



## **BURGAN BANK GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2025**



**KPMG Al-Qenae & Partners**

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# 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
<b>Credit losses on loans and advances to customers</b> (See note 5 to the consolidated financial statements)	
<p>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”).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

### 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.

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.

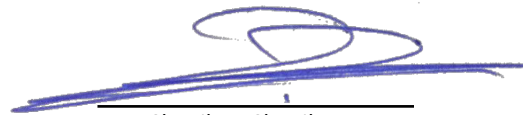
#### **Report on Other Legal and Regulatory Requirements**

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.

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Dr. Rasheed M. Al-Qenae  
License No. 130  
of KPMG Al-Qenae & Partners  
Member firm of KPMG International



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Dr. Shuaib A. Shuaib  
License No. 33-A  
RSM Albazie & Co.

Kuwait  
29 January 2026

**BURGAN BANK GROUP**
**Consolidated Statement of Financial Position**  
**As at 31 December 2025**

	<i>Notes</i>	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<b>9,098,815</b>	<b>8,158,486</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b>		<b>8,047,514</b>	<b>7,138,628</b>
<b>EQUITY</b>			
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)
<b>TOTAL EQUITY</b>		<b>1,051,301</b>	<b>1,019,858</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,098,815</b>	<b>8,158,486</b>



**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.

**BURGAN BANK GROUP**
**Consolidated Statement of Income**  
**For the year ended 31 December 2025**

	Notes	2025 KD 000's	2024 KD 000's
Interest income	12	660,504	610,313
Interest expense	13	(482,586)	(452,924)
<b>Net interest income</b>		<b>177,918</b>	<b>157,389</b>
Fee and commission income		58,442	41,508
Fee and commission expense		(8,616)	(7,998)
<b>Net fee and commission income</b>		<b>49,826</b>	<b>33,510</b>
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
<b>Net operating income</b>		<b>267,798</b>	<b>229,042</b>
Staff expenses		(95,554)	(73,451)
Other expenses		(67,578)	(57,035)
<b>Operating profit</b>		<b>104,666</b>	<b>98,556</b>
Provision for credit losses	5	(59,421)	(38,072)
Recoveries from written-off debt		30,896	31,761
Provision (charge) release for other financial assets		(395)	403
Net monetary loss	2.7	(17,376)	(24,080)
<b>Profit for the year before taxation and Board of Directors' remuneration</b>		<b>58,370</b>	<b>68,568</b>
Taxation	15	(12,481)	(17,840)
Board of directors' remuneration		(110)	(110)
<b>Profit for the year</b>		<b>45,779</b>	<b>50,618</b>
<b>Attributable to:</b>			
Equity holders of the Bank		46,534	46,437
Non-controlling interests		(755)	4,181
		<b>45,779</b>	<b>50,618</b>
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (in fils)</b>	16	<b>9.4</b>	<b>9.8</b>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

**BURGAN BANK GROUP**
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2025**

	2025	2024
	<i>KD 000's</i>	<i>KD 000's</i>
<b>Profit for the year</b>	<b>45,779</b>	<b>50,618</b>
<b><u>Other comprehensive loss:</u></b>		
<i><u>Items that will not be reclassified to consolidated statement of income in subsequent years:</u></i>		
Net change in fair value of equity instruments at fair value through other comprehensive income	<b>(11,061)</b>	(10,449)
	<b>(11,061)</b>	(10,449)
<i><u>Items that are or may be reclassified to consolidated statement of income in subsequent years:</u></i>		
Debt instruments at fair value through other comprehensive income:		
-Net change in fair value	<b>13,968</b>	4,255
-Net transfer to consolidated statement of income	<b>(8,600)</b>	(1,418)
Foreign currency translation adjustment	<b>(22,152)</b>	(17,677)
Changes in fair value of cash flow hedges	<b>(1,393)</b>	(6,629)
Net loss on hedge of a net investment	-	(2,506)
<b>Other comprehensive loss for the year</b>	<b>(29,238)</b>	(34,424)
<b>Total comprehensive income for the year</b>	<b>16,541</b>	<b>16,194</b>
<b>Attributable to:</b>		
Equity holders of the Bank	<b>30,058</b>	24,712
Non-controlling interests	<b>(13,517)</b>	(8,518)
	<b>16,541</b>	<b>16,194</b>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

**BURGAN BANK GROUP**
**Consolidated Statement of Changes in Equity  
For the year ended 31 December 2025**

	<i>Attributable to the equity holders of the Bank</i>							<i>Subtotal</i> KD 000's	<i>Perpetual Tier 1 capital securities</i> KD 000's	<i>Non- controlling interests</i> KD 000's	<i>Total equity</i> KD 000's
	<i>Share capital</i> KD 000's	<i>Share premium</i> KD 000's	<i>Treasury shares</i> KD 000's	<i>Statutory reserve</i> KD 000's	<i>Voluntary reserve</i> KD 000's	<i>Other reserves*</i> KD 000's	<i>Retained earnings</i> KD 000's				
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	-	-	-	-	-	-	301	301	-	-	301
Acquisition of a subsidiary (Note 24)	-	-	-	-	-	-	-	-	-	44,641	44,641
Net other movements arising from a subsidiary	-	-	-	-	-	-	(712)	(712)	-	-	(712)
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
<b>Balance as of 31 December 2025</b>	<b>380,605</b>	<b>282,802</b>	<b>(17,253)</b>	<b>127,562</b>	<b>127,940</b>	<b>(215,104)</b>	<b>184,598</b>	<b>871,150</b>	<b>150,000</b>	<b>30,151</b>	<b>1,051,301</b>

\*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.

**BURGAN BANK GROUP**
**Consolidated Statement of Changes in Equity (continued)  
For the year ended 31 December 2025**

*Attributable to the equity holders of the Bank*

	<i>Share capital KD 000's</i>	<i>Share premium KD 000's</i>	<i>Treasury shares KD 000's</i>	<i>Statutory reserve KD 000's</i>	<i>Voluntary reserve KD 000's</i>	<i>Other reserves* KD 000's</i>	<i>Retained earnings KD 000's</i>	<i>Subtotal KD 000's</i>	<i>Perpetual Tier 1 capital securities KD 000's</i>	<i>Non- controlling interests KD 000's</i>	<i>Total equity KD 000's</i>
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	<u>362,481</u>	<u>282,802</u>	<u>(1,742)</u>	<u>122,822</u>	<u>123,200</u>	<u>(200,633)</u>	<u>184,605</u>	<u>873,535</u>	<u>150,000</u>	<u>(3,677)</u>	<u>1,019,858</u>

\*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.

**BURGAN BANK GROUP**
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2025**

	Notes	2025 KD 000's	2024 KD 000's
<b><u>Operating activities</u></b>			
Profit for the year before taxation and Board of directors' remuneration		58,370	68,568
<b><u>Adjustments:</u></b>			
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
<b>Operating profit before changes in operating assets and liabilities</b>		<b>132,378</b>	<b>135,573</b>
<b><u>Changes in operating assets and liabilities:</u></b>			
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		<b>(312,531)</b>	<b>488,948</b>
<b><u>Investing activities</u></b>			
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		<b>23,185</b>	<b>(119,918)</b>
<b><u>Financing activities</u></b>			
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		<b>48,213</b>	<b>(186,291)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(241,133)</b>	<b>182,739</b>
Cash and cash equivalents on 1 January		<b>1,053,071</b>	<b>870,332</b>
<b>Cash and cash equivalents on 31 December</b>	<b>3</b>	<b>811,938</b>	<b>1,053,071</b>
<b><u>Additional cashflow information:</u></b>			
Interest received		<b>652,613</b>	<b>603,012</b>
Interest paid		<b>454,564</b>	<b>447,121</b>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.3 BASIS OF CONSOLIDATION (Continued)**

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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**2.3 BASIS OF CONSOLIDATION (continued)**

The principal operating material subsidiaries of the Group are as follows:

<b>Name of company</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Effective interest as at 31 December 2025</b>	<b>Effective interest as at 31 December 2024</b>
Algeria Gulf Bank S.P.A. (“AGB”)	Banking	Algeria	<b>86.01%</b>	86.01%
Tunis International Bank S.A (“TIB”)	Banking	Tunisia	<b>86.70%</b>	86.70%
Burgan Bank A.S. (“BBT”)	Banking	Turkey	<b>47.55%</b>	47.55%
United Gulf Bank B.S.C. (“UGB”)*	Banking	Bahrain	<b>100.00%</b>	-
Burgan Bank Financial Services Limited (“BBFS”)	Financial Advisory Services	UAE	<b>100.00%</b>	100.00%
<b>Held through BBT</b>				
Burgan Financial Kiralama A.S	Leasing	Turkey	<b>47.55%</b>	47.55%
Burgan Yatirim Menkul Degerler A.S.	Brokerage	Turkey	<b>47.55%</b>	47.55%
Burgan Technologies	Technology	Turkey	<b>47.55%</b>	-
<b>Special purpose vehicle (“SPV”) treated as a subsidiary</b>				
Burgan Senior S.P.C. Limited	Special purpose entity	UAE	<b>100.00%</b>	100.00%
<b>Held through BBFS</b>				
Burgan Asset Holding Limited	Special purpose entity	UAE	<b>100.00%</b>	100.00%
Redkeep Holding LTD	Special purpose entity	UAE	<b>100.00%</b>	-
Redkeep Property Holding LTD	Special purpose entity	UAE	<b>100.00%</b>	-
Redkeep Investment LTD	Special purpose entity	UAE	<b>100.00%</b>	-
Voco Hotel LLC	Hotel	UAE	<b>100.00%</b>	-
<b>Held through UGB</b>				
KAMCO Investment Company K.S.C. (“KAMCO”)	Investment Banking	Kuwait	<b>63.01%</b>	-
<b>Held through UGB and KAMCO</b>				
Manafee Investment Company	Investment	Bahrain	<b>46.28%</b>	-

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**2.3 BASIS OF CONSOLIDATION (continued)**

<b>Name of company</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Effective interest as at 31 December 2025</b>	<b>Effective interest as at 31 December 2024</b>
<b><i>Held through KAMCO and Manafee</i></b>				
<i>N.S.88 S.P.C</i>	Real Estate	Bahrain	<b>65.00%</b>	-
<b><i>Held through KAMCO</i></b>				
Kuwait Private Equity Opportunities Fund	Fund	Kuwait	<b>48.53%</b>	-
KAMCO Global Fund (formerly KAMCO GCC Opportunistic Fund)	Fund	Bahrain	<b>61.75%</b>	-
KAMCO Mena Plus Fixed Income Fund (OEIC) Limited	Fund	UAE	<b>33.74%</b>	-
Nawasi United Holding Company K.S.C (Closed)	Holding Company	Kuwait	<b>63.00%</b>	-
KAMCO Investment Company (DIFC) Limited	Investment Management	UAE	<b>63.01%</b>	-
First Securities Brokerage Company K.S.C (Closed) ("FSBC")	Brokerage Services	Kuwait	<b>58.74%</b>	-
KAMCO Investment Company – Saudi arabia	Financial services	Saudi Arabia	<b>63.01%</b>	-
GCC Tech Invest Limited	Investment management	Jersey	<b>63.01%</b>	-
Kamco European Logistics Company	Investment management	Luxembourg	<b>63.01%</b>	-

**\*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".

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 2.3 BASIS OF CONSOLIDATION (continued)

##### 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:

	<b>BBT</b>	
	<b>2025</b>	<b>2024</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Accumulated balances of non-controlling interests	<b>(24,602)</b>	(24,427)
(Loss) profit attributable to non-controlling interests	<b>(3,836)</b>	2,595

Summarised financial information of BBT is as follows:

	<b>BBT</b>	
	<b>2025</b>	<b>2024</b>
	<b>KD 000's</b>	<b>KD 000's</b>
<i>Summarized financial information</i>		
Assets	<b>1,285,998</b>	1,033,442
Liabilities	<b>1,153,481</b>	900,587
(Loss) profit for the year	<b>(7,314)</b>	4,948
Total comprehensive loss for the year	<b>(8,374)</b>	(692)
<i>Summarized cash flow information</i>		
Operating cash flow	<b>122,584</b>	107,585
Investing cash flow	<b>(52,663)</b>	(121,380)
Financing cash flow	<b>2,129</b>	-

#### 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;

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

##### **Financial instruments (continued)**

- 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

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

- 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.

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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

###### ***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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

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.

##### ***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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

###### *Impairment of financial assets (continued)*

###### **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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

##### *Measurement of ECL (continued)*

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%

##### **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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

##### **Derivative financial instruments (continued)**

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:

- a) it is determined that the hedging instrument is not, or has ceased to be, highly effective as a hedge;
- b) the hedging instrument expires, or is sold, terminated, or exercised;
- c) the hedged item matures or is sold or repaid; or
- d) 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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### *Hedge accounting (continued)*

###### *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

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Fair value measurements (continued)**

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.

##### **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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Investment Properties (continued)**

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

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Intangible assets (continued)

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.

##### *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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Business combinations and goodwill (Continued)**

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:

- a) 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;
- b) identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over
- c) 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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **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.

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*

As 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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Foreign currency (continued)**

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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **Taxation (continued)**

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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **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 Standards
- IFRS 18 : Presentation and Disclosures in Financial Statements;
- IFRS 19 : Subsidiaries without Public Accountability; Disclosures; and

#### **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).

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **2.6 SIGNIFICANT MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

##### ***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).

## **BURGAN BANK GROUP**

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### **Notes to the Consolidated Financial Statements**

**31 December 2025**

#### **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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 3. CASH AND CASH EQUIVALENTS

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Cash on hand and in current account with banks and OFIs	<b>251,989</b>	289,727
Balances with the CBK	<b>273,060</b>	470,500
Due from banks and OFIs with original maturity within thirty days	<b>286,904</b>	292,868
	<u><b>811,953</b></u>	<u>1,053,095</u>
Expected credit losses	<b>(15)</b>	(24)
Cash and cash equivalents	<u><b>811,938</b></u>	<u>1,053,071</u>

#### 4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Loans and advances		
- Banks	<b>114,371</b>	72,320
- Other financial institutions (OFIs)	<b>433,605</b>	290,784
	<u><b>547,976</b></u>	<u>363,104</u>
Deposits with banks	<b>728,058</b>	495,525
Gross due from banks and OFIs	<b>1,276,034</b>	858,629
Provision (Note 5)	<b>(24,653)</b>	(23,521)
Expected credit losses	<b>(107)</b>	(63)
	<u><b>1,251,274</b></u>	<u>835,045</u>

#### 5. LOANS AND ADVANCES TO CUSTOMERS

##### a) Balances

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
Corporate	<b>4,259,871</b>	4,003,690
Retail	<b>718,561</b>	592,745
Gross loans and advances to customers	<b>4,978,432</b>	4,596,435
Provision	<b>(147,722)</b>	(125,032)
	<u><b>4,830,710</b></u>	<u>4,471,403</u>

##### b) Provisions

	<i>Banks and OFIs KD 000's</i>	<i>Corporate KD 000's</i>	<i>Retail KD 000's</i>	<i>Total KD 000's</i>
At 1 January 2025	<b>23,918</b>	129,320	20,420	173,658
Acquisition of a subsidiary (Note 24)	-	2,473	-	2,473
Exchange adjustment	<b>8</b>	(147)	95	(44)
Amounts written off	-	(31,814)	(9,354)	(41,168)
Charged to consolidated statement of income	<b>943</b>	46,056	12,422	59,421
<b>At 31 December 2025</b>	<u><b>24,869</b></u>	<u>145,888</u>	<u>23,583</u>	<u>194,340</u>

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**5. LOANS AND ADVANCES TO CUSTOMERS (continued)**

	<i>Banks and OFIs KD 000's</i>	<i>Corporate KD 000's</i>	<i>Retail KD 000's</i>	<i>Total KD 000's</i>
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	<u>23,918</u>	<u>129,320</u>	<u>20,420</u>	<u>173,658</u>

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:

	<i>2025 KD 000's</i>	<i>2024 KD 000's</i>
General provision	169,382	149,283
Specific provision	24,958	24,375
	<u>194,340</u>	<u>173,658</u>

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:

<i>2025</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
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	<u>4,925,293</u>	<u>486,190</u>	<u>114,925</u>	<u>5,526,408</u>
Contingent liabilities*	<u>3,077,342</u>	<u>139,610</u>	<u>16,289</u>	<u>3,233,241</u>
ECL allowance for credit facilities	<u>19,625</u>	<u>33,740</u>	<u>65,663</u>	<u>119,028</u>

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**5. LOANS AND ADVANCES TO CUSTOMERS (continued)**

2024	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
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 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
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)
<b>Balance on 31 December 2025</b>	<b>19,625</b>	<b>33,740</b>	<b>65,663</b>	<b>119,028</b>

	2024			
	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
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)
<b>Balance on 31 December 2024</b>	<b>17,753</b>	<b>37,992</b>	<b>53,155</b>	<b>108,900</b>

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**6. INVESTMENT SECURITIES**
**2025**

	<i>FVOCI</i> <i>KD 000's</i>	<i>FVTPL</i> <i>KD 000's</i>	<i>Amortised</i> <i>cost</i> <i>KD 000's</i>	<i>Associate</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
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)
	<u>415,579</u>	<u>149,707</u>	<u>260,420</u>	<u>19,345</u>	<u>845,051</u>

**2024**

	<i>FVOCI</i> <i>KD 000's</i>	<i>FVTPL</i> <i>KD 000's</i>	<i>Amortised</i> <i>cost</i> <i>KD 000's</i>	<i>Associate</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
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)
	<u>508,554</u>	<u>93,843</u>	<u>217,874</u>	<u>4,968</u>	<u>825,239</u>

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**

	<i>2025</i> <i>KD 000's</i>	<i>2024</i> <i>KD 000's</i>
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)
	<u>555,932</u>	<u>443,494</u>

\* 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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangible</i> <i>assets</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>Cost</b>			
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)
<b>At 31 December 2025</b>	<b>14,202</b>	<b>54,433</b>	<b>68,635</b>
<b>Accumulated amortization</b>			
At 1 January 2025	-	(34,858)	(34,858)
Charge for the year	-	(2,118)	(2,118)
Exchange adjustment	-	9	9
<b>At 31 December 2025</b>	<b>-</b>	<b>(36,967)</b>	<b>(36,967)</b>
<b>Net book value</b>			
<b>At 31 December 2025</b>	<b>14,202</b>	<b>17,466</b>	<b>31,668</b>
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:

	<i>Other intangible assets</i>						<i>Total</i> <i>KD 000's</i>
	<i>Goodwill</i> <i>KD</i> <i>000's</i>	<i>Banking</i> <i>license</i> <i>KD 000's</i>	<i>Customer</i> <i>relationship</i> <i>KD 000's</i>	<i>Brand</i> <i>KD 000's</i>	<i>Brokerage</i> <i>License</i> <i>KD 000's</i>	<i>Total</i> <i>intangibles</i> <i>KD 000's</i>	
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
<b>At 31 December 2025</b>	<b>14,202</b>	<b>6,687</b>	<b>4,366</b>	<b>2,097</b>	<b>4,316</b>	<b>17,466</b>	<b>31,668</b>

	<i>Other intangible assets</i>		<i>Total</i> <i>KD 000's</i>
	<i>Goodwill</i> <i>KD 000's</i>	<i>Banking license</i> <i>KD 000's</i>	
AGB	2,953	4,563	7,516
TIB	5,298	3,321	8,619
At 31 December 2024	8,251	7,884	16,135

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 8. INTANGIBLE ASSETS (continued)

##### 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

	<i>Effective interest rate</i>	<i>2025 KD 000's</i>	<i>2024 KD 000's</i>
Subordinated bonds – 2031*	<b>2.750%</b>	<b>152,552</b>	153,745
Medium term borrowing -unsecured (2025 - 2026)	<b>SOFR + (0.95% - 1.10%)</b>	<b>210,703</b>	245,796
Medium term borrowing -unsecured (2025-2028)	<b>CBK + (1.25% - 1.5%)</b>	<b>39,798</b>	-
Medium term borrowing -unsecured (2026)	<b>TLREF+1.25%</b>	<b>2,129</b>	-
Medium term borrowing -unsecured (2030)	<b>4.875%</b>	<b>152,001</b>	-
		<b>557,183</b>	<b>399,541</b>

\*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.

#### 10. OTHER LIABILITIES

	<i>2025 KD 000's</i>	<i>2024 KD 000's</i>
Accrued interest payable	<b>103,597</b>	75,575
Staff benefits	<b>31,774</b>	21,159
Provision for non-cash credit facilities (Note 5)	<b>21,965</b>	25,105
Clearing cheques and balances	<b>50,963</b>	33,666
Income received in advance	<b>14,816</b>	16,903
Other payable and accruals	<b>19,855</b>	48,885
Deferred tax liabilities	<b>15,940</b>	14,775
Taxation payable*	<b>30,685</b>	26,655
Other balances	<b>1,347</b>	7,090
	<b>290,942</b>	<b>269,813</b>

\*Taxation payable includes an amount of KD 427 thousand (2024: KD 399 thousand) relating to KFAS payable.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 11. EQUITY AND RESERVES

- a) Authorised, issued and fully paid-up capital of the bank.

	<i>2025</i>	<i>2024</i>
Authorised share capital (shares of 100 fils each)	<u><b>6,000,000,000</b></u>	<u>4,000,000,000</u>
Issued and fully paid-up capital (shares of 100 fils each)	<u><b>3,806,053,945</b></u>	<u>3,624,813,281</u>

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

	<i>2025</i>	<i>2024</i>
Number of shares held	<u><b>72,835,092</b></u>	<u>5,588,691</u>
Percentage of shares held	<u><b>1.91%</b></u>	<u>0.15%</u>
Cost KD 000's	<u><b>17,253</b></u>	<u>1,742</u>
Market value KD 000's	<u><b>15,878</b></u>	<u>984</u>
Weighted average market value per share (fils)	<u><b>235</b></u>	<u>186</u>

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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**11. EQUITY AND RESERVES (continued)**

f) Other reserves attributable to the equity holders of the Bank:

	<i>Treasury shares reserve KD 000's</i>	<i>Fair value reserve KD 000's</i>	<i>Foreign currency translation reserve KD 000's</i>	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Total KD 000's</i>
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
<b>At 31 December 2025</b>	<b>43,135</b>	<b>(111,686)</b>	<b>(169,842)</b>	<b>16,205</b>	<b>7,084</b>	<b>(215,104)</b>

	<i>Treasury shares reserve KD 000's</i>	<i>Fair value reserve KD 000's</i>	<i>Foreign currency translation reserve KD 000's</i>	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Total KD 000's</i>
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
<b>At 31 December 2024</b>	<b>43,135</b>	<b>(107,928)</b>	<b>(159,831)</b>	<b>16,205</b>	<b>7,786</b>	<b>(200,633)</b>

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements

31 December 2025

#### 11. EQUITY AND RESERVES (CONTINUED)

##### 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:

- i) 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
- ii) 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.

#### 12. INTEREST INCOME

	2025 KD 000's	2024 KD 000's
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
	<u>660,504</u>	<u>610,313</u>

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements

31 December 2025

#### 13. INTEREST EXPENSE

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
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	-
	<u>482,586</u>	<u>452,924</u>

#### 14. NET INVESTMENT INCOME

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
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)	-
	<u>18,867</u>	<u>8,220</u>

#### 15. TAXATION

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
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
	<u>12,481</u>	<u>17,840</u>

Components of taxation arising from overseas subsidiaries are as follows:

	2025 <i>KD 000's</i>	2024 <i>KD 000's</i>
Current tax	8,686	7,605
Deferred tax	3,368	7,883
	<u>12,054</u>	<u>15,488</u>

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%.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements

31 December 2025

#### 15. TAXATION (continued)

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:

	<b>2025</b>	<b>2024</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Profit for the year attributable to equity holders of the Bank	<b>46,534</b>	46,437
Less: Interest payment and other movements on Tier 1 capital securities	<b>(10,875)</b>	(9,216)
	<hr/>	<hr/>
Profit for the year attributable to equity holders of the Bank after interest and other movements on Tier 1 capital securities	<b>35,659</b>	37,221
	<hr/> <hr/>	<hr/> <hr/>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<b>3,789,010,549</b>	3,800,179,834
	<hr/>	<hr/>
Basic and diluted earnings per share (fils)	<b>9.4</b>	9.8
	<hr/> <hr/>	<hr/> <hr/>

Basic and diluted earnings per share for the comparative period presented have been restated to reflect the effect of bonus shares (Note 11).

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements**

**31 December 2025**

#### **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:

- ▶ **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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**
**31 December 2025**
**17. SEGMENT INFORMATION (continued)**

The table below presents income and results and certain assets and liabilities information regarding the Group's operating segments.

	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>
	<i>Corporate and consumer banking KD 000's</i>	<i>Treasury, FI and investment banking KD 000's</i>	<i>Central office KD 000's</i>	<i>Total KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>Total KD 000's</i>
<b>31 December 2025</b>							
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
	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>
	<i>Corporate and consumer banking KD 000's</i>	<i>Treasury and investment banking KD 000's</i>	<i>Central office KD 000's</i>	<i>Total KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>Total KD 000's</i>
<b>31 December 2024</b>							
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

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 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:

	<i>Parent Company</i> KD 000's	<i>Associates</i> KD000's	<i>Others</i> KD 000's	<i>2025</i> KD 000s	<i>2024</i> KD 000s
<b>Consolidated Statement of Financial Position</b>					
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	-
<b>Commitments and contingent liabilities</b>					
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
<b>Transactions</b>					
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)
<b>Other transactions during the year</b>					
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).

	<i>No. of Board members or executive staff</i>	<i>2025</i> KD 000's	<i>2024</i> KD 000's
<b>Board members**</b>			
Loans and advances to customers	5	1,191	581
Deposits from customers	8	1,082	3,374
<b>Executive staff</b>			
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).

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements

31 December 2025

#### 18. TRANSACTIONS WITH RELATED PARTIES (continued)

##### 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 000's	2024 KD 000's
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
	<u>10,255</u>	<u>7,851</u>

#### 19. COMMITMENTS AND CONTINGENT LIABILITIES

	2025 KD 000's	2024 KD 000's
Acceptances	34,968	41,672
Letters of credit	355,111	286,055
Letters of guarantee	998,387	962,542
	<u>1,388,466</u>	<u>1,290,269</u>

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).

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

##### **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.

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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount</i>		
			<i>Within 1 year KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2025</b>					
<i>Derivatives held for trading: (non-qualifying hedges)</i>					
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
	<u>16,634</u>	<u>(22,993)</u>	<u>2,104,182</u>	<u>133,462</u>	<u>2,237,644</u>
<i>Derivatives held for hedging: Hedge of net investment in foreign operations:</i>					
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
	<u>7,592</u>	<u>(5,205)</u>	<u>72,632</u>	<u>83,053</u>	<u>155,685</u>
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional amount</i>		
			<i>Within 1 year KD 000's</i>	<i>Over 1 year KD 000's</i>	<i>Total KD 000's</i>
<b>2024</b>					
<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
	<u>12,014</u>	<u>(16,610)</u>	<u>1,109,717</u>	<u>24,812</u>	<u>1,134,529</u>
<i>Derivatives held for hedging: Cash flow hedges:</i>					
Interest rate swaps	9,422	(4,443)	32,803	99,828	132,631
	<u>9,422</u>	<u>(4,443)</u>	<u>32,803</u>	<u>99,828</u>	<u>132,631</u>

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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **21. FAIR VALUE MEASUREMENTS**

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%.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**
**31 December 2025**
**21. FAIR VALUE MEASUREMENT (continued)**

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 '000	Level 2 KD '000	Level 3 KD '000	Total KD '000	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
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 000's	2024 KD 000's
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)
<b>Closing balance as of 31 December</b>	<b>224,760</b>	<b>134,438</b>

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **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.

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.

## **BURGAN BANK GROUP**

### **Notes to the Consolidated Financial Statements** **31 December 2025**

#### **22. RISK MANAGEMENT (continued)**

##### **A. CREDIT RISK (continued)**

###### **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 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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### A. CREDIT RISK (continued)

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.

##### 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 <i>KD 000's</i>	2024 <i>KD 000's</i>
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
<b>Total</b>	<b>8,172,303</b>	<b>7,466,583</b>
Commitments and contingent liabilities (Note 19)	2,219,541	1,837,093
Maximum credit risk exposure before consideration of credit risk mitigation	<b>10,391,844</b>	<b>9,303,676</b>

\* 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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### A. CREDIT RISK (continued)

###### 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		
	<i>Financial assets</i> <i>KD 000s</i>	<i>Commitments and contingent liabilities</i> <i>KD 000s</i>	<i>Total</i> <i>KD 000s</i>	<i>Financial assets</i> <i>KD 000s</i>	<i>Commitments and contingent liabilities</i> <i>KD 000s</i>	<i>Total</i> <i>KD 000s</i>
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
	<b>8,172,303</b>	<b>2,219,541</b>	<b>10,391,844</b>	<b>7,466,583</b>	<b>1,837,093</b>	<b>9,303,676</b>

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### A. CREDIT RISK (continued)

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:

	<i>2025</i>	<i>2024</i>
	<i>KD 000's</i>	<i>KD 000's</i>
<b>Industry sector</b>		
Sovereign	<b>1,486,285</b>	1,442,550
Banking	<b>1,354,031</b>	1,118,438
Investment	<b>510,319</b>	410,288
Trade and commerce	<b>732,040</b>	658,008
Real estate	<b>854,076</b>	1,004,915
Personal	<b>2,321,610</b>	2,014,883
Manufacturing	<b>832,514</b>	700,149
Construction	<b>799,949</b>	745,607
Other services	<b>1,501,020</b>	1,208,838
	<b><u>10,391,844</u></b>	<b><u>9,303,676</u></b>

##### **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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### A. CREDIT RISK (continued)

The table also shows the credit risk exposure by credit quality of financial assets by class, grade and status:

	2025				
	<i>Rated</i>		<i>Past due but not impaired*</i>	<i>Impaired financial assets*</i>	<i>Total</i>
	<i>High</i>	<i>Standard</i>			
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
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
	<u>3,557,526</u>	<u>4,253,335</u>	<u>270,306</u>	<u>91,136</u>	<u>8,172,303</u>
	2024				
	<i>Rated</i>		<i>Past due but not impaired*</i>	<i>Impaired financial assets*</i>	<i>Total</i>
	<i>High</i>	<i>Standard</i>			
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
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
	<u>3,075,678</u>	<u>4,155,531</u>	<u>155,642</u>	<u>79,732</u>	<u>7,466,583</u>

\*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.

##### 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.

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### B. MARKET RISK (continued)

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 000's	2024 KD 000's
<b>Increase in interest rate "Basis Points"</b>		
50	6,274	5,400
100	12,555	10,801
<b>Decrease in interest rate "Basis Points"</b>		
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 000's	Effect on equity KD 000's	Effect on profit KD 000's	Effect on equity KD 000's
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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**22. RISK MANAGEMENT (continued)**
**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:

	<i>Up to 3 months KD 000's</i>	<i>3 to 6 months KD 000's</i>	<i>6 to 12 months KD 000's</i>	<i>More than 12 months KD 000's</i>	<i>Total KD 000's</i>
<b>2025</b>					
<b>Financial liabilities</b>					
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
	<u>4,613,463</u>	<u>1,440,518</u>	<u>1,324,789</u>	<u>775,461</u>	<u>8,154,231</u>
<b>Contingent liabilities and commitments</b>	<u>883,054</u>	<u>309,906</u>	<u>458,969</u>	<u>567,612</u>	<u>2,219,541</u>
	<i>Up to 3 months KD 000's</i>	<i>3 to 6 months KD 000's</i>	<i>6 to 12 months KD 000's</i>	<i>More than 12 months KD 000's</i>	<i>Total KD 000's</i>
<b>2024</b>					
<b>Financial liabilities</b>					
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
	<u>5,115,884</u>	<u>882,029</u>	<u>611,050</u>	<u>638,201</u>	<u>7,247,164</u>
<b>Contingent liabilities and commitments</b>	<u>678,893</u>	<u>269,009</u>	<u>418,256</u>	<u>470,935</u>	<u>1,837,093</u>

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.

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**22. RISK MANAGEMENT (continued)**
**C. LIQUIDITY RISK (continued)**

	<i>Up to 3 months KD 000s</i>	<i>3 to 6 months KD 000s</i>	<i>6 to 12 months KD 000s</i>	<i>More than 12 months KD 000s</i>	<i>Total KD 000s</i>
<b>2025</b>					
<b>ASSETS</b>					
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
<b>Total assets</b>	<b>3,315,619</b>	<b>1,156,021</b>	<b>1,315,048</b>	<b>3,312,127</b>	<b>9,098,815</b>
<b>LIABILITIES AND EQUITY</b>					
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
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,051,301</b>	<b>1,051,301</b>
<b>Total liabilities and equity</b>	<b>4,592,328</b>	<b>1,409,358</b>	<b>1,282,250</b>	<b>1,814,879</b>	<b>9,098,815</b>

**BURGAN BANK GROUP**
**Notes to the Consolidated Financial Statements**  
**31 December 2025**
**22. RISK MANAGEMENT (continued)**
**C. LIQUIDITY RISK (continued)**

	<i>Up to 3 months KD 000s</i>	<i>3 to 6 months KD 000s</i>	<i>6 to 12 months KD 000s</i>	<i>More than 12 months KD 000s</i>	<i>Total KD 000s</i>
<b>2024</b>					
<b>ASSETS</b>					
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
<b>Total assets</b>	<b>3,591,722</b>	<b>931,378</b>	<b>811,200</b>	<b>2,824,186</b>	<b>8,158,486</b>
<b>LIABILITIES AND EQUITY</b>					
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
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,019,858</b>	<b>1,019,858</b>
<b>Total liabilities and equity</b>	<b>5,089,290</b>	<b>861,206</b>	<b>585,222</b>	<b>1,622,768</b>	<b>8,158,486</b>

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 22. RISK MANAGEMENT (continued)

##### 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:

	<i>2025</i> <i>KD 000s</i>	<i>2024</i> <i>KD 000s</i>
Risk weighted assets	<b>7,806,078</b>	7,017,117
Total capital required	<b>1,092,851</b>	982,396
Common Equity Tier 1 (CET1) capital	<b>874,512</b>	885,040
Additional Tier 1 (AT1) capital	<b>162,645</b>	161,432
Tier 2 capital	<b>271,853</b>	261,671
Total eligible capital	<b>1,309,010</b>	1,308,143
CET1 capital adequacy ratio	<b>11.2%</b>	12.6%
Tier 1 capital adequacy ratio	<b>13.3%</b>	14.9%
Total capital adequacy ratio	<b>16.8%</b>	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:

	<i>2025</i> <i>KD 000s</i>	<i>2024</i> <i>KD 000s</i>
Tier 1 capital	<b>1,037,157</b>	<b>1,046,472</b>
Total exposure	<b>9,774,699</b>	<b>8,797,120</b>
Leverage ratio	<b>10.6%</b>	<b>11.9%</b>

## BURGAN BANK GROUP

### Notes to the Consolidated Financial Statements 31 December 2025

#### 24. 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:

<b>Assets</b>	<b>KD 000’s</b>
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
<b>Liabilities</b>	
Due to other financial institutions	(17,688)
Deposits from customers	(12,106)
Other borrowed funds	(60,063)
Other liabilities	(41,513)
	(131,370)
<b>Total identifiable net assets at fair value</b>	<b>97,209</b>
Non-controlling interest measured at fair value	(44,641)
Goodwill arising on acquisition	6,028
	58,596
<b>Purchase consideration</b>	<b>58,596</b>
<b>Analysis of cash flows on acquisition:</b>	
Consideration settled in cash	(58,596)
Cash and cash equivalents in the subsidiary acquired	28,544
	(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.