable deposits	1,327,354	200,691
5	Unsecured wholesale funding, excluding deposits of small enterprises clients	1,839,887	914,116
6	Operating deposits	-	-
7	Non-operating deposits (other unsecured liabilities)	1,839,887	914,116
8	Secured funding	123,703	674
9	Other cash outflows, including:	403,030	270,225
10	Resulting from derivatives	253,706	253,706
11	Resulting from securities and commercial papers supported by assets (on the assumption of not being to re-finance)	-	-
12	Credit lines and binding liquidity	149,324	16,519
13	Possible future financing needs	1,089,170	54,459
14	Other contractual cash outflows	17,023	17,023
15	Total cash outflows	5,021,632	1,468,261
16	Secured lending transactions	-	-
17	Cash outflows resulting from regular loans	748,235	561,365
18	Other cash inflows	255,030	255,030
19	Total cash inflows	1,003,265	816,395
Liquidity Coverage Ratio (LCR)			
20	Total HQLA (after amendments)		1,215,341
21	Net cash outflows		651,866
22	LCR		186%

* Quarterly statement.

** (Simple Average) for all days during the period for which the form is prepared.

21) Is the value after implementing haircut percentages of HQLA and cash outflow and inflow.

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Liquidity Coverage Ratio & Net Stable Funding Ratio; Qualitative and Quantitative Disclosures

Table 4: NSFR Common Disclosure Template for the quarter ended 31/12/2025

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value KD 000s
		No specified maturity	Less than 6 months	6 months to one year	Over one year	
Available Stable Funding (ASF):						
1	Capital:	1,356,973	-	-	-	1,356,973
2	- Regulatory Capital	1,356,973	-	-	-	1,356,973
3	- Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1,821,996	292,596	33,088	1,937,870
5	- Stable deposits	-	32,961	18	-	31,330
6	- Less stable deposits	-	1,789,035	292,578	33,088	1,906,540
7	Wholesale funding:	-	4,061,879	918,065	481,769	2,466,537
8	- Operational deposits	-	-	-	-	-
9	- Other wholesale funding	-	4,061,879	918,065	481,769	2,466,537
10	Other liabilities:	-72,128	293,894	8,468	82,129	8,677
11	- Net derivative liabilities	1,324	-	-	-	-
12	- All other liabilities not included in the above categories	-73,452	293,894	8,468	82,129	8,677
13	Total ASF	1,284,845	6,177,769	1,219,129	596,986	5,770,057
Required Stable Funding (RSF):						
14	Total high-quality liquid assets (HQLA)	1,464,966	-	-	-	70,803
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	3,529,709	1,015,548	2,052,644	3,893,817
17	- Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	- Performing loans to financial institutions secured by HQLA other than Level 1 HQLA and unsecured performing loans to financial institutions	-	1,074,395	187,127	216,333	471,056
19	- Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	2,455,314	828,421	1,507,475	3,143,250
20	- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio – Basel 3 guidelines	-	-	-	-	-
21	- Performing housing loans, of which:	-	-	-	-	-
22	- With a risk weight of less than or equal to 35% under Capital Adequacy Ratio – Basel III Guidelines	-	-	-	-	-
23	- Unpledged Securities and shares traded within the formal market, in case the entities issued such instruments are not in default.	-	-	-	328,836	279,511
24	Other assets:	401,942	249,626	42,831	505,554	1,061,681
25	- Physical traded commodities, including gold	-	-	-	-	-
26	- Assets posted as initial margin for derivative contracts, cash, or other assets provided to contributions to default funds of (central Counter parties) CCPs	-	-	-	-	-
27	- Net derivative assets	336	-	-	-	336
28	- 20% of derivative liabilities before deduction of variation margin posted	4,611	-	-	-	4,611
29	- All other assets not included in the above categories	396,995	249,626	42,831	505,554	1,056,734
30	Off-balance sheet items	22,420	1,164,270	482,485	512,345	109,076
31	Total RSF	1,889,328	4,943,605	1,540,864	3,070,543	5,135,377
32	NSFR (%)					112%



KPMG Al-Qenae & Partners

Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O Box 24, Safat 13001
State of Kuwait
+965 2228 7000



RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq PO
Box 2115, Safat 13022, State of Kuwait
T: +965 22961000
F: +965 22412761

Independent Auditors' Report

To the Shareholders of
Burgan Bank K.P.S.C. and Its subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Burgan Bank K.P.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and as adopted by the Central Bank of Kuwait (the "CBK") for use by the State of Kuwait ("IFRS Accounting Standards as adopted by the CBK for use by the State of Kuwait").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 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 period. 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 key audit matter**How the matter was addressed in our audit****Credit losses on loans and advances to customers**

(See Note 5 to the consolidated financial statements)

The recognition of credit losses on loans and advances to customers ("credit facilities") is the higher of Expected Credit Loss ("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 "CBK rules").

Recognition of ECL under IFRS 9, determined in accordance with the CBK guidelines, requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing the level of credit risk on initial recognition and significant increase in credit risk subsequently on the reporting date relative to its initial recognition and classification into the three stages of IFRS 9, developing models for assessing probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

As a result, ECL has a higher than usual degree of estimation uncertainty and the inputs used are inherently subject to change, which may materially impact the estimate in future periods.

Recognition of specific provision on impaired credit facilities under the CBK rules is based on the instructions prescribed by the CBK on the minimum provisions to be recognised.

Due to the significance of credit facilities, the related estimation uncertainty and judgement in the calculation of ECL, 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 management in determining the adequacy of ECL.
- With respect to ECL, we have selected samples of credit facilities outstanding and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of the Group's staging criteria, Exposure at Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD"), including the eligibility and value of collateral considered in the ECL model used by the Group and the overlays considered by management, in order to determine ECL taking into consideration the CBK guidelines. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL.
- We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to ensure they are in line with the requirements of IFRS 9, determined in accordance with the CBK guidelines.
- Further, with respect to the CBK rules relating to the provisioning requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit losses in accordance with the related regulations (considering the days past due, account conduct and collateral) and, if required, it has been computed accordingly. For the samples selected, 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 checked the resultant provision computations.
- Evaluated the adequacy of the Group's disclosures in relation to application of significant estimates and judgement and credit quality of loans and advances to customers.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the CBK for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

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 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 period 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.

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 2/BS/ 342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended and its Executive Regulations, and by the Bank's Memorandum of Incorporation and Articles of Association, (as amended), that an inventory was carried out in accordance with recognised procedures 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 2/BS/ 342/2014 dated 21 October 2014 respectively, the Companies Law No 1 of 2016, as amended and its Executive Regulations, or of the Bank's Memorandum of Incorporation and Articles of Association, (as amended), have occurred during the year ended 31 December 2025 that might have had a material effect on the business of the Bank or on its consolidated 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 organization 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 consolidated financial position.

Dr. Rasheed M. Al-Oenae
License No. 130
of KPMG Al-Oenae & Partners
Member Firm of KPMG International

Dr. Shuaib A. Shuaib
License No. 33-A
RSM Albazie & Co.

Kuwait
29 January 2026

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 KD 000s	2024 KD 000s
ASSETS			
Cash and cash equivalents	3	811,938	1,053,071
Treasury bills and bonds with CBK and others		510,818	315,393
Due from banks and other financial institutions	4	1,251,274	835,045
Loans and advances to customers	5	4,830,710	4,471,403
Investment securities	6	845,051	825,239
Investment properties		40,864	-
Other assets	7	555,932	443,494
Property and equipment		220,560	198,706
Goodwill and other intangible assets	8	31,668	16,135
TOTAL ASSETS		9,098,815	8,158,486
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		834,916	853,013
Due to other financial institutions		846,793	712,339
Deposits from customers		5,456,555	4,903,922
Certificate of deposit issued		61,125	-
Other borrowed funds	9	557,183	399,541
Other liabilities	10	290,942	269,813
TOTAL LIABILITIES		8,047,514	7,138,628
EQUITY			
Share capital	11	380,605	362,481
Share premium	11	282,802	282,802
Treasury shares	11	(17,253)	(1,742)
Statutory reserve	11	127,562	122,822
Voluntary reserve	11	127,940	123,200
Other reserves	11	(215,104)	(200,633)
Retained earnings		184,598	184,605
Total equity attributable to the equity holders of the bank		871,150	873,535
Perpetual Tier 1 Capital Securities	11	150,000	150,000
Non-controlling interests		30,151	(3,677)
TOTAL EQUITY		1,051,301	1,019,858
TOTAL LIABILITIES AND EQUITY		9,098,815	8,158,486

Khalid Al Zouman
Group Chief Financial Officer

Antoine Jean Daher
Group Chief Executive Officer

Abdullah Nasser Sabah Al-Ahmad Al-Sabah
Chairman of the Board

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2025

	Notes	2025 KD 000s	2024 KD 000s
Interest income	12	660,504	610,313
Interest expense	13	(482,586)	(452,924)
Net interest income		177,918	157,389
Fee and commission income		58,442	41,508
Fee and commission expense		(8,616)	(7,998)
Net fee and commission income		49,826	33,510
Net (loss) gain from foreign currencies		(3,280)	5,845
Net investment income	14	18,867	8,220
Dividend income		2,533	1,127
Other income		21,934	22,951
Net operating income		267,798	229,042
Staff expenses		(95,554)	(73,451)
Other expenses		(67,578)	(57,035)
Operating profit		104,666	98,556
Provision for credit losses	5	(59,421)	(38,072)
Recoveries from written-off debt		30,896	31,761
Provision release (charge) for other financial assets		(395)	403
Net monetary loss	2.7	(17,376)	(24,080)
Profit for the year before taxation and Board of Directors' remuneration		58,370	68,568
Taxation	15	(12,481)	(17,840)
Board of directors' remuneration		(110)	(110)
Profit for the year		45,779	50,618
Attributable to:			
Equity holders of the Bank		46,534	46,437
Non-controlling interests		(755)	4,181
		45,779	50,618
Basic and diluted earnings per share attributable to the equity holders of the Bank (in fils)	16	9.4	9.8

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025 KD 000s	2024 KD 000s
Profit for the year	45,779	50,618
Other comprehensive (loss) income:		
<i>Items that will not be reclassified to consolidated statement of income in subsequent years:</i>		
Net change in fair value of equity instruments at fair value through other comprehensive income	(11,061)	(10,449)
	(11,061)	(10,449)
<i>Items that are or may be reclassified to consolidated statement of income in subsequent years:</i>		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value	13,968	4,255
Net transfer to consolidated statement of income	(8,600)	(1,418)
Foreign currency translation adjustment	(22,152)	(17,677)
Changes in fair value of cash flow hedges	(1,393)	(6,629)
Net loss on hedge of a net investment	-	(2,506)
Other comprehensive loss for the year	(29,238)	(34,424)
Total comprehensive income for the year	16,541	16,194
Attributable to:		
Equity holders of the Bank	30,058	24,712
Non-controlling interests	(13,517)	(8,518)
	16,541	16,194

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to the equity holders of the Bank										
	Share capital KD 000s	Share premium KD 000s	Treasury shares KD 000s	Statutory reserve KD 000s	Voluntary reserve KD 000s	Other reserves* KD 000s	Retained earnings KD 000s	Subtotal KD 000s	Perpetual Tier 1 capital securities KD 000s	Non-controlling interests KD 000s	Total equity KD 000s
Balance as of 1 January 2025	362,481	282,802	(1,742)	122,822	123,200	(200,633)	184,605	873,535	150,000	(3,677)	1,019,858
Profit (loss) for the year	-	-	-	-	-	-	46,534	46,534	-	(755)	45,779
Other comprehensive loss for the year	-	-	-	-	-	(16,476)	-	(16,476)	-	(12,762)	(29,238)
Total comprehensive (loss) income for the year	-	-	-	-	-	(16,476)	46,534	30,058	-	(13,517)	16,541
Transfer to reserves	-	-	-	4,740	4,740	-	(9,480)	-	-	-	-
Issue of Bonus shares (Note 11)	18,124	-	-	-	-	-	(18,124)	-	-	-	-
Cash dividend (Note 11)	-	-	-	-	-	-	(21,715)	(21,715)	-	-	(21,715)
Cash dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,265)	(1,265)
Purchase of treasury shares	-	-	(15,511)	-	-	-	-	(15,511)	-	-	(15,511)
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	-	-	-	-	2,005	(2,005)	-	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(12,979)	(12,979)
Fair value gain on previously held equity interests	-	-	-	-	-	-	704	704	-	-	704
Change in the ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary (Note 24)	-	-	-	-	-	-	301	301	-	-	301
Net other movements arising from a subsidiary	-	-	-	-	-	-	(712)	(712)	-	44,641	44,641
Interest payment on Tier 1 capital securities	-	-	-	-	-	-	(10,875)	(10,875)	-	-	(10,875)
Impact of application of IAS 29 (Note 2.7)	-	-	-	-	-	-	15,365	15,365	-	16,948	32,313
Balance as of 31 December 2025	380,605	282,802	(17,253)	127,562	127,940	(215,104)	184,598	871,150	150,000	30,151	1,051,301

*Refer to note 11 for further details breakup of the "Other reserves".

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to the equity holders of the Bank										
	Share capital KD 000s	Share premium KD 000s	Treasury shares KD 000s	Statutory reserve KD 000s	Voluntary reserve KD 000s	Other reserves* KD 000s	Retained earnings KD 000s	Subtotal KD 000s	Perpetual Tier 1 capital securities KD 000s	Non-controlling interests KD 000s	Total equity KD 000s
Balance as of 1 January 2024	345,220	282,802	(1,742)	117,903	118,281	(185,941)	185,694	862,217	153,375	(14,688)	1,000,904
Profit for the year	-	-	-	-	-	-	46,437	46,437	-	4,181	50,618
Other comprehensive loss for the year	-	-	-	-	-	(21,725)	-	(21,725)	-	(12,699)	(34,424)
Total comprehensive (loss) income for the year	-	-	-	-	-	(21,725)	46,437	24,712	-	(8,518)	16,194
Transfer to reserves	-	-	-	4,919	4,919	-	(9,838)	-	-	-	-
Issue of Bonus shares (Note 11)	17,261	-	-	-	-	-	(17,261)	-	-	-	-
Cash dividend (Note 11)	-	-	-	-	-	-	(20,681)	(20,681)	-	-	(20,681)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(326)	(326)
Effect of Foreign currency translation Adjustment	-	-	-	-	-	-	(50)	(50)	50	-	-
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	-	-	-	-	7,033	(7,033)	-	-	-	-
Redemption of Tier 1 capital securities (Note 11)	-	-	-	-	-	-	-	-	(153,425)	-	(153,425)
Proceeds from the issue of Tier 1 capital securities (Note 11)	-	-	-	-	-	-	-	-	150,000	-	150,000
Tier 1 capital securities issuance cost	-	-	-	-	-	-	(1,498)	(1,498)	-	-	(1,498)
Interest payment on Tier 1 capital securities	-	-	-	-	-	-	(9,166)	(9,166)	-	-	(9,166)
Impact of application of IAS 29 (Note 2.7)	-	-	-	-	-	-	18,001	18,001	-	19,855	37,856
Balance as of 31 December 2024	362,481	282,802	(1,742)	122,822	123,200	(200,633)	184,605	873,535	150,000	(3,677)	1,019,858

*Refer to note 11 for further details breakup of the "Other reserves".

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 KD 000s	2024 KD 000s
Operating activities			
Profit for the year before taxation and Board of directors' remuneration		58,370	68,568
Adjustments:			
Net investment income	14	(18,867)	(8,220)
Provision for credit losses	5	59,421	38,072
Provision charge (release) for other financial assets		395	(403)
Dividend income		(2,533)	(1,127)
Depreciation and amortisation		18,216	13,828
Net monetary loss	2.7	17,376	24,080
Interest on Tier 1 Capital Securities		-	775
Operating profit before changes in operating assets and liabilities		132,378	135,573
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		(194,058)	48,893
Due from banks and other financial institutions		(406,821)	(178,503)
Loans and advances to customers		(415,725)	(272,543)
Other assets		(71,805)	(67,202)
Due to banks		(35,785)	151,071
Due to other financial institutions		134,454	275,103
Deposits from customers		539,134	440,679
Certificates of deposit issued		61,125	-
Other liabilities		(46,365)	(31,452)
Taxation paid		(9,063)	(12,671)
Net cash flows (used in) from operating activities		(312,531)	488,948
Investing activities			
Purchase of investment securities		(708,545)	(492,395)
Proceeds from sale of investment securities		794,943	391,237
Purchase of property and equipment (net of disposals)		(24,289)	(19,887)
Net movement in non-controlling interest		(11,405)	-
Dividend income received		2,533	1,127
Acquisition of a subsidiary, net of cash acquired	24	(30,052)	-
Net cash flows from (used in) investing activities		23,185	(119,918)
Financing activities			
Other borrowed funds		97,579	(303,845)
Purchase of treasury shares		(15,511)	-
Cash dividend paid to equity holders of the Bank	11	(21,715)	(20,681)
Cash dividend paid to non-controlling interests		(1,265)	(326)
Net proceeds from the issuance of Tier 1 Capital Securities		-	148,502
Interest payment on Tier 1 Capital Securities		(10,875)	(9,941)
Net cash flows from (used in) financing activities		48,213	(186,291)
Net (decrease) increase in cash and cash equivalents		(241,133)	182,739
Cash and cash equivalents on 1 January	3	1,053,071	870,332
Cash and cash equivalents on 31 December		811,938	1,053,071
Additional cashflow information:			
Interest received		652,613	603,012
Interest paid		454,564	447,121

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Burgan Bank K.P.S.C. (the "Bank") is a public shareholding company incorporated in the State of Kuwait by Amiri Decree dated 27 December 1975 listed on Boursa Kuwait and is registered as a bank with the Central Bank of Kuwait (the "CBK"). The Bank's registered address is P.O. Box 5389, Safat 12170, State of Kuwait.

The consolidated financial statements of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 14 January 2026 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Bank. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The principal activities of the Group are explained in note 17 of these Consolidated Financial Statement of Group.

The Bank is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Parent Company"), whose shares are listed on Boursa Kuwait.

2. MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below.

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, require banks and other financial institutions regulated by the CBK to adopt the IFRS, as issued by International Accounting Standards Board ("IASB"), except for expected credit loss ("ECL") to be measured at the higher of ECL provision 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'.

The consolidated financial statements of the Group have been prepared using the accounting policies consistent to those applied for the year ended 31 December 2024 except as noted below in note 2.2. Certain prior year amounts have been regrouped to conform to the current year presentation. Such regroupings do not affect previously reported assets, liabilities, equity and profit for the year.

b) Functional and presentation currency

The consolidated financial statements are presented in the order of liquidity in Kuwaiti Dinars ("KD"), which is the Bank's functional currency, rounded to the nearest thousand except when otherwise stated.

c) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), investment properties and derivative financial instruments that are measured at fair value. Assets pending sale are measured at lower of carrying amount or fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

2.2 CHANGES IN MATERIAL ACCOUNTING POLICIES

New and amended IFRS Accounting Standards and Interpretations

The Group applied the following amendments effective from 1 January 2025.

Lack of Exchangeability – Amendments to IAS 21

The amendments to IAS 21 states that an entity uses a spot exchange rate when translating a foreign currency transaction. However, in rare cases, it is possible that one currency cannot be exchanged into another. This lack of exchangeability might arise when a government imposes controls on capital imports and exports, for example, or when it provides an official exchange rate but limits the volume of foreign currency transactions that can be undertaken at that rate. Consequently, market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets.

A currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, an entity needs to estimate a spot rate.

The Group has performed an assessment of the exchangeability of foreign currency and concluded that there is no material impact on the Group's consolidated financial statements.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (investees which are controlled by the Bank). The reporting date of the subsidiaries is a date not earlier than one month from the Bank's reporting date. The impact of this is not material to the consolidated financial statements of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can 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

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; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether 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.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. After acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders 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 in 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.

The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Bank.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests 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 at the date of loss of control.

The principal operating material subsidiaries of the Group are as follows:

Name of company	Principal activities	Country of incorporation	Effective interest as at 31 December 2025	Effective interest as at 31 December 2024
Algeria Gulf Bank S.P.A. ("AGB")	Banking	Algeria	86.01%	86.01%
Tunis International Bank S.A ("TIB")	Banking	Tunisia	86.70%	86.70%
Burgan Bank A.S. ("BBT")	Banking	Turkey	47.55%	47.55%
United Gulf Bank B.S.C. ("UGB")*	Banking	Bahrain	100.00%	-
Burgan Bank Financial Services Limited ("BBFS")	Financial Advisory Services	UAE	100.00%	100.00%
Held through BBT				
Burgan Financial Kiralama A.S	Leasing	Turkey	47.55%	47.55%
Burgan Yatirim Menkul Degerler A.S.	Brokerage	Turkey	47.55%	47.55%
Burgan Technologies	Technology	Turkey	47.55%	-
Special purpose vehicle ("SPV") treated as a subsidiary				
Burgan Senior S.P.C. Limited	Special purpose entity	UAE	100.00%	100.00%
Held through BBFS				
Burgan Asset Holding Limited	Special purpose entity	UAE	100.00%	100.00%
Redkeep Holding LTD	Special purpose entity	UAE	100.00%	-
Redkeep Property Holding LTD	Special purpose entity	UAE	100.00%	-
Redkeep Investment LTD	Special purpose entity	UAE	100.00%	-
Voco Hotel LLC	Hotel	UAE	100.00%	-
Held through UGB				
KAMCO Investment Company K.S.C. ("KAMCO")	Investment Banking	Kuwait	63.01%	-
Held through UGB and KAMCO				
Manafee Investment Company	Investment	Bahrain	46.28%	-
Held through KAMCO and Manafee				
N.S.88 S.P.C	Real Estate	Bahrain	65.00%	-
Held through KAMCO				
Kuwait Private Equity Opportunities Fund	Fund	Kuwait	48.53%	-
KAMCO Global Fund (formerly KAMCO GCC Opportunistic Fund)	Fund	Bahrain	61.75%	-
KAMCO Mena Plus Fixed Income Fund (OEIC) Limited	Fund	UAE	33.74%	-
Nawasi United Holding Company K.S.C. (Closed)	Holding Company	Kuwait	63.00%	-
KAMCO Investment Company (DIFC) Limited	Investment Management	UAE	63.01%	-
First Securities Brokerage Company K.S.C (Closed) ("FSBC")	Brokerage Services	Kuwait	58.74%	-
KAMCO Investment Company – Saudi arabia	Financial services	Saudi Arabia	63.01%	-
GCC Tech Invest Limited	Investment management	Jersey	63.01%	-
Kamco European Logistics Company	Investment management	Luxembourg	63.01%	-

*Acquisition of United Gulf Bank B.S.C (closed)

On 17 December 2024, the Bank obtained final approval from the Central Bank of Kuwait to acquire 100% of the voting equity interest of United Gulf Bank B.S.C (closed) ("UGB"), a licensed conventional wholesale bank based in the Kingdom of Bahrain. Refer to Note 24 for further details of "Business combination".

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Material non-controlling interests

The management of the Bank has concluded that BBT is the only subsidiary which has non-controlling interests that is material to the Group. The information relating to material non-controlling interests is as follows:

	BBT 2025 KD 000's	BBT 2024 KD 000's
Accumulated balances of non-controlling interests	(24,602)	(24,427)
(Loss) profit attributable to non-controlling interests	(3,836)	2,595

Summarised financial information of BBT is as follows:

	BBT 2025 KD 000's	BBT 2024 KD 000's
Summarized financial information		
Assets	1,285,998	1,033,442
Liabilities	1,153,481	900,587
(Loss) profit for the year	(7,314)	4,948
Total comprehensive loss for the year	(8,374)	(692)
Summarized cash flow information		
Operating cash flow	122,584	107,585
Investing cash flow	(52,663)	(121,380)
Financing cash flow	2,129	-

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Financial instruments

Recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument using settlement date accounting

Classification and measurement

Initial classification and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the business model for managing the instruments and on their contractual cash flow characteristics. Financial instruments are initially measured at their fair value. Transaction costs are added to, or subtracted from this amount, except in the case of financial assets and financial liabilities recorded at fair value through 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.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed; and
- 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 realized 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.

Contractual cashflow characteristics

The Group also assesses the characteristics of the contractual cashflow of the financial asset to identify whether the contractual cashflow is Solely for purpose of Payment of Principal and Interest ('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. The most significant elements of 'interest' within a lending arrangement are typically the consideration for

the time value of money and credit risk. The Group also considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set during its assessment of the SPPI test.

If the contractual terms introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, the financial asset is required to be measured at fair value through profit or loss as the contractual terms do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding.

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.

Subsequent classification and measurement categories of financial assets

The Group classifies all its financial assets as either:

- Financial asset carried at amortized cost;
- Financial asset at fair value through other comprehensive income ("FVOCI");
- Financial asset at fair value through profit or loss ("FVTPL").

Financial asset carried at amortised cost

A financial asset is carried at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses, impairment and gain or loss on derecognition is recognised in the consolidated statement of income.

Cash and cash equivalents, treasury bills and bonds with CBK and others, due from banks and other financial institutions, loans and advances to customers, certain investment securities and certain other assets are classified as financial asset carried at amortised cost.

Financial asset at fair value through other comprehensive income

a) Debt instruments carried at FVOCI:

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

- It is held within a business model whose objectives are both to hold asset to collect contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments carried at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses and gain or loss on derecognition is recognized in consolidated statement of income.

Certain investment securities comprising quoted and unquoted bonds are classified as debt instruments carried at FVOCI.

b) Equity instruments carried 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 carried at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI and is not recycled to consolidated statement of income on derecognition. Dividend income on equity instruments carried at FVOCI is recognized in consolidated statement of income, when the right to receive 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.

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Certain investment securities comprising quoted and unquoted equity shares are classified as equity instruments at FVOCI.

Financial assets carried at FVTPL

The financial assets classified under this category are either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as financial asset carried at FVTPL where even though it meets the classification criteria of financial asset carried at amortized cost or financial asset carried at FVOCI, only if this designation eliminates, or significantly reduces, the inconsistent accounting treatment that would otherwise arise. Such designation is determined on an instrument-by-instrument basis.

Financial assets carried at FVTPL are subsequently measured at fair value. The changes in fair value are recorded in the consolidated statement of income. Interest earned or incurred is accrued in interest income using the effective interest rate method, considering any discount / premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated statement of income as operating income when the right to receive the payment has been established.

Certain debt securities, equities and derivatives that are not designated as hedging instruments are classified as financial assets carried at FVTPL.

Subsequent classification and measurement categories of financial liabilities

Financial liabilities, other than financial guarantees and loan commitments, are measured at amortized cost or at FVTPL when they are held for trading and as derivative financial instruments, or the fair value designation is applied.

Due to banks, due to other financial institutions, deposits from customers, certificate of deposit issued, other borrowed funds and certain other liabilities are classified as financial liabilities carried at amortized cost.

Financial guarantees and loan commitments

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised at fair value being the premium received. After initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income, and ECL as per ECL requirements.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Like financial guarantee contracts, these contracts are in the scope of the ECL requirements.

De-recognition

De-recognition of financial assets and financial liabilities other than substantial modification of terms and conditions

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing

liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

De-recognition of financial assets due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as loans and advances to customers, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired.

When assessing whether to derecognise a credit facility, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; or
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at original effective interest rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes because of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

Impairment of financial assets

The Group records impairment of financial assets as follows:

Impairment of financial assets classified as credit facilities

Impairment of financial assets classified as credit facilities is recorded as 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. Credit facilities consist of loans and advances to customers, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, bank acceptances, undrawn cash and non-cash credit facilities (revocable and irrevocable).

Impairment of financial assets other than credit facilities

Impairment of financial assets other than credit facilities is computed under IFRS 9 in accordance with CBK guidelines. These financial assets comprise investments in debt securities measured at amortised cost or FVOCI and on balances and deposits with banks. Equity investments are not subject to ECL.

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For the year ended 31 December 2025

Expected credit losses under IFRS 9 as per the CBK guidelines

The Group has established a policy to perform an assessment at the end of each reporting period of whether there has been a significant increase in credit risk since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. ECL are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between:

- The contractual cash flows that are due to the Group under the contract; and
- The cash flows that the Group expects to receive, discounted at the effective interest rate of the credit facility.

The Group applies a three-stage approach to classify and measure the ECL on the financial assets classified as credit facilities, as described below:

Stage 1: 12-month ECL

For financial assets classified as credit facilities where there has not been any significant increase in credit risk since their initial recognition or those credit facilities which are determined to have a low credit risk at the reporting date, the Group classifies these facilities under Stage 1 and measures the loss allowance which is a result of defaults that are expected to arise over the next 12 months ("12-month ECL") on these financial assets.

Stage 2: Lifetime ECL – not credit impaired

For financial assets classified as credit facilities where there has been a significant increase in credit risk since initial recognition but are not credit impaired, the Group classifies these facilities under Stage 2 and measures loss allowance which is a result of defaults that are expected to arise over the lifetime ("Lifetime ECL") on these financial assets.

Stage 3: Lifetime ECL – credit impaired

For financial assets classified as credit facilities which are in default and credit impaired, the Group classifies these facilities under Stage 3 and measures loss allowance at an amount equal to 100% of net exposure i.e. exposure after deduction of eligible collateral.

Staging of credit facilities

The Group continuously monitors all financial assets classified as credit facilities and applies a series of absolute thresholds and other criteria to determine the staging. All financial assets classified as credit facilities that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and are classified under Stage 2. All rescheduled credit facilities are classified under Stage 2, unless it qualifies for Stage 3.

Except for consumer and instalment credit facilities, transfer of credit facility from Stage 2 to Stage 1 is made after a curing period of 12 months from the satisfaction of all conditions that triggered classification of the credit facility to Stage 2. In addition, the Group also complies with the CBK guidelines with respect to transfer.

Definition of default

The Group considers a financial asset to be in default and therefore, Stage 3 (credit impaired) when:

- The borrower is past due for more than 90 days on its credit obligation to the Group;
- The borrower is facing significant financial difficulty;
- The borrower is assessed as credit impaired based on internal qualitative and quantitative assessment; or
- Other indicators such as breach of covenants, customer being deceased etc.

The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Measurement of ECL

ECL are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfalls represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL includes exposure at default ("EAD"), probability of default ("PD") and loss given default ("LGD").

EAD is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including expected drawdowns on committed facilities, repayments of principal and interest, whether scheduled by contract or otherwise. In addition, the Group also complies with the CBK guidelines with respect to application of credit conversion factors.

PD is an estimate of the likelihood of default over a given time horizon. For credit facilities other than retail, Through-The-Cycle PD ("TTC PD") are generated from the rating tool based on internal / external credit ratings. The Group converts the TTC PD to Point in Time ("PIT") PD term structure using appropriate models and techniques. The Group assesses the PD for its retail portfolio through behavioural scorecards using logistic regression techniques. In addition, the Group also complies with the CBK guidelines with respect to minimum PD.

LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. In addition, the Group also complies with the CBK guidelines with respect to eligible collateral and minimum haircuts.

The maximum period for which the credit losses are determined is the contractual life of a financial asset, including credit cards and other revolving facilities unless the Group has the legal right to call it earlier except for financial assets in Stage 2 where the maturity is determined in accordance with the CBK guidelines.

Incorporation of forward looking information

The Group incorporates forward-looking economic inputs that are relevant to the region in which the Group is located, for both its assessment of significant increase in credit risk and its measurement of ECL. Qualitative overlays are made as and when necessary to correctly reflect the impact of the movement in the relevant economy on the Group. Incorporating forward-looking information increases the degree of judgement required. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Renegotiated credit facilities

In the event of a default, the Group seeks to restructure credit facilities with customers rather than take possession of the collaterals. This may involve extending the payment arrangements and the agreement of new financing conditions. When the credit facilities with customers have been renegotiated or modified but not derecognised, any impairment is measured using the original effective interest rate method as calculated before the modification of terms. Management continually reviews renegotiated credit facilities to ensure that all criteria are met and that future payments are likely to occur.

Write-offs

Financial assets are written off either partially or in their entirety only when there is no realistic prospect of 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.

Provisions for credit losses 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 more than pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and impaired loans and advances to customers are managed and monitored as irregular facilities and are classified into the following four categories, which are then used to determine the provisions:

Category	Criteria	Specific provisions
Watch list	Irregular for a period of up to 90 days	-
Substandard	Irregular for a period of 91 to 180 days	20%
Doubtful	Irregular for a period of 181 to 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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Derivative financial instruments

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks.

Where derivative contracts are entered into by specifically designating such contracts as a fair value hedge or a cash flow hedge of a recognised asset or liability, the Group accounts for them using hedge accounting principles, provided certain criteria are met. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For derivative contracts that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of the derivative contract are recognised directly in the consolidated statement of income.

Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or a foreign currency risk in an unrecognised firm commitment.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item, as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows attributable to the hedge risk.

The Group discontinues hedge accounting when the following criteria are met:

- it is determined that the hedging instrument is not, or has ceased to be, highly effective as a hedge;
- the hedging instrument expires, or is sold, terminated, or exercised;
- the hedged item matures or is sold or repaid; or
- a forecast transaction is no longer deemed highly probable.

Fair value hedges

The changes in fair value of the hedging instrument that qualify and is designated as fair value hedge is recorded in the consolidated statement of income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge accounting is discontinued, the fair value adjustment to the hedged item is amortised to the consolidated statement of income over the period to maturity of the previously designated hedge relationship using the effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of income.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in OCI and transferred to the consolidated statement of income in the periods when the hedged transaction affects consolidated statement of income. Any ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately transferred to the consolidated statement of income.

Hedge of net investment in a foreign operation

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way like 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 statement of income. 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 statement of income.

Fair value measurements

The Group measures financial instruments, such as, derivatives, investment securities etc., at each reporting 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 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 by 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, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

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 of 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.

For fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Assets pending sale

The Group occasionally acquires non-monetary assets in settlement of certain loans and advances. Such assets are stated at the lower of the carrying value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

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Investment in associates

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Under the equity method, the investment in associates 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. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in shareholders' equity.

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 Group's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to shareholders of the associate and therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, all investment properties are carried at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognized in the consolidated statement of income.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the year of derecognition.

The Group's Investment properties consists of land and building owned by the Subsidiary (UGB), which are carried at fair values. The valuation of investment properties were conducted by independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued.

The comparable method of valuation has been used and deemed appropriate considering the nature and usage of the business.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all property and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis to their residual values over its estimated useful life. Freehold land is stated at cost less impairment losses.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 to 35 years
Furniture and equipment	4 to 11 years
Motor vehicles	3 to 7 years
Computers	5 years

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

The carrying amounts of property and equipment are reviewed at each reporting 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 statement of income.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

Intangible assets

Intangible assets represent separately identifiable non-monetary assets without physical substance. Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life, as mentioned below, and assessed for impairment whenever there is an indication that the intangible asset 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 reporting date. Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 statement of income under "other expenses" consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful economic lives as follows:

Banking license	20 to 25 years
Brand	Indefinite
Customer Relationship	6 years
Brokerage license	10 to 15 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

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 and a lease liability at the lease commencement date. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value.

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Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The Group presents right-of-use assets in 'property and equipment' in the consolidated statement of financial position.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments. The Group presents lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity because of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. Under this method, the acquirer recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date.

The identifiable assets acquired, and the liabilities assumed at the acquisition date are measured at fair values. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the period in which they are incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income. It is then considered in the determination of goodwill.

Goodwill arising in a business combination is recognised as of the acquisition date as the excess of:

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree measured at fair value or at the non-controlling interest's proportionate share of the acquiree's;
- identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their fair values.

If the aggregate consideration transferred is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

Goodwill is allocated to each of the Group's cash-generating units or for groups of cash-generating units and is tested annually for impairment and is assessed regularly whether there is any indication of impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates.

The recoverable value is the higher of the fair value less costs to sell and its value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in the subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

End of service benefits

Provision is made under the Kuwait Labour Law, employee contracts and respective applicable laws in the countries where

the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee and is a reliable approximation of the obligation as at the reporting date. The Group also makes contributions to state plans and the obligation is limited to the contributions made.

Treasury shares

The Bank's holding in its own shares is stated at acquisition cost and is recognised in shareholders' equity. 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 the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable.

Any realised losses are recognised in the same account to the extent of the credit balance on that account. Any excess losses are recognised in retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. These shares are not entitled to any cash dividend that the Bank may propose. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control, changes in fair value of cash flow hedges, hedge of net investments in foreign operations and other comprehensive income from disposal group held for sale.

Revenue recognition

Interest and similar income and expense

Interest income and expense are recognised in the consolidated statement of income for all financial instruments measured at amortised cost, interest bearing assets classified as FVOCI and financial instruments designated at FVTPL using effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, a shorter period, when appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees and charges paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

Once a financial instrument is impaired, interest is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

When the Group enters an interest rate swap to change interest from fixed to floating (or vice versa) the amount of interest income or expense is adjusted by the net interest on the effective portion of the swap. All fees paid or received are treated as an integral part of the effective interest rate of financial instruments and are recognised over the contractual period, except when the underlying risk is sold to a third party, at which time it is recognised immediately.

Fee and commission income

Fee and commission earned for providing services over a period are accrued over that period. These fees include credit related fees and other management fees. Loan commitment fee and originating fee that are an integral part of the effective interest rate of a loan are recognised (together with any incremental cost) as an adjustment to the effective interest rate on loan. Fee and commission income where the Group provides specific services are recognised at a point in time upon providing the service.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Foreign currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transaction and balances

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Any resultant gains or losses are recognized in the consolidated statement of income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to respective entity's functional currency at the foreign exchange rates ruling on the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognized directly in OCI, foreign exchange differences are recognized directly in OCI and for non-monetary assets whose change in fair value are recognized directly in the consolidated statement of income, foreign exchange differences are recognized in the consolidated statement of income.

Group companies upon consolidation

AAs at the reporting date, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency (i.e. "KD") at the rate of exchange ruling on the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to OCI. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in OCI relating to that subsidiary is recognized in the consolidated statement of income.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the respective subsidiaries and translated at the rate of exchange ruling on the reporting date.

Taxation

National Labour Support Tax (NLST)

The Bank calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

The Bank calculates the contribution to KFAS at 1% of the profit in accordance with the calculation based on the Foundation's Board of Directors' resolution.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Bank in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Base erosion and profit shifting "BEPS" Pillar Two

In 2021, OECD's Inclusive Framework ("IF") on Base Erosion and Profit Shifting ("BEPS") had agreed to a two - pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15%.

The jurisdictions in which the Group operates including the State of Kuwait have joined the IF. The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 ("Law") introducing domestic minimum top-up tax ("DMTT") effective from the year 2025.

On 29 June 2025, the Ministry of Finance (MOF) of the State of Kuwait issued the Executive Regulations for Law No. 157 of 2024 (the "Regulations"). These Regulations are intended to clarify the provisions of the Law by establishing the mechanisms for calculating taxable income and the effective tax rate, as well as outlining the relevant procedures and implementation measures.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated based on the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. 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 provided using the liability method 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 assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized,

except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

Hyperinflation

The financial information of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation prior to their translation to Kuwaiti Dinars. Once restated, all items of the financial statements are converted to Kuwaiti Dinars using the closing exchange rate. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial information of the subsidiary has been recognised directly in the consolidated statement of changes in equity.

The financial information of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the consolidated statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated by applying appropriate conversion factors.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by management of the Bank to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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 recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly, are not included in the consolidated statement of financial position.

2.5 STANDARDS 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 Bank's consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective. These are assessed not to have a material impact on the Group's consolidated financial statements.

- Amendments to IFRS 9 and IFRS 7 : Amendments to the Classification and Measurement of Financial Instruments
Amendments to Contracts Referencing Nature-dependent Electricity
Amendments to Annual improvements to IFRS Accounting Standard
- IFRS 18 : Presentation and Disclosures in Financial Statements;
- IFRS 19 : Subsidiaries without Public Accountability: Disclosures; and

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

2.6 SIGNIFICANT MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The following are the critical judgments in the application of IFRS 16, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised; and
- classification of lease arrangements (when the entity is a lessor).

Hedge of net investment in foreign operations

Management exercises judgement to determine the amount of net assets of the subsidiary to be hedged (also called as hedge ratio) based on the future expected changes in the functional currency exchange rate movements of the subsidiary, hedge cost and forward exchange rate and its impact on the Group's net assets.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of goodwill

The Group determines whether goodwill is 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 goodwill is 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 to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of assets and liabilities including intangible assets

Considerable judgement by management is required in the estimation of the fair value of the assets including intangible assets with finite useful life, liabilities and contingent liabilities acquired.

Impairment losses on loans and advances

Considerable judgement by management is required in the estimation of the amount and timing of future cash flows, collateral values, significant increase in credit risk, rating models, ECL models, macro-economic variables when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Fair value measurement of financial instruments

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 flows 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 and assumptions, as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of loans and receivables and investments at FVOCI.

2.7 HYPERINFLATION

The Bank, through its subsidiary Burgan Bank A.S. ("BBT"), has banking operations in Turkey. The Turkish economy has been assessed as a hyperinflationary economy based on the cumulative inflation rates over the previous three years, effective for reporting period on or after 30 April 2022. Accordingly, these consolidated financial statements include the effects of hyperinflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" stemming from its Turkish operations. IAS 29 has been applied from 1 January 2022 i.e. the beginning of the reporting period in which the Group identified hyperinflation has been identified.

The Group has determined the Consumer Price Index ("CPI") as the appropriate general price index to be used in the inflation accounting and it was measured at 3,513.87 as at 31 December 2025 (31 December 2024: 2,684.55). The inflation accounting was applied to the books of BBT from the date of acquisition i.e. December 2012. Net impact of "Net monetary loss" recognised in the consolidated statement of income and consolidated statement of equity is KD 17,376 thousand and KD 32,313 thousand respectively (31 December 2024: KD 24,080 thousand and KD 37,856 thousand respectively).

2.8 INTEREST RATE BENCHMARK REFORM – PHASE 2

Financial assets and liabilities

A significant majority of the Group's exposure to IBOR linked financial assets and liabilities, mainly through USD LIBOR, have been transitioned to new "Risk-Free Rates" (RFRs). Some of the remaining contracts, are in the process of discussion and negotiation with counterparties/customers to complete transition before their next repricing date while others continue using 'synthetic' Libor benchmark rates published by ICE Benchmark Administration.

Derivatives held for hedging purposes

The Group has completed the transition of all USD and non-USD linked derivatives as per ISDA Fallbacks Protocol.

3. CASH AND CASH EQUIVALENTS

	2025 KD 000s	2024 KD 000s
Cash on hand and in current account with banks and OFIs	251,989	289,727
Balances with the CBK	273,060	470,500
Due from banks and OFIs with original maturity within thirty days	286,904	292,868
	811,953	1,053,095
Expected credit losses	(15)	(24)
Cash and cash equivalents	811,938	1,053,071

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4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 KD 000s	2024 KD 000s
Loans and advances		
Banks	114,371	72,320
Other financial institutions (OFIs)	433,605	290,784
	547,976	363,104
Deposits with banks	728,058	495,525
Gross due from banks and OFIs	1,276,034	858,629
Provision (Note 5)	(24,653)	(23,521)
Expected credit losses	(107)	(63)
	1,251,274	835,045

5. LOANS AND ADVANCES TO CUSTOMERS

a) Balances

	2025 KD 000s	2024 KD 000s
Corporate	4,259,871	4,003,690
Retail	718,561	592,745
Gross loans and advances to customers	4,978,432	4,596,435
Provision	(147,722)	(125,032)
	4,830,710	4,471,403

b) Provisions

	Banks and OFIs KD 000s	Corporate KD 000s	Retail KD 000s	Total KD 000s
At 1 January 2025	23,918	129,320	20,420	173,658
Acquisition of a subsidiary (Note 24)	-	2,473	-	2,473
Exchange adjustment	8	(147)	95	(44)
Amounts written off	-	(31,814)	(9,354)	(41,168)
Charged to consolidated statement of income	943	46,056	12,422	59,421
At 31 December 2025	24,869	145,888	23,583	194,340

	Banks and OFIs KD 000s	Corporate KD 000s	Retail KD 000s	Total KD 000s
On 1 January 2024	23,988	192,816	14,791	231,595
Exchange adjustment	3	(1,836)	(60)	(1,893)
Amounts written off	(1,108)	(86,906)	(6,102)	(94,116)
Charged to consolidated statement of income	1,035	25,246	11,791	38,072
On 31 December 2024	23,918	129,320	20,420	173,658

The provision includes KD 21,965 thousand (2024: KD 25,105 thousand), being provision for non-cash facilities reported under other liabilities (Note 10), of which KD 216 thousand (2024: KD 397 thousand) relates to due from Banks and OFIs.

The impairment provision for credit facilities complies in all material respects with the specific provision requirements of the CBK and IFRS as adopted by the CBK for use by the State of Kuwait. In March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non-cash facilities. The revised rates are applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period. The general provision as of 31 December 2006 more than the present 1% for cash facilities and 0.5% for non-cash facilities amounts to KD 16,154 thousand and is retained as a general provision until further directive from the CBK.

The breakup of specific and general provision is as follows:

	2025 KD 000s	2024 KD 000s
General provision	169,382	149,283
Specific provision	24,958	24,375
	194,340	173,658

An analysis of the gross carrying amounts of credit facilities, commitments and contingent liabilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with the CBK guidelines is as follows:

2025	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
High	1,682,008	13,685	-	1,695,693
Standard	3,215,000	230,484	-	3,445,484
Past due or impaired	28,285	242,021	114,925	385,231
Loans and advances to banks, OFIs and customers	4,925,293	486,190	114,925	5,526,408
Contingent liabilities*	3,077,342	139,610	16,289	3,233,241
ECL allowance for credit facilities	19,625	33,740	65,663	119,028

2024	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
High	1,191,573	13,442	-	1,205,015
Standard	3,103,767	404,866	-	3,508,633
Past due or impaired	20,866	134,776	90,249	245,891
Loans and advances to banks, OFIs and customers	4,316,206	553,084	90,249	4,959,539
Contingent liabilities*	2,559,695	114,594	15,715	2,690,004
ECL allowance for credit facilities	17,753	37,992	53,155	108,900

*includes commitments to extend non-cash facilities.

The weightings assigned to each macro-economic scenario are based on the credit cycle index, and as at 31 December 2025, were 40% to the Base Case, 30% to Downside and 30% to the Upside Case (2024: 40% to the Base Case, 30% to Downside and 30% to the Upside Case).

An analysis of the changes in the ECL allowance for credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is as follows:

2025	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
ECL allowance as of 1 January 2025	17,753	37,992	53,155	108,900
Acquisition of a subsidiary (Note 24)	59	-	2,411	2,470
ECL movement for the year	1,917	(2,934)	51,233	50,216
Amounts written off	-	-	(41,168)	(41,168)
Foreign exchange adjustments	(104)	(1,318)	32	(1,390)
Balance on 31 December 2025	19,625	33,740	65,663	119,028

2024	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
ECL allowance as of 1 January 2024	24,174	43,286	51,799	119,259
ECL movement for the year	(6,640)	(3,702)	95,835	85,493
Amounts written off	-	-	(94,116)	(94,116)
Foreign exchange adjustments	219	(1,592)	(363)	(1,736)
Balance on 31 December 2024	17,753	37,992	53,155	108,900

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6. INVESTMENT SECURITIES

2025	FVOCI KD 000s	FVTPL KD 000s	Amortised cost KD 000s	Associate KD 000s	Total KD 000s
Debt securities	268,513	41,397	261,361	-	571,271
Equity securities	147,066	40,054	-	19,345	206,465
Managed funds	-	68,256	-	-	68,256
Less: Expected credit losses	-	-	(941)	-	(941)
	415,579	149,707	260,420	19,345	845,051

2024	FVOCI KD 000s	FVTPL KD 000s	Amortised cost KD 000s	Associate KD 000s	Total KD 000s
Debt securities	396,046	16,975	218,577	-	631,598
Equity securities	112,508	2,936	-	4,968	120,412
Managed funds	-	73,932	-	-	73,932
Less: Expected credit losses	-	-	(703)	-	(703)
	508,554	93,843	217,874	4,968	825,239

ECL allowance for investment in debt securities carried at fair value through other comprehensive income as of 31 December 2025 amounted to KD 31 thousand (31 December 2024: KD 76 thousand).

7. OTHER ASSETS

	2025 KD 000s	2024 KD 000s
Accrued interest receivable	162,619	154,728
Prepaid expenses	6,994	5,223
Assets pending sale *	264,522	187,037
Deferred tax assets	10,366	6,987
Taxation paid in advance	2,999	2,831
Sundry debtors	3,132	6,829
Other balances	110,904	80,058
Less: Expected credit losses	(5,604)	(199)
	555,932	443,494

* The fair value of real estate assets included in assets pending sale is determined based on valuations conducted by accredited independent valuers using various method such as market comparable method, discounted cash flow method and cost method. A 5% change in the relevant risk variables used to determine the fair value would not result in a material impact on the consolidated statement of income.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill KD 000s	Other intangible assets KD 000s	Total KD 000s
Cost			
At 1 January 2025	8,251	42,742	50,993
Additions during the year	6,094	11,632	17,726
Exchange adjustment	(143)	59	(84)
At 31 December 2025	14,202	54,433	68,635
Accumulated amortisation			
At 1 January 2025	-	(34,858)	(34,858)
Charge for the year	-	(2,118)	(2,118)
Exchange adjustment	-	9	9
At 31 December 2025	-	(36,967)	(36,967)
Net book value			
At 31 December 2025	14,202	17,466	31,668
At 31 December 2024	8,251	7,884	16,135

The carrying amounts of goodwill and other intangible assets allocated to each CGU are as follows:

	Goodwill KD 000s	Other intangible assets				Total intangibles KD 000's	Total KD 000s
		Banking license KD 000s	Customer relationship KD 000's	Brand KD 000's	Brokerage License KD 000's		
AGB	3,069	3,960	-	-	-	3,960	7,029
TIB	5,252	2,727	-	-	-	2,727	7,979
UGB	5,881	-	4,366	2,097	4,316	10,779	16,660
At 31 December 2025	14,202	6,687	4,366	2,097	4,316	17,466	31,668

	Goodwill KD 000s	Other intangible assets		Total KD 000s
		Banking license KD 000s		
AGB	2,953	4,563		7,516
TIB	5,298	3,321		8,619
At 31 December 2024	8,251	7,884		16,135

Impairment testing of goodwill

The carrying value of goodwill is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by estimating the recoverable amount of the cash-generating unit ("CGU") to which these items are allocated using value-in-use calculations unless fair value based on active market price is higher than the carrying value of the CGU. The value in use calculations use pre-tax cash flow projections based on financial projections approved by management over a five-year period and a relevant terminal growth rate of 5% (2024: 5%). These cash flows were then discounted using a pre-tax discount rate of 20% to 30% (2024: 20% to 35%) to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The recoverable amounts are either higher or approximates the carrying value of goodwill. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that goodwill is impaired considering the level of judgments and estimations used.

9. OTHER BORROWED FUNDS

	Effective interest rate	2025 KD 000's	2024 KD 000's
Subordinated bonds - 2031*	2.750%	152,552	153,745
Medium term borrowing - unsecured (2025 - 2026)	SOFR + (0.95% - 1.10%)	210,703	245,796
Medium term borrowing - unsecured (2025-2028)	CBK + (1.25% - 1.5%)	39,798	-
Medium term borrowing - unsecured (2026)	TLREF+1.25%	2,129	-
Medium term borrowing - unsecured (2030)	4.875%	152,001	-
		557,183	399,541

* In 2020, the Bank issued USD 500 million Subordinated Tier 2 Notes due in 2031 (the "Notes") at the principal amount. The Notes meet the requirements to be treated as Tier 2 Capital under Basel III Regulations as adopted by the CBK. The Notes are callable in whole but not in part at the option of the issuer after 6 years from the date of their issuance, or on any interest payment date thereafter, subject to certain conditions being satisfied and the prior approval of the CBK.

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10. OTHER LIABILITIES

	2025 KD 000s	2024 KD 000s
Accrued interest payable	103,597	75,575
Staff benefits	31,774	21,159
Provision for non-cash credit facilities (Note 5)	21,965	25,105
Clearing cheques and balances	50,963	33,666
Income received in advance	14,816	16,903
Other payable and accruals	19,855	48,885
Deferred tax liabilities	15,940	14,775
Taxation payable*	30,685	26,655
Other balances	1,347	7,090
	290,942	269,813

*Taxation payable includes an amount of KD 427 thousand (2024: KD 399 thousand) relating to KFAS payable..

11. EQUITY AND RESERVES

a) Authorised, issued and fully paid-up capital of the bank

	2025	2024
Authorised share capital (shares of 100 fils each)	6,000,000,000	4,000,000,000
Issued and fully paid-up capital (shares of 100 fils each)	3,806,053,945	3,624,813,281

At the extraordinary general meeting of the shareholders held on 15 November 2025, the shareholders approved to increase the bank's authorized capital from KD 400,000,000 (Kuwaiti Dinar Four Hundred Million Only) to KD 600,000,000 (Kuwaiti Dinar Six Hundred Million Only) and to amend article (6) of the Bank's Memorandum of Incorporation and article (5) of the Articles of Association. During the year necessary regulatory approvals have been obtained.

b) On 29 March 2025, the Annual General Assembly approved the distribution of cash dividend of 6 fils per share (2023: 6 fils) and bonus shares of 5% (2023: 5%) for the year ended 31 December 2024.

c) The share premium and treasury shares reserve are not available for distribution. The Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Bank's Memorandum of Incorporation and Articles of Association, as amended, require that 10% of the profit for the year attributable to equity holders of the Bank before Board of Directors remuneration, NLST, KFAS and Zakat be transferred annually to statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of paid-up share capital. Distribution of statutory reserve is limited to the amount required to enable the payment of dividend of 5% of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

d) The Memorandum of Incorporation and Articles of Association, as amended, of the Bank requires an amount of not less than 10% of the profit for the year attributable to shareholders of the Bank before Board of Directors remuneration, NLST, KFAS and Zakat be transferred annually to the voluntary reserve. There is no restriction on distribution of this reserve, except as noted in note 11 (e).

e) Treasury shares

	2025	2024
Number of shares held	72,835,092	5,588,691
Percentage of shares held	1.91%	0.15%
Cost KD 000's	17,253	1,742
Market value KD 000's	15,878	984
Weighted average market value per share (fils)	235	186

The balance in the treasury share reserve account is not available for distribution. 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) Other reserves attributable to the equity holders of the Bank:

	Treasury shares reserve KD 000s	Fair value reserve KD 000s	Foreign currency translation reserve KD 000s	Hedge of net investment in foreign operations KD 000s	Cash flow hedge reserve KD 000s	Total KD 000s
At 1 January 2025	43,135	(107,928)	(159,831)	16,205	7,786	(200,633)
Other comprehensive loss for the period	-	(5,763)	(10,011)	-	(702)	(16,476)
Total comprehensive loss	-	(5,763)	(10,011)	-	(702)	(16,476)
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	2,005	-	-	-	2,005
At 31 December 2025	43,135	(111,686)	(169,842)	16,205	7,084	(215,104)

	Treasury shares reserve KD 000s	Fair value reserve KD 000s	Foreign currency translation reserve KD 000s	Hedge of net investment in foreign operations KD 000s	Cash flow hedge reserve KD 000s	Total KD 000s
At 1 January 2024	43,135	(107,360)	(151,365)	18,711	10,938	(185,941)
Other comprehensive loss for the period	-	(7,601)	(8,466)	(2,506)	(3,152)	(21,725)
Total comprehensive loss	-	(7,601)	(8,466)	(2,506)	(3,152)	(21,725)
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	7,033	-	-	-	7,033
At 31 December 2024	43,135	(107,928)	(159,831)	16,205	7,786	(200,633)

g) Proposed dividend

The Board of Directors has recommended distributing cash dividend of 6 fils per share (2024: 6 fils) and bonus shares of 5% (2024: 5%) for the financial year ended 31 December 2025. Subject to approval at the annual general meeting ("AGM") of the shareholders, the cash dividend and bonus shares shall be payable to shareholders registered in the Bank's records as of the AGM date.

h) Perpetual Tier 1 Capital Securities

On 9 May 2024, the Bank issued Perpetual Tier 1 Capital Securities (the "Tier 1 securities"), amounting to KD 150,000 thousand in two tranches composed of:

- Fixed rate securities of KD 75,000 thousand with a coupon of 7.25% per annum for the first five years after the date of the issuance, and for the subsequent period, sum of the Reset rate plus 3.00% per annum, payable quarterly in arrears with interest payments starting three months from the issuance date of the securities, and
- Floating rate securities of KD 75,000 thousand with a floating rate coupon determined quarterly on the interest determination date of 3.25% over CBK discount rate per annum (provided, however, that the floating rate of interest shall never exceed the prevailing interest rate attributable to the fixed rate securities at the time plus 1% per annum) payable quarterly in arrears, with interest payment starting three months from the issuance date of securities.

The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32, Financial Instruments – Classification. The Tier 1 securities do not have a maturity date. They are redeemable by the Bank at its discretion after 9 May 2029 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Bank, at its sole discretion, may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its other shares that rank equally with or junior to the Tier 1 securities (other than pro-rata distributions or payments on shares that rank equally with Tier 1 securities) unless and until it has paid two consecutive interest payments in full on the Tier 1 securities.

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12. INTEREST INCOME

	2025 KD 000s	2024 KD 000s
Loans and advances to customers	391,408	365,078
Due from banks and other financial institutions	186,208	167,356
Treasury bills and bonds	19,944	17,709
Investment securities	62,944	60,170
	660,504	610,313

13. INTEREST EXPENSE

	2025 KD 000s	2024 KD 000s
Deposits from customers	288,424	275,484
Due to banks	138,466	118,716
Due to other financial institutions	29,835	31,673
Other borrowed funds	23,228	27,051
Certificates of deposit issued	2,633	-
	482,586	452,924

14. NET INVESTMENT INCOME

	2025 KD 000s	2024 KD 000s
Net gain on financial assets at FVTPL	11,632	6,629
Net gain from financial assets at FVOCI	8,451	1,345
Share of result from associates	1,624	246
Loss on deemed disposal of an associate	(2,840)	-
	18,867	8,220

15. TAXATION

	2025 KD 000s	2024 KD 000s
National Labour Support Tax	-	1,345
Contribution to the Kuwait Foundation for the Advancement of Sciences	427	399
Zakat	-	608
Taxation on overseas subsidiaries (refer below for breakup)	12,054	15,488
	12,481	17,840

Components of taxation arising from overseas subsidiaries are as follows:

	2025 KD 000s	2024 KD 000s
Current tax	8,686	7,605
Deferred tax	3,368	7,883
	12,054	15,488

The tax rate applicable to the taxable subsidiary companies is in the range of 0% to 44% (2024: 9% to 39%) whereas the effective income tax rate for the year ended 31 December 2025 is in the range of 0% to 50% (2024: 27% to 50%). For determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies' jurisdiction.

Base erosion and profit shifting "BEPS" Pillar Two

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) agreed to a two-pillar solution to address tax challenges arising from the digitalization of the economy. Under Pillar 2, multinational entities whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15%.

The jurisdictions in which the Group operates, including the State of Kuwait, have joined the IF. The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 ("Law") introducing domestic minimum top-up tax ("DMTT") effective from the year 2025. The Law effectively replaces the existing National Labour Support Tax ("NLST") and Zakat tax regimes in Kuwait for entities that fall within the scope of the Law.

On 29 June 2025, the Ministry of Finance (MOF) of the State of Kuwait issued the Executive Regulations for Law No. 157 of 2024 (the "Regulations"). These Regulations are intended to clarify the provisions of the Law by establishing the mechanisms for calculating taxable income and the effective tax rate, as well as outlining the relevant procedures and implementation measures.

The Parent Company is located in the State of the Kuwait and constitute as Ultimate Parent Entity (UPE) for the purpose of the DMTT law for the Group.

The Parent Company, as the Group Tax Function, is responsible for computing the Top-up Tax for each jurisdiction, leveraging its oversight and access to all entities across sub-groups and will be responsible for computation and allocation of the amounts to each sub-group for financial reporting purposes.

In line with the above responsibility as UPE under the DMTT law, the Parent Company has performed an estimated Top-Up Tax computation at Kuwait jurisdiction level, aggregating all the entities located in Kuwait. Based on the estimated calculation, the jurisdiction is in a Globe loss position, and accordingly, no top-up tax liability is expected to arise in Kuwait for the year 2025. Consequently, no DMTT liability is recorded in the consolidated financial statements of the Group.

The Group has recorded a Charge out Benefit amounting to KD 1,781 thousands as per the tax sharing arrangement with the Parent Company and recorded the amount in the "Other expense".

The Group applies the mandatory and temporary exception from recognising and disclosing information on the associated deferred tax assets and liabilities as required by the amendments to IAS 12 'International Tax Reform- Pillar Two Model Rules'

16. EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to equity holders of the Bank after interest payment and other movements on Tier 1 capital securities by the weighted average number of shares outstanding during the year less treasury shares.

The computation of basic and diluted earnings per share is as follows:

	2025 KD 000s	2024 KD 000s
Profit for the year attributable to equity holders of the Bank	46,534	46,437
Less: Interest payment and other movements on Tier 1 capital securities	(10,875)	(9,216)
Profit for the year attributable to equity holders of the Bank after interest and other movements on Tier 1 capital securities	35,659	37,221

	Shares	Shares
Weighted average number of outstanding shares, net of treasury shares	3,789,010,549	3,800,179,834
Basic and diluted earnings per share (fils)	9.4	9.8

Basic and diluted earnings per share for the comparative period presented have been restated to reflect the effect of bonus shares (Note 11).

17. SEGMENT INFORMATION

For management purposes, the Group organises its operations by geographic territory in the first instance, primarily Domestic and International. All operations outside Kuwait are classified as International. Within its domestic operations, the Group is organised into the following business segments:

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- **Corporate and Consumer banking:** provides comprehensive product and services to corporate and individual customers, including lending, deposits, trade services, foreign exchange, advisory services, credit and debit cards, and others.
- **Treasury and Investment banking:** includes treasury activities, investment services and management, and banking with Financial Institution (FI). It also provides products and services to banks including money markets, lending, deposits, foreign exchange and others.
- **Central office:** includes liquidity and funding management, any residual in respect of transfer pricing and other unallocated activities.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result after provisions which in certain respects are measured differently from operating profit or loss in the consolidated financial statements.

The table below presents income and results and certain assets and liabilities information regarding the Group's operating segments.

31 December 2025	Kuwait Operations				International Operations KD 000s	Unallocated/ Intragroup Transactions KD 000s	Group Total KD 000s
	Corporate and consumer banking KD 000s	Treasury, FI and investment banking KD 000s	Central office KD 000s	Total KD 000s			
Net interest income	76,602	7,407	(13,397)	70,612	107,306	-	177,918
Segment operating results	100,140	19,151	(6,018)	113,273	156,793	(2,268)	267,798
Profit (loss) for the year	37,958	10,545	(10,842)	37,661	10,742	(2,624)	45,779
Total assets	4,147,421	1,535,211	962,183	6,644,815	2,736,943	(282,943)	9,098,815
Total liabilities	2,777,079	674,650	2,556,238	6,007,967	2,308,398	(268,851)	8,047,514

31 December 2024	Kuwait Operations				International Operations KD 000s	Unallocated/ Intragroup Transactions KD 000s	Group Total KD 000s
	Corporate and consumer banking KD 000s	Treasury, FI and investment banking KD 000s	Central office KD 000s	Total KD 000s			
Net interest income	86,134	4,893	(12,615)	78,412	78,977	-	157,389
Segment operating results	105,735	11,021	(11,843)	104,913	124,129	-	229,042
Profit (loss) for the year	50,761	3,885	(22,282)	32,364	17,809	445	50,618
Total assets	3,913,291	1,408,699	1,004,403	6,326,393	2,025,212	(193,119)	8,158,486
Total liabilities	2,808,412	919,124	1,867,172	5,594,708	1,728,913	(184,993)	7,138,628

18. TRANSACTIONS WITH RELATED PARTIES

The Group has entered transactions with certain related parties (Parent Company, associates, directors and key management personnel of the Group and their close family members and entities controlled, jointly controlled or significantly influenced by such parties) who were customers of the Group during the year. The "Others" column in the table below mainly represents transactions with other related parties that are either controlled or significantly influenced by the Parent Company. The terms of these transactions are substantially on the same commercial basis as those with unrelated parties, including collateral. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulations of Central Bank of Kuwait. The outstanding balances and transactions are as follows:

	Parent Company KD 000s	Associates KD000's	Others KD 000s	2025 KD 000s	2024 KD 000s
Consolidated Statement of Financial Position					
Due from banks and OFIs*	-	-	150,489	150,489	177,487
Loans and advances to customers*	-	-	813,427	813,427	873,198
Investment securities	8,282	-	90,373	98,655	81,922
Investment securities managed by a related party	-	-	68,033	68,033	73,713
Investment properties	17,799	-	-	17,799	-
Other assets	661	-	523	1,184	7,966
Due to banks	-	-	5,377	5,377	6,644
Due to other financial institutions	6	6	9,220	9,232	3,645
Deposits from customers	193,318	8,985	69,480	271,783	164,909
Other liabilities	1,795	-	992	2,787	-
Commitments and contingent liabilities					
Letters of credit	-	-	1,657	1,657	2,566
Letters of guarantee	-	-	46,128	46,128	48,182
Undrawn lines of credit	-	-	97,937	97,937	42,721
Other commitments	-	-	25,208	25,208	15,137
Transactions					
Interest income	31	-	50,256	50,287	60,185
Interest expense	(2,973)	(215)	(2,494)	(5,682)	(7,258)
Fee and commission income	1,148	-	1,881	3,029	940
Fee and commission expenses	-	-	(16)	(16)	(579)
Dividend income	-	-	34	34	65
Other income	309	-	1	310	-
Other expense	(1,790)	-	(4,546)	(6,336)	(4,207)
Other transactions during the year					
Acquisition of subsidiary (note 24)	-	-	58,596	58,596	-
Purchase of property and equipment	-	-	-	-	30
Tier 1 capital securities issuance cost	-	-	-	-	(1,000)

* As of 31 December 2025, the fair value of the total eligible collateral to the extent of the outstanding balances amounted to KD 518,854 thousand (2024: KD 510,200 thousand).

	No. of Board members or executive staff	2025 KD 000s	2024 KD 000s
Board members**			
Loans and advances to customers	5	1,191	581
Deposits from customers	8	1,082	3,374
Executive staff			
Loans and advances to customers	29	4,097	1,573
Deposits from customers	40	2,538	2,451

** As of 31 December 2025, the fair value of the total eligible collateral to the extent of the outstanding balances amounted to KD 1,123 thousand (2024: KD 510 thousand).

Key management compensation

Remuneration paid or payable in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Group Chief Executive Officer and other Senior Officers), was as follows:

	2025 KD 000s	2024 KD 000s
Short term employee benefits – including salary and bonus	7,826	5,743
Accrual for end of service indemnity	1,268	927
Accrual for cost of long-term incentive rights	831	891
Accrual for committee services	330	290
	10,255	7,851

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19. COMMITMENTS AND CONTINGENT LIABILITIES

	2025 KD 000s	2024 KD 000s
Acceptances	34,968	41,672
Letters of credit	355,111	286,055
Letters of guarantee	998,387	962,542
	1,388,466	1,290,269

Irrecoverable commitments to extend credit amount to KD 805,523 thousand (2024: KD 531,687 thousand). This includes commitments to extend credit which are irrecoverable over the life of the facility or are revocable only in response to a material adverse change.

The primary purpose of these instruments is to ensure that funds are available to customers as required. Acceptances, standby letters of credit and guarantees, which represent irrevocable assurances that the Group will make payments in the event that the customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are undertaken by the Group on behalf of the customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Undrawn lines of credit represent unused portions of authorisations to extend cash credit. With respect to credit risk on undrawn lines of credit, the Group is potentially exposed to loss in an amount equal to the total unused lines. However, the likely amount of loss is less than the total unused lines since most of these lines will expire or terminate without being funded.

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters commitments to extend credit lines to secure their liquidity needs. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The Group has commitments in respect of capital expenditure amounting to KD 25,552 thousand (2024: KD 15,137 thousand).

20. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. The Group offers its clients derivatives products that are traded in the financial markets in order to service their risk management needs to hedge currency and interest rate exposures. The Group also uses derivatives for economic hedging purpose to manage its own assets and liabilities as well as to hedge certain risk exposures such as variation in future cash flows attributable to a recognised asset or liability (cash flow hedge), or hedges of net investment in foreign operation. For those derivative contracts that are designated as a hedging instrument, hedge accounting is used provided certain criteria are met.

Derivatives are initially recognised and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of the transactions the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under the Group's hedge accounting policies, are presented as derivatives held for trading (non-qualifying hedges).

Derivatives held for hedging

Hedge of net investment in foreign operations

During the prior year, the bank has discontinued the hedge of net investment foreign operations. As the Group has not sold / liquidated the corresponding investment in the foreign operation, the cumulative amount of hedge reserve is not recycled to the consolidated statement of income. A subsidiary of the Group has designated certain forward foreign exchange contracts to hedge against the changes in the value of its net investment in its foreign subsidiary based in Kuwait. Gains or losses on the retranslation of the aforesaid contracts are transferred to equity to offset any gains or losses on translation of the net investments in subsidiary.

No ineffectiveness from the hedges was recognised in the consolidated statement of income during the year. (31 December 2024: Nil).

Cash flow hedges

One of the subsidiaries of the Group applies cash flow hedge accounting using interest rate swaps to hedge its foreign currency deposits with an average maturity up to 3 months against interest rate fluctuations. The subsidiary implements effectiveness tests at the reporting dates for hedge accounting; the effective portions are accounted as part of changes in fair value of derivatives under other reserves, whereas the ineffective portion is recognised in the consolidated statement of income.

No ineffectiveness from hedges was recognised in the consolidated statement of income during the year (2024: Nil).

Derivatives held for trading

Derivative contracts that are entered into for the purpose of servicing customers in their risk management needs as well as derivatives used by the Group for economic hedging purpose, but which do not meet the qualifying criteria for hedge accounting are classified as 'Derivatives held for trading'. The risk exposures on account of derivative contracts for customers are covered by entering positions with an opposite risk profile with other counter parties or by other risk mitigating transactions.

Types of derivative contracts

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with OFIs in which the Group either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

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The table below shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analysed by the terms of maturity. The notional 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 notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk. Credit risk in respect of derivative financial instruments is limited to the positive fair value of instruments. The credit risk exposure is managed as part of the overall borrowers lending limits, together with potential exposures from market movements.

2025	Positive fair value KD 000s	Negative fair value KD 000s	Notional amount		Total KD 000s
			Within 1 year KD 000s	Over 1 year KD 000s	
Derivatives held for trading: (non-qualifying hedges)					
Forward swaps / foreign exchange contracts	10,358	(17,508)	1,894,963	26,914	1,921,877
Interest rate swaps	4,056	(3,721)	31,034	83,859	114,893
Options	2,220	(1,764)	178,185	22,689	200,874
	16,634	(22,993)	2,104,182	133,462	2,237,644
Derivatives held for hedging: Hedge of net investment in foreign operations:					
Forward swaps / foreign exchange contracts	20	(10)	28,619	-	28,619
<i>Cash flow hedges:</i>					
Interest rate swaps	7,572	(5,195)	44,013	83,053	127,066
	7,592	(5,205)	72,632	83,053	155,685

2024	Positive fair value KD 000s	Negative fair value KD 000s	Notional amount		Total KD 000s
			Within 1 year KD 000s	Over 1 year KD 000s	
<i>Derivatives held for trading: (non-qualifying hedges)</i>					
Forward swaps / foreign exchange contracts	9,863	(14,971)	1,042,523	9,248	1,051,771
Interest rate swaps	1,761	(1,444)	16,603	15,564	32,167
Options	390	(195)	50,591	-	50,591
	12,014	(16,610)	1,109,717	24,812	1,134,529
<i>Derivatives held for hedging:</i>					
<i>Cash flow hedges:</i>					
Interest rate swaps	9,422	(4,443)	32,803	99,828	132,631
	9,422	(4,443)	32,803	99,828	132,631

Hedging instruments are used to hedge interest rate risk pertaining to hedged items. Hedged item for interest rate risk includes a portion of customer deposits and long-term borrowings denominated in foreign currency in subsidiaries. All hedges were determined to be effective as at the year end.

21. FAIR VALUE MEASUREMENT

Fair value of all financial and non-financial instruments is not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity.

The fair value of investment securities is categorised as per the policy on fair value measurement in Note 2. Movement in level 3 is mainly on account of purchase, sale and change in fair value and on account of investment security acquired against recovery of debt previously written off and change in fair value and reclassification under IFRS 9. There were no material transfers between the levels during the year.

Debt securities included under level 3 consists of unquoted corporate bonds. The fair values of these bonds are estimated using discounted cash flow method. Equities and other securities included in this category mainly include strategic equity investments and managed funds which are not traded in an active market. The fair values of these investments are estimated by using valuation techniques that are appropriate in the circumstances. Valuation techniques include discounted cash flow models, observable market information of comparable companies, recent transaction information and net asset values.

Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue, profit estimates and market multiples such as price to book and price to earnings.

Other financial assets and liabilities are carried at amortised cost and their carrying values are not materially different from their fair values. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as future cashflows and credit spreads that are appropriate in the circumstances.

The impact on the consolidated statement of financial position or the consolidated statement of income or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used for fair value estimations to fair value the unquoted securities were altered by 5%.

Fair value measurement hierarchy for financial assets, financial liabilities and non-financial assets that are carried at fair value is as follows:

	2025				2024			
	Level 1 KD 000s	Level 2 KD 000s	Level 3 KD 000s	Total KD 000s	Level 1 KD 000s	Level 2 KD 000s	Level 3 KD 000s	Total KD 000s
Financial assets:								
Equity securities	69,437	2,305	115,378	187,120	54,938	-	60,506	115,444
Debt securities	309,648	-	262	309,910	413,021	-	-	413,021
Managed funds	-	-	68,256	68,256	-	-	73,932	73,932
Derivative financial instruments	-	24,226	-	24,226	-	21,436	-	21,436
Financial liabilities:								
Derivative financial instruments	-	(28,198)	-	(28,198)	-	(21,053)	-	(21,053)
Non-financial assets:								
Investment properties	-	-	40,864	40,864	-	-	-	-

Investment securities classified as FVOCI, and amortised cost (Note 6) and other debt instruments carried at amortised cost (excluding credit facilities) are subject to expected credit losses. These financial assets are largely categorised under Stage 1 (2024: Stage 1). Central Bank of Kuwait bonds and Kuwait Government treasury bonds are not subject to expected credit losses.

Movement in level 3 is summarized as below:

	2025 KD 000s	2024 KD 000s
Opening balance as of 1 January	134,438	141,198
Net addition (disposal)	100,888	(4,814)
Change in fair value	(10,566)	(1,946)
Closing balance as of 31 December	224,760	134,438

22. RISK MANAGEMENT

INTRODUCTION

Monitoring and controlling risks are 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, with additional 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 certain subsidiaries are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the banking and insurance companies to meet unforeseen liabilities as these arise.

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currency transactions.

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The risk profile is assessed before entering hedge transactions, which are authorised by the appropriate level of seniority within the Group.

The Group classifies the risks faced as part of its day-to-day activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified families of risks. The categories of risks are:

Risks arising from financial instruments:

- i. Credit risk which includes default risk of clients and counterparties.
- ii. Market risk which includes interest rate, foreign exchange and equity price risks; and
- iii. Liquidity risk.

Other risks

- i. Operational risk which includes risks due to operational failures.

A. CREDIT RISK

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and are subject to regular review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board or each subsidiary.

The exposure to any one borrower, including Banks and OFIs is further restricted by sub limits covering items on the consolidated statement of financial position and commitments and contingent liabilities exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. The Group has a well-documented credit policy that complies with the CBK regulations and defines the appetite of the Group for assumption of risks in its various business groups.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit risk arising from derivative financial instruments is limited to those with positive fair values, recorded in the consolidated statement of financial position.

Definition 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 unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- 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.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants;
- borrower having past due liabilities to public creditors or employees; and
- borrower is deceased.

The Group considers a financial asset to be no longer in default and therefore reclassified out of stage 3, when it no longer meets any of the default criteria. Transfer from Stage 3 to Stage 2/Stage 1 requires a notification to be sent to the Regulator with the proper justification.

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 lifetime ECL, the Group assesses as to whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that are 30 days past due are generally 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 unless this is rebutted.

Any stressed credit facility that has been restructured would also be classified in stage 2 unless it qualifies for stage 3 classification. The Group considers a financial asset as 'cured' (i.e., in a lowered distressed state) and therefore reclassified out of stage 2 when it no longer meets the criteria for inclusion in Stage 2. According to the regulatory requirements, for facilities (except for retail facilities) classified under Stage 2, these would require completing a minimum of 1 year, post recovery, of meeting the scheduled payments, to be classified in Stage 1. Transfer from Stage 2 to Stage 1 requires a notification to be sent to the Regulator with the proper justification.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

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 industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The 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.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 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 (TIC) PDs are generated from the rating tool based on the internal/external credit ratings. The Group converts the TIC PDs to point-in-time (PIT) PD term structures using appropriate models and techniques.

Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. With regard to credit cards portfolio, credit conversion factors are applied to estimate the future drawdowns.

Loss-given-default

Loss-given-default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD for secured credit facilities based on regulatory haircuts on eligible collaterals while the LGD for senior and subordinated unsecured credit facilities is based on regulatory LGD.

Incorporation of forward-looking information

The Group considers various key economic variables which reflect the continuing uncertainties and other emerging risks, which may be expected to have an impact on credit risk and the ECL, when incorporating forward-looking information into the ECL models. The key economic variables provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models which incorporate the effect of macro-economic factors to adjust the historical TTC PDs to arrive at the PIT PDs. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions, on a regular basis.

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Maximum exposure to credit risk:

The table below shows the maximum exposure to credit risk across financial assets before taking into consideration the effect of any collateral and other credit enhancements i.e. credit risk mitigation.

	2025 KD 000s	2024 KD 000s
Cash and cash equivalents	738,120	972,431
Treasury bills and bonds with CBK and others	510,818	315,393
Due from banks and other financial institutions	1,251,274	835,045
Loans and advances to customers	4,830,710	4,471,403
Investment securities – debt securities	570,330	630,895
Other assets*	271,051	241,416
Total	8,172,303	7,466,583
Commitments and contingent liabilities (Note 19)	2,219,541	1,837,093
Maximum credit risk exposure before consideration of credit risk mitigation	10,391,844	9,303,676

*Other assets include accrued interest receivable, sundry debtors and other debt balances, net of ECL as shown in Note 7.

The exposures set above, are based on net carrying amounts as reported in the consolidated statement of financial position, except for commitments and contingent liabilities.

Collateral and credit risk mitigation techniques

The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collaterals accepted include real estate and marketable securities. The revaluation and custody of collaterals are performed independent of the business units.

The main credit risk mitigation techniques applied by the Group are based on eligible collaterals. The Group's management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of the collateral at regular intervals in line with regulatory guidelines.

For further details regarding the Group's use of credit risk mitigation techniques, and collateral policy, refer to Basel III – Pillar 3 Disclosures under the risk management section of the Annual Report.

Credit risk concentration.

The top 10 largest exposures outstanding as a percentage of gross loans and advances to customers on 31 December 2025 is 23% (2024: 26%).

The concentration across classes within loans and advances to customers, which form part of the significant portion of assets subject to credit risk, is given in Note 5.

The Group's financial assets and commitments and contingent liabilities, before taking into account any collateral held, or credit enhancements can be analysed by the following geographic regions:

	2025			2024		
	Financial assets KD 000s	Commitments and contingent liabilities KD 000s	Total KD 000s	Financial assets KD 000s	Commitments and contingent liabilities KD 000s	Total KD 000s
Kuwait	4,599,127	1,535,729	6,134,856	4,370,521	1,376,269	5,746,790
Algeria	920,558	245,733	1,166,291	744,498	170,327	914,825
Tunisia	54,337	356	54,693	27,219	425	27,644
Turkey	1,148,769	229,009	1,377,778	927,609	202,865	1,130,474
Other Middle East	891,753	134,945	1,026,698	852,629	49,107	901,736
Europe	223,588	30,754	254,342	186,787	10,635	197,422
Rest of the world	334,171	43,015	377,186	357,320	27,465	384,785
	8,172,303	2,219,541	10,391,844	7,466,583	1,837,093	9,303,676

The Group's financial assets and commitments and contingent liabilities, before taking into account any collateral held, or credit enhancements can be analysed by the following industry sectors:

	2025 KD 000s	2024 KD 000s
Industry sector		
Sovereign	1,486,285	1,442,550
Banking	1,354,031	1,118,438
Investment	510,319	410,288
Trade and commerce	732,040	658,008
Real estate	854,076	1,004,915
Personal	2,321,610	2,014,883
Manufacturing	832,514	700,149
Construction	799,949	745,607
Other services	1,501,020	1,208,838
	10,391,844	9,303,676

Credit quality per class of financial assets

The Bank has a comprehensive credit policy encompassing evaluation of the customer's credit request, assessment of the purpose of request, business of the client, market, management, financials, ratings, conduct of the account and such other means to establish the credit worthiness of the counterparty and accordingly the credit exposures are classified as "High" or "Standard" based on inherent credit quality of the counterparties. Credit exposures classified as "High" quality are those where the ultimate risk of finance loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to counterparties with financial condition, risk indicators and capacity to repay which are considered excellent. Credit exposures classified as "Standard" quality comprise all other facilities whose payment performance is compliant with the contractual conditions. The credit quality per class of financial assets for comparative period has been reclassified to conform the presentation of current year classification.

The table also shows the credit risk exposure by credit quality of financial assets by class, grade and status:

	2025				
	Rated		Past due but not impaired* KD 000s	Impaired financial assets* KD 000s	Total KD 000s
	High KD 000s	Standard KD 000s			
Sovereigns	932,028	114,783	-	-	1,046,811
Banks and OFIs	990,455	517,918	-	-	1,508,373
Corporates	1,344,543	2,403,619	250,737	82,061	4,080,960
Retail	9,941	656,193	19,569	9,075	694,778
Other credit exposures	280,559	560,822	-	-	841,381
	3,557,526	4,253,335	270,306	91,136	8,172,303

	2024				
	Rated		Past due but not impaired* KD 000s	Impaired financial assets* KD 000s	Total KD 000s
	High KD 000s	Standard KD 000s			
Sovereigns	940,871	100,229	-	-	1,041,100
Banks and OFIs	740,820	331,889	-	9,060	1,081,769
Corporates	1,045,250	2,657,258	133,301	61,701	3,897,510
Retail	9,256	533,325	22,341	8,971	573,893
Other credit exposures	339,481	532,830	-	-	872,311
	3,075,678	4,155,531	155,642	79,732	7,466,583

* Fair value of collateral to the extent of the outstanding exposure against the above mentioned past due but not impaired financial assets and impaired financial assets amounted to KD 274,417 thousand (2024: KD 164,914 thousand) and KD 80,975 thousand (2024: KD 70,663 thousand) respectively.

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B. MARKET RISK

Market risk is the risk that the value of an asset will fluctuate because of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. This arises because of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (treasury bills and bonds with CBK and others, due from banks and OFIs, loans and advances to customers, due to banks, due to OFIs, deposits from customers, certificate of deposit issued and other borrowed funds).

The table below summarises the effect on net interest income as a result of the changes in interest rate:

	2025 KD 000s	2024 KD 000s
Increase in interest rate "Basis Points"		
50	6,274	5,400
100	12,555	10,801
Decrease in interest rate "Basis Points"		
50	(6,589)	(5,426)
100	(12,563)	(10,826)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below analyses the effect on profit and equity of an assumed 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

Currency	% Change in currency rate	2025		2024	
		Effect on profit KD 000s	Effect on equity KD 000s	Effect on profit KD 000s	Effect on equity KD 000s
Algerian Dinar	+5	610	5,461	470	5,182
Turkish Lira	+5	(366)	5,376	247	4,503
US Dollar	+5	(708)	10,780	(620)	3,094
Others	+5	2,520	-	574	-

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate because of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the regional stock exchanges.

The Group conducts sensitivity analysis on regular intervals in order to assess the potential impact of any major changes in fair value of equity instruments. Based on the results of the analysis conducted there are no material implication over the Group's profit or other comprehensive income for a 5% fluctuation in major stock exchanges.

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 than expected, such as fixed rate mortgages when interest rate fall. The fixed rate assets of the Group are not significant compared to the total assets. Moreover, other market conditions causing prepayment is not significant in the markets in which the Group operates. Therefore, the Group considers the effect of prepayment on net interest income is not material after taking in to account the effect of any prepayment penalties.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. To limit this risk, the Group manages assets with liquidity in mind and monitors liquidity on a daily basis.

The table below shows an analysis of financial liabilities and contingent liabilities and commitments based on the remaining undiscounted contractual maturities:

2025	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
Financial liabilities					
Due to banks	439,078	80,300	251,822	67,913	839,113
Due to other financial institutions	396,415	179,553	262,223	27,676	865,867
Deposits from customers	3,573,688	1,039,209	733,620	166,174	5,512,691
Certificates of deposits issued	5,505	18,242	38,832	-	62,579
Other borrowed funds	5,603	96,955	8,863	471,618	583,039
Other liabilities	193,174	26,259	29,429	42,080	290,942
	4,613,463	1,440,518	1,324,789	775,461	8,154,231
Contingent liabilities and commitments	883,054	309,906	458,969	567,612	2,219,541

2024	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
Financial liabilities					
Due to banks	661,974	100,773	93,251	-	855,998
Due to other financial institutions	585,082	86,923	45,601	-	717,606
Deposits from customers	3,674,815	677,296	458,697	145,594	4,956,402
Other borrowed funds	4,450	4,450	8,998	429,447	447,345
Other liabilities	189,563	12,587	4,503	63,160	269,813
	5,115,884	882,029	611,050	638,201	7,247,164
Contingent liabilities and commitments	678,893	269,009	418,256	470,935	1,837,093

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at FVTPL and FVOCI is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

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2025	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
ASSETS					
Cash and cash equivalents	811,938	-	-	-	811,938
Treasury bills and bonds with CBK and others	49,108	129,115	29,983	302,612	510,818
Due from banks and other financial institutions	569,309	297,481	201,180	183,304	1,251,274
Loans and advances to customers	1,738,290	676,597	971,949	1,443,874	4,830,710
Investment properties	-	-	-	40,864	40,864
Investment securities	47,289	44,026	94,309	659,427	845,051
Other assets	99,685	8,802	17,627	429,818	555,932
Property and equipment	-	-	-	220,560	220,560
Intangible assets	-	-	-	31,668	31,668
Total assets	3,315,619	1,156,021	1,315,048	3,312,127	9,098,815
LIABILITIES AND EQUITY					
Due to banks	437,774	80,177	249,053	67,912	834,916
Due to other financial institutions	394,098	172,165	254,280	26,250	846,793
Deposits from customers	3,561,785	1,022,178	711,767	160,825	5,456,555
Certificates of deposits issued	5,497	17,907	37,721	-	61,125
Other borrowed funds	-	90,672	-	466,511	557,183
Other liabilities	193,174	26,259	29,429	42,080	290,942
Equity	-	-	-	1,051,301	1,051,301
Total liabilities and equity	4,592,328	1,409,358	1,282,250	1,814,879	9,098,815

2024	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
ASSETS					
Cash and cash equivalents	1,053,071	-	-	-	1,053,071
Treasury bills and bonds with CBK and others	126,644	44,481	33,465	110,803	315,393
Due from banks and other financial institutions	514,158	158,122	102,184	60,581	835,045
Loans and advances to customers	1,777,583	664,570	595,721	1,433,529	4,471,403
Investment securities	13,042	57,874	74,460	679,863	825,239
Other assets	107,224	6,331	5,370	324,569	443,494
Property and equipment	-	-	-	198,706	198,706
Intangible assets	-	-	-	16,135	16,135
Total assets	3,591,722	931,378	811,200	2,824,186	8,158,486
LIABILITIES AND EQUITY					
Due to banks	660,291	99,868	92,854	-	853,013
Due to other financial institutions	582,975	85,041	44,323	-	712,339
Deposits from customers	3,656,461	663,710	443,542	140,209	4,903,922
Other borrowed funds	-	-	-	399,541	399,541
Other liabilities	189,563	12,587	4,503	63,160	269,813
Equity	-	-	-	1,019,858	1,019,858
Total liabilities and equity	5,089,290	861,206	585,222	1,622,768	8,158,486

D. OPERATIONAL RISK

Operational risk is the risk of loss arising from the failures in operational process, people and system that supports operational processes. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by Risk management. Risk management ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall Global risk management.

23. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management policy are to ensure that the Group complies with regulatory capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholder value.

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

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014 (Basel III) and the Leverage regulations as stipulated in CBK Circular number 2/BS/ 342/2014 dated 21 October 2014 under the Basel Committee framework are included under the 'Basel III qualitative and quantitative disclosures' section of the Annual Report.

The Group's risk weighted assets (after regulatory phase out of real estate collaterals), regulatory capital and capital adequacy ratios (Basel III), are shown below:

	2025 KD 000s	2024 KD 000s
Risk weighted assets	7,806,078	7,017,117
Total capital required	1,092,851	982,396
Common Equity Tier 1 (CET1) capital	874,512	885,040
Additional Tier 1 (AT1) capital	162,645	161,432
Tier 2 capital	271,853	261,671
Total eligible capital	1,309,010	1,308,143
CET1 capital adequacy ratio	11.2%	12.6%
Tier 1 capital adequacy ratio	13.3%	14.9%
Total capital adequacy ratio	16.8%	18.6%

The Group's financial leverage ratio, calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014, is shown below:

	2025 KD 000s	2024 KD 000s
Tier 1 capital	1,037,157	1,046,472
Total exposure	9,774,699	8,797,120
Leverage ratio	10.6%	11.9%

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23. BUSINESS COMBINATION

On 17 December 2024, the Group has obtained final approval from the Central Bank of Kuwait to acquire 100% of the voting equity interest of United Gulf Bank B.S.C (closed) ("UGB"), a licensed conventional wholesale bank based in the Kingdom of Bahrain, at a purchase price of USD 190 million (equivalent to KD 58.596 million, note 10). This acquisition is in line with the Bank's strategy of asset re-allocation and building new revenue streams.

The acquisition has been accounted for using the acquisition method. The bank has signed the share purchase agreement on 14 January 2025, while legal transfer of the share took place on 25 February 2025, resulting in transfer of control, which is also considered as the acquisition date.

During the year, the Group has completed the Purchase Price Allocation ("PPA") exercise and recognised intangible assets amounting to KD 9,334 thousand representing the "Brand, Customer Relationships and Brokerage license" with the corresponding effect in Goodwill arising on acquisition.

Accordingly, Goodwill recognised in these Consolidated Financial Statement is based on purchase price allocation, represents the difference between purchase consideration and fair value of identifiable net assets.

The fair value of the identified assets and liabilities of UGB as at the date of acquisition were as follows:

	KD 000s
ASSETS	
Cash and cash equivalents	28,544
Treasury bills and bonds	1,367
Due from banks and other financial institutions	10,540
Loans and advances to customers	1,871
Investment securities	94,776
Investment properties	41,023
Other assets	33,155
Intangible assets	11,632
Property and equipment	5,671
	228,579
LIABILITIES	
Due to other financial institutions	(17,688)
Deposits from customers	(12,106)
Other borrowed funds	(60,063)
Other liabilities	(41,513)
	(131,370)
Total identifiable net assets at fair value	97,209
Non-controlling interest measured at fair value	(44,641)
Goodwill arising on acquisition	6,028
Purchase consideration	58,596
Analysis of cash flows on acquisition:	
Consideration settled in cash	(58,596)
Cash and cash equivalents in the subsidiary acquired	28,544
Net cash outflow on acquisition	(30,052)

Had the acquisition taken place at the beginning of the year, the operating income of the Group for the year would have been increased by KD 4,853 thousand amounting to a total of KD 272,651 thousand and the profit attributable to the equity holders of the Bank would have been increased by KD 856 thousand amounting to a total of KD 47,390 thousand.



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BURGAN BANK H.Q.
KUWAIT – AL-SHARQ
B.: 1, ST.: ABDULLAH AL-AHMAD – BUILDING NO. 22
P.O BOX 5389 SAFAT 12170 KUWAIT
ir@burgan.com