



**ANNUAL REPORT**  
**2024**



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



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





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# At a Glance

Leading **Conventional Bank in Kuwait** with Growing Market Share



## VISION

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



## MISSION

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



## VALUES

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

## Key METRICS

**8.2bn**  
Total Assets (KD)

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**229.0mn**  
Revenue (KD)

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**1.8%**  
Non-Performing Loan Ratio (NPL)

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**18.6%**  
Capital Adequacy Ratio (CAR)

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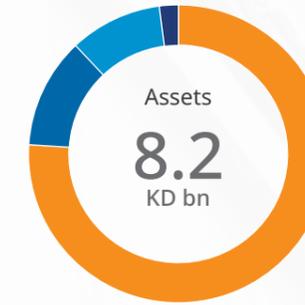
**86%**  
Customer Satisfaction Score

## SHAREHOLDERS



- 61% KIPCO (effective)
- 8% PIFSS
- 31% Others

## GEOGRAPHICAL Footprint



- 76% Kuwait
- 12% Turkey
- 10% Algeria
- 2% Tunisia



- 46% Kuwait
- 31% Turkey
- 20% Algeria
- 4% Tunisia

**1.7mn**  
Customers

**3.7k**  
Employees

**123**  
Branches

**280**  
ATMs

## RATINGS

**A**  
FitchRatings

**BBB+**  
S&P Global

**Baa1**  
MOODY'S

**A+**  
CI CAPITAL Intelligence

## AWARDS



Global Private Banker MEA Awards  
Best Private Banker for HNWI,  
Credit and FI securities



Euromoney  
Best Domestic Bank  
in Kuwait



J.P. Morgan  
Elite Quality Recognition  
Award



World Business Outlook  
Best Digital Bank  
Turkey

EVOLUTION

# Building a Purpose-Driven Brand



# MESSAGE FROM Chairman

Sheikh Abdullah Nasser Sabah  
Al Ahmad Al Sabah  
Chairman



“  
Our exemplary performance reflects the successful implementation of our strategy to accelerate the expansion of core businesses and progress across all fronts powered by our commitment to customer-centricity and a continuous drive for innovation in our approach.

**Dear Esteemed Shareholders,**

On behalf of the entire Board of Directors, it gives me immense pleasure to present Burgan Bank Group's ("BBG", or "Group") Annual Report for the financial year 2024.

This year has been characterised by substantial changes in the global financial sector. Amidst this challenging backdrop, Burgan has delivered outstanding financial results, powered by its robust business model and core strengths of adaptability and resilience.

During the year, Kuwait's economy demonstrated financial stability despite lower oil prices and production,

supported by an incipient recovery in the non-oil sector. Kuwait's substantial financial buffers continued to provide resilience against external shocks. Credit growth in Kuwait, sluggish until last year due to higher interest rates, gained momentum in 2024, following rate cuts announced by the Central Bank of Kuwait (CBK) after a gap of more than four years. During 2024, we saw acceleration in the pace of Government's developmental projects and economic reforms which underpinned recovery of local economic activities.

These developments have proven pivotal to our progress at Burgan Bank as Kuwait remains the central focus of our operations. We see Kuwait as a market with promising opportunities, with an ever-accelerated shift towards digital transformation and a growing appetite for innovation.

Our strategy, initially rolled out in 2023, is aligned towards pursuing these growth opportunities and leading with innovation to deliver real value to our stakeholders.

**Delivering positive financial impact through prudent growth**

Having set the groundwork for our strategic evolution in the previous year, our strategic endeavors in 2024 have borne results, delivering steady financial and operational milestones. These accomplishments are a testament to our unwavering commitment to balancing risk with reward, striving for both fiscal prudence and standard-setting innovation.

In accordance with our strategy, we accelerated our growth momentum in 2024 led by executional excellence, rigorous financial discipline and

relentless business transformation while setting new targets in our focus areas to deliver improvement in key operating metrics.

In 2024, in line with our strategic targets of producing sustainable asset growth and consistent earnings, our balance sheet size increased to KD 8.2bn (+10% y-o-y) and we reported total revenue of KD 229.0mn (+3% y-o-y) and net income of KD 46.4mn (+7% y-o-y) with earnings per share of 10.3 fils (+8% y-o-y). Our capital & liquidity position remained robust and self-sustaining, ensuring support for the Bank's future growth aspirations.

Driven by operational excellence and a healthy financial position, BBG continued to maintain its investment grade rating with a stable outlook from all the leading rating agencies.

We, therefore, recommend distribution of a cash dividend of 6 fils per share in addition to 5% bonus shares to our shareholders.

**Continuing our successful Kuwait centered strategy**

While our geographic footprint across the most dynamic markets in the MENAT region gives us a strategic advantage, we continue to remain focused on our key market, Kuwait.

During the year, we made significant progress against our strategic priorities across key businesses in Kuwait. Our focus throughout the year remained on scaling-up and diversifying our corporate client portfolio; expanding our retail market share; building a best-in-class private banking and wealth management platform; achieving product differentiation compared to competitors, strengthening our liquidity and risk profile and elevating

## MESSAGE FROM Chairman

“  
We accelerated growth momentum across our key businesses in Kuwait, gained market share in our focused segments and delivered improved operating metrics.

the quality of our services and products.

The consistent improvement in our Kuwait operations is further reiterated by extremely positive customer feedback in our 2024 survey. All our key businesses were rated highly by our customers resulting in overall satisfaction score of 86% for our franchise in Kuwait. This is by far the strongest validation of Burgan's customer-centric approach.

### Acquisition of United Gulf Bank (UGB), Bahrain, enhances our customer proposition

Acquisition of UGB for USD 190mn is aligned with the Bank's strategic pillars of diversifying its assets, enhancing its competitiveness and building new income streams.

Since UGB also holds a 60% stake in KAMCO Investment Company (KAMCO Invest), this acquisition will further solidify the business relationship between Burgan and KAMCO Invest, enabling significant cross-sell and up-sell opportunities in addition to various integration synergies.

### Driving digital transformation and strengthening IT infrastructure

In the evolving banking landscape with fast-changing technology, our unwavering focus remains on our customers and our commitment to enhancing their experience. The Bank continues to enhance its robust digital ecosystem to simplify customer online journeys, to drive operational efficiencies and enable 24/7 connection with our customers.

This rigour has been manifested in several key strategic investments in digital and IT infrastructure in order to deliver smarter, streamlined and tailored financial solutions. We remain committed to invest in technologies that empower our employees, increase their productivity and enhance customer service.

As a result, our mobile banking app in Kuwait continues to be one of the highest-rated apps with an average rating of 4.5/5.0 across iOS and Android platforms. Additionally, our Turkish digital banking brand, “ON”, continued its award-winning streak with six new prestigious national and global awards in 2024. ON also surpassed the one million customer milestone within just three years of its launch.

From the cybersecurity and data privacy point of view, our solid security policies and processes continued to ensure the Bank remains secure and equipped to protect its technology, confidential information and data integrity while maintaining business continuity. As the digital threat landscape remains evolving, we remain committed to continuous investment in improving our cybersecurity infrastructure.

“  
We are investing in building smart solutions that make banking easy and instant without compromising our personalised approach. Our digital strategy and sharp focus on enhancing customer experience will be pivotal in building Burgan as the bank of the future.

### Synergising business growth with people development

Through a culture of collaboration, innovation and inclusivity, our goal is to prioritise holistic development and well-being of our most valuable assets, “Our People”. We have always held that the talent, commitment and passion of our people are the cornerstone of our success and investing in this talent pool can only add to a service first culture and an excellent customer experience.

We have always put our people at the forefront of our pursuit of excellence and sustainability. Our most significant strategic investment remains in our employees and this year, we made a concerted effort to expand our initiatives to foster and nurture the current and future generations of

Kuwaiti banking professionals. As we pursue ambitious plans for service elevation and banking innovation, our workforce remains the most critical component of our success.

On one hand, we continue to attract young, promising talent by providing them an optimal environment to begin their careers and establish a clear path towards long-term progression. On the other hand, we have proudly established a dynamic culture of growth, development and innovation within our organisation, empowering our people and fostering continuous development at every stage.

This year, we continued our investments in training our talent base on a wide range of skills as well as emerging technologies, clocking over 32,800 learning hours. We also focused on embedding the two important C's - care and collaborate - as a key part of our overall Managerial Behavioural theme and architecture. This move has positively impacted the overall culture and employee experience across our organisation. We continue to emphasise in growing the women representation in our workforce and invested in various targeted initiatives to foster female leadership. At the end of the year, women representation in our workforce in Kuwait stood at 458 employees translating into 46% of the workforce.

In 2024, the Bank launched several initiatives including a new performance management system to enhance clarity around KPIs and competencies. “Burgan Beacon” program was introduced to recognise and encourage individuals who go the extra mile in their contributions, “Burgan Cares” to sponsor graduate employees pursuing further education, “Burgan Lab Academy” and “Ro'ya Future Leaders” to develop Kuwaiti talent. We also continue to focus on women empowerment with targeted initiatives

“  
We are embedding sustainability values in Burgan's DNA by incorporating ESG principles throughout our organisation, aligned with the United Nations Sustainable Development Goals (UN SDGs) as well as Kuwait's climate targets.

to foster female leadership including “Empower Her Seminar”, “Empower Her Summer Internship” program and “Burgan Lean in Circle”.

As a further testament to our focused, calibrated strategy and intention to grow and groom our local talents, we further improved our Kuwaitisation ratio which stood at 86% at the end of the year. This ratio was among the highest in the banking industry across Kuwait. Additionally, Burgan continues to be certified as a “Great Place to Work” by the global research and analytics firm Great Place to Work.

We are proud that we are a people-centric organisation and are living up to our ethos “Driven by you”.

### Embedding the value of sustainability in every action

Our future roadmap and direction are underscored by our ESG commitments. As a Bank, we are focused on the future

prosperity of our communities. We believe that establishing and nurturing trust-based relationships with our stakeholders, communities and partners are crucial for our ongoing success.

As an organisation, we recognised early on that sustainable growth and business practices are foundational components of the very fabric of our business. In 2024, we accelerated the implementation of various ESG initiatives under the umbrella of our firmly established ESG strategic roadmap and framework. We continue to actively map out the ESG needs across all stakeholders and business divisions to ensure we deliver the greatest positive impact as a committed corporate citizen.

### Looking into 2025 with confidence

While the external landscape remains uncertain and challenging, we are confident that we are well-positioned to navigate through these obstacles and seize the opportunities ahead. Our results in 2024 demonstrate that we are able to do the same. We remain focused on continuing to deliver excellence for our clients and sustained value for shareholders in 2025 and beyond.

On behalf of the Board of Directors, I would like to express my deepest appreciation and sincerest gratitude to every member of the Burgan Bank team. You remain the bedrock on which we build our success today and tomorrow.

I would also like to extend my gratitude to our shareholders, our Board of Directors and our customers, as well as the Central Bank of Kuwait and the Capital Markets Authority for their unwavering support and trust in Burgan Bank.

# MARKET OVERVIEW

## Global Markets



US

The U.S. economy experienced robust growth in 2024 with GDP expected to grow by 2.8%. The growth is largely fueled by strong consumer spending driven by higher disposable incomes and a resilient labor market. Inflation has shown signs of easing with the headline Consumer Price Index (CPI) decreasing from 4.1% in 2023 to 2.9% in 2024, moving gradually towards the Federal Reserve's target of 2%. Expansionary fiscal policies have contributed to a slight increase in the fiscal deficit from 6.2% of GDP in 2023 to 6.4% of GDP in 2024. Towards the end of 2024, economic momentum has moderated, prompting the Federal Reserve to cut interest rates by 100 basis points to 4.5%.

Looking ahead, GDP growth is projected to moderate to 2.2% in 2025 as fiscal policies tighten gradually and a cooling labor market tempers consumer spending. Inflation is also expected to continue its downward trend, reaching c. 1.9% in 2025.



EURO AREA

The Eurozone's (EU) economic growth remains sluggish, heavily impacted by a contraction in the German economy. Growth is estimated to reach 0.8% in 2024. In response, the European Central Bank (ECB) reduced rates by a cumulative 135bps to stimulate demand. Inflation in the EU area in 2024 is projected to close the year 2025 at 2%, aligning with the ECB's target.

With the U.S. Federal Reserve easing rates, the ECB is anticipated to follow a similar trajectory in 2025. New fiscal rules introduced in April 2024 aim to reduce public debt below 60% of GDP and budget deficits below 3% will likely constrain public spending and investment across the EU.

In 2025, private consumption is expected to strengthen supported by lower interest rates which could drive GDP growth to around 1.2%.



CHINA

China's economic growth has decelerated from 5.3% in 2023 to a projected 5.0% in 2024, affected by weak consumer sentiment (impacted by corrections in the housing market and reduced wealth effect linked to poor performance from the stock market). Consumer spending has remained weak and a propensity to spend by local government has also come down with decline in revenue linked to lower land sales. Thus, demand remains subdued relative to supply and excessive investment over the past decade has contributed to deflationary pressures in the economy.

For the past two years, the CPI remained below 1%. In response, the People's Bank of China cut the Loan Prime Rate by 35bps to 3.1% to increase liquidity. Additionally, the government introduced a substantial stimulus package aimed at boosting demand, supporting the housing sector and stabilising stock markets.

Despite these interventions the Chinese economy is projected to further slowdown with GDP growth of 4.5% in 2025.



Oil Price (Brent, USD/bbl)

### Demand

Global oil demand growth has slowed down with expansion of just under 940k barrels per day in 2024 and projected expansion of 1.05mn barrels per day in 2025, significantly down from the 2mn barrels per day seen in 2023. This deceleration is driven mainly by reduced demand in China which accounted for nearly 70% of growth in 2023.

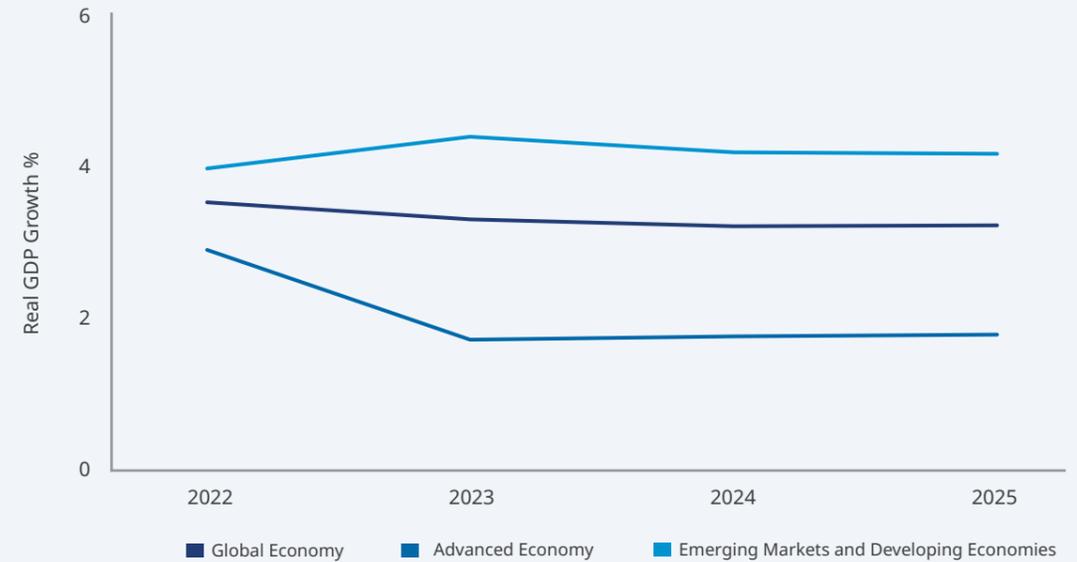
### Supply

Despite geopolitical tensions, global oil supply remains steady, with non-Organisation of the Petroleum Exporting Countries+ (OPEC) nations, led by the Americas, contributing to a supply growth of 1.5mn barrels per day in both 2024 and 2025. Increased production from the U.S., Brazil and Canada is expected to more than offset slowing demand growth.

### Outlook

The oil market is expected to be adequately supplied into 2025 with ample OPEC+ spare capacity and robust global stocks. Barring significant geopolitical disruptions, oil prices may remain stable or under slight pressure due to anticipated surpluses and subdued demand growth due to deceleration in global growth.

### Global Growth Outlook



Source: International Monetary Fund (IMF)

### Brent Oil Price (USD/bbl)



Source: CapitalIQ

# MARKET OVERVIEW

## Key Markets

### KUWAIT

#### GDP Growth and Fiscal Policy

- Oil GDP growth is expected to reduce by 2% driven by oil output cuts agreed with OPEC+. Kuwait has agreed for an additional voluntary cut of 135k barrels per day.
- Kuwait will phase out the voluntary cut from the period of Oct'24 to Sep'25 thus boosting GDP.
- Non-oil GDP is expected to report healthy growth of 3% driven by strong performance from real estate, manufacturing and ramping up of crude refining at the Al-Zour refinery.

#### Inflation and Monetary Policy

- Inflation declined from 3.6% in 2023 to 3.0% in 2024 primarily on account of lower housing, food and transport inflation
- CBK reduced the discount rate by 25bps to 4.0%, the first reduction since CBK had started to raise rates in 2022.
- Current account surplus has remained robust at 31.4% of the GDP in 2023 and 28.2% of the GDP in 2024.

#### Outlook

- GDP is projected to expand by 3.3% in 2025 as voluntary production cut will unwind.
- Inflation is expected to further decrease to 2.4% with reduced cost of borrowing in easing interest rate cycle.



### TURKEY

#### GDP Growth and Fiscal Policy

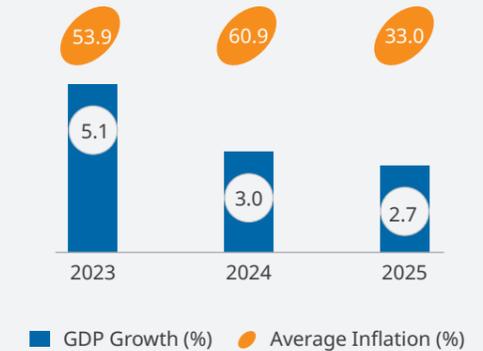
- GDP is estimated to grow by 3.0% in 2024 due to higher interest rate resulting in slowdown in demand.
- Continued focus on rebalancing the economy to have lower reliance on domestic consumption and greater contribution from investment and net exports is expected to have short term pain for the economy.

#### Inflation and Monetary Policy

- Inflation peaked at 75.5% in May'24 before easing to 44.4% in Dec'24 with positive real interest rate zone due to monetary policy tightening.
- Key interest rate increased from 42.5% Dec'23 to 50% till Nov'24 before reducing to 45% in Jan'25.
- Current account deficit reduced from 4.0% of GDP in 2022 to 2.2% of GDP in 2023 supported by higher export of precious metals, machinery and service exports.

#### Outlook

- GDP growth is expected to decelerate to 2.7% in 2025 due to economic rebalancing, tighter monetary policy and a global growth slowdown.
- With inflation cooling off, the contractionary monetary policy has achieved its intended outcome. The Central Bank is now anticipated to lower interest rates in 2025.



### ALGERIA

#### GDP Growth and Fiscal Policy

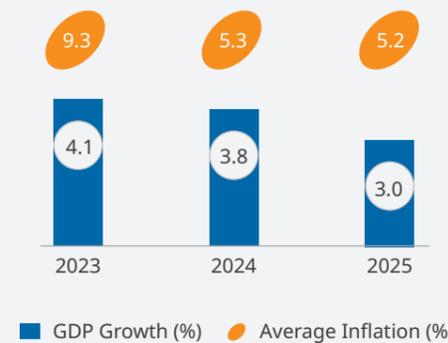
- GDP is estimated to grow around 3.8% in 2024 driven by hydrocarbon exports and increased investment in the economy.
- The increased gas production (accounting for c.60% of Algeria's total hydrocarbon production) has off-set the decline in crude production.
- Government expenditure as a percentage of GDP continues to rise to support social programs but straining fiscal sustainability with a high breakeven oil price of USD 131.

#### Inflation and Monetary Policy

- With the easing of global food prices, average inflation has eased to 5.3% in 2024.
- The benchmark rate remained unchanged at 3% since 2020 to support public consumption and investment.
- Current account surplus is projected to be 1.3% of GDP driven by strong hydrocarbons exports.

#### Outlook

- GDP is expected to grow around 3.0% in 2025, mainly from hydrocarbon exports and public investment.
- The government is expected to boost its efforts to attract foreign investment in sectors like finance, agriculture and services with an aim to diversify the economy which will result in resilient growth.



### TUNISIA

#### GDP Growth and Fiscal Policy

- Growth picked up in 2024 albeit at a slower pace due to weak domestic consumption and investment. In 2024, GDP growth is expected to be 1.6%.
- The fiscal deficit is estimated to remain at 6.3% of GDP in 2024 due to an increase in subsidies and social transfers.

#### Inflation and Monetary Policy

- With limited external financing and no IMF agreement, the government has relied heavily on domestic borrowing, resulting in high inflation.
- Despite an increase in interest rate from 6.25% in 2022 to 8% in 2024, inflation has remained persistently high and is expected to average 7.1% in 2024.

#### Outlook

- Political instability, social unrest and delay in IMF package continue to put a strain on the macro-economic situation.
- In 2025, GDP is expected to grow at 1.6% and inflation is expected to slightly moderate to 6.7%.



MESSAGE FROM

## Group Chief Executive Officer



**Antoine J. Daher**  
Group Chief Executive Officer

“

**In 2024, we built on the foundation of our new strategy by advancing our journey of sustainable growth and innovation to create greater value for our stakeholders.**

**Dear Shareholders,**

I am delighted to present you with a review of 2024, a year marked by the remarkable performance and achievements of Burgan Bank Group amidst a dynamic and challenging financial and economic landscape, clearly underscoring the Group's strong fundamentals, resilient business model and seamless execution of our strategy.

In the past few years, the global economy has demonstrated strong resilience despite major shocks such as the pandemic, conflicts, inflation, monetary tightening and energy crisis. During 2024, global growth continued to be stable supported by moderating inflationary pressures, easing labour market and revival of global trade. With these strong signs of resilience, central banks globally adopted less restrictive monetary policy and lowered their benchmark rates after almost four years.

In Kuwait, economic pressures continued due to OPEC+ production cuts and lower oil prices. However, with

moderating inflationary pressures, the non-oil sectors witnessed some recovery. Credit growth improved with rising consumer confidence and was further supported by easing monetary policy, the CBK cutting its discount rates by 25bps in September 2024 (the first cut since March 2020). The banking sector remained robust with strong capital and liquidity buffers while NPLs remained low and were well provisioned.

**Sustainable, profitable performance**

BBG once again delivered strong financial results, reaffirming its strong position both locally and regionally. Our steady performance provides confidence to stakeholders that the Group is on track to achieve its ambitious targets and strategic objectives.

In 2024, BBG posted robust revenue of KD 229.0mn (+3% y-o-y) supported by strong Net Interest Margin (NIMs) (+20bps) while its cost of credit remained low at c.14bps. Accordingly, the Group reported net income of KD 46.4mn (+7% y-o-y) and earnings per share of 10.3fils (+8% y-o-y).

The Group's balance sheet expanded rapidly in 2024 with total assets increasing to KD 8.2bn (+10% y-o-y) and net loans growing to KD 4.5bn (+6% y-o-y). Asset quality also trended in a positive direction with NPL ratio declining by ~20bps y-o-y to 1.8%.

During the year in Kuwait, the Bank successfully concluded the issuance of the “first-ever” Kuwaiti Dinar-denominated perpetual bond of KD 150mn. The issuance was innovatively structured with 50% of the issuance priced at “floating rate” enabling the Bank to reduce its costs

when benchmark rates decline. The issuance was oversubscribed which was a testament to strong investors' confidence in the Bank's credit profile. The Bank also redeemed its legacy USD 500mn perpetual bond (issued in 2019) on its first-call date.

Among the franchises, Kuwait operations continued to be the key driving force behind our strong financial metrics and considerably improved financial performance in 2024 supported by steady contribution from our international businesses.

**Achieving strategic priorities through meticulous execution**

In the past two years, we have transformed the Bank into a stronger, consistent and sustainable franchise. The key strategic building blocks are firmly in place supported by strong operational performance, healthy capital and strong balance sheet position to continue delivering sustained profitable growth across our focused business segments.

Following the roll-out of our strategic framework in 2023, we have remained focused on translating our strategic ambitions to on-the-ground impact. This year, BBG made tremendous strides in pursuing its key goals of long-term value-creation, increased market share and elevated banking experience.

In terms of operational execution in Kuwait, we focused on diversifying and growing the corporate portfolio, reorganising the retail department with an emphasis on targeted segment growth and revamping our private banking business with the launch of a new brand along with a comprehensive suite of product offerings. We further enhanced our cross-sell drivers and streamlined our physical and digital

# MESSAGE FROM Group Chief Executive Officer

channels. Additionally, we made strong progress in revamping our IT infrastructure and revitalising our digital transformation journey.

For our international operations, we pursued a risk-calibrated growth and diversification strategy. We placed strong emphasis on strengthening core business fundamentals, building capabilities & culture, implementing cost optimisation and improving operational efficiencies. These efforts were supported by improved controls and further enhancement of IT and digital infrastructure.

“**UGB’s acquisition would provide Burgan with an opportunity to tap into key high-growth sectors of Islamic financing and investments while creating significant cross-sell and up-sell opportunities in addition to various integrational synergies.**”

## Acquisition of United Gulf Bank, Bahrain

We received all required regulatory approvals to acquire UGB, a wholesale conventional bank with an Islamic window, headquartered in Bahrain, for USD 190mn. Notably, UGB also owns 60% stake in KAMCO Invest, a leading investment house in Kuwait. This transaction aligns with our strategy of asset reallocation and building new revenue streams. It also provides significant potential for revenue and cost synergies through cross-sell, up-sell and centralisation of certain functions. We expect to complete the required closing formalities by March 2025.

## Building capabilities for a dynamic, digital and tech-led future

We have significantly ramped up our IT team strength and technology spend as we continue to focus on building best-in class digital capabilities to address the evolving needs and preferences of our customers.

To be a future-ready bank, we continue to invest significantly on our long-standing digital transformation programs.

In Kuwait, we signed an agreement with Tata Consultancy Services to upgrade our core banking system and deploy the TCS BaNCS™ suite of products. This deal marked a significant leap in Burgan’s transition from traditional to digital banking. Further, we continued to upgrade our mobile banking app and online portal with new features and services to ensure that our customers enjoy unparalleled, seamless and intuitive experiences. We achieved significant improvement in our subscription rates, going up from 73% to 80% and active user count increasing to 80,000+ customers. Burgan app remained in the top 5 rated apps among

other local apps with an average rating of 4.5/5.0 across iOS and Android platforms.

Our digital banking brand in Turkey, “ON”, achieved the significant milestone of reaching one million customers in 2024 and continues to record visible growth in loan, fund and deposit volumes. The platform was awarded “Best Digital Bank in Turkey” in Global Brands Awards 2024 and World Business Outlook Awards 2024.

Our franchises in Algeria and Tunisia also witnessed significant traction in digitalisation as they continued to progress to the next era of banking.

“**We are proud of having built a fair, diverse and performance-driven culture, guided by the principles of transparency, meritocracy and our Core Values that drive our behaviour and actions at work.**”

## Empowering our people and fostering innovation

Our people are the backbone of our organisation. We empower our employees to deliver exceptional service to delight our customers. Our significant investment in human

capital and its growth and development remains a key priority for the Bank. This commitment lies at the heart of our mission to become an employer of choice, fostering an internal culture that is dynamic, forward-moving and innovation-driven.

One of the major highlights of this year was the launch of our innovation and digital transformation central hub, “Burgan Lab”, designed to cultivate a culture of collaboration, creativity and excellence through workshops, training sessions and focus groups. Subsequently, we introduced the first program under this new hub, “Burgan Lab Academy”, in collaboration with CODED to empower fresh graduates to become the next generation of tech leaders.

Additionally, we launched an exclusive Investment and Wealth Management Academy in collaboration with Fitch Learning, a world-renowned provider of learning and development solutions under the Fitch Group. We also launched the expansive women empowerment program, “Burgan Lean in Circle”, to address the challenges faced by women in the workplace.

Furthermore, we launched new editions of our flagship talent development program, “Ro’ya” and “Entelaqah”, expanded our “Burgan Cares” program to support employees interested in pursuing postgraduate studies and launched the innovative “Burgan Beacon” (“Manarat Burgan”) program, designed to reward all employees who go the extra mile in their work.

## Commitment to sustainability and ESG values

We recognise that our Group operates with a wide universe of stakeholders and engaging meaningfully with them enables us to address their needs

“**Our commitment to ESG principles and values remains a key priority for the Group and forms an intrinsic component of our business strategy and collective mindset at the Burgan Group.**”

and concerns. Proactive engagement with our key stakeholders led to the realignment of the ESG focus areas and a revised materiality matrix in 2024.

With tangible steps to reassess our strategic priorities within the larger context of environmental impact and social values, we continue to manage our carbon footprint, creating positive social impact through our CSR programs, championing financial inclusion and advocating diversity and inclusion. We have embedded ESG principles into the Bank’s operations while incorporating climate risk into our lending portfolio and fostering ESG culture & awareness through training and educational programs.

As a testament to our efforts towards incorporating sustainability in our operations, we received the prestigious “Leadership in Energy and Environmental Design (LEED) Gold Certification v4.1 for operations and maintenance of existing buildings” for our head office building in Kuwait City. The Bank also partnered with DHL express on their “Go-Green

Plus” initiative to foster a cleaner environment with reduced emissions. The Bank continues on its journey towards greater digitalisation and automation to reduce our carbon footprint.

## Looking ahead

While global economic growth is expected to remain stable, the operating environment is likely to remain challenging with uncertainties arising from trade tensions, geopolitical conflicts and disparity in fiscal and monetary policies across economies.

BBG will continue to focus on its Kuwait operations while remaining cautiously optimistic about its international business. The Group will also focus on ensuring a seamless integration of UGB and KAMCO Invest. Franchise consolidation, value enhancement for the combined customer base and transfer of best practices would be key priorities to ensure realisation of anticipated synergies. Further, Burgan will continue to invest in digitalisation and make further strides in ESG and sustainability aspect of its business.

## A final word of appreciation

I would like to take this opportunity to thank those who have contributed to the realisation of our vision: our employees, the Executive Management Team and the Board of Directors.

I would also like to thank our valued shareholders, the Central Bank of Kuwait and the Capital Markets Authority for their continued trust, support and guidance.

# BUSINESS MODEL

## Customer Centric, Dynamic and Robust

### KEY CAPABILITIES



#### Banking Infrastructure

- Maintaining the optimal mix of physical and digital channels.
- Strengthening digital capabilities for service delivery.
- Sustaining state-of-the-art data privacy and cyber security infrastructure.



#### Financial Resources

- Total deposits: KD 4,904mn.
- Total regulatory capital: KD 1,308mn.



#### Human Resources

- Employee base: 3,674.
- Ongoing skill development and capability building initiatives.
- Promoting employee engagement through targeted initiatives.



#### Stakeholder Relationships

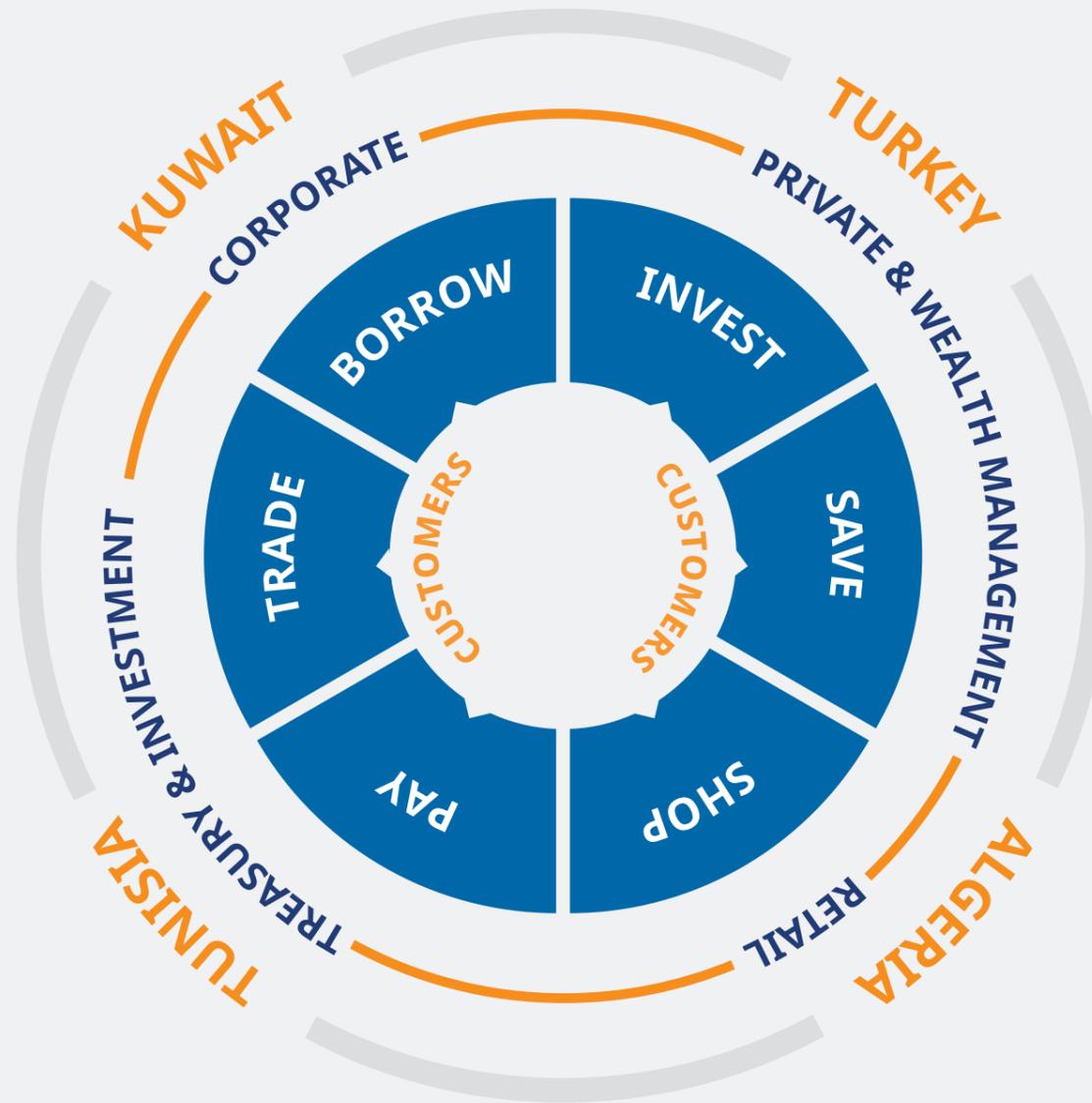
- Serving customers across platforms and product classes.
- Prioritised Sustainability and ESG related activities to drive positive impact.



#### Strong Intellectual Capital

- Advanced cybersecurity and data privacy measures.
- Simplified and user-friendly processes to enhance customer experience.
- Robust risk management framework to mitigate potential challenges.

### HOW DO WE CREATE VALUE?



### OUTCOMES



**4,471**mn  
Customer Loans (KD)



**229.0**mn  
Revenue (KD)



**14**bps  
Cost of Risk



**1.7**mn  
Total Customers Served



**3.8**  
MSCI ESG Rating Score

# BUSINESS STRATEGY

## Driving Excellence and Delivering Success

### Strategic Pillars

#### Strengthen Kuwait Business

- Grow and diversify the corporate portfolio.
- Double the market share in retail.
- Build a best-in-class private banking and wealth management division.
- Strengthen liquidity and risk profile.
- Improve quality of service, cross-sell, share of wallet.
- Embed best-practices, including ESG.

#### Asset Re-Allocation

- Pursue the sale of non-core assets.
- Reinvest in new markets.
- Seek growth opportunities in new segments.

#### Digital Transformation

- Revamp IT infrastructure with modern technology.
- Upgrade IT capabilities and IT security.
- Promote digital offerings for new segments.

### 2024 Progress

- Pursued sector focused growth of our corporate book for further diversification.
- Focused segment growth in retail, rolled out new products, revised workplace banking proposition and optimised the branch network.
- During FY24 retail loan portfolio expanded by 12% y-o-y, significantly outperforming the market, which saw a modest growth of just 3% y-o-y.
- Launched a new private banking brand with a comprehensive wealth management offering.
- Attained subscription agent license from the CMA.
- Issued the "first ever" KD-denominated AT1 bonds of KD 150mn at attractive pricing.
- Signed an MoU with KFINCO to become sole partner bank in Kuwait.
- Continued focus on ESG with LEEDs certification and several environmental & social initiatives in 2024.
- Strong customer satisfaction score of 86%.

- Received all required regulatory approvals to acquire 100% stake in United Gulf Bank a licensed conventional wholesale bank in Bahrain.
  - UGB also owns 60% of KAMCO Invest, a leading investment house in Kuwait.
  - The transaction is expected to close by March 2025.
- Optimised our legacy proprietary book to improve profitability and free-up capital.

- Initiated upgrade of core banking system by implementing the TCS BaNCS™ suite of products in partnership with Tata Consultancy Services. This will support Burgan's transition from a traditional to a digital bank.
- Emerged as one of the earliest banks to adopt the GCC real-time payments system, AFAQ.
- Launched the WAMD Instant Payment Service allowing customers to instantly send, receive and request money transfers using a registered phone number.
- Launched innovation and digital transformation central hub, "Burgan Lab" to foster a culture of collaboration, creativity and excellence.

### Driven by



**Culture Transformation**



**Brand Equity**



**Risk and Control**



**Best Practices**

# Continued Success in our Kuwait Operations

Strengthening our core business in Kuwait through an enhanced proposition, operational resilience and superior delivery systems to achieve “Customer-Delight”.



## Corporate Banking

**Achieving pivotal strategic goals of growth and diversification**

Corporate Banking remained the key driving force of Kuwait business in 2024 and delivered customer service excellence with a focus on portfolio growth and diversification. In 2024, the Bank further strengthened its corporate banking team with dedicated units for cross sell, improving service quality and risk profile. Further, the Bank adopted a ‘sector-focused’ growth strategy to help diversify the portfolio. Burgan also increased its physical presence with a new branch in Sabhan area.



One of the key highlights of the year was the signing of an MoU with KFINCO to become its sole partner bank in Kuwait. Going forward, the acquisition of UGB will enable Burgan to offer Islamic products through its Islamic window to its existing corporate clients, unlocking significant growth opportunity.

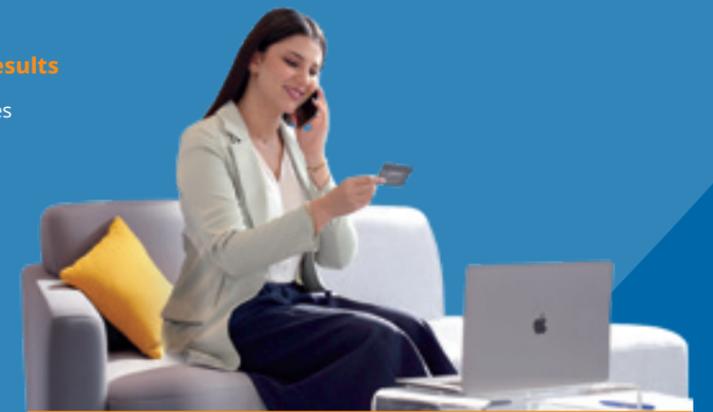


## Retail Banking

**Sustained transformation efforts are yielding results**

Retail Banking continued to be one of the key cornerstones of Burgan’s strategy with focus on further gaining market share and delivering superior customer experience. During the year, retail banking focused on:

- Roll out of new products like Visa co-branded card, deferred loan, auto loan and family banking
- Revised workplace banking proposition to non-government sector
- Targeted growth in the high potential “Elite” customer segment



We revamped our branch network, including closure of Hawalli and Fahad Al Salem branches and inauguration of a new branch in Daiya area. Further on the digital front, we made significant upgrades to our mobile app and web portal. Burgan’s app remained one of the most valued and highly rated app in Kuwait. The acquisition of UGB and KAMCO Invest will further enrich our retail proposition and create cross-sell and up-sell opportunities particularly for our “Elite” customer base.



## Private Banking

**Propelling the Bank into a new era of premium banking**

Burgan unveiled a meticulously crafted suite of services under a new brand tailored for HNWI clients with a motto of “Building Trust & Growing Wealth”. This launch was aptly timed with receipt of CMA licenses for custodian, investment advisory, portfolio management, unregistered securities broker and subscription agent services, which further augments Burgan’s commitment to fulfill the financial aspirations of its clients.



**PRIVATE**

Building Trust, Growing Wealth

Burgan launched an exclusive “Black” metal card, offering luxury experiences, premium services and rewards for the UHNWI customers. Burgan Private expanded its offerings to Al-Adailiya and Shaheed Tower branches to enhance ease and convenience to its clients. The Bank focused on training its top talents to become the CMA-registered advisors and relationship managers. Further, with the acquisition of UGB and KAMCO Invest, Burgan Private would be able to provide a more comprehensive proposition to serve the needs and aspiration of its valued customers.



# Innovating to Build a Vibrant Digital Future

Building unique value proposition to redefine banking in the “Digital-First” Era.



## BBK: Continued digital transformation aimed at accentuating customer experience

### Upgrading core banking for superior customer experience

Burgan signed an agreement with Tata Consultancy Services to upgrade its core banking system. Once implemented, Burgan will have greater capacity to innovate, launch products faster, standardise processes, enhance customer journeys and significantly optimise operational efficiency.

### Elevating digital experience for customers

We introduced eKYC feature, empowering our clients to digitally update their KYC details. We were amongst the first banks to join GCC Real-Time Payments System (AFAQ) and to launch WAMD instant payment services. We also enhanced our AI-powered chatbots and delivered multiple upgrades to our mobile app, further improving its UI/UX.

On the corporate side, we further enhanced our Transaction Banking Service (TBS Online) application by reducing the transaction execution time and introducing new features.

Our efforts evidently transpire into customer delight as apparent from our strong ratings of 4.5/5.0 (average) on iOS and Android platforms and strong customer satisfaction score of 92% (based on in-app surveys).

## ON Digital Bank - Turkey : Delivering transformative mobile banking experiences

ON offers next-gen digital banking services including customer onboarding, loans, deposits, investment products, cards, bill payments, money transfer and insurance.



### Building next-gen prowess powered by unprecedented growth

ON's customer base grew by 66% y-o-y, surpassing the **1 million** milestone in just three years of its launch. ON's remote acquisition market share also increased significantly by 65% y-o-y to reach 5.1% in 2024. ON's continued success reflects its customer-centric strategies and innovative approach in delivering a transformative mobile banking experience with next-gen features.

ON Mobile app stands out with its user-friendly interface and customisable features. It was awarded with six prestigious national and global awards this year and it continued to remain one of the highest rated apps with an average score of 4.4/5.0 (on iOS and Android platforms).

ON unveiled a new brand identity this year with a philosophy of “comfortable banking” as it starts its transition to the next phase of its exponential growth story.

### Delivering impeccable financial results

ON has achieved remarkable growth in the highly competitive digital banking space with its seamless banking experience and innovative products and services that bring a fresh perspective to the industry.

In 2024, ON platform witnessed a substantial growth in scale. Its loans grew by 37%, deposits by 50% and overdraft by 20x, y-o-y. Supported by strong balance sheet growth, ON's Net Interest Income (NII) increased by 1.2x, platform fee revenue (from insurance) by 9.5x, insurance commission income by 8.4x and investment revenue by 3.0x, y-o-y. Overall, its net profit after tax grew by 1.6x in 2024.

ON also saw tremendous growth on the transaction volumes being processed through its platform. In 2024, transaction volumes increased nearly 54% y-o-y while fund account openings doubled as compared to last year. Stock transaction volumes saw a 54% growth in 2024. Another notable achievement of ON Digital was an increase in its auto loan market share from 4.5% in 2023 to 6.9% in 2024, representing a growth of ~54%.



Active Digital Users	Digital Customers Onboarded	Customer Base on TBS Online	Number of Transactions on TBS Online
<b>81k</b>	<b>5.9k</b>	<b>513</b>	<b>1.3mn</b>
↑ <b>15%</b> Growth	↑ <b>32%</b> Growth	↑ <b>23%</b> Growth	↑ <b>79%</b> Growth

Total ON Customers	Digital Deposit Volumes	Digital Loan Volumes
<b>1.1mn</b>	<b>13.7mn</b>	<b>5.4mn</b>
↑ <b>66%</b> Growth	↑ <b>50%</b> Growth	↑ <b>37%</b> Growth

# Opportunity to Invigorate Strategic Growth

Burgan Bank is acquiring 100% stake in United Gulf Bank, a Bahrain-based wholesale bank, for **USD 190mn** in cash at an attractive P/B multiple of **1.0x**. With this acquisition, Burgan would also get indirect control over UGB's key subsidiary **KAMCO Invest**, a leading regional non-banking financial institution headquartered in Kuwait.

## Aligned with Burgan's KEY STRATEGIC PRIORITIES

-  Build new revenue streams in **high-growth markets** – Islamic financing and investment
-  Develop predictable **fee-based revenue stream** leveraging KAMCO Invest's well-established Asset Management, Brokerage and Investment banking platform
-  Considerable expansion in **share of wallet** from existing clients driven by significant cross-sell and up-sell opportunities
-  **Diversification from riskier markets** to Kuwait and GCC markets – KSA, UAE and Bahrain
-  **Asset reallocation** through deployment of freed-up capital from recent strategic exits (BoB & BBT)

## Value CREATION >>>





بنك بروقتان  
BURGAN BANK



بنك الخليج المتحد  
UGB United Gulf Bank B.S.C. c

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### Optimising cost structure

- Centralisation of select functions
- Streamlining treasury & investment activities

### Islamic window focus

- Offer Islamic products to Burgan's existing corporate clients
- Service new clients in Bahrain / other GCC countries

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### Investment banking underwriting

- Utilise Burgan client base to generate IB opportunities (ECM / DCM / M&A) for KAMCO Invest
- Execution of DCM opportunities with financing support from Burgan

### Optimising capital structure

- Streamline UGB's funding profile
- Realign UGB's capital structure

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بنك بروقتان  
BURGAN BANK



KAMCO INVEST

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### Real estate "Club Deals"

- Providing access to income generating real estate club deals to combined clientele
- Provide leverage to increase ticket size

### Funds and portfolio management

- Cross-sell KAMCO Invest's products to Burgan retail affluent / private banking clients
- Provide leverage to Burgan / KAMCO Invest clients to increase investment ticket size

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### Geographic Integration

- Replicate Kuwait opportunities to other overlapping geographies
- Distribute investment products in Burgan's subsidiary markets

### Platform for investing/link with brokerage

- Offer KAMCO Invest's broker subsidiary (Oula) to Burgan retail client base
- Utilise Burgan's branches for commercialisation / client onboarding

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### Margin investing

- Offer margin investment to Burgan clients operating on online platform

# OUR STAKEHOLDERS

## Integrated Engagement to Drive Progress



### EMPLOYEES

#### Mode of engagement

- Bank-wide internal communications.
- Dedicated employee app, "Burgani".
- Engagement through employee-focused social media.
- Open-door policy as defined and practiced by Executive Management.

#### How often we engage

- Annual town halls.
- Social media interactions.
- Staff days with families.

#### Key parameters

- Annual goal setting at the beginning of the year.
- Regular performance appraisal biannually - mid-year and end of the year.
- Review of individual, team and Bank performance.
- Employee engagement score.

#### Value creation

- Building and fostering a culture of trust and integrity.
- Ensuring employees feel valued.
- Facilitating lateral and vertical growth for employees.



### CUSTOMERS

#### Mode of engagement

- Primarily through branches, via our employees and relationship managers.
- Increasing usage of our digital channels, including mobile app and online platform.
- 24/7 access to our call centers.
- Hosting customer events throughout the year, such as Kanz celebration event.

#### How often we engage

- We are at our customers' service whenever they need us.
- Feedback is collected from customers on a regular basis.
- Dedicated team is in place to address customer complaints.

#### Key parameters

- Mobile app rating.
- Resolution and response time to customers' concerns and complaints.
- Customer retention and longevity of relationships.

#### Value creation

- Enabling the servicing of customers' needs and wants.
- Delivering competitive offerings.
- Providing customised solutions for our corporate clients and HNWIs.



### INVESTORS

#### Mode of engagement

- Interactive and highly informative investor relations (IR) webpage with enhanced reporting tools.
- Annual general meetings.
- Investor conferences.
- Investor calls.

#### How often we engage

- Quarterly investor calls on latest results.
- Participation in key investor conferences.
- One-on-one calls with investors upon request.

#### Key parameters

- Timely and accurate dissemination of information.
- Effective communication of strategic priorities and key business drivers.
- Providing the Bank's outlook as accurately as possible.

#### Value creation

- Building a relationship of trust with the investor community.
- Ensuring transparency in all interactions.



### COMMUNITY

#### Mode of engagement

- Multiple events organised throughout the year.
- Strategic partnerships to amplify impacts.

#### How often we engage

- Engagement occurs throughout the year.

#### Key parameters

- Increasing awareness of social issues.
- Driving engagement across key entities.
- Enhance social impact.

#### Value creation

- Creating a positive impact on society.
- Raising awareness of critical societal issues and potential solutions.
- Supporting the upliftment of weaker sections of society.

GROUP FINANCIAL REVIEW

# Group Chief Financial Officer's Review



**Khalid Fahed Al Zouman**  
Group Chief Financial Officer

“  
In 2024, the Group delivered healthy growth and increased profitability across our key business segments along with the improvement in asset quality metrics. The Group's balance sheet position remained robust supported by buoyant capital and liquidity levels.

Fostered by its agile business model, competitive strength and pragmatic strategic approach, the Group demonstrated great resilience and reported strong financial performance during the year amid an increasingly challenging operating environment, globally and locally.

**Resilient financial performance with improving returns**

During 2024, Burgan Bank Group reported strong net income of KD 46.4mn, marking an impressive growth of 7% y-o-y, driven by increasingly diversified revenue streams, strong balance sheet growth and lower cost of risk. Accordingly Burgan's returns to its shareholders in terms of earnings per share increased by 8% y-o-y, reiterating its continued focus on optimal use of its resources.

Our revenues, for the year, remained robust at KD 229.0mn, up 3% y-o-y, as compared to KD 221.7mn reported last year. The top-line growth was predominantly driven by our net interest income of KD 157.4mn which was up 17% y-o-y supported by strong business volumes and higher NIM of 2.3% (+20bps y-o-y). BBG's non-interest income remained

resounding at KD 71.7mn contributing 31% to Group's revenue base, thus enabling healthy diversification of income streams.

Our operating expenses for the year increased by 12% y-o-y on account of continued investments in digital & IT infrastructure and higher staff expenses on account of hiring and inflation-linked wage hike.

Provision charge (adjusted for recoveries) in 2024 was KD 5.9mn, largely consistent with the prior year. Our cost of credit (net of recoveries) was extremely low at 14bps, reflecting inherent strength of our credit portfolio.

Hyperinflation-related (IAS 29) net monetary losses from our Turkey operations decreased by 25% y-o-y, from KD 32.1mn in 2023 to KD 24.1mn in 2024 driven by declining inflation in Turkey and overall improvement in Tukey's macro environment.

**Strong balance sheet with self-sustaining capital structure, supporting high growth**

We accelerated the growth momentum in financial year 2024 led by continued executional excellence and transformation across various businesses of the Group while setting new benchmarks in our focus areas to deliver improvement in key operating metrics.

Burgan's total assets grew 10% y-o-y to reach KD 8.2bn led by business growth and sizeable deposit inflows, positioning Burgan as one of Kuwait's leading conventional banks.

The Group's loans and advances (net) were KD 4.5bn, +6% y-o-y (KD 234mn), reflecting a healthy pipeline execution driven by core clients as well as a pick-up in consumer demand, particularly in Kuwait operations.

Our customer deposits increased by KD 441mn (+10% y-o-y) in 2024 to reach KD 4.9bn. It is worth highlighting that despite elevated interest rates and a highly competitive landscape, the Group attracted new CASA deposits, up 5% y-o-y, driven by new cash management mandates, focus on growing retail CASA and other strategic initiatives.

We are pleased to report that our Group's asset quality remains strong despite accelerated expansion in our balance sheet. With new NPL formation being relatively subdued, our NPL ratio at Group level improved to 1.8% in 2024 as compared to 2.0% in 2023, marking an improvement of 20bps y-o-y.

Our NPL coverage ratio stood at 162% and our expected credit loss (ECL) buffers over ECL requirements were ~KD 64.8mn underlying Burgan's prudent approach to risk and reassuring Burgan's strong credit profile.



**4.5bn**  
Net Loan (KD)



**46.4mn**  
Net Income (KD)



**10.3 fils**  
Earnings Per Share (EPS)



**6 fils**  
Dividend Per Share (DPS)



**12.6%**  
Common Equity Tier 1 (CET1)



**116%**  
Net Stable Funding Ratio (NSFR)

GROUP FINANCIAL REVIEW

# Group Chief Financial Officer's Review

“  
**Burgan is firmly on a resilient growth trajectory and is delivering improved returns to its shareholders.**

The Group remained well capitalised with capital adequacy and the CET1 ratio standing at 18.6% and 12.6%, respectively, as at 31 December 2024. These ratios were well above the required regulatory ratios with sufficient buffer.

Burgan also benefits from a healthy liquidity position with liquidity coverage ratio (LCR) and net stable funding ratio at 153% and 116%, respectively, well above the regulatory requirement of 100%. Burgan's loan to deposit ratio was 81% vs regulatory maximum of 90%.

A key milestone for BBG this year was the issuance of KD 150mn AT1 eligible (per Basel III) of perpetual bonds in May 2024, marking it as the first Kuwaiti Bank to issue a KD-denominated perpetual bond in the local market. This issuance was oversubscribed, reaffirming Investors' confidence in Burgan's credit profile. This instrument was attractively priced and structured with 50% of the issuance on a floating rate, which would help Burgan to reduce its cost when CBK benchmark rates are lowered.

This issuance was part of a wider funding strategy of the Group, which included the issuance of KD 150mn of new perpetual AT1 bonds and subsequent redemption of legacy USD 500m perpetual AT1 bonds issued in 2019 at the first call date. This strategy ensured compliance with regulatory capital requirements while meeting the Group's long-term liquidity needs.

**Proposed dividends and bonus share to boost shareholders returns**

In light of the strong performance in 2024 and BBG's commitment to deliver long-term sustainable value for our shareholders, the Board of Directors recommended

distribution of a cash dividend of 6 fils per share in addition to 5% bonus shares for the year ended 31 December 2024, for shareholders' approval at the Annual General Meeting.

**Burgan's credit rating remains formidable**

Burgan Bank maintained its strong credit rating across all major credit rating agencies. Burgan's long-term issuer default rating by Fitch stands at "A" with stable outlook, its long-term deposit rating by Moody's remains at "Baa1" with a stable outlook, its issuer credit rating by S&P is "BBB+" with a stable outlook and its long-term foreign currency rating by Capital Intelligence stands at "A+" with stable outlook.

For our Turkish subsidiary, Burgan Bank Turkey, Fitch upgraded their long-term foreign-currency issuer default rating (IDR) by two-notches, from 'B' to 'BB-'. BBT's long-term local-currency IDR was also upgraded from 'B+' to 'BB-', with a stable outlook. These rating actions affirms overall improvement in the operating environment in Turkey.

**Kuwait continues to be the driving force**

Our Kuwait franchise continued to remain solid, efficient and profitable in a highly competitive and saturated banking landscape, reiterating that it is the backbone of our overall operations.

As of 31 December 2024, Kuwait's contribution to the Group's revenues, net income and asset base, before consolidation adjustments, was 46%, 71% and 76%, respectively.

Key operating metrics in Kuwait remained exemplary with revenue of KD 104.9mn (+10% y-o-y) and net income of KD 32.4mn (+121% y-o-y). The cost to income ratio improved by 527bps y-o-y and the cost of credit (adjusted for recoveries) remained very low at 13bps. This strong performance was driven by loan growth (+7% y-o-y) and stable margins. Asset quality also remained strong with an NPL ratio of 1.6% (lower by 23bps y-o-y) and adequate NPL coverage of 181%.

Despite challenges in Turkey, our international operations performed well driven by the phenomenal performance of the rest of our network. As of 31st Dec 2024, the contribution from the international businesses to the Group's revenues, net income and asset base (before consolidation adjustments), was 54%, 29% and 24%, respectively.

“  
**Through our strategic progress, performance and digital-first approach we are building a financially and operationally resilient bank, a true Bank of the future.**

**Acquisition of United Gulf Bank**

Burgan Bank is acquiring 100% stake in United Gulf Bank, Bahrain for USD 190mn at an attractive P/B multiple of ~1.0x.

Since UGB also owns 60% stake in KAMCO Invest, a regional non-banking financial powerhouse headquartered in Kuwait, we expect this acquisition to strengthen the business relationship between Burgan and KAMCO Invest. This strategic alignment will enable both entities to offer an integrated suite of financial services, leveraging their combined expertise to enhance client experiences and effectively address diverse and evolving financial needs.

We anticipate this acquisition will have a one-time impact of 60-70bps on our regulatory capital ratios. However, this would be highly value accretive in the long-term, given the significant cross-sell and up-sell opportunities, as well as the integration synergies expected to be realised from this acquisition.

**An optimistic outlook**

2024 was truly a remarkable year for Burgan, marked by formidable profitable growth supported by a healthy balance sheet. As in previous years, we will continue to accelerate growth momentum in our core market, Kuwait and invest heavily in digital and technology infrastructure. Our goal is to build the bank of the future with strong financial and operational resilience required to deliver sustained value creation for all our stakeholders and thrive in the highly competitive banking landscape.



# GROUP FINANCIAL REVIEW

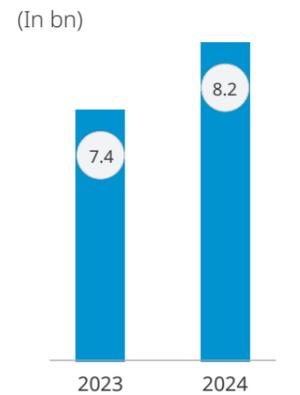
## Critical KPIs Trending Positively

### Total Assets (KD)

8,158<sub>mn</sub>



+10%

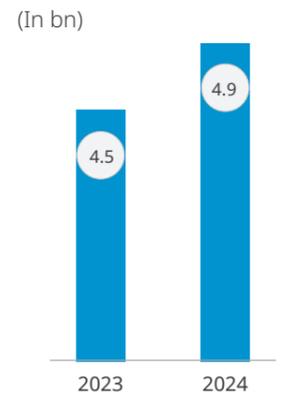


### Deposits (KD)

4,904<sub>mn</sub>



+10%

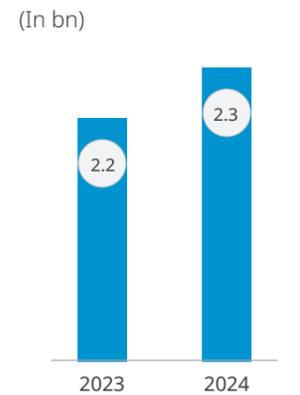


### Revenue (KD)

229<sub>mn</sub>



+3%

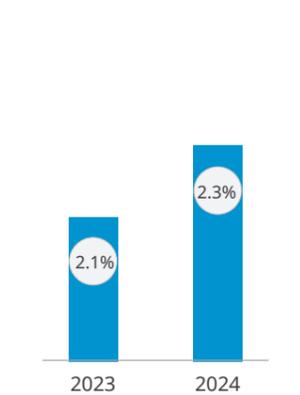


### Net Interest Margin (NIM)

2.3%



+20<sub>bps</sub>

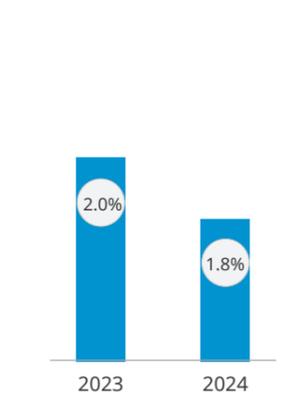


### Non-Performing Loans Ratio (NPL)

1.8%



20<sub>bps</sub>

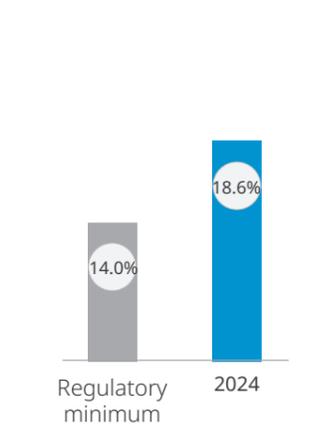


### Capital Adequacy Ratio (CAR)

18.6%



460<sub>bps</sub>  
Over regulatory minimum



### Outlook

- Risk calibrated prudent **"Growth"** to continue at renewed pace with **Kuwait** at the forefront
- Focus will remain on building **"asset-lite"** revenue streams and **rationalising cost** while maintaining **lower cost of credit**.

## ESG HIGHLIGHTS

# Our Approach to Sustainability

Aligned with Kuwait Vision 2035, Bursa Kuwait ESG guidelines and the UN Sustainable Development Goals (SDGs), our sustainability efforts in 2024 focused on embedding these principles across operations and fostering economic growth with minimal environmental impact.

### ESG VISION

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

### ESG MISSION

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



### Environmental stewardship

In 2024, we intensified efforts to reduce our environmental footprint and support the transition to a low-carbon economy. Recognising the risks posed by climate change, we integrated climate risk assessments into our lending practices, embedding these into our credit risk frameworks. Using climate scenario analysis, we evaluated potential impacts of various climate trajectories on our loan portfolio, enabling informed decision-making and risk mitigation. To further align with a low-carbon economy, we increased financing for green and sustainable projects, empowering our clients to adopt innovative, climate-friendly solutions. Internally, we achieved reduction in energy consumption through retrofit of energy-efficient equipment and sensor-based energy systems. A key milestone was securing LEED Gold v4.1 certification for our headquarter building in Kuwait, a reflection of our commitment to green building standards. In waste management, we launched initiatives to promote recycling across our operations, focusing on the collection and responsible disposal of electronic waste, cardboard, paper, plastic and wood. These efforts reinforce our contribution to the circular economy and a more sustainable future.

### Social empowerment

Our focus on social impact revolves around empowering customers, employees and communities. For customers, we expanded access to financial services for underserved segments, with our B-Dinar tailored solutions. Through the "Diraya" financial literacy program, we participated in specialised programs focusing on the education and enhancement of the community's financial awareness essential skills. Employees remain at the core of our operations and we are committed to fostering a diverse and inclusive workplace. Women now represent 46% of our workforce, reflecting our dedication to gender equity. Our flagship "Ro'ya" program continues to nurture national talent, preparing future leaders for the banking sector. Recognising our efforts to create an exceptional workplace, we became the first bank in Kuwait to achieve "Great Place to Work" certification. At the community level, we invested in initiatives aimed at societal development and resilience. Through strategic partnerships, we supported environmental restoration programs and educational initiatives. These efforts underline our belief that building resilient communities is essential for a sustainable future.

### Governance excellence

Robust governance is the backbone of our sustainability journey. The Management ESG Committee (MESGC) drives the integration of ESG policies across the Bank, ensuring alignment with global frameworks such as the Global Reporting Initiative (GRI) and the UN Sustainable Development Goals (SDGs). This committee oversees the Burgan's ESG performance and ensures that transparency and accountability remain central to our operations. We continue to strengthen our engagement with stakeholders, including regulators, investors and community partners, to align ourselves with best practices and emerging trends. Enhanced reporting ESG frameworks allow us to provide stakeholders with accurate and comprehensive updates on our ESG progress.

### Looking ahead

Sustainability is a continuous journey and we remain steadfast in our commitment to deepening our impact. Key future initiatives include:

- Developing a carbon neutral strategy and roadmap with the goal of achieving carbon neutrality by 2060.
- Expanding GHG emissions reporting to include wider Scope 3 emissions, ensuring comprehensive accountability.
- Launching greenification projects in Kuwait including urban tree-planting initiatives to enhance biodiversity and reduce urban heat.
- Increasing financing for renewable energy and energy-efficient projects, aligning with our goal of driving climate-conscious lending.
- Enhancing ESG risk assessment frameworks for lending portfolios to ensure sustainable growth.

By embedding sustainability into our core operations, we are building a future that is resilient, inclusive and aligned with global and regional sustainability goals. Guided by our ESG vision and strategic pillars, we will continue to deliver long-term value for all stakeholders while contributing to the broader sustainability agenda.



Refer to our Sustainability Report

ESG HIGHLIGHTS

# Our Key Achievements in 2024

## Good governance

- Diversity, equity & inclusion
- Governance & business ethics

- Supported the Kuwait Society for handicapped with equipment and sponsorship for vocational rehabilitation.
- Hosted “Empower Her”, a seminar to encourage women’s professional advancement in Kuwait’s private sector.
- Fostered workplace inclusivity through the ‘Burgan Lean in Circle’ and summer internships to female students.
- Illuminated headquarters for the ‘Orange the World’ campaign against gender-based violence.
- Updated the ESG Materiality assessment and developed ESG relevant policies to embed ESG within the Bank.
- Introduced “Pay link to sustainability” for rollout in 2025, embedding ESG governance in the Bank’s performance metrics.
- Adopted “Human Rights Charter” to reflect commitment to UN and Kuwaiti labour standards.
- Actively participated in newly formed Kuwait Banking Association (KBA) ESG committee.

## Responsible banking

- Responsible lending and investing
- Privacy and data security
- Financial inclusion and literacy

- Continued empowering SMEs by expanding tailored financing and investment solutions to encourage entrepreneurship and contribute to diversification in the Kuwaiti economy.
- Actively supported ESG-aligned projects focused on environmental impact, resource efficiency and social betterment through responsible lending.
- Maintained a zero data breach record through robust security protocols, continuous monitoring and employee awareness programs.
- Successfully trained all the Bank’s employees in cybersecurity best practices, in line with our commitment to data protection.
- Sponsored and participated in the 5th Gulf Cybersecurity Conference & Exhibition.
- Actively participated in “Diraya”, an initiative by CBK aimed at enhancing financial literacy and inclusion.
- Enhanced B-Dinar offerings to customers to widen banking access to underserved segments.

## Environmental impact reduction

- Climate change and environmental risk exposure

- Rolled out climate risk assessment for evaluating our client’s exposure and risks to environmental challenges.
- Achieved LEED Gold Certification for Operation and Maintenance (O&M) version 4.1 for our head office.
- Minimised single-use plastic water bottles in head office.
- Partnered with Tadwire for a waste management initiative focusing on sustainable disposal and recycling solutions.
- Spearheaded the greenification and redevelopment of a public park in the residential area of Daiya, transforming it into a vibrant community space.
- Partnered with DHL Express through their “GoGreen” initiative to reduce aviation carbon emissions and improve logistics sustainability.

## Community betterment

- Nationalisation
- Customer experience and digitalisation
- Human capital development
- Employee wellbeing
- Community relations and impact

- Focused development of Kuwaiti talent through “Ro’ya” for future leaders and the Visionary Leaders program.
- Kuwaitisation increased by 3.1% to reach 86% in 2024.
- Launched several learning initiatives to build the local skills pool including Investments & Wealth management academy, CODED academy, fresh graduate programs, Burgan Lab Academy and the Future Leaders Program.
- Received the Highest Talent Acquisition Award from American University of the Middle East.
- Certified as Great Place to Work with a record 89% participation reflecting our improved employee engagement.
- Opened an in-house medical clinic and offered exclusive discounts to employees on health checks.
- Launched “Burgan Beacon”, a digital program for employee and team recognition.
- Hosted wellness campaigns and programs such as Rock Your Habits to balance career and family life.

# Our People



Burgan embarked on a cultural transformation in 2024, driven by strategic initiatives to align leadership and employee engagement with the Bank’s vision, mission and values.



### Organisational culture transformation

Burgan’s philosophy is to build our people in line with our vision, to be the most progressive bank in Kuwait, driven by our employees, customers and community. The transformation was driven through three priority workstreams, enhanced performance management, focused change management and improved employee recognition.

In 2024, Burgan Bank embarked on an inspiring journey of cultural transformation, beginning with a strategic alignment session for the top 25 senior leaders. During this session, we refined our vision for the cultural shift, identifying key workstreams and pillars that would serve as the foundation for our transformation. This was followed by a leadership summit that brought together our top 100 leaders to collaborate on developing actionable plans to turn our vision into a tangible reality. To ensure that our transformation resonated throughout the organisation, the cultural transformation vision was shared with all employees via an engaging roadshow, connecting staff across all departments

and empowering them to embrace and contribute to the change.

As part of the change management strategy, HRD encouraged employees to voice their opinions through the Great Place to Work Survey. HRD launched “Burgan Podcast” to facilitate discussion on key topics like strategy, leadership, fraud prevention, etc. The Bank also launched “Burgan Beacon”, a recognition tool for individuals and teams for embodying and promoting the Bank’s core values.

### Kuwaitisation

Burgan continued its commitment to Kuwaitisation as reflected by the 3.1% increase in Kuwaiti workforce to 86% during the year. In 2024, 89.4% of the new hires were Kuwaiti nationals reflecting the Bank’s dedication to aligning with the CBK’s Kuwaitisation goals. The Bank’s commitment to attracting Kuwaiti talent is honored with the “Highest Talent Acquisition” award by the American University of the Middle East in 2024.

Burgan Lab Academy collaborated with CODED Academy to provide full-stack development training to newly hired Kuwaiti employees, preparing them for key roles in the fields of Information Technology, Digital Transformation and Human Resources. The Bank has also introduced a new program “Ro’ya Future Leaders”, dedicated to developing fresh graduates hired in key roles.

The Bank participated in various career events creating opportunities for Kuwaiti young graduates with institutions such as Ktech, GUST, AUM, AUK and AU and initiatives like the Watheefti fair, the Ministry of Defense Career Fair.



### Performance and recognition

Burgan launched a new framework for performance management emphasising performance differentiation, a key to identifying high performers, providing targeted development and addressing performance gaps. This supports the Bank’s ongoing cultural transformation, ensuring that variable rewards, including bonuses, are linked directly to performance outcomes in a transparent and equitable manner.

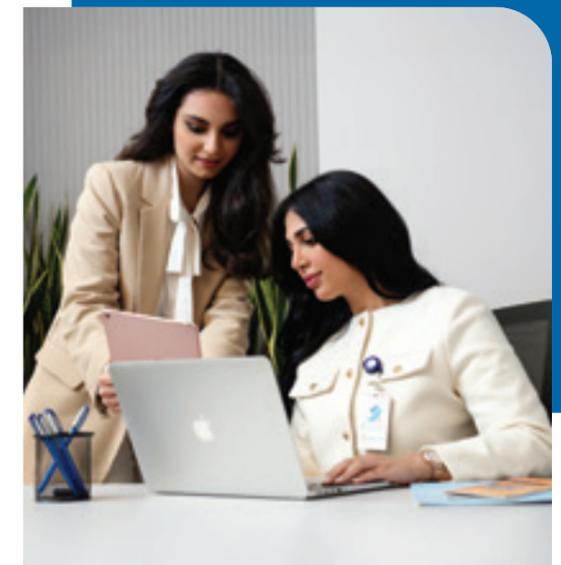
In its quest to ensure competitive and efficient employee compensation, the Bank conducted comprehensive market salary surveys with the support of the Kuwait Banking Association to stay aligned with market standards and maintain a fair and rewarding workplace. The Bank’s commitment to fostering a high-performance culture was evident in the Great Place to Work Survey which achieved an impressive participation rate of 89%, exceeding the global average.

### Diversity and inclusion

In 2024, the Bank strengthened its commitment to diversity by implementing initiatives that promote equal opportunities and representation at all levels. The Bank’s focus on women empowerment provided targeted initiatives to foster female leadership including Empower Her Seminar (for female Kuwaiti leaders to share their experiences and accomplishments), the Empower Her Summer Internship Program (three-week structured internship, equipping 18 female students with valuable industry experience) and Burgan Lean in Circle.

Burgan is committed to supporting clients and employees with special needs through a range of initiatives. The Bank provides regular training for staff to deliver customer experience tailored to the unique requirements of special needs clients.

The Bank also actively creates employment opportunities for individuals with special needs. This commitment to inclusivity was recognised with the “Hiring Partners” award by the Kuwait United Nations for 2024.



Our key commitment is to invest in developing and supporting our people as they build their careers with us while maintaining a work environment that fosters ownership, transparency, teamwork and passion.



**Talent development and succession planning**

The Bank remains committed to long-term organisational growth and leadership continuity. The Bank prioritised sustainability by establishing comprehensive succession and development plans, in line with the CBK’s directive.

The Bank’s dedication towards advancing Kuwaitisation in leadership roles is reflected by the y-o-y increase of Kuwaiti nationals by 3.1% in senior roles and 3.9% in middle management roles, reaching 86.3% and 78.9%, respectively in 2024.

The Bank’s flagship Ro’ya Program aims to nurture future leaders across various levels, with 4 distinct tracks: future leaders, rising leaders, transformational leaders and visionary leaders. Burgan has successfully developed 15% of its Kuwaiti workforce through the Ro’ya signature talent development program with an impressive promotion rate exceeding 90% with Ro’ya 1 graduates. The Bank also actively participates in continuous development through participation in various programs such as the “Kafaa” initiative led by the CBK and KIBS in collaboration with Harvard Business School, Cyber Security Leaders Program, Risk Management Leaders Program, Kuwaiti Graduates Development Program (KGDP)

and Scholarship Program for Kuwaitis Pursuing a Master’s Degree, Women Leadership programs with HEC, High Potential Leadership Program by Duke Corporate Education, London Business school, INSEAD and Colombia Business school.

Burgan has also launched the Investment & Wealth Management Academy with Fitch Learning which equipped 30 Relationship Managers with advanced skills.



**32,800**

Total Training Hours

Burgan encourages creativity among its employees with a platform to share ideas through its Innovation Lab focused on enhancing design thinking and innovation. The ideas presented by the employees are evaluated by a committee with the most successful ideas being recognised and awarded.

The Bank continued its sponsorship of graduate employees under the banner of “Burgan Cares”, a program committed to furthering education and career growth. This year, the initiative expanded to include assistance for MBA programs in collaboration with local universities.

In line with the Bank’s strategic shift towards more role-based, focused training designed to achieve quality outcomes, the Bank delivered 32,800 hours of training in 2024. This approach was a key factor in our success and helped us earn the prestigious Golden Award by Brandon Hall in the category of “Social/Collaborative Learning,” recognising its innovative approach to workforce development and its commitment to fostering a collaborative learning environment.

**Employee wellbeing**

In 2024, Burgan reinforced its commitment to employee well-being by introducing initiatives that promote work-life balance and support employees’ personal and professional growth. The key measures included shorter working hours on Thursdays, the introduction of birthday leave and revised staff loan terms to enhance financial flexibility and extended paternity leave. The Bank continued to promote employee

wellness by hosting a blood donation drive and health seminars with expert speakers.

To encourage holistic well-being, Burgan launched tailored programs such as the Rock Your Habits Campaign, focused on cultivating healthy habits and lifestyles including strategies for maintaining physical health in the workplace and balancing career and family responsibilities.

Initiatives like “The Rock Art Hour” workshops support employees’ entrepreneurial ventures aimed at creating a positive and inspiring workplace. An in-house medical clinic was established at the head office to provide easy access to healthcare services.



Golden Award by Brandon Hall for “Social and Collaborative Learning”

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# BUSINESS REVIEW

## Burgan Bank Kuwait

“2024 was a remarkable year. Our performance is reflective of successful execution of the new strategy of delivering disciplined and profitable growth, expanding market share and ensuring long-term sustainability.”



**Fadel Mahmoud Abdullah**  
Chief Executive Officer

  
**125k**  
Customers

  
**988**  
Employees

  
**28**  
Branches

  
**156**  
ATMs

### Overview

Burgan Bank Kuwait is a solid, highly efficient and profitable franchise. In 2024, we focused on further improving the growth trajectory across businesses through several strategic initiatives. Additionally, we continued our pursuit to enhance our technology infrastructure and achieved improved productivity across channels, aided by multiple transformation initiatives.

### Resilient performance

BBK is the flagship business and continues to remain the core of Burgan Bank Group's overall operations.

In 2024, revenues grew to KD 104.9mn (+10% y-o-y) driven by increase in non-interest income to KD 26.5mn (+43% y-o-y) and net-interest income to KD 78.4mn (+2% y-o-y) as the improvement from optimising cost of funds offset the impact of rate cuts.

Operating expenses increased to KD 65.2mn (+2% y-o-y) on account of continued investment in digitalisation. However, the Bank implemented various cost containment measures to rationalise overall expenses resulting in BBK's operating profit increasing to KD 39.7mn (+28% y-o-y). Total provisions declined from KD 13.6mn in 2023 to KD 4.9mn in 2024 resulting in c.25bps reduction in cost of credit to 13bps. Total net income improved from KD 14.7mn in 2023 to KD 32.4mn in 2024 (+121% y-o-y).

BBK's NPL ratio improved from 1.8% in 2023 to 1.6% in 2024 with NPL Coverage ratio (excluding collateral) reaching 181%. The Bank's loan book grew to KD 3.6bn (+7% y-o-y) driven by the retail and corporate segments. Customer deposits reached KD 3.8bn (+11% y-o-y) in 2024.

BBK's contribution to the Group's revenues, net income and asset base (before consolidation adjustments) was 46%, 71% and 76%, respectively.

### Effective execution of strategy

Our position of strength is the result of seamless execution of our strategy and making investments in the building blocks across our people, processes, products, technology and channels.

The Bank continued to focus on calibrated growth by pursuing opportunities within its risk appetite framework. The growth in business was broad-based and underpinned by the Bank's customer-centric approach to serving the banking needs of its clients in a holistic manner.

In 2024, we overhauled and diversified our corporate portfolio with focused sector growth. We also launched a new private banking brand offering comprehensive financial and wealth management services tailored for high-net-worth clients. We scaled up our retail business through focused segmentation, product revamps / new launches & optimisation of branch networks. Further, we expanded our financial institution business and streamlined treasury operations with a focus on optimisation of funding cost and improving cross-sell.

### Relentless focus on digital transformation

BBK continues to invest in technologies to empower employees, improve processes, simplify interaction with customers to drive 'customer delight'. In 2024, BBK partnered with TCS to upgrade its core banking system by implementing the TCS BaNCS™ suite of products. This was a significant step in the Bank's technology and digital strategy, supporting its transition from traditional to digital banking. The Bank also

launched "Burgan Lab", a hub for digital innovation, in line with its mission to stay ahead of industry trends by fostering collaboration and developing customer-focused financial solutions. Further, the Bank continued to improve its mobile app & online banking portal through the addition of new features and enhancements.

### Investing in human capital and culture transformation

We believe that a Bank's success is anchored in its people and the organisation culture. With this premise, we made significant investments and undertook various steps to further enhance the Bank's culture. We launched dedicated training programs for women, investment & wealth management and further improved our "Ro'ya" program. We also launched "Burgan Beacon," a recognition tool for our employees. Due to our persistent focus and strive for excellence in enhancing our employees' professional growth and fostering a culture of continuous learning, BBK was awarded the prestigious Brandon Hall Gold Award for Excellence in the L&D category.

### Prioritising sustainability and ESG initiatives

In 2024, the Bank made progress on its sustainability journey to strengthen its commitment to ESG aspects of business operations. BBK's head office building in Kuwait was awarded the prestigious LEED Gold Certification, underscoring its efforts to adopt environmentally responsible practices and reduce its carbon footprint. Additionally, the Bank joined DHL's "Go-Green Plus" initiative demonstrating its dedication to sustainable operations. The Bank also worked on integrating climate change related risks to its risk management processes. We remain steadfast in embedding ESG principles into all relevant areas of our operations.

### Customer satisfaction survey

Aligned with the Bank's mission to deliver excellent customer experience, we partnered with IPSOS, a leading market research company, to assess customer satisfaction across key businesses and channels. The survey results reflected high bank-wide customer satisfaction score of 86% which is a clear testament that Burgan is a trusted financial services provider of choice for our customers.

### Encouraging outlook

Looking forward, our focus will be on building new revenue streams and capabilities, investing in long-term growth drivers and collaboratively working towards establishing a resilient 'all-weather franchise' through orchestrated actions and strategic execution.

  
**104.9mn**  
Revenue (KD)

  
**39.7mn**  
Operating Profit (KD)

  
**32.4mn**  
Total Net Income (KD)

  
**6.5bn**  
Total Assets (KD)

# BUSINESS REVIEW

## Burgan Bank Turkey

“ In spite of adverse macro conditions, BBT continued to demonstrate resilience and provide an exceptional digital banking experience with its digital platform, “ON”.



**Ali Murat Dinç**  
Chief Executive Officer

  
**1.2mn**  
Customers

  
**1,505**  
Employees

  
**26**  
Branches

  
**19**  
ATMs

### Overview

In 2024, the Turkish economy reached the peak of its interest rate cycle with rates soaring to 50% in Q1 2024. The Central Bank maintained a hawkish policy stance, characterised by elevated policy rates, strict caps on loan growth and quantitative tightening measures. The disinflation progressed on account of relatively stable Turkish Lira (TRY) and slowing domestic demand. Turkey’s sovereign rating was upgraded by two notches in 2024 driven by strengthened investor confidence, improved reserve position and a reduced country risk premium. Fitch upgraded BBT’s Long-Term Foreign Currency rating by two notches to BB-/stable in September 2024.

The high cost of funding and stringent credit growth restrictions continued to weigh on the banking sector’s expansion and profitability. Amid the challenging environment, BBT demonstrated resilience by employing an agile management approach, successfully navigating the difficult environment.

### Performance

In 2024, BBT’s net interest income rose by 62% through robust balance sheet management accompanied with positive spreads and shifting towards higher-yielding assets. The non-interest income declined by 39% due to lower FX income, fee & commission income and security gains.

The decline in non-interest income, prolonged effects of hyperinflation, the depreciation of the Turkish Lira and significant investment in digitalisation led to an increase in cost-to-income ratio to 61% in 2024 vs. 38% in 2023. Therefore, operating profit decreased by 41% y-o-y to KD 27.5mn.

After accounting for the IAS 29 (hyperinflation) impact of KD 24.1mn (vs. KD 32.1mn in 2023), BBT’s total net income decreased to KD 4.9mn in 2024, down from KD 13.2mn in 2023. On the other hand, BBT significantly contributed to the growth of the Group by increasing its total equity from KD 114.4mn to KD 132.9mn in 2024 after IAS 29.

In 2024, BBT’s loan portfolio grew by 31% in local currency term maintaining a focus on expanding its TRY portfolio despite regulatory limitations on monthly loan growth. The digital banking continues to support retail deposits resulting in CASA ratio of 18.9%.

BBT’s asset quality saw notable improvement over the years with the NPL ratio stabilising at 0.9% in 2024 supported by low levels of new NPLs and strong collection efforts.

BBT’s contribution to the Group’s revenues, net income and asset base (before consolidation adjustments), was 31%, 5% and, 12%, respectively.

### Digitalisation

BBT’s digital banking brand, “ON”, continued its growth trajectory, surpassing one million customers while achieving substantial growth in loans, funds and deposits driven by consistent investments in brand awareness alongside launch of new products and services. In the Digital Banking Remote Customer Acquisition segment encompassing 18 banks, ON attained a market share of 5.1% vs. 2.9% in 2023.

BBT’s Roboadvisory product, “Burgan Robo”, continued to offer fund distribution suggestions to Burgan and ON customers while the fund research platform “Burgan Fund Universe” introduced a new collateral management flow

allowing private banking customers to use alternative assets as collateral, streamlining transactions and boosting yields. BBT’s continued investment in digitalisation resulted in robust growth in the wealth management business.

### Sustainability

In 2024, BBT enhanced its sustainability efforts by launching ESG projects, prioritising zero waste practices, eco-friendly certifications and carbon footprint monitoring. The Bank continues to monitor all environmental initiatives related to calculating its carbon footprint from internal operations and transforming the Head Office and branches into “zero waste” facilities. The Bank achieved ISO 14001 certification, conducted sustainability awareness programs and introduced policies on sustainability, ESG in lending process, supply chain management and diversity, equity and inclusion. A dedicated sustainability section was also launched on its website to engage stakeholders.

### Awards

In 2024, BBT and ON won multiple awards including International Business Magazine Awards for Most Innovative Digital Banking Services and Most Reliable Digital Banking Service Provider in Turkey, Global Brands Awards 2024 for Best Digital Bank Turkey, World Business Outlook Awards 2024 for Best Digital Bank Turkey and Best Mobile Banking Services Provider Turkey and Turkey Call Center Awards 2024 for Best Employee Experience.

### Outlook

With inflation beginning to ease, 2025 is anticipated to bring a shift towards a more accommodative monetary policy with relaxed regulations, creating a favorable environment for the banking sector. BBT aims to solidify its position as a private, digital bank by enhancing customer onboarding, launching new apps, credit cards projects and enhancing ON platform. The Bank is focused on expanding UHNW investment offerings, penetration of insurance products, digitalised trade finance & cash management products, with a continued emphasis on digital transformation and sustainability.

  
**70.8mn**  
Revenue (KD)

  
**27.5mn**  
Operating Profit (KD)

  
**4.9mn**  
Total Net Income (KD)

  
**1.0bn**  
Total Assets (KD)

# BUSINESS REVIEW

## Algeria Gulf Bank

“  
In 2024, AGB focused on resilience and progress marked by revenue growth, enhanced digital services and a commitment to operational excellence.”



**Rabih Soukarieh**  
Chief Executive Officer

  
**382k**  
Customers

  
**1,078**  
Employees

  
**66**  
Branches

  
**105**  
ATMs

### Performance

The Algerian government has made efforts to modernise the banking sectors with a series of initiatives in the electronic banking and payment systems as well as digitalisation. This has resulted in a tailwind for the banking sector in Algeria and was reflected in AGB's performance as higher trade volumes and expanded digital services resulted in 19% increase in revenue to KD 45.2mn. Net interest income improved by 18% and non-interest income increased by 22% y-o-y.

The Bank continued to maintain strict control on the operating expenses as reflected in 15% decline in other operating expenses and 8% decline in total expenses. However, the profitability of the Bank was impacted by higher loan loss provisions. Net provisions (adjusted for recovery) increased by 255% to KD 13.8mn. Total net income for the year stood at KD 9.4mn.

Net customer loans stood at KD 399.4mn while customer deposits reached KD 691.6mn (+11% y-o-y). In 2024, AGB reported NPL ratio of 5%. AGB's contribution to the Group's revenues, net income and asset base (before consolidation adjustments), was 20%, 18% and, 10%, respectively.

### Advancements in digitalisation

In 2024, AGB continued its digital transformation journey by launching several innovative products and enhancing existing digital solutions. Building on the success of AGBy Pack in 2023, AGB introduced AGBy Pack SAFFA, a Sharia-compliant package designed to meet the needs of Islamic banking customers. This comprehensive offering includes a fixed monthly price and provides access to Islamic financial products aligned with Sharia principles.

The "Welcome AGB" onboarding platform was enhanced with the introduction of an electronic KYC tool. This technology enables the digital capture of biometric data from identification documents, significantly simplifying the onboarding process and enhancing security.

AGB strengthened its card offerings by introducing contactless functionality to the CIB Sahla card, delivering faster, smoother and more secure transaction options for customers.

### Operational excellence

In 2024, AGB achieved ISO 9001 certification for its quality management system for its digital banking services across online and mobile banking. The certification, awarded by AFNOR Certification following rigorous audits at AGB's headquarters and three branch locations, highlights the Bank's commitment to operational excellence and adherence to internationally recognised standards.

### Risk and compliance management

AGB maintained its strong emphasis on risk management and regulatory compliance:

- The Bank implemented measures to ensure personal data protection in compliance with the law.
- A comprehensive data protection policy was made available on AGB's website, enhancing transparency and customer trust.
- All internal and external communications were aligned with the latest regulatory requirements to ensure data security and compliance.

### Customer experience enhancements

In 2024, AGB introduced several initiatives to improve customer satisfaction and enhance service delivery. These included upgrading the limits on transfers through the AGB online platform to provide customers with greater flexibility and autonomy, improving their ability to manage transactions securely and efficiently. The Bank also increased the limits for international Visa cards for contactless payments, offering customers improved transaction convenience and flexibility. This measure not only enhanced customer experience but also contributed to increased fee income for the Bank.

### Corporate Social Responsibility (CSR) initiatives

AGB actively engaged in numerous CSR activities, reinforcing its commitment to community welfare:

- Distributed over 300 Ramadan baskets to underprivileged families in partnership with local associations.
- Organised charitable events during Eid al-Fitr to support children with cancer, providing gifts and clothing.
- Sponsored cultural and educational initiatives such as the "Back to School in Nouba" program and the "Hadrya Odyssey" show.
- Actively participated in the 15th School Employment Forum to encourage talent acquisition in the IT sector.
- Celebrated World Children's Day with fun and educational activities for families.
- Continued its tradition of organising blood donation drives, receiving enthusiastic participation from employees.

### Outlook

AGB will further strengthen its leadership among private banks in Algeria by focusing on digital transformation through initiatives like "FawriPay," new prepaid and business cards and expanding Sharia-compliant offerings to meet rising Islamic banking demand. It also plans to enhance financing for businesses and individuals, ensuring sustainable growth and maintaining its competitive edge in the dynamic Algerian banking landscape.

  
**45.2mn**  
Revenue (KD)

  
**26.8mn**  
Operating Profit (KD)

  
**9.4mn**  
Total Net Income (KD)

  
**848mn**  
Total Assets (KD)

BUSINESS REVIEW

# Tunis International Bank

“ 2024 was marked with steady operating performance driven by efficient business model helping us to remain the leading bank in non-resident banking in Tunisia. ”



**Sami Fezzani**  
Chief Executive Officer



**1.4<sub>k</sub>**  
Customers



**103**  
Employees



**3**  
Branches

**Performance**

Despite a competitive operating environment, Tunis International Bank concluded 2024 with significant progress, setting a foundation for sustained future growth. The Bank benefitted from improved yields and higher volumes resulting in 8% y-o-y increase in the net interest income reaching KD 6.1mn in 2024. NIMs improved by ~60bps to 5.0% in 2024 vs 4.4% in 2023 driven by higher margins earned on syndicated loans and interbank placements. The increase in the net interest income was partially offset by decline in the non-interest income from KD 3.7mn in 2023 to KD 2.0mn in 2024. Non-interest income was impacted by lower dividend, as well as fee and commission income.

The Bank maintained rigorous cost controls resulting in 6% y-o-y decrease in operating expenses to KD 2.2mn in 2024. The Bank also maintained stringent credit practices leading to net provision reversal (adjusted for recoveries) of KD 1.0mn as compared to a net expense (adjusted for recoveries) of KD 1.2mn in 2023. The recent upgrade in Tunisia's country rating also supports lower credit cost and improved future outlook. Overall, total net income increased by 4% y-o-y to KD 3.5mn in 2024.

In 2024, the Bank recorded robust loan growth (including OFIs) of 6% y-o-y to KD 59mn supported by solid deposit base of KD 67.4mn. The Bank's proactive risk management framework supported its strong asset quality, as reflected in its low NPL ratio of 0.8% and high provision coverage of 5.6x (excluding collaterals). TIB's contribution to the Group's revenues, net income and asset base (before consolidation adjustments), was 4%, 7%, and 2%, respectively.

**Digitalisation**

TIB accelerated its digital transformation in 2024, implementing several advancements to enhance customer convenience and operational efficiency. These advancements included expanding the availability of mobile solutions, integrating them seamlessly with cash management systems to provide a unified omnichannel banking experience. The Bank continued to automate the core processes, reducing manual intervention, and improving turnaround times. It is planning to introduce advanced data analytics solutions for predictive decision-making and personalised customer engagement. Further, TIB improved its cash management system through enhancement of functionalities.

TIB continued to expand the digitalisation of its human resources services offered to staff by enhancing and improving the human resources portal which offer many features as self-service, easy and centralised access to the Bank's policies and procedures database.

TIB aspires to offer intelligent, personalised, timely and relevant customer experiences through regular assessments and enhancements to the Bank's hardware software and other tools to embrace new technologies. As part of its focused digital efforts, TIB continue to ensure the efficiency of the Bank's operational resilience and business continuity.

**Risk and compliance**

Effective risk management and compliance are vital part of TIB's identity and it continues to invest in technology, training, and resources to ensure it maintains the highest standards of risk management and compliance.

TIB has made significant strides in enhancing its risk and compliance framework. During 2024, it strengthened its risk and compliance framework by implementing enhanced filtering systems and organising extensive training sessions on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), reinforcing its commitment to regulatory excellence. This training was instrumental in fostering a stronger risk culture within the organisation and ensuring that risk awareness is embedded in all business decisions.

TIB also refined its risk appetite framework and further bolstered its compliance structure. Furthermore, TIB invested in its digital infrastructure particularly in cybersecurity enhancements to build operational resilience and improve incident response capabilities. TIB continued to further enhance its risk identification and assessments processes through proactive and appropriate measures.

**Sustainability and awards**

In line with its commitment to societal well-being, TIB supported numerous initiatives across education, healthcare, sports, and philanthropy in 2024. TIB was awarded with the "Best Banking Governance – Tunisia 2023" award by Capital Finance International for its exemplary governance practices.

**Outlook**

TIB aims to deliver consistent shareholder returns by emphasising growth in syndicated loans and investment portfolios while maintaining a robust risk profile. The Bank will explore further opportunities to expand its loan and investment portfolio in high-yield segments, leveraging its diversified asset base.



**8.2<sub>mn</sub>**  
Revenue (KD)



**5.9<sub>mn</sub>**  
Operating Profit (KD)



**3.5<sub>mn</sub>**  
Total Net Income (KD)



**143<sub>mn</sub>**  
Total Assets (KD)

## RISK MANAGEMENT

# Risk Management Framework

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

The risk management team implemented several initiatives to upgrade its risk management & controls framework, integrating additional functions such as the Financial Analysis Unit and Fraud Risk within Risk Management. The Bank consistently conducts programs and workshops to enhance and embed its risk culture among employees through regular business and control activities. This year, the Bank introduced a new organisational structure for Risk Management, which includes the establishment of an Enterprise Risk Management Department.



### Board of Directors

#### Responsible

The Board holds ultimate responsibility for supervising the execution of the Bank's business strategy which supports risk strategy and risk appetite.

### Board Risk Committee

#### Oversight

The Board Risk Committee is responsible for:

- Advising the Board on the Bank's overall current and future risks.
- Overseeing senior management's implementation of the Risk Appetite Statements.
- Reporting on the state of risk culture in the Bank.
- Interacting with and overseeing the CRO and the Group Risk Management.

### Lines of Defence

#### 1. Ownership

##### Business Units

The Bank's business units and support areas (including Finance, HR, IT and Operations) are responsible for owning, identifying, assessing, controlling and mitigating the risks they face. As the first Line of Defence, these areas have policies, procedures and control governing processes in place that comply with applicable laws and regulations to manage the risks effectively.

#### 2. Independent Monitoring

##### Group Risk Management, Group Compliance and Anti-Financial Crime

Group Risk Management independently monitors, reports, oversees, escalates breaches and advises the first Line of Defence (Business and Support Functions) on risks. Additionally, it ensures that the controls implemented by the first Line of Defence are appropriate and function as intended.

#### 3. Assurance

##### Internal Audit

The Internal Audit function provides independent assurance to senior management, the Board Audit Committee and the Board on the effectiveness of the Bank's risk governance, risk management and internal controls.

# RISK MANAGEMENT

## Principal Risk and Mitigants

Comprehensive risk management architecture encompassing the following main categories:

	MITIGANTS	ACHIEVEMENTS IN 2024
<p><b>CREDIT RISKS</b> Default risk of clients and counterparties.</p>	<ul style="list-style-type: none"> <li>Robust counterparty risk assessment standards.</li> <li>Credit enhancements through availability and acceptability of collaterals.</li> <li>Continuous improvement in credit risk monitoring framework.</li> <li>Periodic collateral valuations and annual review/renewal of facilities.</li> <li>Periodic review and update of credit policies, procedures and handbook including suitable ESG-related lending guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced reporting with additional, timely and more comprehensive reports.</li> <li>Completed workflow design for all relevant stakeholders, documented functional specifications of the Credit Loan Origination System (CLOS) and created testing scenarios which are expected to be implemented by Q2 2025.</li> <li>Continued subsidiaries' oversight, completing onsite credit portfolio review for subsidiaries in Algeria, Turkey and Tunisia.</li> <li>The Bank is in the process of enhancing its counterparty evaluation methodology by incorporating assessments of embedded ESG risks in its wholesale lending portfolio.</li> </ul>
<p><b>MARKET RISKS</b> Interest rates, foreign exchange fluctuations, liquidity, asset price volatility and model risk.</p>	<ul style="list-style-type: none"> <li>Variable interest rate transactions to minimise mismatches.</li> <li>Aligning the durations of interest bearing assets and liabilities to the extent possible to reduce exposure to interest rate changes.</li> <li>Matching foreign currency assets with foreign currency liabilities to minimize the foreign exchange fluctuations.</li> <li>Establishing strong governance frameworks around model development, usage, and oversight ensures that models are properly managed and updated as required.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous development and optimisation of the Internal Capital Adequacy Assessment Process (ICAAP), ensuring it adapts to evolving market conditions and regulatory requirements.</li> <li>Developed a qualitative assessment framework for third-party risk assessment.</li> <li>Incorporated an ESG risk assessment methodology to evaluate its impact on pillar 2 capital adequacy.</li> </ul>
<p><b>NON-FINANCIAL RISKS</b> All the other risks faced by the Bank such as operational risk, fraud risk, ESG, third-party risks and the risks associated with business continuity and resilience.</p>	<ul style="list-style-type: none"> <li>Constant development of risk indicators to measure and monitor non-financial risks across the Bank.</li> <li>Employee training to ensure the effectiveness of the business &amp; operational continuity and fraud risk management programme.</li> <li>Regular reporting of pertinent information to Management and Board to oversee and control the level of non-financial risks.</li> <li>Effective implementation of internal controls to identify and control the key operational risks across the businesses.</li> <li>The Bank has a consistent and organised approach to identifying, capturing, analysing and reporting operational losses.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved the ISO 22301:2019 Business Continuity Management System Certification for Burgan Bank.</li> <li>Performed two tabletop simulations with the Crisis Management Team and conducted full Business Continuity drills.</li> <li>Finalised the RCSA workshop exercise across the Bank and updated the Risk Register.</li> <li>Set up a Fraud Risk Management Committee and published the Fraud Risk Management Policy.</li> <li>Deployed the Non-Financial Risks (NFR) model for quantification of NFR risks.</li> <li>Implemented Non-Financial Risk training for Risk Champions and Management.</li> </ul>
<p><b>INFORMATION AND CYBER SECURITY RISKS</b> Misappropriation or unauthorised access to information and data.</p>	<ul style="list-style-type: none"> <li>Comprehensive Cyber Threat and Risk assessment management program in place.</li> <li>Constant development of cyber defenses led by robust controls to mitigate the constant evolving cyber threats.</li> <li>Cyber compliance tools provide comprehensive view of the bank wide cyber compliance program.</li> <li>Cyber Incident response team both internal and external supported to enhance cyber resilience.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved the ISO 27001 - Information security management systems ISMS - ISO27001:2019, ISO 27701 - Privacy Management System.</li> <li>Maintained cyber regulatory mandates payment card industry standards, Swift customer security program.</li> <li>Monitor word wide web for external availability, brand protection and zero day.</li> <li>Enhanced network security controls to manage the Threat landscape.</li> </ul>
<p><b>ENTERPRISE RISK MANAGEMENT</b> Structured approach used to identify, assess and manage various risks that could impact the Bank's ability to achieve its strategic objectives.</p>	<ul style="list-style-type: none"> <li>Monitoring and reporting of Key Risk Indicators under the Risk Appetite Framework.</li> </ul>	<ul style="list-style-type: none"> <li>Dynamic and timely recalibration of key risk appetite indicators.</li> </ul>

# CORPORATE GOVERNANCE

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# Board of Directors



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

**Professional Experience & Memberships**

- Vice Chairman, KAMCO Invest
- Board Member, Kuwait Projects Holding Company
- Board Member, United Gulf Bank (Bahrain)

**Academic Qualifications**

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



**Mr. Mazen Issam Hawwa** | Board Member | Since 2022

**Professional Experience & Memberships**

- Over 26 years of experience in real estate and financial sectors
- Vice Chairman and Group CEO, United Real Estate Company
- Former Deputy Group Chief Operating Officer, KIPCO Group

**Academic Qualifications**

- Executive Master of Business Administration, HEC Paris
- Bachelor's degree, Lebanese American University
- Executive development programs from Harvard Business School



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

**Professional Experience & Memberships**

- Over 25 years of experience in investment banking and asset management
- CEO, KAMCO Invest
- Vice Chairman, Union of Investment Companies of Kuwait
- Board Member, Kuwait Direct Investment Promotion Authority
- Board Member, Kuwait Clearing Company

**Academic Qualifications**

- Bachelor of Science in Economics with Honors, University of Birmingham, UK
- Executive Masters of Business Administration with distinction from HEC Paris, France



**Dr. Amani Khalid Boursli** | Independent, Non-Executive Board Member | Since 2022

**Professional Experience & Memberships**

- Over 31 years of experience in training, consulting and banking
- Chairperson, IB Capital
- Vice Chairman, Kuwait Airways
- Board member at Ithmaar Bank (Bahrain) and Faisal Islamic Bank of Cairo (Egypt)
- Former Minister of Commerce and the Minister of Planning and Development Affairs in Kuwait
- Founder and former Chairperson of Capital Standards Rating Co.
- Former Head of Capital Markets Authority (Kuwait) project

**Academic Qualifications**

- PhD in Corporate Finance, Southern Illinois University, USA
- Masters of Business Administration from Seattle University, USA
- Bachelor's degree in Finance and Banking, Kuwait University



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

**Professional Experience & Memberships**

- Over 40 years of experience in banking, finance, investment and political sectors
- Former member, Jordanian Senate, Head of Economics and Finance Committee
- Chairman, Algeria Gulf Bank (Algeria)
- Vice Chairman, Burgan Bank Turkey (Turkey)
- Board Member, Bank of Baghdad (Iraq), and Gulf Insurance Group (Kuwait)

**Academic Qualifications**

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



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

**Professional Experience & Memberships**

- Over 31 years of experience in banking, oil & gas, education and investment sectors
- Chairman & CEO, Al Mutatawera Services Holding Company
- Board member, Private Universities Union
- Board Member, Saudi Makamin
- Secretary Board Member, Australian University Industrial Advisory
- Former Chairman and Managing Director, Al Dorra Petroleum Company
- Former Managing Director, Metal and Recycling Company

**Academic Qualifications**

- Bachelor's degree in Mechanical Engineering, University of Kuwait



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

**Professional Experience & Memberships**

- Over 31 years of experience in banking, audit and investment sectors
- Former Board member at Ernst and Young, Arthur Anderson and PWC
- Former Board Member at Burgan Bank Turkey
- Former Partner at Ernst and Young, Arthur Anderson and PWC
- Financial Services Leader at Deloitte & Touche, Toronto

**Academic Qualifications**

- Certified Public Accountant (CPA), New York, USA
- Chartered Accountant, Canada
- Master of Business Administration, American University of Beirut, Lebanon
- Bachelor of Business Administration, American University of Beirut, Lebanon



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

**Professional Experience & Memberships**

- Over 30 years of experience in banking and investment sectors
- Executive General Manager (Group CEO) of BANKMED
- Chairman of BankMed Suisse and T-Bank
- Former CEO of Ahli Bank of Kuwait, Gulf Bank of Kuwait and Assistant CEO for Arab Bank PLC
- Board member of BankMed, Former Board member of ABK-Egypt and Al-Ahli Capital Investment Company, Europe Arab Bank, Arab Tunisian Bank (including former Chairman) and Arab Invest

**Academic Qualifications**

- Master's in business administration, University of Texas, Austin, USA
- Bachelor's in business administration, American University of Beirut, Lebanon

## Board of Directors



**Mr. Abdullah Mohammed AlSharekh** | Board Member | Since 2022

### Professional Experience & Memberships

- Over 20 years of experience in treasury, corporate and investment banking and asset management
- Managing Director of Markets & Investment Banking, KAMCO Invest
- Vice Chairman, First Securities Brokerage Company KSC

### Academic Qualifications

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



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

### Professional Experience & Memberships

- Over 25 years of experience in business and the investment sector
- Chairman & CEO, Al Rashed Group Holding Co.
- Chairman, STORK Mechanical Services & Maintenance Co.
- Vice Chairman, Al Qibla International Real Estate Co.
- Board member at Saffar Capital (U.A.E.), Kalaam Telecom (Bahrain), Al Rashed International Shipping Co.
- Director at Smith International Gulf Services – Kuwait Service & Products Provider for Oil & Gas Industry

### Academic Qualifications

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



**Mr. Jamal Abdullah Dashti** | Board Member | Since 2023

### Professional Experience & Memberships

- Over 20 years of experience in banking
- Founder and CEO of Nomad Entertainment
- Vice Chairman of Credit One Kuwait Holding Company
- Founding member of Board of Directors of Warba Bank Kuwait

### Academic Qualifications

- Bachelor's degree in Economics from the American University, Washington, USA

## BOARD SECRETARY



**Mr. Abdullah Mahmoud Al Osta**

Date of Joining: November 2017 | Total Experience: 31 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



# Executive Management



## Mr. Antoine Jean Daher | Group Chief Executive Officer

Date of Joining: April 2023 | Total Experience: 26 years

### Professional Experience & Memberships

- Chief Executive Officer - Gulf Bank
- Deputy Chief Executive Officer - Gulf Bank
- General Manager for Domestic Corporate Banking - National Bank of Kuwait
- Head of International Unit - National Bank of Kuwait
- Several positions in Project Finance, Structured Finance, Corporate Banking, and Capital Markets - National City Bank

### Academic Qualifications

- Masters in Business Administration, Case Western Reserve University, Ohio, USA
- Bachelor of Science in Civil Engineering, Cleveland State University, USA



## Mr. Fadel Mahmoud Abdullah | Chief Executive Officer - Kuwait

Date of Joining: September 1998 | Total Experience: 35 years

### Professional Experience & Memberships

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

### Academic Qualifications

- Bachelor of Science degree in Mathematics, Kuwait University



## Mr. Khalid Fahed Al Zouman | Group Chief Financial Officer

Date of Joining: January 2000 | Total Experience: 36 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



## Mr. Andrew Christopher Singh | Chief Risk Officer

Date of Joining: February 2015 | Total Experience: 36 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



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

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

### Professional Experience & Memberships

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

### Academic Qualifications

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



## Mr. Venkatakrishnan Menon | Chief Operating Services Officer

Date of Joining: April 2005 | Total Experience: 39 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



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

Date of Joining: January 2010 | Total Experience: 19 years

### Professional Experience & Memberships

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

### Academic Qualifications

- Bachelor of Science in International Business Administration (Cum Laude), University of Baltimore, USA
- Executive Development programs, Harvard Business School and INSEAD (Alumni Status)



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

Date of Joining: July 2014 | Total Experience: 24 years

### Professional Experience & Memberships

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

### Academic Qualifications

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

# Executive Management



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

Date of Joining: October 2018 | Total Experience: 33 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



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

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

### Professional Experience & Memberships

- Deputy General Manager of Private Banking & Wealth Management - Ahli United Bank.
- Assistant General Manager of Priority Banking, Wealth Management & Business Banking - Gulf Bank
- Senior Management roles in Retail & Affluent Banking, Investments and Product Development

### Academic Qualifications

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



## Mr. Manaf Khaled Al-Menaifi | General Manager (Acting) - Retail Banking

Date of Joining: October 2020 | Total Experience: 23 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



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

Date of Joining: August 2023 | Total Experience: 23 years

### Professional Experience & Memberships

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

### Academic Qualifications

- Bachelor of Science degree in Management Information Systems, Kuwait University
- Six Sigma - (Green Belt) Certification



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

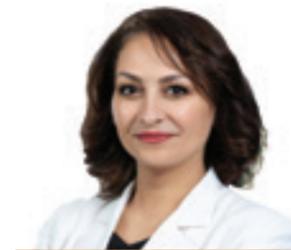
Date of Joining: June 2009 | Total Experience: 26 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



## Mrs. Huda Fahad Al Shemmari | General Manager - International Banks Office

Date of Joining: August 2003 | Total Experience: 31 years

### Professional Experience & Memberships

- General Manager International Operations Office - Burgan Bank
- General Manager, Operations Strategic Development - Burgan Bank
- Chief of Staff & Head of Strategic Business Development - Burgan Bank
- Member, Chartered Institute of Securities & Investment - (Current)

### Academic Qualifications

- MBA in Financial Management & BSc in General Studies - Southeastern University, USA
- Bachelor of Arts in English Language & Literature, Arab Open University
- Certified Credit Manager & Business Continuity Management MBCI
- Certified Internal Controls Auditor - Institute of Internal Controls - CICA



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

Date of Joining: March 2023 | Total Experience: 20 years

### Professional Experience & Memberships

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

### Academic Qualifications

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



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

Date of Joining: June 2007 | Total Experience: 27 years

### Professional Experience & Memberships

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

### Academic Qualifications

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

# Executive Management



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

Date of Joining: February 2024 | Total Experience: 15 years

**Professional Experience & Memberships**

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

**Academic Qualifications**

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



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

Date of Joining: March 2024 | Total Experience: 19 years

**Professional Experience & Memberships**

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

**Academic Qualifications**

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



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

Date of Joining: June 2010 | Total Experience: 25 years

**Professional Experience & Memberships**

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

**Academic Qualifications**

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



# Corporate Governance Report

Corporate Governance and Sustainability are the framework of success and prosperity. Instilling these principles within our core values creates a safe and positive work environment.

## Corporate Governance

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

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

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

## Board of Directors

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

## Board Composition

In compliance with the Central Bank of Kuwait's mandate on independent Board membership, Burgan Bank's shareholders have elected five independent board members with proven leadership and extensive expertise.

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

## Delegation of authority

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

## Board Training

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

## Board Members Remuneration

Information on Board of Directors Remuneration is disclosed in the "Income Statement" as well as in the notes to the financial statement "Note 18 – Transactions with related parties" in the Annual Financial Statement. The Proposed Board of Directors' remuneration for 2024 amounted KD 420,000.

## Transactions with Related Parties

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

## Code of Conduct

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

## Conflicts of Interest

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

## Relations with Investors

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

## Board Committees

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

## Board and Committee meetings attendance:

Attendance	BOD	BCGC	BAC	BNRC	BRC	BCIC
<b>Number of Meetings</b>	<b>8</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>51</b>
<b>Minimum required meetings</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Sheikh Abdullah Al Sabah</b>	6	4				
<b>Mr. Faisal Sarkhou</b>	8			7		50
<b>Mr. Jamal Dashti<sup>(1)</sup></b>	7	4			3	
<b>Mr. Abdulaziz Al Rashed</b>	8		6			
<b>Mr. Abdullah Al Sharekh</b>	8	4				50
<b>Mr. Michel Accad</b>	7					51
<b>Mr. Sager Al Sharhan</b>	5					50
<b>Dr. Amani Boresli</b>	8	4		7	5	
<b>Mr. Mazen Hawwa</b>	8		6	7	4	
<b>Mr. Fouad Douglas</b>	8		6		3	
<b>H.E Kabariti</b>	7		5			

<sup>(1)</sup> Left the BRC in July 2024

## BOARD AND COMMITTEE ACCOMPLISHMENTS

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

Members	Key accomplishments
<b>Board of Directors</b> <ul style="list-style-type: none"> <li>▪ Sheikh Abdullah Al Sabah (Chairman of the Board)</li> <li>▪ Mr. Faisal Sarkhou</li> <li>▪ Mr. Jamal Dashti</li> <li>▪ Mr. Abdulaziz Al Rashed</li> <li>▪ Mr. Abdullah Al Sharekh</li> <li>▪ Mr. Michel Accad</li> <li>▪ Mr. Sager Al Sharhan</li> <li>▪ Dr. Amani Boresli</li> <li>▪ Mr. Mazen Hawwa</li> <li>▪ Mr. Fouad Douglas</li> <li>▪ H.E Kabariti</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approved the Budget for the year 2024, the Interim Financial Information, the audited balance sheet, profit &amp; loss account of the Banks and dividends for the financial year ended on 31/12/2024.</li> <li>▪ Discussed the risk appetite and its impact on the Group's strategy.</li> <li>▪ Reviewed the results of the Internal Capital Adequacy Assessment Process ("ICAAP"), financial stress testing as per the regulatory requirement of Basel (3).</li> <li>▪ Discussed and approved general and specific provisions for the local and international loan portfolio.</li> <li>▪ Followed the progress of the Banks operations, through bimonthly reports prepared by the Executive Management and discussed the results of the Banks business.</li> <li>▪ Reviewed and evaluated the effectiveness of the Board and its Committees, in addition to conducting individual self-assessments of the Board and Committee members.</li> <li>▪ Reviewed the remuneration framework, the mechanism of linking rewards to performance the level of risk exposure and updated the remuneration policy at Group level.</li> <li>▪ Oversaw the implementation of the Corporate Governance Framework and ensured compliance with local regulations.</li> <li>▪ Reviewed, developed and approved the policies related to Corporate Governance and charters of the Board of Directors and its committees, organisational structure, and to keep up with applicable international and leading Corporate Governance practices.</li> <li>▪ Reviewed the results of the annual independent evaluation of the Internal Control Review conducted by the external auditors.</li> <li>▪ Approved opening the nomination for supplementary members for the current tenor of the Bank's Board of Directors.</li> <li>▪ Reviewed the updated regulations, legislations and provisions related to Bank's activities issued by Central Bank of Kuwait, Capital Markets Authority and other regulatory authorities.</li> </ul>

Members	Committee's role	Key accomplishments
<b>Board Corporate Governance Committee (BCGC)</b> <ul style="list-style-type: none"> <li>▪ Sheikh Abdullah Al Sabah (Chairman)</li> <li>▪ Mr. Abdullah Al Sharekh</li> <li>▪ Dr. Amani Boresli</li> <li>▪ Mr. Jamal Dashti</li> </ul>	Responsible for assisting the Board of Directors in setting the Bank's corporate governance policies, following up on their execution and their periodic review to ensure their effectiveness.	<ul style="list-style-type: none"> <li>▪ Reviewed the implementation of Corporate Governance rules and regulations within BBK.</li> <li>▪ Reviewed the Board and its Committee's charters, as well as Corporate Governance policies, accordingly to be in line with regulatory instructions.</li> <li>▪ Reviewed the related parties' transactions report, the conflict of interest report, the whistleblowing cases, and discussed the effectiveness of the existing mechanisms.</li> <li>▪ Supervised the progress of Corporate Governance.</li> <li>▪ Reviewed and discussed the annual compliance report.</li> <li>▪ Reviewed the disclosures related to Corporate Governance which are presented in the annual report.</li> <li>▪ Reviewed the new instructions issued by the regulatory authorities in Kuwait and the procedures taken to comply with these instructions</li> </ul>
<b>Board Audit Committee (BAC)</b> <ul style="list-style-type: none"> <li>▪ Mr. Fouad Douglas (Chairman)</li> <li>▪ Mr. Abdulaziz Al Rashed</li> <li>▪ Mr. Mazen Hawwa</li> <li>▪ H.E Kabariti</li> </ul>	Responsible for setting and overseeing the sufficiency of internal control and the audit functions of the Bank, along with ensuring compliance with applicable laws, regulations, policies and codes of business conduct and ethics.	<ul style="list-style-type: none"> <li>▪ Reviewed and approved the Group's internal audit annual plan for 2024. Also reviewed the updated internal audit policy and procedures and presented them to the Board for approval.</li> <li>▪ Co-ordinated with external auditors and reviewed the interim and annual financial statements of the Bank and submitted recommendations to the Board of Directors.</li> <li>▪ Reviewed and discussed the periodical reports of the Internal Audit Department.</li> <li>▪ Reviewed and discussed the internal audit summary and considered what has been achieved in the internal audit plan, in comparison to performance during the previous year.</li> <li>▪ Reviewed and approved the scope of the external auditor's plan related to Internal Control Review and discussed the results of the report.</li> <li>▪ Reviewed the Committee charter and amendments and submitted recommendations to the Board of Directors.</li> <li>▪ Reviewed the efficiency and independence of the internal audit function, infrastructure and the overall annual assessment of the function's performance with the Chief Internal Auditor.</li> <li>▪ Discussed aspects of internal audit that related to information technology and IT security.</li> <li>▪ Discussed external audit results related to the internal audit department.</li> <li>▪ Reviewed and discussed the internal audit reports for Kuwait, overseas branches and subsidiaries.</li> </ul>

Members	Committee's role	Key accomplishments
<b>Board Risk Committee (BRC)</b> <ul style="list-style-type: none"> <li>Dr. Amani Boresli (Chairman)</li> <li>Mr. Mazen Hawwa</li> <li>Mr. Fouad Douglas</li> </ul>	Responsible for reviewing and providing reports to the Board of Directors on the current and future risk strategy and tolerance of the Bank; supervising the implementation of this strategy by Executive Management; and ensuring the existence of effective systems for risk management in the Bank and the independence of the Risk Management function.	<ul style="list-style-type: none"> <li>Reviewed and discussed the strategy and challenges of risk management, the set of periodic risk management reports and the key risk indicators.</li> <li>Reviewed a report on the most important activities and achievements of risk management.</li> <li>Reviewed and discussed the periodic market risk report, Internal Capital Adequacy Assessment Process ("ICAAP"), liquidity ratios, the stress testing scenarios and the methods.</li> <li>Reviewed and discussed the risk limit ratios, compared the ratios to the Group's approved risk appetite and the exposure levels of countries in which the Group operates, and discussed those ratios and the changes compared to previous periods and credit concentrations for companies, countries and sectors.</li> <li>Reviewed the reports of operational risk, market risk, compliance risk and compliance plan at Group level.</li> <li>Evaluated the Chief Risk Officer annual performance and determined their remunerations.</li> <li>Reviewed and approved the new organisational structures of risk management and made recommendation to Board for approval.</li> <li>Pursued the development of the cybersecurity function.</li> </ul>
<b>Board Nomination and Remuneration Committee (BNRC)</b> <ul style="list-style-type: none"> <li>Dr. Amani Boresli (Chairman)</li> <li>Mr. Mazen Hawwa</li> <li>Mr. Faisal Sarkhou</li> </ul>	Responsible for presenting recommendations to the Board of Directors regarding Board Member nominations; reviewing the Board's structure on an annual basis; undertaking performance evaluations of the Board and its individual Members on an annual basis; and developing a Bank-wide reward policy in line with applicable laws and regulations. In addition, BNRC is responsible for the appointment of individuals to key Executive Management posts, ensuring that they are occupied by qualified staff; and for setting performance standards and succession plans for Executive Management.	<ul style="list-style-type: none"> <li>Supervised the process of the annual assessment of the Board of Directors' performance for the Board, its committees, and the self-assessment of each member of the Board of Directors for the year 2023.</li> <li>Reviewed the proposed annual training plan for the year 2024 for the Board members.</li> <li>Reviewed the remuneration policy and presented it for approval to the Board of Directors.</li> <li>Reviewed and approved the rewards and incentives for 2024 based on the key performance indicators and key risk indicators and discussed claw back cases for 2024 and put forward recommendations to the Board.</li> <li>Reviewed and discussed the succession plan prepared by Group Human Resources and recommended it to the Board for approval.</li> <li>Reviewed nominations regarding the selection of two supplementary member for Board of directors and make recommendation to the Board of Directors.</li> <li>Reviewed nominations for Board of Director's membership of Subsidiaries</li> </ul>
<b>Board Credit and Investment Committee (BCIC)</b> <ul style="list-style-type: none"> <li>Mr. Faisal Sarkhou (Chairman)</li> <li>Mr. Abdullah Al Sharekh</li> <li>Mr. Michel Accad</li> <li>Mr. Sager Al Sharhan</li> </ul>	Responsible for overseeing the Bank's lending, credit recovery and investment activities, making recommendations to the Board of Directors within its delegated authorities, and implementing decisions made by the Board of Directors	<ul style="list-style-type: none"> <li>Reviewed and approved the Bank's lending, credit recovery and investment activities, within the authority matrix delegated by the Board of Directors.</li> </ul>

### Internal Audit Group

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

### COMPLIANCE

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

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

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

During the year 2024, the Compliance Department succeeded in assuming a leading and effective role in establishing a firm culture of compliance at Burgan Bank Group and being proactive and vital role in implementing the bank's vision, mission, objectives, values and strategy by maintaining the highest standards of quality and applying best practices in accordance with the transparency and disclosure framework.

### REPORT ON INTERNAL CONTROL SYSTEMS

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

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

In accordance with the CBK requirements on evaluation of internal controls system within Burgan Bank Group, the Bank arranges an annual review of the internal control systems via an independent external audit firm, approved by CBK. The opinion furnished by the external auditor in the Internal Control Review (ICR) report for the previous year does not refer to any significant control deficiency. GIC provides support to the Bank's Subsidiaries and implements mitigation actions for identified control deficiencies and weaknesses, including those raised as part of the ICR exercise.

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

## RISK MANAGEMENT

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

### Among the families of risks are:

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

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

### Challenges at Bank Level: Cyber Security Risk

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

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

### Group Anti-Financial Crimes Department

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

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

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

## HUMAN RESOURCES AND DEVELOPMENT

### Remuneration Policy

The remuneration policy aims at enabling the Bank to attract, retain, motivate and reward a qualified workforce while ensuring fairness, consistency and equality in remuneration practices, as well as being appropriately risk balanced. The policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value creation for all stakeholders. The remuneration policies and practices form part of the Bank's overall obligation to have robust governance arrangements in place. Employees are entitled to different remuneration components targeting an appropriate and balanced remuneration package based on the employee job grade taking into consideration the employees' skills, experience, and his role in the Bank as well as market practice.

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

- Fixed remuneration comprises the basic salary and allowances as determined in the incumbents' individual employment contracts or as amended during their tenure at the Bank
- Variable remuneration depending on employee performance. Variable remuneration may be paid in cash and may be subject to a vesting or deferral period. Remuneration amounts are based on the bonus pools approved by the Board for the purpose of rewarding employee performance. The total amount of performance-related remuneration is based on a combination of the assessment of the overall results of the Bank, of the performance of the business unit and of the individual concerned. When assessing individual performance, financial and non-financial targets and metrics are taken into account. The payout of the variable remuneration may be deferred as approved by the Board annually in line with the approved policy over a period of time not exceeding five years. The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Bank as a whole, and justified according to the performance of the Bank, the business unit and the individual concerned. The Board Nominations and Remuneration Committee (BNRC) is responsible for presenting recommendations to the Board on the Bank-wide reward policy in line with applicable laws and regulations. The composition and responsibility of BNRC is further detailed under the Board Committees section of the Corporate Governance Report. The Bank ensures conducting an annual audit review on its remuneration policy and practices to evaluate its compliance with the applicable Corporate Governance guidelines issued by the Central Bank of Kuwait (CBK) (Pillar V- Systems and Policies of Granting Rewards) Bearing in mind that BNRC members did not receive any additional remunerations other than the amount disclosed under Board Members Remuneration section mentioned above.

### Remuneration Disclosure by Employee Category 2024

Category	No. of employees	Annual Remuneration Packages (KD)		
		Fixed	Variable**	Total Remuneration
<b>Group 1:</b> CEO and his deputies: CEO and his deputies and assistants and the main executive managers whose appointment is subject to the approval of supervisory parties (Senior Management)	15	2,343,922	1,042,285	3,386,207
<b>Group 2:</b> Financial Risk & Control responsibilities Employees who handle financial supervision duties and risk supervision	7	731,061	230,880	961,941
<b>Group 3:</b> Material Risk Takers Employees participating in activities with risks	1	73,732	24,535	98,267
<b>Grand Total</b>	<b>23</b>	<b>3,148,715</b>	<b>1,297,700</b>	<b>4,446,415</b>

#### Notes:

- All remunerations are paid in cash.
- Variable remuneration is on estimate basis for 2024.
- Remuneration for five of the major executives who received the highest remuneration from the Bank, in addition to all the functions as required by the Corporate Governance guidelines (as a group): KD 1,499,348.

### Shareholder Composition

Main shareholders who own 5% or more of the Bank's shares (2023 and 2024):

Shareholder	Nationality	No. of Shares 31/12/2023	%	No. of Shares 31/12/2024	%
Kuwait Projects Company Holding K.S.C. (Closed)	Kuwaiti	1,156,221,639	33.49%	1,214,032,722	33.49%
United Gulf Holding Company B.S.C.	Bahraini	518,035,978	15.01%	543,937,776	15.01%
Public Institution for Social Security	Kuwaiti	256,923,910	7.44%	283,367,210	7.82%
Kuwait United Consulting Company	Kuwaiti	256,485,177	7.43%	269,309,435	7.43%



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

### Report on Internal Control

In accordance with our letter of engagement dated 21 February 2024, we have been engaged by Burgan Bank K.P.S.C (“the Bank”) to provide a reasonable assurance report on the effectiveness of the internal controls in the processes stated below (the “in-scope internal controls”) for the Bank and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2023 based on the requirements of the CBK Instructions.

We covered the following functions within the Bank.

- Corporate Governance
- Investments Group
- Treasury Group
- Retail Banking Group
- Private Banking
- Marketing & Corporate Communications
- Corporate Banking Group
- Operations Group
- Group Human Resources and Development
- Group Legal Counsel
- Group Compliance
- Group Internal Audit
- Group Anti Financial Crimes
- Group Risk Management
- Client Complaints & Protection Unit
- Information Technology Group
- Group Finance
- Group International Operations Office
- Group Digital Transformation
- General Services Administration

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

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



### Report on Internal Control (Continued)

Our examination has been carried out in accordance with the requirements of the Central Bank of Kuwait ("CBK") circular dated 9 January 2024, considering the requirements contained in the following, together referred to as "CBK Instructions":

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

### Management's Responsibility for Internal Controls

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

### Independent Auditor's Responsibilities

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

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Group has maintained, in all material respects, effective internal control in accordance with the requirements of the CBK instructions, for the year ended 31 December 2023.

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

### Our Independence and Quality Control

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

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

### Definition and Limitations of Internal Controls

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



### Report on Internal Control (Continued)

#### Definition and Limitations of Internal Controls (Continued)

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

#### Use of Report

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

#### Opinion

Having regard to the nature and volumes of the Bank's operations during the year ended 31 December 2023, and the materiality and risk rating of our findings set out in Appendix II, and the status of prior year findings set out in Appendix III, in our opinion the in-scope internal controls of the Bank were established and maintained in accordance with the requirements of the CBK instructions.

Yours faithfully,

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

Kuwait  
 12 June 2024

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# Basel III – Pillar III Qualitative and Quantitative Disclosures

## INTRODUCTION

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

## SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

### i. The CBK regulations apply to:

#### BURGAN BANK K.P.S.C

### ii. Basis of Consolidation

The Bank has mainly three commercial banking subsidiaries as on 31 December 2024. These are the following commercial banking entities acquired during the years 2009 – 2012 whose financials are consolidated in the Bank's financial statements. The reporting date of the subsidiaries is a date not earlier than one month from the Bank's reporting date.

Name	Country of Incorporation	Paid-up Capital	Effective holding %	Date of becoming a Subsidiary
Algeria Gulf Bank S.P.A ("AGB")	Algeria	Algerian Dinars 20 billion	86.01%	30 April 2009
Tunis International Bank S.A ("TIB")	Tunisia	United States Dollars 50 million	86.70%	27 June 2010
Burgan Bank A.S. ("BBT")	Turkey	Turkish Lira 3,050 million	47.55%	21 December 2012

The practices in all the group entities are not uniform due to banking practices and regulatory requirements in the respective countries of operation. However, a level of unification has already been put in place for the purpose of meaningful consolidation of the financial position & performance and reporting in accordance with Basel and IFRS standards. Also, under the Group mandate standardization of Risk frameworks and processes are being implemented in all the entities.

### iii. Restriction/Impediments on Fund Transfers

Transfer of funds or regulatory capital within the group entities is subject to the applicable rules and regulations in the respective jurisdictions. While some of the countries of incorporation of the subsidiaries have liberalized foreign exchange regimes others have exchange control regulations governing cross-border transfer of funds. Any transfer of regulatory capital among the group entities is subject to the applicable laws and regulations and the receipt of necessary approvals from the respective authorities.

## CAPITAL STRUCTURE

### i. Main features of Capital Instruments

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

As at 31 December 2024, the share capital comprised of 3,624,813,281 issued and fully paid equity shares (31 December 2023: 3,452,203,125) of 100 fils each and the bank's capital structure was as follows:

### CAPITAL STRUCTURE OF THE BANK

	Amounts in KD'000s	
	31-12-2024	31-12-2023
Share capital	362,481	345,220
Share premium	282,802	282,802
Statutory reserve	122,822	117,903
Voluntary reserve	123,200	118,281
Other disclosed reserves	(200,633)	(185,941)
Retained earnings	184,605	187,818
Eligible minority interest in consolidated subsidiaries	57,912	46,262
Less: Regulatory adjustments		
- Treasury shares	(1,742)	(1,742)
- Goodwill	(9,022)	(9,028)
- Other intangibles	(7,884)	(8,481)
- Cash flow hedge reserve	(7,786)	(10,938)
- Proposed dividends	(21,715)	(20,681)
- Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
<b>COMMON EQUITY TIER 1 (CET1) CAPITAL</b>	<b>885,040</b>	<b>861,475</b>
Perpetual Tier 1 capital securities	150,000	153,375
Eligible minority interest in consolidated subsidiaries	11,432	8,960
Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
<b>ADDITIONAL TIER 1 (AT1) CAPITAL</b>	<b>161,432</b>	<b>162,335</b>
<b>TIER 1 CAPITAL (CET1 + AT1)</b>	<b>1,046,472</b>	<b>1,023,810</b>
Capital Eligible as Tier 2	154,050	153,375
General provision subject to 1.25% of the credit RWA's	82,903	75,579
Eligible minority interest in consolidated subsidiaries	24,718	19,000
Deductions from Capital Base arising from Investments in FIs where ownership is < 10%	-	-
<b>TIER 2 CAPITAL</b>	<b>261,671</b>	<b>247,954</b>
<b>TOTAL ELIGIBLE CAPITAL</b>	<b>1,308,143</b>	<b>1,271,764</b>

## CAPITAL ADEQUACY

### i. Bank's Approach to Capital Adequacy Assessment

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

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

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

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

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

### CAPITAL REQUIREMENT FOR EACH STANDARD PORTFOLIO

	Amounts in KD'000s	
	31-12-2024	31-12-2023
Claims on sovereigns	83,469	54,377
Claims on public sector entities	3,115	530
Claims on multilateral development banks (MDBs)	922	219
Claims on banks	54,356	39,246
Claims on corporates	454,279	443,808
Regulatory retail exposures	83,225	73,277
Claims on central counterparties	74	123
Past due exposures	9,123	9,397
Other exposures	173,631	165,045
<b>Total</b>	<b>862,194</b>	<b>786,022</b>
Less: General provision in excess of 1.25% of RWA's	(8,629)	(17,066)
<b>Total Credit risk weighted exposure</b>	<b>853,565</b>	<b>768,956</b>
Market risk exposure under standardised approach	6,469	4,464
Operational risk exposure	52,191	53,237
Additional Capital Requirement - Domestic Systemically Important Bank (DSIB) Buffer	70,171	63,589
<b>Total Capital Requirement</b>	<b>982,396</b>	<b>890,246</b>
Capital Adequacy Ratio (%)	18.6%	20.0%
Tier 1 Ratio (%)	14.9%	16.1%
Common Equity Tier 1 Ratio (%)	12.6%	13.5%

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

#### 31-12-2024

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

#### 31-12-2023

Subsidiary Banks*	CET1*	Tier 1*	Total capital ratio*
Algeria Gulf Bank S.P.A ("AGB")	12.5%	12.5%	13.4%
Tunis International Bank S.A ("TIB")	29.3%	29.3%	30.1%
Burgan Bank A.S ("BBT")	12.8%	14.4%	20.6%

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

## RISK MANAGEMENT

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

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

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

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

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

### A. Credit Risk

#### i. Strategies and Processes

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

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

#### ii. Structure and Organisation

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

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

#### iii. Scope and Nature of Reporting Systems

After the approval of the credit proposal, the Credit Control Department is entrusted with the responsibility of checking and ensuring that the conditions precedent for the draw-down of the credit facilities as approved are fulfilled before the disbursement of funds to the client/counterparty. This unit, which is under the oversight of Risk Management department and independent of

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

Business Units also follows up on the conduct of the accounts by the client/counterparty in accordance with the terms of approval and reports any irregularities for necessary corrective action. This unit is also responsible to ensure that the relevant details for measurement of the risk and allocation of the appropriate risk weights to the exposures are made available in the system or otherwise, so that the computation of the RWAs can be made appropriately.

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

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

### iv. Hedges and Mitigants

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

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

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

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

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

## B. Market Risk

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

### i. Strategies and Processes

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

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

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

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

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

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

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

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

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

### ii. Structure and Organisation

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

Treasury Control responsible for ensuring that all Treasury related internal controls are functioning effectively and all non-adherences are brought to management's attention on a timely basis

### iii. Scope and Nature of Reporting Systems

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

### iv. Hedges and Mitigants

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

Open positions in other currencies are also subject to internal limits and, when hedging is required, the Bank makes use of interest rate and currency swaps. Subsidiaries that deal in derivatives (such as Burgan Bank Turkey) do so to meet client requests on a fully matched basis as well as to manage their respective Asset Liability mismatch, and dealing only in vanilla derivatives and does not deal in exotic derivatives or structured derivatives. The Bank has implemented a policy to hedge its net currency exposure in its major subsidiary in compliance with the International Accounting Standards. The Bank mainly uses currency swaps to hedge the specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

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

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

### C. Non-Financial Risks

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

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

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

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

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

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

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

- Reporting – allows the above processes (i.e. management and control self-assessment, incident management & key indicators) to be brought together in a coherent manner for use by all levels of management to oversee and control the level of operational risk.

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

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

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

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

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

The Fraud Unit was established in February 2024 within the Non-financial Risk department is working on the implementation of the Fraud Risk Management Framework, coordinating the fraud investigations and monitoring the fraud occurrences and attempts across the bank. The bank has acquired an Enterprise wide Fraud risk monitoring system that is expected to be in place in Q1 2025 that will enhance the fraud monitoring and response.

### D. Information and Cyber Security

Effective management of information, whether internal or external, is crucial for any organization. Burgan has a robust prevention, detection, and response plan in place across the organization. For banks, where money is a primary asset, reliable information becomes even more critical. Therefore, Information Security is vital to safeguard the interests of the Bank.

Burgan Bank has implemented an Information Security Management System (ISMS) Framework with the primary objective of developing strong information security through suitable policies and procedures. The framework aims to protect information by ensuring its confidentiality, integrity, and availability. The bank proactively works to protect all types of assets, including personnel, through technical, organizational, and administrative measures.

Burgan Bank's Information Security management complies with international standards, best practices, and regulatory mandates of CBK including SWIFT Customer Security Program (CSP), Payment Card Industry Standards (PCI), Information Security Management Systems (ISMS) and Privacy Information Management Systems (PIMS). The bank has also established a Cyber Crisis Management Team (CCMT) headed by the CEO - Kuwait, in line with CBK- Cyber Crisis Strategy.

The Cyber crisis management team -CCMT provides support for the effective management of cyber crisis incidents with highest support. Additionally, the bank has set up a Cyber Security Incident Response Team (CSIRT) comprising experts across domains operations and business. The Team upon identifying es, isolates, and escalates cyber-attacks with the required response.

As per the risk treatment life cycle, untreated risks are transferred through insurance policies. Cyber risk has dedicated insurance coverage as part of it. Burgan Bank takes a proactive approach to information security management on its assets and interests.

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

### Credit Exposures

#### i. Impairment of financial assets

The Group records impairment of financial assets as follows:

##### Impairment of financial assets classified as credit facilities:

Impairment of financial assets classified as credit facilities is recorded as the higher of Expected Credit losses (ECL) on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions. Credit facilities consists 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 to the CBK guidelines. These financial assets comprise of investment in debt securities measured at amortised cost or fair value through other comprehensive income (FVOCI) and on balances and deposits with banks. Equity investments are not subject to ECL.

##### Expected Credit Losses under IFRS 9 as per CBK guidelines

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

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

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

##### Stage 1: 12-month ECL

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

##### Stage 2: Lifetime ECL – not credit impaired

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

##### Stage 3: Lifetime ECL – credit impaired

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

##### Staging of credit facilities

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

- Deterioration in the customer rating of the borrower indicating default;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material deterioration in the customer's financial position in the opinion of the Group causing concerns on the repayment ability;
- A material covenant breach in a committed facility;

- Filing for bankruptcy or liquidation;
- Downgrade in the facility's credit rating by 2 grades for the facilities with Investment Grade rating and by 1 grade for those with Non-Investment Grade rating.

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

##### Definition of default

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

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

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

##### Measurement of ECLs

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

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

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

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

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 to 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.

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

### Renegotiated credit facilities

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

### Write-offs

Financial assets are written off either partially or in their entirety only when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

### Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A financing receivable is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and impaired loans and advances to customers are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

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

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

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

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

Higher provision charges amongst the two approaches are considered thereafter.

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

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

The subsidiaries follow their respective applicable regulations in regard to impaired assets and provisioning requirements. However, at the time of consolidation of the accounts, The Bank applies the CBK rules in regard to provisioning on the consolidated basis. Any shortfall arising on account of the difference between the respective regulatory requirements of a subsidiary and the CBK regulatory requirements are covered by the Bank at the consolidated level.

### ii. Credit Risk Management Policy

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

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

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

Since the Bank is at present required to follow the Standardised Approach for credit risk, it does not follow any statistical methods to estimate either the probability of default or exposure at default or loss given default. However, the bank has since implemented Moody's PD model for its wholesale banking portfolio. Based on the public ratings given to the clients/counterparties by recognized and approved External Credit Assessment Institutions (ECAIs), the exposures are risk weighted in accordance with the CBK regulations.

### iii. ECAIs and Mapping Process

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

#### 31-12-2024

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

31-12-2023

	Gross credit exposure Amounts in KD 000s		Gross average credit exposure* Amounts in KD 000s	
	Funded	Unfunded	Funded	Unfunded
Claims on sovereigns	1,257,029	-	667,154	-
Claims on public sector entities	60,318	14,400	68,451	10,800
Claims on MDBs	50,617	-	36,373	-
Claims on banks	812,842	1,669,968	686,876	663,088
Claims on corporates	3,403,555	1,481,267	3,351,944	1,309,210
Cash items	74,472	-	32,880	-
Regulatory retail exposures	557,341	117,313	626,681	98,860
Claims on central counterparties	-	47,205	-	32,231
Past due exposures	82,058	1,049	56,366	450
Other exposures	1,268,464	128,708	997,772	113,913
<b>Total</b>	<b>7,566,696</b>	<b>3,459,910</b>	<b>6,524,497</b>	<b>2,228,552</b>

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

## GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURE

31-12-2024

Amounts in KD 000s

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

31-12-2023

Amounts in KD 000s

	Kuwait	Algeria	Tunisia	Turkey	Other Middle East	Europe	Rest of the world	Total
Claims on sovereigns	573,232	215,639	13,354	201,772	149,021	28,059	75,952	1,257,029
Claims on public sector entities	54,333	-	-	-	4,212	9,057	7,116	74,718
Claims on MDBs	-	-	-	-	7,564	11,440	31,613	50,617
Claims on banks	238,496	9,161	12,174	237,105	1,181,117	715,976	88,781	2,482,810
Claims on corporates	3,553,539	567,525	8,657	515,431	227,329	6,376	5,965	4,884,822
Cash items	38,387	24,805	143	9,149	0	-	1,988	74,472
Regulatory retail exposures	502,454	30,116	39	142,024	0	21	-	674,654
Claims on central counterparties	-	-	-	47,205	0	-	-	47,205
Past due exposures	39,874	13,111	-	4,639	25,483	-	-	83,107
Other exposures	1,013,730	85,527	4,432	143,088	49,692	8,386	92,317	1,397,172
<b>Total</b>	<b>6,014,045</b>	<b>945,884</b>	<b>38,799</b>	<b>1,300,413</b>	<b>1,644,418</b>	<b>779,315</b>	<b>303,732</b>	<b>11,026,606</b>

## GROSS CREDIT RISK EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY

31-12-2024

Amounts in KD 000s

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

31-12-2023

Amounts in KD 000s

	Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Claims on sovereigns	590,948	131,379	56,182	478,520	1,257,029
Claims on public sector entities	-	-	3,689	71,029	74,718
Claims on MDBs	-	-	-	50,617	50,617
Claims on banks	1,516,366	148,149	609,552	208,743	2,482,810
Claims on corporates	1,054,360	538,588	1,010,524	2,281,350	4,884,822
Cash items	74,472	-	-	-	74,472
Regulatory retail exposures	86,557	29,702	53,121	505,274	674,654
Claims on central counterparties	47,205	-	-	-	47,205
Past due exposures	83,107	-	-	-	83,107
Other exposures	194,648	90,207	194,497	917,820	1,397,172
<b>Total</b>	<b>3,647,663</b>	<b>938,025</b>	<b>1,927,565</b>	<b>4,513,353</b>	<b>11,026,606</b>

## IMPAIRED LOANS AND PROVISIONS BY STANDARD PORTFOLIO

31-12-2024

Amounts in KD 000s

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

31-12-2023

Amounts in KD 000s

	Impaired loans (net of suspended interest and collateral)	Total provisions	Specific provision charge / charge off (-)
Claims on banks	-	1,154	-
Claims on corporates	5,254	211,181	25,119
Regulatory retail exposures	11,384	14,791	5,208
Other exposures	-	4,469	-
<b>Total</b>	<b>16,638</b>	<b>231,595</b>	<b>30,327</b>

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**GEOGRAPHICAL DISTRIBUTION OF IMPAIRED LOANS (NET)****31-12-2024**

Amounts in KD 000s

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

**31-12-2023**

Amounts in KD 000s

	Kuwait	Algeria	Tunisia	Turkey	Total
Claims on corporates	493	4,493	242	26	5,254
Regulatory retail exposures	8,691	2,486	154	53	11,384
<b>Total</b>	<b>9,184</b>	<b>6,979</b>	<b>396</b>	<b>79</b>	<b>16,638</b>

**RECONCILIATION OF CHANGES IN PROVISIONS****31-12-2024**

Amounts in KD 000s

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

**31-12-2023**

Amounts in KD 000s

	Funded	Unfunded	Total
Provisions as on 1 January 2023	181,218	24,339	205,557
Exchange adjustment	4,722	(534)	4,188
Amounts written off	(25,968)	-	(25,968)
Charge to income statement	46,285	1,533	47,818
<b>Provisions as on 31 December 2023</b>	<b>206,257</b>	<b>25,338</b>	<b>231,595</b>

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

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

**ii. Strategies and Process**

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

**iii. Structure and Organisation**

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

**iv. Scope and Nature of Risk Measurement and Reporting Systems**

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

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

**CREDIT SECURITIZATION**

The Bank does not conduct any securitization activities.

**CREDIT RISK MITIGATION (CRM)**

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

**i. On and Off-Balance Sheet Netting**

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

**ii. Collateral Policy**

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

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

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

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

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**iii. Main Types of Collateral**

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

**iv. Collateral Valuation and Management**

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

**v. Guarantees for Credit Enhancement**

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

**vi. Concentration**

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

**NET CREDIT EXPOSURE AFTER RISK MITIGATION AND CREDIT CONVERSION FACTOR****31-12-2024***Amounts in KD 000s*

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

**31-12-2023***Amounts in KD 000s*

	Before CRM	CRM	Net Exposure
Claims on sovereigns	1,257,029	-	1,257,029
Claims on public sector entities	60,318	-	60,318
Claims on MDBs	50,617	-	50,617
Claims on banks – Rated	845,631	27,687	817,944
Claims on banks – Unrated	61,914	-	61,914
Claims on corporates	3,872,130	431,818	3,440,312
Cash items	74,472	-	74,472
Regulatory retail exposures	590,996	9,158	581,838
Claims on central counterparties	47,205	-	47,205
Past due exposures	82,463	5,613	76,850
Other exposures	1,276,362	198,072	1,078,290
<b>Total</b>	<b>8,219,137</b>	<b>672,348</b>	<b>7,546,789</b>

**EXPOSURE COVERED BY ELIGIBLE COLLATERAL AND GUARANTEE****31-12-2024***Amounts in KD 000s*

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

**31-12-2023***Amounts in KD 000s*

	Exposure after CCF, net of suspended interest	Covered by Financial collateral after application of haircuts as stipulated by CBK
Claims on sovereigns	1,257,029	-
Claims on public sector entities	60,318	-
Claims on MDBs	50,617	-
Claims on banks	907,545	27,687
Claims on corporates	3,872,130	431,818
Cash items	74,472	-
Regulatory retail exposures	590,996	9,158
Claims on central counterparties	47,205	-
Past due exposures	82,463	5,613
Other exposures	1,276,362	198,072
<b>Total</b>	<b>8,219,137</b>	<b>672,348</b>

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**MARKET RISK FOR TRADING PORTFOLIO, FOREIGN EXCHANGE AND COMMODITIES EXPOSURES**

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

**CAPITAL REQUIREMENT FOR MARKET RISK**

Amounts in KD 000s

	31-12-2024	31-12-2023
Equity position risk	516	1,195
Foreign exchange risk	1,271	1,163
Interest rate position risk	1,931	355
Options	263	34
<b>Total</b>	<b>3,981</b>	<b>2,747</b>

**OPERATIONAL RISK**

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

The subsidiaries apply the Basic Indicator Approach for computing operational risk under their respective local regulations. However, during the consolidation process, the operational risks are considered under the Standardised Approach where the activities of the subsidiaries are considered under the various business lines as stipulated under the CBK regulations on Basel III calculations.

**EQUITY PRICE RISK IN THE BANKING BOOK****i. Classification of Investments**

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

**Equity instruments at FVOCI**

Upon initial recognition, the Bank may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

**Equity instruments at FVTPL**

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

**Investments in associates**

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

**ii. Accounting Policy and Valuation Methodology**

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

The Board Credit and Investment Committee (BCIC) examines and approves investment limits and investments proposed by the Investment Department. BCIC deliberates on these proposals, taking into account RMG's view, before deciding whether to approve them.

As regards the subsidiaries, they also have their respective investment policies along the above lines, which are also in line with their applicable regulatory requirements.

**INVESTMENTS****31-12-2024**

Amounts in KD 000s

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

**31-12-2023**

Amounts in KD 000s

	Publicly traded*	Privately held
Equities	63,847	68,769
Fixed income instruments	522,438	-
Any other investments	-	77,151
<b>Total</b>	<b>586,285</b>	<b>145,920</b>

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

Amounts in KD'000s

	31-12-2024	31-12-2023
Realised gains/(losses) recorded in the income statement	10,641	13,032
Unrealised gains/(losses) recognised in the shareholder's equity	(107,928)	(107,360)

**Capital requirement by equity groupings**

Amounts in KD'000s

	31-12-2024	31-12-2023
Investments whose fair value is designated through other comprehensive income <sup>1</sup>	71,198	61,440
Investments at amortized cost	30,502	28,129
Investments whose fair value is designated through profit & loss	13,073	12,165
Investments held for trading	74	130
Investment in associates	1,469	1,383
<b>Total</b>	<b>116,316</b>	<b>103,247</b>

**INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**

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

Interest rate re-pricing reports are based on each product's contractual re-pricing characteristics overlaid where appropriate by behavioral adjustments. Behavioral adjustments are derived by an analysis of customer behavior over time augmented by input

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

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

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

Amounts in KD 000s		
Sensitivity	2024	2023
+25 bps	2,692	3,637
-25 bps	(2,711)	(3,637)
+50 bps	5,400	7,274
-50 bps	(5,426)	(7,274)
+100 bps	10,801	14,549
-100 bps	(10,826)	(14,549)

On a consolidated basis, interest rate sensitivity at year-end was such that if interest rates of all maturities were to rise (fall) by an equal 1%, then net interest income for the coming year would have risen (fallen) by KD 10.8 million (KD 10.8 million) (2023 - KD 14.5 million (KD 14.5 million)). Also, if interest rates of all maturities were to rise (fall) by an equal 2%, discounted net present value of the Bank's consolidated equity would fall (rise) by KD 42.5 million (2023 fall (rise) by KD 25 million).

## LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk and funding management of the Group are described in detail under the section "Summary of Significant Accounting Policies" in the Annual Report. Also, a maturity analysis of cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date is shown under the section "Notes to Accounts" in the audited consolidated financial statements of the Group for the year ended 31 December 2024

## REMUNERATION PRACTICES

### Remuneration Governance

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

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

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

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

For the purposes of the disclosures, the Bank has identified 15 staff members as being senior management group comprising mainly of the Group CEO (GCEO) and CEO Kuwait and his deputies who are directly responsible for the governance and management of the Bank and 1 staff members as being Material risk takers- group whose roles are not covered in the above group and whose activities, individually or collectively, have a significant impact on the Banks financial performance and stability/ control soundness.

### Remuneration Policy

The remuneration policy aims at enabling the Bank to attract, retain, motivate and reward qualified workforce while ensuring fairness, consistency and equality in remuneration practices, as well as being appropriately risk balanced. The policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term value creation for all stakeholders. The Remuneration policies and practices form part of the Bank's overall obligation to have robust governance arrangements in place. Employees are entitled to different remuneration components targeting appropriate and balanced remuneration package based on the employee job grade taking into consideration the employees' skills, experience, his/her role in the Bank as well as market practice.

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

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

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

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

### Remuneration and Risk Management

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

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

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

The assessment of the performance-based components of remuneration are based on longer-term performance as outlined in the Long Range Plan (LRP) and take into account the outstanding risks associated with the performance. Variable remuneration is decided based on the individual performance against KPI's set at the beginning of the performance year and the risk appetite. In order to minimize incentives for excessive risk-taking, variable remuneration will constitute a balanced proportion of total remuneration.

Having a fully-flexible policy on variable remuneration provides that all rewards may be reduced as a result of negative performance or even adjusted to zero in cases of risk management issues. There are no material changes in these measures over the past year.

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

### Linking performance and remuneration

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

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

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

The deferral schedule is defined by different components:

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

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

### Claw back

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

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

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

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

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

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

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

- Total number of Senior management for 2024 is 15 (2023: 16)
- Total number of Material risk takers for 2024 is 1 (2023: 1)

#### 31-12-2024

##### A) Awards for senior managers and material risk-takers paid during the year (related to performance of 2023)

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

#### 31-12-2023

##### A) Awards for senior managers and material risk-takers paid during the year (related to performance of 2022)

	Senior Management		Material Risk Takers	
	Number of Employees	Total amount in KD	Number of Employees	Total amount in KD
<b>Variable Awards paid during the year*:</b>				
Cash	16	1,012,796	1	42,654
<b>Fixed Awards granted during the year:</b>				
Cash	1	91,006		
<b>Total awards paid during the year (variable &amp; fixed)</b>	<b>17</b>	<b>1,103,802</b>	<b>1</b>	<b>42,654</b>
<b>Employees who received Sign on Awards during the year</b>	<b>1</b>	<b>20,000</b>		-
<b>End of Service termination benefits paid during the year</b>	<b>6</b>	<b>1,161,269</b>		-

\*represents 1.3 % (2023: 1.4%) of total employees  
Variable and Fixed awards are only in the form of Cash awards

##### B) Deferred cash remuneration outstanding as of end of the year (Salary & Bonus) relating to performance of 2023 amounted to KD 738,505

##### C) Deferred remuneration paid during the year amounted to KD 431,843

#### 31-12-2024

##### D) Summary of remunerations (salary & awards) for senior managers and material risk-takers for the 2023 financial year

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

#### 31-12-2023

##### D) Summary of remunerations (salary & awards) for senior managers and material risk-takers for the 2022 financial year

	Senior Management		Material Risk Takers	
	Total amount in KD			
	Unrestricted	Deferred	Unrestricted	Deferred
<b>Variable cash remuneration :</b>	<b>507,246</b>	<b>284,385</b>	<b>15,457</b>	<b>6,624</b>
<b>Fixed cash remuneration :</b>	<b>3,087,776</b>	<b>-</b>	<b>128,584</b>	<b>-</b>

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**OVERVIEW AND CONCLUSION**

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

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

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

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

- Detailed operating procedures are in place in respect of all major functions and the concerned staff members may refer to them as and when necessary so as to ensure their compliance
- An international control framework monitored by a dedicated internal control unit covering all areas of the Bank
- The Bank's IT security and control structure has been effectively functioning and is certified under an international information security certification.
- An independent internal audit function has regular board approved audit plans to audit the various areas of the bank and present their findings and the responses of the audited departments including the steps taken to address audit observations.

The Bank Management will continue to review the policies and procedures on an ongoing basis periodically for necessary and appropriate enhancements, and present them for approval by Board Committees and/or the Board itself as required by the Bank's Governance structure and, where applicable, CBK guidance.

**ADDITIONAL CAPITAL DISCLOSURE REQUIREMENTS****1. Common Disclosure Template – Composition of Regulatory Capital**

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

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

**2. Reconciliation requirements**

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

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

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

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

All amounts are in KD'000

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

## 3. Disclosure of main features of regulatory capital instruments

1	Issuer	BURGAN BANK K.P.S.C.	Burgan Bank K.P.S.C.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Fixed: KW0DI0190606 Floating: KW0DI0190614	XS2265369491
3	Governing law(s) of the instrument	KUWAIT LAW	English law save for Issuer status and subordination provisions under Kuwaiti law
<b>Regulatory treatment</b>			
4	Type of Capital (CET1, AT1 or T2)	AT1	T2
5	Eligible at solo/group/group & solo	Group & Solo	Group & Solo
6	Instrument type (types to be specified by each jurisdiction)	Sub-ordinated debt	Senior unsecured bonds issued in registered global format
7	Amount recognised in regulatory capital (Currency in thousands, as of most recent reporting date)	KWD 150,000 thousand	USD 500,000 thousand
8	Par value of instrument - USD	KWD 50,000 per Bond	100
9	Accounting classification	Equity	Subordinated debt
10	Original date of issuance	09/05/2024	15th December 2020
11	Perpetual or dated	Perpetual	Dated
12	Original maturity date	No Maturity	15th December 2031
13	Issuer call subject to prior supervisory approval	Yes	Yes
14	Optional call date, contingent call dates and redemption amount	Optional Call Date: 9th May 2029: prevailing principal amount plus accrued but unpaid interest Capital event (full or partial disqualification): prevailing principal amount plus accrued but unpaid interest or tax event call: prevailing principal amount + accrued but unpaid interest	At par (in whole but not in part) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or on any Interest Payment Date thereafter subject to the relevant Conditions being satisfied
15	Subsequent call dates, if applicable	Quarterly: prevailing principal amount + accrued but unpaid interest	As above
<b>Coupons / dividends</b>			
16	Fixed or floating dividend/coupon	KWD 75 million at fixed rate of 7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) and KWD 75 million at floating interest rate of 3.25% above CBK discount rate.	Fixed
17	Coupon rate and any related index	Fixed Coupon rate :7.25% (for the first 5 years since issuance & then resets to 3.00% above CBK discount rate) Floating Coupon rate: 3.25% above CBK discount rate	2.750% fixed per annum from the Issue Date (15 December 2020) until the Reset Date (15 September 2026) Resets to the then prevailing 5-Year US Treasury Rate (the "Reset Rate") plus the Margin (2.229%) on the Reset Date (15 September 2026)
18	Existence of a dividend stopper	Yes	No
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Interest payment are mandatory, subject to write down at the point of non-viability
20	Existence of step up or other incentive to redeem	No	None
21	Noncumulative or cumulative	Non Cumulative	There is no ability to cancel coupon (see above)
22	Convertible or non-convertible	Non-convertible	Non-convertible. Write down (in whole or in part) is the only loss absorption mechanism at the point of non-viability (see below)
23	If convertible, conversion trigger (s)	N/A	N/A
24	If convertible, fully or partially	N/A	N/A
25	If convertible, conversion rate	N/A	N/A
26	If convertible, mandatory or optional conversion	N/A	N/A
27	If convertible, specify instrument type convertible into	N/A	N/A
28	If convertible, specify issuer of instrument it converts into	N/A	N/A
29	Write-down feature	Yes	Yes

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

30	If write-down, write-down trigger(s)	Determination by regulator that the bank will be non-viable without a write-down	“Non-Viability Event” means that the Financial Regulator has informed the Issuer in writing that it has determined that a Trigger Event has occurred. A “Trigger Event” will have occurred if either of the following events occurs: <ul style="list-style-type: none"> <li>the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or</li> <li>an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable</li> </ul>
31	If write-down, full or partial	Can be partial or full	Can be partial or full
32	If write-down, permanent or temporary	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	N/A	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Tier 1 securities are immediately junior to Basel III -Tier 2 subordinated securities which are considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.	The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank pari passu and without preference among themselves. The payment obligations of the Issuer under the Subordinated Notes (a) rank junior to all Senior Obligations of the Issuer, (b) rank pari passu with all Pari Passu Obligations of the Issuer, and (c) rank senior to all Junior Obligations of the Issuer (each as defined in the Conditions of the Subordinated Notes).
35	Non-compliant transitioned features	None	None
36	If yes, specify non-compliant features	N/A	N/A

**4. Financial Leverage Ratio**

Below table provides the reconciliation of the balance sheet assets from published financial statements with total exposure amount in the calculation of the leverage ratio for 2024.

**Summary comparison of accounting assets vs leverage ratio exposure measure:**

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

**Leverage ratio common disclosure template:**

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

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**COMPARATIVE INFORMATION FOR YEAR 2023:****ADDITIONAL CAPITAL DISCLOSURE REQUIREMENTS****1. Common Disclosure Template – Composition of Regulatory Capital**

Item	All amounts are in KD 000s
<b>Common Equity Tier 1 capital: instruments and reserves</b>	
1 Directly issued qualifying common share capital plus related stock surplus	628,022
2 Retained earnings	167,137
3 Accumulated other comprehensive income (and other reserves)	50,243
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	
5 Common share capital issued by subsidiaries and held by third parties (minority interest)	46,262
6 Common Equity Tier 1 capital before regulatory adjustments	891,664
<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
7 Prudential valuation adjustments	
8 Goodwill (net of related tax liability)	9,028
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	8,481
10 Deferred tax assets excluding those arising from temporary differences (net of related tax liability)	
11 Cash flow hedge reserve	10,938
12 Shortfall of provisions to expected losses (based on Internal Models Approach, if applied)	
13 Securitisation gain on sale	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	
15 Defined benefit pension fund net assets	
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	1,742
17 Reciprocal cross holdings in common equity of banks, Fis and insurance entities	
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20 Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22 Amount exceeding the 15% threshold	
23 of which: significant investments in the common stock of financials	
24 of which: mortgage servicing rights	
25 of which: deferred tax assets arising from temporary differences	
26 National specific regulatory adjustments	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28 Total regulatory adjustments to Common Equity Tier 1	30,189
29 Common Equity Tier 1 capital (CET1)	861,475
<b>Additional Tier 1 capital : instruments</b>	
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	153,375
31 of which: classified as equity under applicable accounting standards	153,375
32 of which: classified as liabilities under applicable accounting standards	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	8,960
35 of which: instruments issued by subsidiaries subject to phase out	
36 Additional Tier 1 capital before regulatory adjustments	162,335
<b>Additional Tier 1 capital: regulatory adjustments</b>	
37 Investments in own Additional Tier 1 instruments	

Item	All amounts are in KD 000s
38 Reciprocal cross holdings in Additional Tier 1 instruments	
39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
41 National specific regulatory adjustments	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43 Total regulatory adjustments to Additional Tier 1 capital	-
44 Additional Tier 1 capital (AT1)	162,335
45 Tier 1 capital (T1 = CET1 + AT1)	1,023,810
<b>Tier 2 capital: instruments and provisions</b>	
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	153,375
47 Directly issued capital instruments subject to phase out from Tier 2	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	19,000
49 of which: instruments issued by subsidiaries subject to phase out	
50 General provisions included in Tier 2 capital	75,579
51 Tier 2 capital before regulatory adjustments	247,954
<b>Tier 2 capital: regulatory adjustments</b>	
52 Investments in own Tier 2 instruments	
53 Reciprocal cross holdings in Tier 2 instruments	
54 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued capital (amount above 10% threshold of bank's CET1 capital)	-
55 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-
56 National specific regulatory adjustments	
57 Total regulatory adjustments to Tier 2 capital	-
58 Tier 2 capital (T2)	247,954
59 Total capital (TC = T1 + T2)	1,271,764
60 Total risk-weighted assets	6,358,901
<b>Capital ratios and buffers</b>	
61 Common Equity Tier 1 (as percentage of risk-weighted assets)	13.5%
62 Tier 1 (as percentage of risk-weighted assets)	16.1%
63 Total capital (as percentage of risk-weighted assets)	20.0%
64 Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk-weighted assets)	10.5%
65 of which: capital conservation buffer requirement	2.5%
66 of which: bank specific countercyclical buffer requirement	-
67 of which: DSIB buffer requirement	1.0%
68 Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets)	6.5%
<b>National minima</b>	
69 Kuwait Common Equity Tier 1 minimum ratio	9.5%
70 National Tier 1 minimum ratio	11.0%
71 National total capital minimum ratio excluding CCY and DSIB buffers	13.0%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
72 Non-significant investments in the capital of other financials	66,847
73 Significant investments in the common stock of financials	4,405
74 Mortgage servicing rights (net of related tax liability)	-
75 Deferred tax assets arising from temporary differences (net of related tax liability)	4,470
<b>Applicable caps on the inclusion of allowances in Tier 2</b>	
76 Provision eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	206,857
77 Cap on inclusion of allowances in Tier 2 under standardised approach	75,579
78 Provision eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79 Cap on inclusion of allowances in Tier 2 under internal ratings-based approach	

## Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**2. Reconciliation requirements**

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

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

All amounts are in KD'000s

Item	Balance sheet as in published financial statements 31-Dec-23	Under regulatory scope of consolidation 31-Dec-23	Reference
<b>Assets</b>			
Cash and cash equivalents	870,332	870,332	
Treasury bills and bonds with CBK and others	364,286	364,286	
Due from banks and other financial institutions	656,532	656,532	
Loans and advances to customers	4,236,942	4,236,942	
of which General Provisions (netted above) capped for Tier 2 inclusion	75,579	75,579	a
Investment securities	732,205	732,205	
of which goodwill in investment in associate	771	771	b
Other assets	372,114	372,114	
Property and equipment	176,982	176,982	
Intangible assets	16,738	16,738	
of which goodwill	8,257	8,257	c
of which other intangibles	8,481	8,481	d
Disposal group held for sale	-	-	
<b>Total assets</b>	<b>7,426,131</b>	<b>7,426,131</b>	
<b>Liabilities</b>			
Due to banks	701,942	701,942	
Due to other financial institutions	437,236	437,236	
Deposits from customers	4,463,243	4,463,243	
Other borrowed funds	549,961	549,961	
Directly issued qualifying Tier 2 instruments plus related stock surplus	153,375	153,375	e
Other liabilities	272,845	272,845	
Liabilities directly associated with disposal group held for sale	-	-	
<b>Total liabilities</b>	<b>6,425,227</b>	<b>6,425,227</b>	
<b>Shareholders' Equity</b>			
Share capital	345,220	345,220	f
Share premium	282,802	282,802	g
Treasury shares	(1,742)	(1,742)	h
Statutory reserve	117,903	117,903	i
Voluntary reserve	118,281	118,281	j
Other reserves	(185,941)	(185,941)	k
of which cash flow hedge reserve	10,938	10,938	l
Retained earnings	185,694	185,694	m
of which proposed dividend	20,681	20,681	n
of which modification loss on retail loans	(2,124)	(2,124)	o
<b>Equity attributable to shareholders of the Bank</b>	<b>862,217</b>	<b>862,217</b>	
Perpetual Tier 1 capital securities	153,375	153,375	p
Non-controlling interests	(14,688)	(14,688)	
Eligible as CET1 Capital under Basel III	46,262	46,262	q
Eligible as AT1 Capital under Basel III	8,960	8,960	r
Eligible as Tier 2 Capital under Basel III	19,000	19,000	s
<b>Total equity</b>	<b>1,000,904</b>	<b>1,000,904</b>	
<b>Total liabilities and equity</b>	<b>7,426,131</b>	<b>7,426,131</b>	

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

All amounts are in KD'000s

Relevant Row Number in Common Disclosure Template	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	628,022	f+g
2	Retained earnings	167,137	m-n-o
3	Accumulated other comprehensive income (and other reserves)	50,243	i+j+k
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	46,262	q
6	Common Equity Tier 1 capital before regulatory adjustments	891,664	
<b>Common Equity Tier 1 capital : regulatory adjustments</b>			
8	Goodwill (net of related tax liability)	9,028	b+c
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	8,481	d
11	Cash flow hedge reserve	10,938	l
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	1,742	h
28	Total regulatory adjustments to Common Equity Tier 1	30,189	
29	Common Equity Tier 1 capital (CET1)	861,475	
<b>Additional Tier 1 capital : instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	153,375	p
31	of which: classified as equity under applicable accounting standards	153,375	p
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	8,960	r
36	Additional Tier 1 capital before regulatory adjustments	162,335	
<b>Additional Tier 1 capital : regulatory adjustments</b>			
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	162,335	
45	Tier 1 capital (T1 = CET1 + AT1)	1,023,810	
<b>Tier 2 capital : instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	153,375	e
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	19,000	s
50	General Provisions included in Tier 2 Capital	75,579	a
51	Tier 2 capital before regulatory adjustments	247,954	
<b>Tier 2 capital: regulatory adjustments</b>			
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	247,954	
59	Total capital (TC = T1 + T2)	1,271,764	

Basel III – Pillar III Qualitative and Quantitative Disclosures... continued

**3. Disclosure of main features of regulatory capital instruments**

1	Issuer	BURGAN BANK K.P.S.C.	Burgan Bank K.P.S.C.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2019231823	XS2265369491
3	Governing law(s) of the instrument	WHOLE INSTRUMENT- ENGLISH LAW; SUBORDINATION PROVISION - KUWAIT LAW	English law save for Issuer status and subordination provisions under Kuwaiti law
<b>Regulatory treatment</b>			
4	Type of Capital (CET1, AT1 or T2)	AT1	T2
5	Eligible at solo/group/group & solo	Group & Solo	Group & Solo
6	Instrument type (types to be specified by each jurisdiction)	Sub-ordinated debt	Senior unsecured bonds issued in registered global format
7	Amount recognised in regulatory capital (Currency in thousands, as of most recent reporting date)	USD 500,000 thousand	USD 500,000 thousand
8	Par value of instrument - USD	100	100
9	Accounting classification	Equity	Subordinated debt
10	Original date of issuance	9th July 2019	15th December 2020
11	Perpetual or dated	Perpetual	Dated
12	Original maturity date	No Maturity	15th December 2031
13	Issuer call subject to prior supervisory approval	Yes	Yes
14	Optional call date, contingent call dates and redemption amount	Optional Call Date: 30th June 2024: prevailing principal amount plus accrued but unpaid interest Capital event (full or partial disqualification):101% of prevailing principal amount plus accrued but unpaid interest or tax event call: prevailing principal amount + accrued but unpaid interest	At par (in whole but not in part) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or on any Interest Payment Date thereafter subject to the relevant Conditions being satisfied
15	Subsequent call dates, if applicable	Quarterly: prevailing principal amount + accrued but unpaid interest	As above
<b>Coupons / dividends</b>			
16	Fixed or floating dividend/coupon	Fixed for every 5-year period; at the end of every 5 year period, resets to the prevailing 5 yr US Treasury rate plus margin	Fixed
17	Coupon rate and any related index	5.7492%; 5-year USD Treasury rate	2.750% fixed per annum from the Issue Date (15 December 2020) until the Reset Date (15 September 2026) Resets to the then prevailing 5-Year US Treasury Rate (the "Reset Rate") plus the Margin (2.229%) on the Reset Date (15 September 2026)
18	Existence of a dividend stopper	Yes	No
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Interest payment are mandatory, subject to write down at the point of non-viability
20	Existence of step up or other incentive to redeem	No	None
21	Noncumulative or cumulative	Non Cumulative	There is no ability to cancel coupon (see above)
22	Convertible or non-convertible	Non-convertible	Non-convertible. Write down (in whole or in part) is the only loss absorption mechanism at the point of non-viability (see below)
23	If convertible, conversion trigger (s)	N/A	N/A
24	If convertible, fully or partially	N/A	N/A
25	If convertible, conversion rate	N/A	N/A
26	If convertible, mandatory or optional conversion	N/A	N/A
27	If convertible, specify instrument type convertible into	N/A	N/A
28	If convertible, specify issuer of instrument it converts into	N/A	N/A
29	Write-down feature	Yes	Yes

30	If write-down, write-down trigger(s)	Determination by regulator that the bank will be non-viable without a write-down	"Non-Viability Event" means that the Financial Regulator has informed the Issuer in writing that it has determined that a Trigger Event has occurred. A "Trigger Event" will have occurred if either of the following events occurs: <ul style="list-style-type: none"> <li>the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or</li> <li>an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable</li> </ul>
31	If write-down, full or partial	Can be partial or full	Can be partial or full
32	If write-down, permanent or temporary	Permanent	Permanent
33	If temporary write-down, description of write-up mechanism	N/A	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Tier 1 securities are immediately junior to Basel III -Tier 2 subordinated securities which are considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.	The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank pari passu and without preference among themselves. The payment obligations of the Issuer under the Subordinated Notes (a) rank junior to all Senior Obligations of the Issuer, (b) rank pari passu with all Pari Passu Obligations of the Issuer, and (c) rank senior to all Junior Obligations of the Issuer (each as defined in the Conditions of the Subordinated Notes).
35	Non-compliant transitioned features	None	None
36	If yes, specify non-compliant features	N/A	N/A

#### 4. Financial Leverage Ratio

Below table provides the reconciliation of the balance sheet assets from published financial statements with total exposure amount in the calculation of the leverage ratio for 2023.

##### Summary comparison of accounting assets vs leverage ratio exposure measure:

Item	KD 000s
1 Total consolidated assets as per published financial statements	7,426,131
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(17,509)
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4 Adjustments for derivative financial instruments	106,019
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	599,731
7 Other adjustments	-
<b>8 Leverage ratio exposure</b>	<b>8,114,372</b>

##### Leverage ratio common disclosure template:

Item	KD 000s
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	7,426,131
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(17,509)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 & 2)	7,408,622
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	34,107
5 Add-on amounts for PFE associated with all derivatives transactions	71,912
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8 (Exempted CCP leg of client-cleared trade exposures)	-
9 Adjusted effective notional amount of written credit derivatives	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11 Total derivative exposures (sum of lines 4 to 10)	106,019
Securities financing transaction exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transaction	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14 CCR exposure for SFT assets	-
15 Agent transaction exposures	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	1,811,334
18 (Adjustments for conversion to credit equivalent amounts)	(1,211,603)
19 Off-balance sheet items (sum of lines 17 and 18)	599,731
Capital and total exposures	
20 Tier 1 capital	1,023,810
21 Total exposures (sum of lines 3, 11, 16 and 19)	8,114,372
Leverage ratio	
22 Basel III leverage ratio	12.6%

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

### LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

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

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

### FUNDING STRATEGY

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

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

The Bank maintains access to a variety of sources of wholesale funds in multiple currencies across a variety of distribution channels, maturities, instruments and geographies, including those available from syndications, bond investors, money markets, repo markets and term depositors. It is an active participant in the money market and has direct access to local and international liquidity providers. On 30 June 2016, the Bank successfully established a US\$1.5BN Reg S EMTN Program, under which the Bank may issue senior unsecured debt securities (through public or private placements). The Bank issued bonds worth US\$500MM under this program in Q3'16. Also, during Q4'20, the Bank successfully placed US\$500 million Subordinated Tier 2 Capital Securities (bonds) in the international debt capital markets with an eleven-year tenor, and an option for redemption after six years from the date of their issuance. This bond issue complies with the Basel III regulatory framework, as adopted by the Central Bank of Kuwait. Furthermore, Treasury successfully executed 3-year Club Loan facilities with a group of international and regional banks amounting to US\$800 million in Q2'23. Also, the bank successfully executed multiple bilateral loan transactions totaling US\$600 Million over the period from Q4'20 to date.

In Q2'24, Burgan concluded the first ever KD denominated perpetual bond issuance in the local market with an issue size of KD 150 million. The issuance entails fixed and floating tranches equally split 50-50%. In addition, Burgan Bank established the first Certificates of Deposit (CD) programme, with five Asian counterparties; multi-currency programme size is USD500 million.

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

### LIQUIDITY RISK MITIGATION TECHNIQUES

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

### STRESS TESTING

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

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

### CONTINGENCY FUNDING PLAN

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

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

### OTHER QUALITATIVE INFORMATION

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

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

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

As at 31 December 2024, Burgan Bank Group's Net Stable Funding Ratio (NSFR) stood at well above 100%, largely due to a beneficial wholesale funding and equity mix, which remained stable. This suggests the Bank is in a solid position to manage any short-term funding shocks should they arise.

### HIGH QUALITY LIQUID ASSETS (HQLA)

HQLAs are assets which can be easily and immediately converted into cash at little or no loss of value. There are two categories of assets that can be included in the stock of HQLA. Level 1 assets can be included without limit and with no haircut and are comprised of coins and banknotes, central bank reserves, Kuwaiti government securities, balances with central banks of countries where the Bank has subsidiaries, and securities issued by highly-rated foreign sovereigns, multilateral development banks and supranationals. Level 2 assets can be included subject to the requirement that they comprise no more than 40% of the overall stock of HQLA after haircuts have been applied. These may include certain qualifying government securities, public sector and corporate bonds. For the quarter ended Q4 2024, the stock of HQLA held by the Bank includes 93% Level 1 assets and 7% Level 2 assets. Also, on a conservative basis and as required by regulators, it is assumed that HQLAs held in excess of the total cash outflows of any Group entity are not considered as surplus liquidity at the overall Group level.

### NET CASH OUTFLOWS

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

### AVAILABLE STABLE FUNDING

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

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

### REQUIRED STABLE FUNDING

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

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

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

Table 6: Disclosure Form on LCR during the quarter ended on 31/12/2024\*

No	Statement	Value before	Value after
		implementing	implementing
		flow rates	flow rates (21)
		(average)**	(average)**
KD 000s			
<b>High Quality Liquid Assets (HQLA)</b>			
1	Total HQLA (before amendments)	1,407,033	1,378,865
<b>Cash Outflow</b>			
2	Retail deposits and small enterprises	1,461,358	199,926
3	Stable deposits	213,593	10,680
4	Less stable deposits	1,247,765	189,246
5	Unsecured wholesale funding, excluding deposits of small enterprises clients	1,712,790	908,583
6	Operating deposits	-	-
7	Non-operating deposits (other unsecured liabilities)	1,712,790	908,583
8	Secured funding	88,081	-
9	Other cash outflows, including:	432,821	294,239
10	Resulting from derivatives	275,590	275,590
11	Resulting from securities and commercial papers supported by assets (on the assumption of not being to re-finance)	-	-
12	Credit lines and binding liquidity	157,231	18,649
13	Possible future financing needs	824,857	41,242
14	Other contractual cash outflows	21,157	21,157
15	<b>Total cash outflows</b>	<b>4,541,064</b>	<b>1,465,147</b>
16	Secured lending transactions	-	-
17	Cash outflows resulting from regular loans	629,786	462,381
18	Other cash inflows	279,624	279,624
19	<b>Total cash inflows</b>	<b>909,410</b>	<b>742,005</b>
<b>Liquidity Coverage Ratio (LCR)</b>			
20	Total HQLA (after amendments)		1,102,942
21	Net cash outflows		723,142
22	LCR		153%

\* Quarterly statement.

\*\* (Simple Average) for all days during the period for which the form is prepared.

21) Is the value after implementing haircut percentages of HQLA and cash outflow and inflow.

Table 4: NSFR Common Disclosure Template for the quarter ended 31/12/2024

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	6 months to one year	Over one year	
KD 000s						
<b>Available Stable Funding (ASF):</b>						
1	Capital:	1,334,577	-	-	-	1,334,577
2	Regulatory Capital	1,334,577	-	-	-	1,334,577
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1,918,768	229,587	53,470	1,989,263
5	Stable deposits	-	45,359	114	1	43,200
6	Less stable deposits	-	1,873,409	229,473	53,469	1,946,063
7	Wholesale funding:	-	3,833,897	346,812	333,220	1,868,348
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	3,833,897	346,812	333,220	1,868,348
10	Other liabilities:	-97,739	254,762	4,503	71,861	-25,878
11	Net derivative liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-97,739	254,762	4,503	71,861	-25,878
13	<b>Total ASF</b>	<b>1,236,838</b>	<b>6,007,427</b>	<b>580,902</b>	<b>458,551</b>	<b>5,166,310</b>
<b>Required Stable Funding (RSF):</b>						
14	Total high-quality liquid assets (HQLA)	1,480,925	-	-	-	59,697
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing loans and securities:	-	3,386,175	699,485	1,752,235	3,437,735
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by HQLA other than Level 1 HQLA and unsecured performing loans to financial institutions	-	930,539	102,433	74,729	265,526
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	2,455,636	597,052	1,466,565	2,992,909
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio – Basel 3 guidelines	-	-	-	-	-
21	Performing housing loans, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under Capital Adequacy Ratio – Basel III Guidelines	-	-	-	-	-
23	Unpledged Securities and shares traded within the formal market, in case the entities issued such instruments are not in default.	-	-	-	210,941	179,300
24	Other assets:	215,299	185,967	14,028	549,605	859,907
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts, cash, or other assets provided to contributions to default funds of (central Counter parties) CCPs	-	-	-	-	-
27	Net derivative assets	383	-	-	-	383
28	20% of derivative liabilities before deduction of variation margin posted	4,211	-	-	-	4,211
29	All other assets not included in the above categories	210,705	185,967	14,028	549,605	855,313
30	<b>Off-balance sheet items</b>	<b>15,137</b>	<b>885,660</b>	<b>471,678</b>	<b>464,618</b>	<b>91,855</b>
31	<b>Total RSF</b>	<b>1,711,361</b>	<b>4,457,802</b>	<b>1,185,191</b>	<b>2,766,458</b>	<b>4,449,194</b>
32	<b>NSFR (%)</b>					<b>116%</b>



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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 2024, the consolidated statements of profit or loss, 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 2024, 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") and as adopted by the Central Bank of Kuwait (the "CBK") for use by the State of Kuwait ("IFRS 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") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**CREDIT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS**

(See Note 5 to the consolidated financial statements)

**THE KEY AUDIT MATTER**

The recognition of credit losses on loans and advances to customers ("credit facilities") is the higher of Expected Credit Loss ("ECL") on credit facilities computed under IFRS 9, in accordance with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures (the "CBK rules").

Recognition of ECL under IFRS 9, determined in accordance with the CBK guidelines, requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing the level of credit risk on initial recognition and significant increase in credit risk subsequently on the reporting date relative to its initial recognition and classification into the three stages of IFRS 9, developing models for assessing probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

As a result, ECL has a higher than usual degree of estimation uncertainty and the inputs used are inherently subject to change, which may materially impact the estimate in future periods.

Recognition of specific provisions on impaired credit facilities under the CBK rules is based on the instructions prescribed by the CBK on the minimum provisions to be recognised.

Due to the significance of credit facilities, the related estimation uncertainty and judgement in the calculation of ECL, this was considered as a key audit matter.

**HOW THE MATTER WAS ADDRESSED IN OUR AUDIT**

- Our audit procedures included assessing the design and implementation of controls over the inputs and assumptions used by the Group in developing the models, its governance and review controls performed by management in determining the adequacy of ECL.
- With respect to ECL, we have selected samples of credit facilities outstanding and checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. For a sample of credit facilities, we have checked the appropriateness of the Group's staging criteria, Exposure at Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD"), including the eligibility and value of collateral considered in the ECL model used by the Group and the overlays considered by management, in order to determine ECL taking into consideration the CBK guidelines. We have also checked the consistency of various inputs and assumptions used by the Group's management to determine ECL.
- We involved our specialists to review the ECL model in terms of key data, methods and assumptions used to ensure they are in line with the requirements of IFRS 9, determined in accordance with the CBK guidelines.
- Further, with respect to the CBK rules relating to the provisioning requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit losses in accordance with the related regulations (considering the days past due, account conduct and collateral) and, if required, it has been computed accordingly. For the samples selected, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and checked the resultant provisions computations.
- Evaluated the adequacy of the Group's disclosures in relation to application of significant estimates and judgement and credit quality of loans and advances to customers.

## Independent Auditors' Report... continued

### 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.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 ISA 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 Bank's (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 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 2024 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 2024 that might have had a material effect on the business of the Bank or on its consolidated financial position.

Dr. Rasheed M. Al-Oenae  
License No. 130  
of KPMG AI-Oenae & Partners  
Member Firm of KPMG International

**KUWAIT: 17 FEBRUARY 2025**

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

## Consolidated Statement of Financial Position As at 31 December 2024

	Notes	2024 KD 000s	2023 KD 000s
<b>ASSETS</b>			
Cash and cash equivalents	3	1,053,071	870,332
Treasury bills and bonds with CBK and others		315,393	364,286
Due from banks and other financial institutions	4	835,045	656,532
Loans and advances to customers	5	4,471,403	4,236,942
Investment securities	6	825,239	732,205
Other assets	7	443,494	372,114
Property and equipment		198,706	176,982
Goodwill and other intangible assets	8	16,135	16,738
<b>TOTAL ASSETS</b>		<b>8,158,486</b>	<b>7,426,131</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		853,013	701,942
Due to other financial institutions		712,339	437,236
Deposits from customers		4,903,922	4,463,243
Other borrowed funds	9	399,541	549,961
Other liabilities	10	269,813	272,845
<b>TOTAL LIABILITIES</b>		<b>7,138,628</b>	<b>6,425,227</b>
<b>EQUITY</b>			
Share capital	11	362,481	345,220
Share premium	11	282,802	282,802
Treasury shares	11	(1,742)	(1,742)
Statutory reserve	11	122,822	117,903
Voluntary reserve	11	123,200	118,281
Other reserves	11	(200,633)	(185,941)
Retained earnings		184,605	185,694
Total equity attributable to the equity holders of the Bank		873,535	862,217
Perpetual tier 1 capital securities	11	150,000	153,375
Non-controlling interests		(3,677)	(14,688)
<b>TOTAL EQUITY</b>		<b>1,019,858</b>	<b>1,000,904</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,158,486</b>	<b>7,426,131</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 23 form an integral part of these consolidated financial statements.

## Consolidated Statement of Income For the year ended 31 December 2024

	Notes	2024 KD 000s	2023 KD 000s
Interest income	12	610,313	448,309
Interest expense	13	(452,924)	(313,446)
<b>Net interest income</b>		<b>157,389</b>	<b>134,863</b>
Fee and commission income		41,508	46,125
Fee and commission expense		(7,998)	(8,441)
<b>Net fee and commission income</b>		<b>33,510</b>	<b>37,684</b>
Net gain from foreign currencies		5,845	20,370
Net investment income	14	8,220	7,750
Dividend income		1,127	1,483
Other income		22,951	19,588
<b>Net operating income</b>		<b>229,042</b>	<b>221,738</b>
Staff expenses		(73,451)	(59,580)
Other expenses		(57,035)	(56,652)
<b>Operating profit</b>		<b>98,556</b>	<b>105,506</b>
Provision for credit losses	5	(38,072)	(47,818)
Recoveries from written-off debt		31,761	43,015
Provision release (charge) for other financial assets		403	(877)
Net monetary loss	2.7	(24,080)	(32,094)
<b>Profit for the year before taxation and Board of Directors' remuneration</b>		<b>68,568</b>	<b>67,732</b>
Taxation	15	(17,840)	(22,527)
Board of directors' remuneration		(110)	(110)
<b>Profit for the year</b>		<b>50,618</b>	<b>45,095</b>
<b>Attributable to:</b>			
Equity holders of the Bank		46,437	43,547
Non-controlling interests		4,181	1,548
		<b>50,618</b>	<b>45,095</b>
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (in fils)</b>	16	<b>10.3</b>	<b>9.5</b>

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2024

	2024 KD 000s	2023 KD 000s
<b>Profit for the year</b>	<b>50,618</b>	45,095
<b>Other comprehensive (loss) income:</b>		
<i>Items that will not be reclassified to consolidated statement of income in subsequent years:</i>		
Net change in fair value of equity instruments at fair value through other comprehensive income	(10,449)	(10,530)
	(10,449)	(10,530)
<i>Items that are or may be reclassified to consolidated statement of income in subsequent years:</i>		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value	4,255	7,463
Net transfer to consolidated statement of income	(1,418)	(1,212)
Foreign currency translation adjustment	(17,677)	(34,413)
Changes in fair value of cash flow hedges	(6,629)	4,139
Net (loss) gain on hedge of a net investment	(2,506)	14,522
Reversal of disposal group held for sale:		
Net transfer to consolidated statement of income on sale of disposal group held for sale	-	6,153
<b>Other comprehensive loss for the year</b>	<b>(34,424)</b>	(13,878)
<b>Total comprehensive income for the year</b>	<b>16,194</b>	31,217
<b>Attributable to:</b>		
Equity holders of the Bank	24,712	30,425
Non-controlling interests	(8,518)	792
	16,194	31,217

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2024

	Attributable to the equity holders of the Bank										Total equity KD 000s
	Share capital KD 000s	Share premium KD 000s	Treasury shares KD 000s	Statutory reserve KD 000s	Voluntary reserve KD 000s	Other reserves* KD 000s	Retained earnings KD 000s	Subtotal KD 000s	Perpetual Tier 1 capital securities KD 000s	Non-controlling interests KD 000s	
Balance as at 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	-	-	4,919	-	-	(17,261)	-	-	-	-
Cash dividend (Note 11)	-	-	-	-	-	-	(20,681)	(20,681)	-	(326)	(20,681)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
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)	-	(153,425)
Proceeds from the issue of Tier 1 capital securities (Note 11)	-	-	-	-	-	-	-	150,000	150,000	-	150,000
Tier 1 capital securities issuance costs	-	-	-	-	-	-	(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
<b>Balance as at 31 December 2024</b>	<b>362,481</b>	<b>282,802</b>	<b>(1,742)</b>	<b>122,822</b>	<b>123,200</b>	<b>(200,633)</b>	<b>184,605</b>	<b>873,535</b>	<b>150,000</b>	<b>(3,677)</b>	<b>1,019,858</b>

\*Refer to note 11 for further details breakup of the "Other reserves".

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

	Attributable to the equity holders of the Bank							Total equity KD 000s			
	Share capital KD 000s	Share premium KD 000s	Treasury shares KD 000s	Statutory reserve KD 000s	Voluntary reserve KD 000s	Other reserves* KD 000s	Retained earnings KD 000s		Subtotal KD 000s	Perpetual Tier 1 capital securities KD 000s	Non-controlling interests KD 000s
Balance as at 1 January 2023	328,781	282,802	(1,742)	113,234	113,612	(269,121)	178,500	746,066	153,150	48,199	947,415
Profit for the year	-	-	-	-	-	(13,122)	43,547	43,547	-	1,548	45,095
Other comprehensive loss for the year	-	-	-	-	-	(13,122)	-	(13,122)	-	(756)	(13,878)
Total comprehensive (loss) income for the year	-	-	-	-	-	(13,122)	43,547	30,425	-	792	31,217
Transfer to reserves	-	-	-	4,669	4,669	-	(9,338)	-	-	-	-
Issue of bonus shares (Note 11)	16,439	-	-	-	-	-	(16,439)	-	-	-	-
Cash dividend (Note 11)	-	-	-	-	-	-	(26,262)	(26,262)	-	-	(26,262)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	225	(820)	(820)
Effect of foreign currency translation adjustment	-	-	-	-	-	-	(225)	(225)	-	-	-
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	-	-	-	-	735	(735)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	1,478	(1,478)	-	-	-	-
Sale of disposal group held for sale	-	-	-	-	-	-	-	-	-	(29,948)	(29,948)
Change in ownership interest in a subsidiary	-	-	-	-	-	94,089	(3,260)	90,829	-	(32,999)	57,830
Interest payment on Tier 1 capital securities	-	-	-	-	-	-	(8,835)	(8,835)	-	-	(8,835)
Impact of application of IAS 29 (Note 2.7)	-	-	-	-	-	-	30,219	30,219	-	88	30,307
Balance as at 31 December 2023	345,220	282,802	(1,742)	117,903	118,281	(185,941)	185,694	862,217	153,375	(14,688)	1,000,904

\*Refer to note 11 for further details breakup of the "Other reserves".

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows Year ended 31 December 2024

	Notes	2024 KD 000s	2023 KD 000s
<b>Operating activities</b>			
Profit for the year before taxation and Board of directors' remuneration		68,568	67,732
Adjustments:			
Net investment income	14	(8,220)	(7,750)
Provision for credit losses	5	38,072	47,818
Provision (release) charge for other financial assets		(403)	877
Dividend income		(1,127)	(1,483)
Depreciation and amortisation		13,828	15,803
Net monetary loss	2.7	24,080	32,094
Interest on tier 1 capital securities		775	-
<b>Operating profit before changes in operating assets and liabilities</b>		<b>135,573</b>	<b>155,091</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		48,893	(62,732)
Due from banks and other financial institutions		(178,503)	(172,396)
Loans and advances to customers		(272,543)	(58,905)
Other assets		(67,202)	(112,248)
Due to banks		151,071	422,667
Due to other financial institutions		275,103	(262,185)
Deposits from customers		440,679	530,752
Other liabilities		(31,452)	(30,945)
Taxation paid		(12,671)	(9,699)
<b>Net cash flows from operating activities</b>		<b>488,948</b>	<b>399,400</b>
<b>Investing activities</b>			
Purchase of investment securities		(492,395)	(554,404)
Proceeds from sale of investment securities		391,237	557,790
Purchase of property and equipment (net of disposals)		(19,887)	(19,980)
Dividend income received		1,127	1,483
Net cash outflow on sale of disposal group held for sale		-	(109,692)
Proceeds from sales of partial stake in subsidiary	18	-	57,830
<b>Net cash flows used in investing activities</b>		<b>(119,918)</b>	<b>(66,973)</b>
<b>Financing activities</b>			
Other borrowed funds		(303,845)	(233,431)
Cash dividend paid to shareholders of the Bank	11	(20,681)	(26,262)
Cash dividend paid to non-controlling interests		(326)	(820)
Net proceeds from the issuance of tier 1 capital securities		148,502	-
Interest payment on tier 1 capital securities		(9,941)	(8,835)
<b>Net cash flows used in financing activities</b>		<b>(186,291)</b>	<b>(269,348)</b>
<b>Net increase in cash and cash equivalents</b>		<b>182,739</b>	<b>63,079</b>
Cash and cash equivalents at 1 January	3	870,332	807,253
<b>Cash and cash equivalents at 31 December</b>		<b>1,053,071</b>	<b>870,332</b>
<b>Additional cash flow information:</b>			
Interest received		603,012	398,216
Interest paid		447,121	283,321

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 31 December 2024

### 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 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 13 January 2025 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 has 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 2023 except as noted below in note 2.2. Certain prior year amounts have been regrouped in order 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") 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.

### 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 2024.

##### Disclosures titled Supplier Finance Arrangements: Amendments to IAS 7 and IFRS 7

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of consolidated financial statements to assess the effects of those arrangements on the Group's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendment has no impact on the Group's consolidated financial statements.

##### Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The amendment has no impact on the Group's consolidated financial statements.

##### Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The amendments affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendment has no material impact on the Group's consolidated financial statements.

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

### 31 December 2024

#### Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.

This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendment has no 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 has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Bank.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The principal operating subsidiaries of the Group are as follows:

Name of company	Principal activities	Country of incorporation	Effective interest as at 31 December 2024	Effective interest as at 31 December 2023
Algeria Gulf Bank S.P.A. ("AGB")	Banking	Algeria	86.01%	86.01%
Tunis International Bank S.A ("TIB")	Banking	Tunisia	86.70%	86.70%
Burgan Bank A.S. ("BBT")	Banking	Turkey	47.55%	47.55%
Burgan Bank Financial Services Limited ("BBFS")	Financial Advisory Services	UAE	100.00%	100.00%
<b>Held through BBT</b>				
Burgan Finansal Kiralama A.S	Leasing	Turkey	47.55%	47.55%
Burgan Yatirim Menkul Degerler A.S.	Brokerage	Turkey	47.55%	47.55%
<b>Special purpose vehicle ("SPV") treated as a subsidiary</b>				
Burgan Senior S.P.C. Limited	Special purpose entity	UAE	100.00%	100.00%
<b>Held through BBFS</b>				
Burgan Asset Holding Limited	Special purpose entity	UAE	100.00%	-

#### Acquisition of United Gulf Bank B.S.C (closed)

On 18 December 2024, the Bank obtained final approval from the Central Bank of Kuwait to acquire 100% of the equity of United Gulf Bank B.S.C (closed), a licensed conventional wholesale bank based in the Kingdom of Bahrain, at a purchase price of USD 190 million. This acquisition is in line with the Bank's strategy of asset re-allocation and building new revenue streams and is expected to be completed in the first quarter of 2025.

#### 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:

Name of company	BBT 2024 KD 000's	BBT 2023 KD 000's
Accumulated balances of non-controlling interests	(24,427)	(34,110)
Profit / (loss) attributable	2,595	(177)

Summarised financial information of BBT is as follows:

	BBT 2024 KD 000's	BBT 2023 KD 000's
Assets	1,033,442	913,887
Liabilities	900,587	799,490
Profit for the year	4,948	18,527
Total comprehensive (loss) / income for the year	(692)	19,731
Summarised cash flow information		
Operating cash flows	107,585	93,425
Investing cash flows	(121,380)	(64,095)
Financing cash flows	-	-

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

### 31 December 2024

#### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

##### Financial instruments

###### Recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument using settlement date accounting.

###### Classification and measurement

###### *Initial classification and measurement of financial instruments*

The classification of financial instruments at initial recognition depends on the business model for managing the instruments and on their contractual cash flow characteristics. Financial instruments are initially measured at their fair value. Transaction costs are added to, or subtracted from this amount, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

###### *Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, 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 realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

###### *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 of its financial assets as either:

- Financial asset carried at amortised cost;
- Financial asset at fair value through other comprehensive income ("FVOCI");
- Financial asset at fair value through profit or loss ("FVTPL").

###### *Financial asset carried at amortised cost*

A financial asset is carried at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses, impairment and gain or loss on derecognition is recognised in the consolidated statement of income.

Cash and cash equivalents, treasury bills and bonds with CBK and others, due from banks and other financial institutions, loans and advances to customers, certain investment securities and certain other assets are classified as financial asset carried at amortised cost.

###### *Financial asset at fair value through other comprehensive income*

###### **a) Debt instruments carried at FVOCI:**

A debt instrument is carried at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objectives are both to hold asset to collect contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments carried at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and gain or loss on derecognition is recognised 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 recognised in OCI and is not recycled to consolidated statement of income on derecognition. Dividend income on equity instruments carried at FVOCI is recognised 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 amortised 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, taking into account 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.

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

### 31 December 2024

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 amortised 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, other borrowed funds and certain other liabilities are classified as financial liabilities carried at amortised cost.

#### **Financial guarantees and loan commitments**

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised at fair value being the premium received. Subsequent to 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. Similar to 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 into 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 of 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 or not to derecognise a credit facility, amongst others, the Group considers the following factors.

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; or
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at original effective interest rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### **Interest rate benchmark reform**

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result 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 consists 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.

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

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

#### Stage 1: 12-month ECL

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

#### Stage 2: Lifetime ECL – not credit impaired

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

#### Stage 3: Lifetime ECL – credit impaired

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

#### Staging of credit facilities

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

Except for consumer and instalment credit facilities, transfer of credit facility from Stage 2 to Stage 1 is made after a curing period of 12 months from the satisfaction of all conditions that triggered classification of the credit facility to Stage 2. In addition, the Group also complies with the CBK guidelines with respect to transfer.

#### Definition of default

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

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

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

#### Measurement of ECL

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

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including expected drawdowns on committed facilities, repayments of principal and interest, whether scheduled by contract or otherwise. In addition, the Group also complies with the CBK guidelines with respect to application of credit conversion factors.

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

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

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 in excess of 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.

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 taken directly to the consolidated statement of income.

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

### 31 December 2024

#### Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or a foreign currency risk in an unrecognised firm commitment.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item, as well as, its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows attributable to the hedge risk.

The Group discontinues hedge accounting when the following criteria are met:

- it is determined that the hedging instrument is not, or has ceased to be, highly effective as a hedge;
- the hedging instrument expires, or is sold, terminated, or exercised;
- the hedged item matures or is sold or repaid; or
- a forecast transaction is no longer deemed highly probable.

#### Fair value hedges

The changes in fair value of the hedging instrument that qualify and is designated as fair value hedge is recorded in the consolidated statement of income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge accounting is discontinued, the fair value adjustment to the hedged item is amortised to the consolidated statement of income over the period to maturity of the previously designated hedge relationship using the effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of income.

#### Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in OCI and transferred to the consolidated statement of income in the periods when the hedged transaction affects consolidated statement of income. Any ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately transferred to the consolidated statement of income.

#### Hedge of net investment in a foreign operation

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated 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, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels of the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of 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.

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

### 31 December 2024

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.

#### 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 capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

#### Intangible assets

Intangible assets represent separately identifiable non-monetary assets without physical substance. Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life, as mentioned below, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life is reviewed at least at each reporting date. Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income under "other expenses" consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful economic lives as follows:

Banking license 20 to 25 years

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 as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. Under this method, the acquirer recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date.

The identifiable assets acquired and the liabilities assumed at the acquisition date are measured at fair values. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the period in which they are incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income. It is then considered in the determination of goodwill.

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Goodwill arising in a business combination is recognised as of the acquisition date as the excess of :

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree measured at fair value or at the non-controlling interest's proportionate share of the acquiree's;
- identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their fair values.

If the aggregate consideration transferred is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

Goodwill is allocated to each of the Group's cash-generating units or for groups of cash-generating units and is tested annually for impairment and is assessed regularly whether there is any indication of impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates.

The recoverable value is the higher of the fair value less costs to sell and its value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in the subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

#### End of service benefits

Provision is made under the Kuwait Labour Law, employee contracts and respective applicable laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee and is a reliable approximation of the obligation as at the reporting date. The Group also makes contributions to state plans and the obligation is limited to the contributions made.

#### Treasury shares

The Bank's holding in its own shares is stated at acquisition cost and is recognised in shareholders' equity. Treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable.

Any realised losses are recognised in the same account to the extent of the credit balance on that account. Any excess losses are recognised in retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. These shares are not entitled to any cash dividend that the Bank may propose. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control, changes in fair value of cash flow hedges, hedge of net investments in foreign operations and other comprehensive income from disposal group held for sale.

#### Revenue recognition

##### Interest and similar income and expense

Interest income and expense are recognised in the consolidated statement of income for all financial instruments measured at amortised cost, interest bearing assets classified as FVOCI and financial instruments designated at FVTPL using effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, a shorter period, when appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees and charges paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses.

Once a financial instrument is impaired, interest is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

When the Group enters into 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 of time 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 recognised 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 recognised directly in OCI, foreign exchange differences are recognised directly in OCI and for non-monetary assets whose change in fair value are recognised directly in the consolidated statement of income, foreign exchange differences are recognised 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 recognised in OCI relating to that particular subsidiary is recognised in the consolidated statement of income.

Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the respective subsidiaries and translated at the rate of exchange ruling on the reporting date.

#### Taxation

##### National Labour Support Tax (NLST)

The Bank calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

##### Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

The Bank calculates the contribution to KFAS at 1% of the profit in accordance with the calculation based on the Foundation's Board of Directors' resolution.

##### Zakat

Contribution to Zakat is calculated at 1% of the profit of the Bank in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

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

### 31 December 2024

#### Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of 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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

#### Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly, are not included in the consolidated statement of financial position.

#### 2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective. These are assessed not to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 21 : Lack of Exchangeability;
- IFRS 18 : Presentation and Disclosures in Financial Statements;
- IFRS 19 : Subsidiaries without Public Accountability: Disclosures;
- Amendments to IFRS 10 and IAS 28 : Sale or contribution of Assets between an Investor and its Associate or Joint venture; and
- Amendments to IFRS 9 and IFRS 7 : Amendments to the Classification and Measurement of Financial Instruments.

#### 2.6 SIGNIFICANT MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as, the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

##### Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

##### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The following are the critical judgments in the application of IFRS 16, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised; and
- classification of lease arrangements (when the entity is a lessor).

##### Hedge of net investment in foreign operations

Management exercises judgement to determine the amount of net assets of the subsidiary to be hedged (also called as hedge ratio) based on the future expected changes in the functional currency exchange rate movements of the subsidiary, hedge cost and forward exchange rate and its impact on the Group's net assets.

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

### 31 December 2024

#### 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 also 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 2,684.55 as at 31 December 2024 (31 December 2023: 1859.38). 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 is KD 24,080 thousand (31 December 2023: KD 32,094 thousand).

## 2.8 INTEREST RATE BENCHMARK REFORM - PHASE 2

#### Financial assets and liabilities

A significant majority of the Group's exposure to IBOR linked financial assets and liabilities, mainly through USD LIBOR, have been transitioned to new "Risk-Free Rates" (RFRs). Some of the remaining contracts, are in the process of discussion and negotiation with counterparties/customers to complete transition before their next repricing date while others continue using 'synthetic' Libor benchmark rates published by ICE Benchmark Administration.

#### Derivatives held for hedging purposes

The Group has completed the transition of all USD and non-USD linked derivatives as per ISDA Fallbacks Protocol.

## 3. CASH AND CASH EQUIVALENTS

	2024 KD 000s	2023 KD 000s
Cash on hand and in current account with banks and OFIs	289,727	295,566
Balances with the CBK	470,500	252,243
Due from banks and OFIs with original maturity within thirty days	292,868	322,559
	1,053,095	870,368
Expected credit losses	(24)	(36)
Cash and cash equivalents	1,053,071	870,332

## 4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 KD 000s	2023 KD 000s
Loans and advances		
Banks	72,320	44,342
Other financial institutions (OFIs)	290,784	208,121
	363,104	252,463
Deposits with banks	495,525	427,651
Gross due from banks and OFIs	858,629	680,114
Provision (Note 5)	(23,521)	(23,531)
Expected credit losses	(63)	(51)
	835,045	656,532

## 5. LOANS AND ADVANCES TO CUSTOMERS

#### a) Balances

	2024 KD 000s	2023 KD 000s
Corporate	4,003,690	3,896,134
Retail	592,745	523,534
Gross loans and advances to customers	4,596,435	4,419,668
Provision	(125,032)	(182,726)
	4,471,403	4,236,942

#### b) Provisions

	Banks and OFIs KD 000s	Corporate KD 000s	Retail KD 000s	Total KD 000s
At 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
At 31 December 2024	23,918	129,320	20,420	173,658
	Banks and OFIs KD 000s	Corporate KD 000s	Retail KD 000s	Total KD 000s
At 1 January 2023	25,902	163,798	15,857	205,557
Exchange adjustment	-	4,196	(8)	4,188
Amounts written off	(12,756)	(10,725)	(2,487)	(25,968)
Charged to consolidated statement of income	10,842	35,547	1,429	47,818
At 31 December 2023	23,988	192,816	14,791	231,595

The provision includes KD 25,105 thousand (2023: KD 25,338 thousand), being provision for non-cash facilities reported under other liabilities (Note 10), of which KD 397 thousand (2023: KD 457 thousand) relates to due from Banks and OFIs.

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

### 31 December 2024

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 in excess of 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. Interest income on impaired loans and advances is immaterial.

The breakup of specific and general provision is as follows:

	2024 KD 000s	2023 KD 000s
General provision	149,283	206,857
Specific provision	24,375	24,738
	<b>173,658</b>	<b>231,595</b>

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:

2024	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
High	1,191,573	13,442	-	1,205,015
Standard	3,103,767	404,866	-	3,508,633
Past due or impaired	20,866	134,776	90,249	245,891
Loans and advances to banks, OFIs and customers	4,316,206	553,084	90,249	4,959,539
Contingent liabilities*	2,559,695	114,594	15,715	2,690,004
ECL allowance for credit facilities	17,753	37,992	53,155	108,900

2023	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
High	901,078	22,544	-	923,622
Standard	2,971,018	456,803	-	3,427,821
Past due or impaired	32,719	187,211	100,758	320,688
Loans and advances to banks, OFIs and customers	3,904,815	666,558	100,758	4,672,131
Contingent liabilities*	2,368,084	181,354	15,295	2,564,733
ECL allowance for credit facilities	24,174	43,286	51,799	119,259

\*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 2024, were 40% to the Base Case, 30% to Downside and 30% to the Upside Case (2023: 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:

2024	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
ECL allowance as at 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>At 31 December 2024</b>	<b>17,753</b>	<b>37,992</b>	<b>53,155</b>	<b>108,900</b>

2023	Stage 1 KD 000s	Stage 2 KD 000s	Stage 3 KD 000s	Total KD 000s
ECL allowance as at 1 January 2023	25,176	58,054	54,159	137,389
ECL movement for the year	(594)	(8,786)	27,609	18,229
Amounts written off	-	-	(25,968)	(25,968)
Foreign exchange adjustments	(408)	(5,982)	(4,001)	(10,391)
<b>At 31 December 2023</b>	<b>24,174</b>	<b>43,286</b>	<b>51,799</b>	<b>119,259</b>

## 6. INVESTMENT SECURITIES

2024	FVOCI KD 000s	FVTPL KD 000s	Amortised cost KD 000s	Associate KD 000s	Total KD 000s
Debt securities	396,046	16,975	218,577	-	631,598
Equity securities	112,508	2,936	-	4,968	120,412
Managed funds	-	73,932	-	-	73,932
Less: Expected credit losses	-	-	(703)	-	(703)
	<b>508,554</b>	<b>93,843</b>	<b>217,874</b>	<b>4,968</b>	<b>825,239</b>

2023	FVOCI KD 000s	FVTPL KD 000s	Amortised cost KD 000s	Associate KD 000s	Total KD 000s
Debt securities	312,543	8,977	202,204	-	523,724
Equity securities	126,313	2,844	-	4,722	133,879
Managed funds	-	75,888	-	-	75,888
Less: Expected credit losses	-	-	(1,286)	-	(1,286)
	<b>438,856</b>	<b>87,709</b>	<b>200,918</b>	<b>4,722</b>	<b>732,205</b>

ECL allowance for investment in debt securities carried at fair value through other comprehensive income as at 31 December 2024 amounted to KD 76 thousand (31 December 2023: KD 101 thousand).

## 7. OTHER ASSETS

	2024 KD 000s	2023 KD 000s
Accrued interest receivable	154,728	147,427
Prepaid expenses	5,223	3,453
Assets pending sale*	187,037	153,061
Deferred tax assets	6,987	4,470
Taxation paid in advance	2,831	3,999
Sundry debtors	6,829	8,884
Other balances	80,058	51,011
Less: Expected credit losses	(199)	(191)
	<b>443,494</b>	<b>372,114</b>

\* The fair value of real estate assets included in assets pending sale is determined based on valuations conducted by accredited independent valuers using the market comparable method. A 5% change in the relevant risk variables used to determine the fair value would not result in a material impact on the consolidated statement of income

## 8. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill KD 000s	Other intangible assets KD 000s	Total KD 000s
<b>Cost</b>			
At 1 January 2024	8,257	41,971	50,228
Exchange adjustment	(6)	771	765
<b>At 31 December 2024</b>	<b>8,251</b>	<b>42,742</b>	<b>50,993</b>
<b>Accumulated amortisation</b>			
At 1 January 2024	-	(33,490)	(33,490)
Charge for the year	-	(1,368)	(1,368)
<b>At 31 December 2024</b>	<b>-</b>	<b>(34,858)</b>	<b>(34,858)</b>
<b>Net book value</b>			
<b>At 31 December 2024</b>	<b>8,251</b>	<b>7,884</b>	<b>16,135</b>
At 31 December 2023	8,257	8,481	16,738

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

### 31 December 2024

The carrying amounts of goodwill and other intangible assets allocated to each CGU are as follows:

	Goodwill KD 000s	Other intangible assets	Total KD 000s
		Banking license KD 000s	
AGB	2,953	4,563	7,516
TIB	5,298	3,321	8,619
<b>At 31 December 2024</b>	<b>8,251</b>	<b>7,884</b>	<b>16,135</b>
<hr/>			
	Goodwill KD 000s	Other intangible assets	Total KD 000s
		Banking license KD 000s	
AGB	2,982	4,605	7,587
TIB	5,275	3,876	9,151
At 31 December 2023	8,257	8,481	16,738

### 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 years period and a relevant terminal growth rate of 5% (2023: 5%). These cash flows were then discounted using a pre-tax discount rate of 20% to 35% (2023: 23% to 35%) to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The recoverable amounts are either higher or approximates the carrying value of goodwill. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that goodwill is impaired considering the level of judgments and estimations used.

### 9. OTHER BORROWED FUNDS

	Effective interest rate	2024 KD 000s	2023 KD 000s
Subordinated bonds – 2031*	2.750%	153,745	152,919
Medium term borrowing – unsecured (2025 - 2026)	SOFR + (1.00% - 1.05%)	245,796	397,042
		<b>399,541</b>	549,961

\* 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 there after, subject to certain conditions being satisfied and the prior approval of the CBK.

Movement in other borrowed funds included in the consolidated statements of cash flows under financing activities includes KD 1,492 thousand (2023: KD 982 thousand) arising from foreign currency translation.

### 10. OTHER LIABILITIES

	2024 KD 000s	2023 KD 000s
Accrued interest payable	75,575	69,772
Staff benefits	21,159	20,456
Provision for non-cash credit facilities (Note 5)	25,105	25,338
Clearing cheques and balances	33,666	33,362
Income received in advance	16,903	16,432
Other payable and accruals	48,885	50,949
Deferred tax liabilities	14,775	11,073
Taxation payable*	26,655	21,316
Other balances	7,090	24,147
	<b>269,813</b>	272,845

\*Taxation payable includes an amount of KD 399 thousand (2023: KD 420 thousand) relating to KFAS payable.

### 11. EQUITY AND RESERVES

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

	2024	2023
Authorised share capital (shares of 100 fils each)	4,000,000,000	4,000,000,000
Issued and fully paid up capital (shares of 100 fils each)	3,624,813,281	3,452,203,125

b) On 30 March 2024, the Annual General Assembly approved the distribution of cash dividend of 6 fils per share (2022: 8 fils) and bonus shares of 5% (2022: 5%) for the year ended 31 December 2023.

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 shareholders of the Bank before Board of Directors remuneration, NLST, contribution to 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, contribution to 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

	2024	2023
Number of shares held	5,588,691	5,316,343
Percentage of shares held	0.15%	0.15%
Cost KD 000's	1,742	1,742
Market value KD 000's	984	893
Weighted average market value per share (fils)	186	197

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 share premium, statutory reserve, voluntary reserve and retained earnings throughout the holding period of these treasury shares.

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

### 31 December 2024

f) Other reserves attributable to the shareholders of the Bank:

	31 December 2024					
	Treasury shares reserve KD 000s	Fair value reserve KD 000s	Foreign currency translation reserve KD 000s	Hedge of net investment in foreign operations KD 000s	Cash flow hedge reserve KD 000s	Total KD 000s
At 1 January 2024	43,135	(107,360)	(151,365)	18,711	10,938	(185,941)
Other comprehensive loss for the year	-	(7,601)	(8,466)	(2,506)	(3,152)	(21,725)
Total comprehensive loss for the year	-	(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>

	31 December 2023							
	Treasury shares reserve KD 000s	Fair value reserve KD 000s	Foreign currency translation reserve KD 000s	Hedge of net investment in foreign operations KD 000s	Cash flow hedge reserve KD 000s	Changes in ownership in subsidiaries KD 000s	Reserve of disposal group held for sale KD 000s	Total KD 000s
At 1 January 2023	43,135	(105,846)	(242,624)	24,956	18,889	(1,478)	(6,153)	(269,121)
Other comprehensive (loss) / income for the year	-	(4,333)	(33,591)	14,522	4,127	-	6,153	(13,122)
Total comprehensive (loss) / income for the year	-	(4,333)	(33,591)	14,522	4,127	-	6,153	(13,122)
Net transfer to retained earnings for derecognition of equity investments at FVOCI	-	735	-	-	-	-	-	735
Transfer to retained earnings	-	-	-	-	-	1,478	-	1,478
Change in ownership interest in a subsidiary	-	2,084	124,850	(20,767)	(12,078)	-	-	94,089
<b>At 31 December 2023</b>	<b>43,135</b>	<b>(107,360)</b>	<b>(151,365)</b>	<b>18,711</b>	<b>10,938</b>	<b>-</b>	<b>-</b>	<b>(185,941)</b>

g) Proposed dividend

The Board of Directors has recommended distributing cash dividend of 6 fils per share (2023: 6 fils) and bonus shares of 5% (2023: 5%) for the financial year ended 31 December 2024. Subject to approval at the annual general meeting ("AGM") of the shareholders, the cash dividend and bonus shares shall be payable to shareholders registered in the Bank's records as of the AGM date.

h) Perpetual Tier 1 Capital Securities

On 9 May 2024, the Bank issued Perpetual Tier 1 Capital Securities (the "Tier 1 securities"), amounting to KD 150,000 thousand in two tranches composed of:

- Fixed rate securities of KD 75,000 thousand with a coupon of 7.25% per annum for the first five years after the date of the issuance, and for the subsequent period, sum of the Reset rate plus 3.00% per annum, payable quarterly in arrears with interest payments starting three months from the issuance date of the securities, and
- Floating rate securities of KD 75,000 thousand with a floating rate coupon determined quarterly on the interest determination date of 3.25% over the 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 July 2024 (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.

This issuance was part of a wider financing exercise and was undertaken in conjunction with a tender offer on the Bank's existing USD 500,000 thousand Perpetual Tier 1 Capital Securities, where Bank gave an irrevocable notice to the security holders of the outstanding amount of the Perpetual Tier 1 Capital Securities, which were initially issued on 9 July 2019, that it will redeem all of outstanding amount of these Capital Securities at their principal amount together with accrued interest on their First Call Date of 9 July 2024 ("Redemption Date") and accordingly these securities had been classified under "Other borrowed funds" and paid during the period together with interest accrued on the redemption date.

## 12. INTEREST INCOME

	2024 KD 000s	2023 KD 000s
Loans and advances to customers	365,078	288,628
Due from banks and other financial institutions	167,356	101,993
Treasury bills and bonds	17,709	14,703
Investment securities	60,170	42,985
	<b>610,313</b>	<b>448,309</b>

## 13. INTEREST EXPENSE

	2024 KD 000s	2023 KD 000s
Deposits from customers	275,484	207,358
Due to banks	118,716	55,424
Due to other financial institutions	31,673	10,226
Other borrowed funds	27,051	40,438
	<b>452,924</b>	<b>313,446</b>

## 14. NET INVESTMENT INCOME

	2024 KD 000s	2023 KD 000s
Net gain on financial assets at FVTPL	6,629	4,593
Net gain from financial assets at FVOCI	1,345	2,992
Share of result from associates	246	165
	<b>8,220</b>	<b>7,750</b>

## 15. TAXATION

	2024 KD 000s	2023 KD 000s
NLST	1,345	1,428
Contribution to KFAS	399	420
Zakat	608	746
Taxation on overseas subsidiaries (refer below for breakup)	15,488	19,933
	<b>17,840</b>	<b>22,527</b>

Components of taxation arising from overseas subsidiaries are as follows:

	2024 KD 000s	2023 KD 000s
Current tax	7,605	12,123
Deferred tax	7,883	7,810
	<b>15,488</b>	<b>19,933</b>

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

### 31 December 2024

The tax rate applicable to the taxable subsidiary companies is in the range of 9% to 39% (2023: 26% to 35%) whereas the effective income tax rate for the year ended 31 December 2024 is in the range of 27% to 50% (2023: 27% to 43%). For the purpose of 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) 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 Group expects to be liable for the Global Minimum Tax under Pillar 2 of the BEPS regulations starting from the year 2025.

On 30 December 2024, the State of Kuwait enacted Law No. 157 of 2024 (the "Law"), introducing a Domestic Minimum Top-Up Tax (DMTT) effective from 2025. Under the Law, a top-up tax will be levied on taxable income at a rate equal to the difference between 15% and the entity's effective tax rate within Kuwait.

The Group continues assessing the impact of the Law on its current effective tax rate, and it will be given effect in the books of accounts in 2025.

## 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:

	2024 KD 000s	2023 KD 000s
Profit for the year attributable to equity holders of the Bank	46,437	43,547
Less: Interest payment and other movements on Tier 1 capital securities	(9,216)	(9,060)
Profit for the year attributable to equity holders of the Bank after interest and other movements on Tier 1 capital securities	37,221	34,487
	Shares	Shares
Weighted average number of outstanding shares, net of treasury shares	3,619,224,590	3,619,224,590
Basic and diluted earnings per share (fils)	10.3	9.5

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

## 17. SEGMENT INFORMATION

For management purposes, the Group organises its operations by geographic territory in the first instance, primarily Domestic and International. All operations outside Kuwait are classified as International. Within its domestic operations, the Group is organised into the following business segments:

- **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, FI and Investment banking:** includes treasury activities, investment services and management, and banking with Financial Institutions (FI). It also provides products and services to banks/FIs including money markets, lending, deposits, foreign exchange and others.
- **Central office:** includes liquidity and funding management, any residual in respect of transfer pricing and other unallocated activities.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result after provisions which in certain respects are measured differently from operating profit or loss in the consolidated financial statements.

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

31 December 2024	Kuwait Operations				International Operations	Unallocated/ Intragroup Transactions	Group
	Corporate and consumer banking KD 000s	Treasury, FI and investment banking KD 000s	Central office KD 000s	Total KD 000s	KD 000s	KD 000s	Total KD 000s
Net interest income	86,134	4,893	(12,615)	78,412	78,977	-	157,389
Segment operating results	105,735	11,021	(11,843)	104,913	124,129	-	229,042
Profit (loss) for the year	50,761	3,885	(22,282)	32,364	17,809	445	50,618
Total assets	3,913,291	1,408,699	1,004,403	6,326,393	2,025,212	(193,119)	8,158,486
Total liabilities	2,808,412	919,124	1,867,172	5,594,708	1,728,913	(184,993)	7,138,628

31 December 2023	Kuwait Operations				International Operations	Unallocated/ Intragroup Transactions	Group
	Corporate and consumer banking KD 000s	Treasury, FI and investment banking KD 000s	Central office KD 000s	Total KD 000s	KD 000s	KD 000s	Total KD 000s
Net interest income	94,640	(4,622)	(13,480)	76,538	58,325	-	134,863
Segment operating results	111,001	(2,222)	(13,657)	95,122	122,814	3,802	221,738
Profit (loss) for the year	39,026	(10,645)	(13,723)	14,658	26,803	3,634	45,095
Total assets	3,588,896	1,588,811	657,909	5,835,616	1,839,928	(249,413)	7,426,131
Total liabilities	2,858,715	1,034,763	1,199,806	5,093,284	1,572,099	(240,156)	6,425,227

## 18. TRANSACTIONS WITH RELATED PARTIES

The Group has entered into transactions with certain related parties (Parent Company, 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 represent 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 the Central Bank of Kuwait. The outstanding balances and transactions are as follows:

	Parent Company KD 000s	Others KD 000s	2024 KD 000s	2023 KD 000s
<b>Consolidated Statement of Financial Position</b>				
Due from banks and OFIs*	-	177,487	177,487	178,364
Loans and advances to customers*	-	873,198	873,198	1,022,043
Investment securities	10,779	71,143	81,922	93,780
Investment securities managed by a related party	-	73,713	73,713	75,619
Other assets	-	7,966	7,966	6,788
Due to banks	-	6,644	6,644	8,614
Due to other financial institutions	-	3,645	3,645	2,507
Deposits from customers	84,028	80,881	164,909	184,212
<b>Commitments and contingent liabilities</b>				
Letters of credit	-	2,566	2,566	13,238
Letters of guarantee	-	48,182	48,182	44,872
Undrawn lines of credit	-	42,721	42,721	29,293
Other commitments	-	15,137	15,137	12,933

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

### 31 December 2024

	Parent Company KD 000s	Others KD 000s	2024 KD 000s	2023 KD 000s
<b>Transactions</b>				
Interest income	40	60,145	60,185	63,396
Interest expense	(4,444)	(2,814)	(7,258)	(5,194)
Fee and commission income	3	937	940	912
Fee and commission expenses	-	(579)	(579)	(584)
Dividend income	-	65	65	131
Other expense	-	(4,207)	(4,207)	(9,515)
<b>Other transactions during the year</b>				
Purchase of property and equipment	-	30	30	11
Partial sale of a subsidiary	-	-	-	57,830
Loss on partial sale of a subsidiary	-	-	-	(3,260)
Tier 1 capital securities issuance cost	-	(1,000)	(1,000)	-

\* As of 31 December 2024, the fair value of the total eligible collateral to the extent of the outstanding balances amounted to KD 510,200 thousand (2023: KD 556,740 thousand).

	No. of Board members or executive staff	2024 KD 000s	2023 KD 000s
<b>Board members</b>			
Loans and advances to customers	4	581	1,208
Deposits from customers	7	3,374	3,190
<b>Executive staff</b>			
Loans and advances to customers	21	1,573	1,610
Deposits from customers	41	2,451	2,027

### 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 Chief Executive Officer and other Senior Officers), was as follows:

	2024 KD 000s	2023 KD 000s
Short term employee benefits – including salary and bonus	5,743	4,889
Accrual for end of service indemnity	927	1,511
Accrual for cost of long term incentive rights	891	436
Accrual for committee services	290	440
	<b>7,851</b>	<b>7,276</b>

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

	2024 KD 000s	2023 KD 000s
Acceptances	41,672	47,007
Letters of credit	286,055	273,904
Letters of guarantee	962,542	930,096
	<b>1,290,269</b>	<b>1,251,007</b>

Irrecoverable commitments to extend credit amount to KD 531,687 thousand (2023: KD 547,394 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 into 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 15,137 thousand (2023: KD 12,933 thousand).

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. The Group offers its clients derivatives products that are traded in the financial markets in order to service their risk management needs to hedge currency and interest rate exposures. The Group also uses derivatives for economic hedging purpose to manage its own assets and liabilities as well as to hedge certain risk exposures such as variation in future cash flows attributable to a recognised asset or liability (cash flow hedge), or hedges of net investment in foreign operation. For those derivative contracts that are designated as a hedging instrument, hedge accounting is used provided certain criteria are met.

Derivatives are initially recognised and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of the transactions the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under the Group's hedge accounting policies, are presented as derivatives held for trading (non-qualifying hedges).

### Derivatives held for hedging

#### Hedge of net investment in foreign operations

The Bank entered into forward foreign exchange contracts between TRY and USD, which has been designated as a hedge of the Bank's net investment in its Turkish subsidiary. This transaction has created a net long position in USD. Gains or losses on the retranslation of the aforesaid contracts are recorded in equity to offset any gains or losses on translation of the net investments in the Turkish subsidiary. Hedge ineffectiveness only arises to the extent the hedging instruments exceeds in nominal terms, the risk exposure from the foreign operations. No ineffectiveness from hedges of net investments in foreign operations was recognised in the consolidated statement of income during the year (2023: Nil).

#### Cash flow hedges

One of the subsidiary of the Group applies cash flow hedge accounting using interest rate swaps to hedge its foreign currency deposits with an average maturity upto 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 (2023: Nil).

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

### 31 December 2024

#### 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 into positions with an opposite risk profile with other counter parties or by other risk mitigating transactions.

#### Types of derivative contracts

##### Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

##### Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with OFIs in which the Group either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

##### Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

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.

2024	Notional amount				
	Positive fair value KD 000s	Negative fair value KD 000s	Within 1 year KD 000s	Over 1 year KD 000s	Total KD 000s
<b>Derivatives held for trading: (non-qualifying hedges)</b>					
Forward swaps / foreign exchange contracts	9,863	(14,971)	1,042,523	9,248	1,051,771
Interest rate swaps	1,761	(1,444)	16,603	15,564	32,167
Options	390	(195)	50,591	-	50,591
	12,014	(16,610)	1,109,717	24,812	1,134,529
<b>Derivatives held for hedging: (Cash flow hedges)</b>					
Interest rate swaps	9,422	(4,443)	32,803	99,828	132,631
	9,422	(4,443)	32,803	99,828	132,631

2023	Notional amount				
	Positive fair value KD 000s	Negative fair value KD 000s	Within 1 year KD 000s	Over 1 year KD 000s	Total KD 000s
<i>Derivatives held for trading: (non-qualifying hedges)</i>					
Forward swaps / foreign exchange contracts	13,901	(11,057)	1,085,672	89,579	1,175,251
Interest rate swaps	1,446	(1,303)	24,630	2,731	27,361
Options	96	(83)	15,769	-	15,769
	15,443	(12,443)	1,126,071	92,310	1,218,381
<i>Derivatives held for hedging:</i>					
<i>Hedge of net investment in foreign operations:</i>					
Forward swaps / foreign exchange contracts	145	(40)	34,407	-	34,407
<i>Cash flow hedges:</i>					
Interest rate swaps	28,570	(2,477)	40,824	164,806	205,630
	28,715	(2,517)	75,231	164,806	240,037

Hedging instruments are used to hedge interest rate risk pertaining to hedged items). During the 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. Hedged item for interest rate risk includes a portion of customer deposits and long-term borrowings denominated in foreign currency in a subsidiary having a carrying value of KD 132,631 thousand (2023: KD 205,632 thousand). All hedges were determined to be effective as at the year end.

## 21. FAIR VALUE MEASUREMENT

Fair value of all 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. The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

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. Given the diverse nature of these investments, it is not practical to disclose a range of significant unobservable inputs.

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%.

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

### 31 December 2024

Fair value measurement hierarchy for financial assets and financial liabilities that are carried at fair value is as follows:

	2024				2023			
	Level 1 KD 000s	Level 2 KD 000s	Level 3 KD 000s	Total KD 000s	Level 1 KD 000s	Level 2 KD 000s	Level 3 KD 000s	Total KD 000s
Financial assets:								
Equity securities	54,938	-	60,506	115,444	63,847	-	65,310	129,157
Debt securities	413,021	-	-	413,021	321,520	-	-	321,520
Managed funds	-	-	73,932	73,932	-	-	75,888	75,888
Derivative financial instruments	-	21,436	-	21,436	-	44,158	-	44,158
Financial liabilities:								
Derivative financial instruments	-	21,053	-	21,053	-	14,960	-	14,960

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 (2023: Stage 1). The Central Bank of Kuwait bonds and Kuwait Government treasury bonds are not subject to expected credit losses.

Movement in level 3 of investment securities is summarized as below:

	2024 KD 000s	2023 KD 000s
Opening balance as at 1 January	141,198	152,858
Net addition (disposal)	(4,814)	(2,523)
Change in fair value	(1,946)	(9,137)
<b>Closing balance as at 31 December</b>	<b>134,438</b>	<b>141,198</b>

## 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 into 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:

- Credit risk which includes default risk of clients and counterparties.
- Market risk which includes interest rate, foreign exchange and equity price risks; and
- Liquidity risk.

#### Other risks

- Operational risk which includes risks due to operational failures.

## A. CREDIT RISK

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and are subject to regular review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board or each subsidiary.

The exposure to any one borrower, including Banks and OFIs is further restricted by sub limits covering items on the consolidated statement of financial position and commitments and contingent liabilities exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. The Group has a well-documented credit policy that complies with the CBK regulations and defines the appetite of the Group for assumption of risks in its various business groups.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit risk arising from derivative financial instruments is limited to those with positive fair values, recorded in the consolidated statement of financial position.

#### Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants;
- borrower having past due liabilities to public creditors or employees; and
- borrower is deceased.

The Group considers a financial asset to be no longer in default and therefore reclassified out of stage 3, when it no longer meets any of the default criteria. Transfer from Stage 3 to Stage 2/Stage 1 requires a notification to be sent to the Regulator with the proper justification.

#### Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or lifetime ECL, the Group assesses as to whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that are 30 days past due are generally deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk unless this is rebutted.

Any stressed credit facility that has been restructured would also be classified in stage 2 unless it qualifies for stage 3 classification. The Group considers a financial asset as 'cured' (i.e., in a lowered distressed state) and therefore reclassified out of stage 2 when it no longer meets the criteria for inclusion in Stage 2. According to the regulatory requirements, for facilities (except for retail facilities) classified under Stage 2, these would require completing a minimum of 1 year, post recovery, of meeting the scheduled payments, to be classified in Stage 1. Transfer from Stage 2 to Stage 1 requires a notification to be sent to the Regulator with the proper justification.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

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

### 31 December 2024

#### Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the-cycle (TIC) PDs are generated from the rating tool based on the internal/external credit ratings. The Group converts the TIC PDs to point-in-time (PIT) PD term structures using appropriate models and techniques.

#### Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. With regard to credit cards portfolio, credit conversion factors are applied to estimate the future drawdowns.

#### Loss-given-default

Loss-given-default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD for secured credit facilities based on regulatory haircuts on eligible collaterals while the LGD for senior and subordinated unsecured credit facilities is based on regulatory LGD.

#### Incorporation of forward-looking information

The Group considers various key economic variables which reflect the continuing uncertainties and other emerging risks, which may be expected to have an impact on credit risk and the ECL, when incorporating forward-looking information into the ECL models. The Key economic variables provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models which incorporate the effect of macro-economic factors to adjust the historical TTC PDs to arrive at the PIT PDs. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions, on a regular basis.

#### 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.

	2024 KD 000s	2023 KD 000s
Cash and cash equivalents	972,431	795,860
Treasury bills and bonds with CBK and others	315,393	364,286
Due from banks and other financial institutions	835,045	656,532
Loans and advances to customers	4,471,403	4,236,942
Investments securities – debt securities	630,895	522,438
Other assets*	241,416	207,131
<b>Total</b>	<b>7,466,583</b>	<b>6,783,189</b>
Commitments and contingent liabilities (note 19)	1,837,093	1,811,334
Maximum credit risk exposure before consideration of credit risk mitigation	9,303,676	8,594,523

\*Other assets include accrued interest receivable, sundry debtors and other debt balances, net of ECL as shown in note 7.

The exposures set above, are based on net carrying amounts as reported in the consolidated statement of financial position, except for commitments and contingent liabilities.

#### Collateral and credit risk mitigation techniques

The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collaterals accepted include real estate and marketable securities. The revaluation and custody of collaterals are performed independent of the business units.

The main credit risk mitigation techniques applied by the Group are based on eligible collaterals. The Group's management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of the collateral at regular intervals in line with regulatory guidelines.

For further details regarding the Group's use of credit risk mitigation techniques, and collateral policy, refer to Basel III – Pillar 3 Disclosures under the risk management section of the Annual Report.

#### Credit risk concentration.

The top 10 largest exposures outstanding as a percentage of gross loans and advances to customers at 31 December 2024 is 26% (2023: 27%).

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:

	2024			2023		
	Financial assets KD 000s	Commitments and contingent liabilities KD 000s	Total KD 000s	Financial assets KD 000s	Commitments and contingent liabilities KD 000s	Total KD 000s
Kuwait	4,370,521	1,376,269	5,746,790	4,183,157	1,391,787	5,574,944
Algeria	744,498	170,327	914,825	665,675	181,401	847,076
Tunisia	27,219	425	27,644	33,124	465	33,589
Turkey	927,609	202,865	1,130,474	821,403	168,478	989,881
Other Middle East	852,629	49,107	901,736	707,353	41,195	748,548
Europe	186,787	10,635	197,422	167,173	11,587	178,760
Rest of the world	357,320	27,465	384,785	205,304	16,421	221,725
	<b>7,466,583</b>	<b>1,837,093</b>	<b>9,303,676</b>	<b>6,783,189</b>	<b>1,811,334</b>	<b>8,594,523</b>

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:

Industry sector	2024 KD 000s	2023 KD 000s
	Sovereign	1,442,550
Banking	1,118,438	955,245
Investment	410,288	296,781
Trade and commerce	658,008	684,474
Real estate	1,004,915	1,118,601
Personal	2,014,883	1,926,606
Manufacturing	700,149	703,550
Construction	745,607	665,194
Other services	1,208,838	956,363
	<b>9,303,676</b>	<b>8,594,523</b>

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

### 31 December 2024

#### Credit quality per class of financial assets

The Bank has a comprehensive credit policy encompassing evaluation of the customer's credit request, assessment of the purpose of request, business of the client, market, management, financials, ratings, conduct of the account and such other means to establish the credit worthiness of the counterparty and accordingly the credit exposures are classified as "High" or "Standard" based on inherent credit quality of the counterparties. Credit exposures classified as "High" quality are those where the ultimate risk of finance loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to counterparties with financial condition, risk indicators and capacity to repay which are considered excellent. Credit exposures classified as "Standard" quality comprise all other facilities whose payment performance is compliant with the contractual conditions. The credit quality per class of financial assets for comparative period has been reclassified to conform the presentation of current year classification.

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

	2024				
	Rated		Past due but not impaired* KD 000s	Impaired financial assets* KD 000s	Total KD 000s
	High KD 000s	Standard KD 000s			
Sovereigns	940,871	100,229	-	-	1,041,100
Banks and OFIs	740,820	331,889	-	9,060	1,081,769
Corporates	1,045,250	2,657,258	133,301	61,701	3,897,510
Retail	9,256	533,325	22,341	8,971	573,893
Other credit exposures	339,481	532,830	-	-	872,311
	3,075,678	4,155,531	155,642	79,732	7,466,583

	2023				
	Rated		Past due but not impaired* KD 000s	Impaired financial assets* KD 000s	Total KD 000s
	High KD 000s	Standard KD 000s			
Sovereigns	779,746	6,766	-	-	786,512
Banks and OFIs	587,370	423,302	9,331	10,163	1,030,166
Corporates	840,171	2,631,679	194,614	64,651	3,731,115
Retail	10,115	472,483	15,985	7,244	505,827
Other credit exposures	329,337	400,232	-	-	729,569
	2,546,739	3,934,462	219,930	82,058	6,783,189

\* 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 164,914 thousand (2023: KD 111,746 thousand) and KD 70,663 thousand (2023: KD 76,001 thousand) respectively.

#### B. MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result 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 as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (treasury bills and bonds with CBK and others, due from banks and OFIs, loans and advances to customers, due to banks, due to OFIs, deposits from customers and other borrowed funds).

The table below summarises the effect on net interest income as a result of the changes in interest rate:

	2024 KD 000s	2023 KD 000s
<b>Increase in interest rate "Basis Points"</b>		
50	5,400	7,274
100	10,801	14,549
<b>Decrease in interest rate "Basis Points"</b>		
50	(5,426)	(7,274)
100	(10,826)	(14,549)

#### 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	2024		2023	
		Effect on profit KD 000s	Effect on equity KD 000s	Effect on profit KD 000s	Effect on equity KD 000s
Algerian Dinar	+5	470	5,182	511	4,724
Turkish Lira	+5	247	4,503	926	4,794
US Dollar	+5	(620)	3,094	264	3,041
Others	+5	574	-	540	-

#### Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result 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 into account the effect of any prepayment penalties.

#### C. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. To limit this risk, the Group manages assets with liquidity in mind and monitors liquidity on a daily basis.

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

### 31 December 2024

The table below shows an analysis of financial liabilities and contingent liabilities and commitments based on the remaining undiscounted contractual maturities:

2024	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
<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
	5,115,884	882,029	611,050	638,201	7,247,164
<b>Contingent liabilities and commitments</b>	678,893	269,009	418,256	470,935	1,837,093

2023	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
<b>Financial liabilities</b>					
Due to banks	659,517	41,130	3,452	-	704,099
Due to other financial institutions	318,774	41,353	81,498	-	441,625
Deposits from customers	3,235,371	578,179	620,324	83,150	4,517,024
Other borrowed funds	6,011	5,945	12,021	623,282	647,259
Other liabilities	189,630	18,892	8,721	55,602	272,845
	4,409,303	685,499	726,016	762,034	6,582,852
<b>Contingent liabilities and commitments</b>	705,428	284,120	320,774	501,012	1,811,334

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.

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

2023	Up to 3 months KD 000s	3 to 6 months KD 000s	6 to 12 months KD 000s	More than 12 months KD 000s	Total KD 000s
<b>ASSETS</b>					
Cash and cash equivalents	870,332	-	-	-	870,332
Treasury bills and bonds with CBK and others	152,021	125,063	35,402	51,800	364,286
Due from banks and other financial institutions	527,593	8,782	103,680	16,477	656,532
Loans and advances to customers	1,415,363	633,861	617,604	1,570,114	4,236,942
Investment securities	26,315	12,996	21,270	671,624	732,205
Other assets	116,660	6,055	6,836	242,563	372,114
Property and equipment	-	-	-	176,982	176,982
Intangible assets	-	-	-	16,738	16,738
<b>Total assets</b>	3,108,284	786,757	784,792	2,746,298	7,426,131
<b>LIABILITIES AND EQUITY</b>					
Due to banks	657,997	40,495	3,450	-	701,942
Due to other financial institutions	317,913	40,583	78,740	-	437,236
Deposits from customers	3,223,255	564,503	597,142	78,343	4,463,243
Other borrowed funds	-	-	-	549,961	549,961
Other liabilities	189,630	18,892	8,721	55,602	272,845
Equity	-	-	-	1,000,904	1,000,904
<b>Total liabilities and equity</b>	4,388,795	664,473	688,053	1,684,810	7,426,131

## 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 maximise 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.

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**31 December 2024**

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:

	2024 KD 000s	2023 KD 000s
Risk weighted assets	7,017,117	6,358,901
Total capital required	982,396	890,246
Common Equity Tier 1 (CET1) capital	885,040	861,475
Additional Tier 1 (AT1) capital	161,432	162,335
Tier 2 capital	261,671	247,954
Total eligible capital	1,308,143	1,271,764
CET1 capital adequacy ratio	12.6%	13.5%
Tier 1 capital adequacy ratio	14.9%	16.1%
Total capital adequacy ratio	18.6%	20.0%

The Group's financial leverage ratio, calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014, is shown below:

	2024 KD 000s	2023 KD 000s
Tier 1 capital	1,046,472	1,023,810
Total exposure	8,797,120	8,114,372
Leverage ratio	11.9%	12.6%

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