ANNUAL REPORT 2025

The Industrial Bank of Kuwait K.S.C.C

الصناعي
IBK

ANNUAL REPORT

2025

بنك الكويت الصناعي ش.م.ك

The Industrial Bank of Kuwait K.S.C.C


بسم الله الرحمن الرحيم



H.H. Sheikh

Meshal Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait



H.H. Sheikh

Sabah Khalid Al-Hamad Al-Sabah

Crown Prince

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About the bank

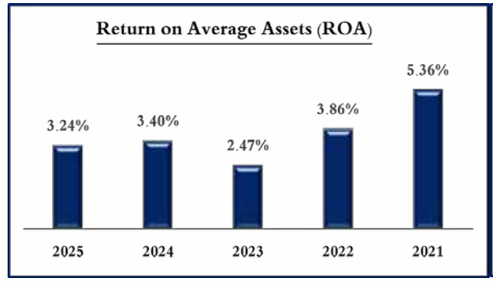


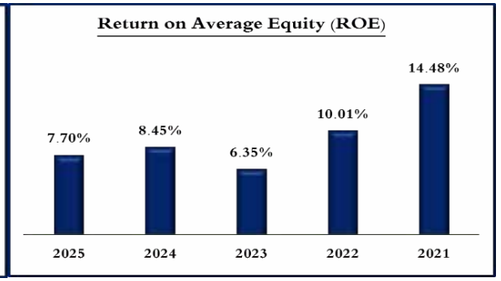
Objectives of the Bank

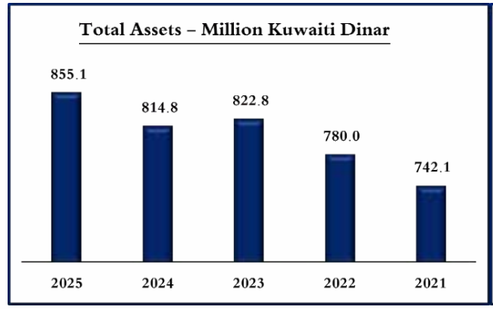
The Industrial Bank of Kuwait ("IBK") was established in late 1973 by the initiative of the Government of Kuwait, as a joint venture between the Ministry of Finance, the Central Bank of Kuwait, commercial banks, insurance companies, and some large industrial establishments.
The primary goal of IBK is to promote industrial development in Kuwait by pursuing the following objectives:

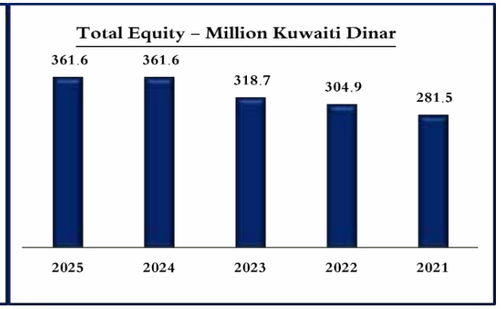
- To participate in developing a long-term strategy for industrial growth in Kuwait and identifying those sectors and activities which would best suit local conditions and constraints.
- To initiate industrial projects and investments in promising sectors.
- To provide financing whether in the form of equity, medium or long-term credits for new projects, or the expansion of existing ones.
- To finance projects outside Kuwait with an emphasis on the Gulf region, especially where Kuwaiti interests are involved.
- To bring new technologies to Kuwait and identify foreign partners with the necessary expertise.
- To support the development of domestic money and capital markets in co-operation with other major financial institutions. Such a development will facilitate the channeling of private savings into industrial areas, whether in or outside Kuwait.

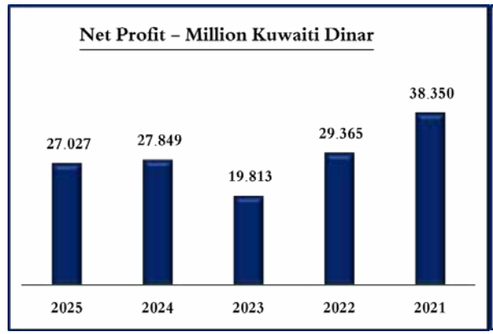
Financial Highlights

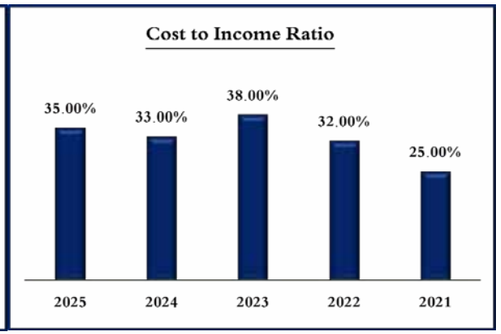






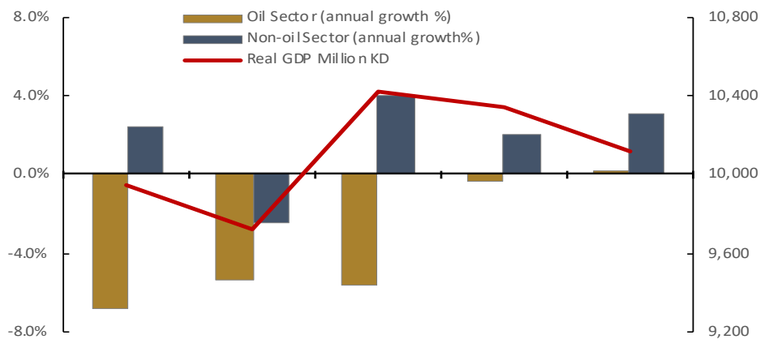






Developments in Kuwait Economy for 2025

Kuwait's economy returned to growth following contractions in 2023 and 2024. Real GDP declined by 2.6% in 2024, affected by oil production cuts implemented by OPEC+, yet the latest estimates indicate increases of about 1.0% and 1.7% in the first and second quarters of 2025 respectively. Inflation in Kuwait remains stable. Data from the Central Statistical Bureau (CSB) shows that the Consumer Price Index increased by an average of 2.39% year on year during the period from January to October 2025, compared with approximately 3.0% during the same period of the previous year. Inflation is expected to range between 2% and 2.5% during 2026.



*Preliminary data

Kuwait's public finances remain robust despite recording fiscal deficits. In fiscal year 2024/2025, the general government deficit reached approximately 2.2% of GDP. The 2025/2026 budget projects a wider fiscal gap due to declining oil revenues, with the deficit estimated at about KD 6.3 billion. It is worth noting that Kuwait's 2025/2026 budget assumes a conservative oil price of USD 68 per barrel, compared with USD 70 in the previous fiscal year, contributing to a larger "estimated deficit".

Table 1: Selected indicators of public finance performance (billion KD)

Indicator	21/2022	22/2023	23/2024	24/2025	25/2026*	Change (%)
Public revenues	**18.6**	**28.8**	**23.6**	**22.1**	**18.2**	**-17.3**
- Oil revenues	*16.2*	*26.7*	*21.5*	*19.4*	*15.3*	-20.9
- Non-oil revenues	*2.4*	*2.1*	*2.1*	*2.7*	*2.9*	8.4
Expenditures	**23.0**	**22.4**	**25.2**	**23.1**	**24.5**	**6.2**
Surplus (Deficit)	**-4.3**	**6.4**	**-1.6**	**-1.1**	**-6.3**	

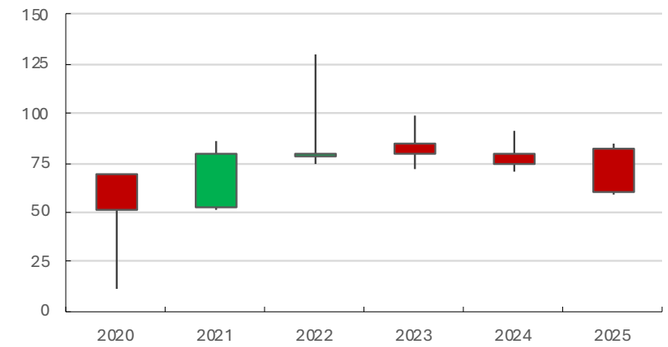
* Estimated budget
Source: Ministry of Finance, OPEC, and Industrial Bank of Kuwait.

Oil Sector Performance

Kuwait's oil sector is recovering, with higher production supporting economic growth. In 2025, following partial resumption of production by OPEC, Kuwait increased oil production from 2.42 million barrels per day in December 2024 to 2.58 million barrels per day in December 2025. Kuwait's current production capacity is estimated at approximately 3.0 million barrels per day, with long term plans to raise capacity to 4.0 million barrels per day by 2035.

Average Kuwait Export Crude (KEC) prices declined from roughly USD 80.6 per barrel in 2024 to a range of USD 58.9–84.6 per barrel in 2025. By the end of 2025, Kuwait Export Crude (KEC) was trading at approximately USD 60.2 per barrel. Oil prices during 2025 were influenced by several factors, most notably the sudden U.S. tariff increases on its trading partners (referred to as the "Liberation Day Tariffs"), as well as escalating geopolitical tensions in the Middle East, which raised concerns regarding potential disruptions to oil supplies passing through the Strait of Hormuz, one of the world's most critical oil trade corridors. Additionally, oil prices were affected by the continued implementation of OPEC+ production cuts. As for 2026, oil prices are expected to recover modestly to USD 65–70 per barrel, driven by a gradual rise in global demand and OPEC's continued efforts to manage supply.

Chart 2: Average price of Kuwaiti crude oil export (US dollars per barrel)



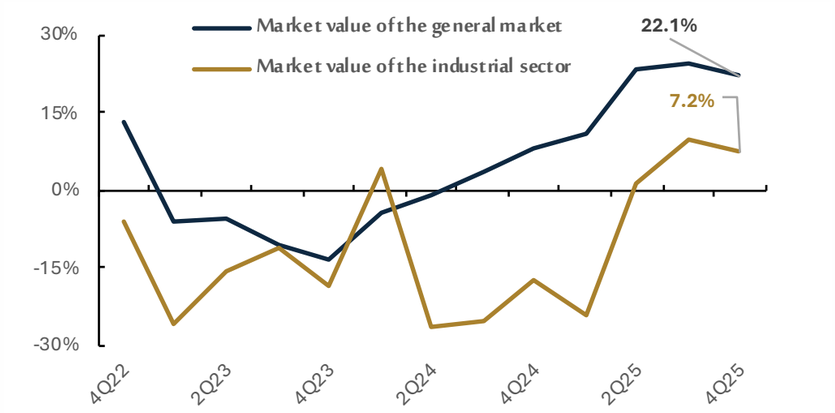
Source: Kuwait Stock Exchange and Kuwait Petroleum Corporation

Economic Diversification & Investment Climate

Kuwait made steady progress in economic diversification during the second half of 2025. The increasing number of awarded projects and the supportive business policies are positive indicators that will create attractive investment opportunities for investors in developing sectors. Non oil sectors (including finance, real estate, construction, and others) constitute approximately 60% of Kuwait's GDP, with a significant portion of the demand in these sectors dependent on government spending.

The project market witnessed a notable revival. In Q3 2025, the total value of awarded project contracts reached approximately KD 2.9 billion, surpassing the total awards of the previous year. Major projects include Phases of Al Zour North Power and Water Plant, as well as the Silk City and Boubyan Island developments, in addition to ongoing upgrades to oil facilities. The new Five Year Development Plan (2025–2029) aims to expand infrastructure spending and strengthen public private partnerships. Successful execution of these projects is expected to enhance national infrastructure and stimulate private sector activity.

Chart 3: Market capitalization of the general market and the industrial sector (annual growth%)



Source: Kuwait Stock Exchange and Industrial Bank of Kuwait

These developments had a positive impact on the performance of the Kuwait Stock Exchange, which closed 2025 with gains in all its main indices. Total market liquidity reached approximately KD 11.543 billion by the end of December 2025. The general market price index closed at 8,907.6 points, representing an annual increase of around 21%. The main market index rose by 20% during the same period, reaching 8,302.39 points, while The Premier Market Index recorded a rise of 21% by the end of 2025. The Main Market 50 Index — which includes the 50 most liquid companies in the Main Market, recorded a 28% rise compared to December 2024, closing at approximately 8,688.8 points. As for market capitalization, the Kuwait Stock Exchange registered a 23% increase in total market capitalization by the end of 2025, reaching KD 53,535.5 billion. The industrial sector accounted for approximately 5% of total market capitalization, while the banking sector represented about 62%.

The Manufacturing sector and Refining

The industrial sector in Kuwait is undergoing a phase of gradual restructuring and targeted expansion, reflecting the country's broader efforts to diversify its economic base. Recent data indicates modest real growth in the industrial sector despite a notable decline in nominal output, while industrial investments have accelerated, particularly in activities related to chemical industries. New licensing trends for industrial facilities also reveal a continued concentration within specific subsectors, reaffirming the stability of the industrial sector's structural composition. Major infrastructure initiatives under the "New Kuwait" vision, along with the development of strategic industrial zones such as Al-Shadadiya Industrial City, are expected to strengthen industrial capacity, enhance sectoral competitiveness, and support long-term economic diversification.

The manufacturing sector is one of the main pillars supporting the diversification of Kuwait's productive base. Preliminary real GDP data indicates that the manufacturing sector (including refining activities) recorded modest annual growth of 0.3% in the Q2 of 2025, and In nominal terms, the sector declined significantly by 8.8%, reaching KD 926 million compared to approximately KD 1,015 million in the same period of the previous year. This is in line with the performance of nominal GDP, which recorded a decrease of 7.8% due to a contraction of approximately 21.4% in the oil sector during the same period. Consequently, the manufacturing sector's contribution to GDP remained stable at around 8%, representing 13.1% of the non-oil sectors.

In 2026-2027, Kuwait will focus on large-scale infrastructure projects as part of its "New Kuwait" vision. These projects include the development of road and water drainage infrastructure (such as the Fourth Ring Road, Al-Mutlaa roads, and stormwater pumping stations), the health sector (Al-Sabah)

Hospital and the Cancer Center), education (Abdullah Al-Salem University and new schools), ports (Mubarak Port, Shuaiba Port, and Doha Port), energy (including Al-Wafra Power Station and new networks), and the development of industrial zones such as Al-Shadadiya, with a focus on economic diversification and attracting private investment. In this context, Al-Shadadiya Industrial City- the largest integrated industrial city in Kuwait with an area of approximately 5 million square meters, was handed over to the Public Authority for Industry in mid-July 2025. A total of 1,036 industrial plots will be allocated within the city under new distribution mechanisms designed to enhance transparency and fairness, increase the efficiency of industrial land use, and achieve balanced and sustainable industrial development. The industrial plots will be distributed across three main sectors: 299 plots for food industries, 242 plots for chemical industries, and 495 for various other industrial activities. This step is expected to contribute to achieving economic diversification and advancing the development of the industrial sector in line with Kuwait's industrial strategy.

Credit facilities also witnessed a notable acceleration, with the total outstanding balance of the utilized portion of credit facilities provided to residents by local banks reaching approximately KD 53.18 billion at the end of December 2025, representing an annual increase of approximately KD 3.77 billion, or 7.6%. Lending directed to the industrial sector remained relatively stable during the year, despite some limited fluctuations. The outstanding balance of the utilized portion of credit facilities allocated to the industrial sector decreased year-on-year by approximately KD 38.4 million, or 1.8%, bringing the total outstanding balance to around KD 2.13 billion by the end of December 2025.

Table 2: Cash portion used in credit facilities as of the end of 2025 (million KD)

Sector	End of 2024		End of 2025	
	Million KD	Percentage of the total (%)	Million KD	Percentage of the total (%)
Manufacturing	**2,168.6**	**4.4**	**2,130.2**	**4.0**
Construction	**2,582.8**	**5.2**	**2,683.1**	**5.0**
Trading	**3,643.3**	**7.4**	**3,706.4**	**7.0**
Real Estate	**10,190.8**	**20.6**	**10,722.5**	**20.2**
Others	**30,827.3**	**62.4**	**33,941.6**	**63.8**
Total	49,412.8	100	53,183.8	100

Source: Central Bank of Kuwait

The phased adjustment of the discount rate during 2025 contributed to easing financial conditions, boosting credit growth, and supporting economic diversification efforts. In 2025, the Central Bank of Kuwait lowered the discount rate by 50 basis points (25 bps in September and 25 bps in December) creating more supportive monetary conditions for domestic growth. These decisions are part of a monetary policy easing cycle that began in September 2024, coinciding with a marked improvement in domestic credit growth. Furthermore, this balanced approach supported the performance of non-oil sectors amid low inflation and aligned with Kuwait's broader efforts to diversify its economy, and stimulate investment, while maintaining the relative stability and attractiveness of the Kuwaiti dinar.

IBK Contribution in developing the Industrial Sector

By the end of 2025, IBK completed fifty-two years of industrial lending activity. The Bank has provided industrial loans for 1,233 industrial projects. These loans were utilized and made available to 579 industrial establishments in different kinds of manufacturing sectors in the state of Kuwait.

The accumulative industrial loans commitments of the Industrial Bank of Kuwait, since the start of its operations in 1974 until the end of 2025, reached about **KD 1.59 billion,** provided to 1,233 projects, whose total cost stood at about KD 2.63 billion. The rate of IBK's financing to the cost of the project was an average of **60%** of the project cost, and the average cost of the project reached **KD 2 million**, while the average loan size is **KD 1.29 million**.

Table 3: IBK accumulative industrial loans commitments (1974-2025)

Economic Activity (ISIC 4)	No. of Project	IBK Loans (KD 000)	Project Cost (KD 000)	% activity / IBK loans
Other non-metallic mineral products (Building Materials)	258	335,389	633,216	21.14%
Extraction of crude petroleum and natural gas	25	201,728	281,103	12.72%
Food products	93	149,749	239,172	9.44%
fabricated metal products, except machinery and equipment	135	132,830	217,391	8.37%
Basic metals	44	97,047	166,434	6.12%
Chemicals and chemical products	75	88,105	148,107	5.55%
Paper and paper products	98	80,906	123,806	5.10%
Other sectors	505	500,622	824,201	31.56%
Total	**1,233**	**1,586,376**	**2,633,429**	**100%**

Source: Industrial Bank of Kuwait

The previous table shows the pattern of industrial financing distribution across various industrial activities during the period 1974-2025, where the manufacture of other non-metallic mineral products (building materials) ranked first, with about 21% of total industrial loans. While Extraction of crude petroleum and natural gas ranked second (representing about 13%). Followed by the Manufacture of food products in third place (representing about 10%) of total industrial loan commitments during the period. Accordingly, the combined share of the three largest industries reached about 44% of the Kuwait Industrial Bank's cumulative industrial loan commitments.

Table 4: IBK Industrial lending activity

Industrial Loan commitments	2021	2022	2023	2024	2025	Cumulative (1974-2025)
Number of Industrial Loans	20	24	22	19	13	1,233
Projects Cost (KD 000)	67,494	51,376	87,114	76,394	56,709	2,633,430
Total Loans commitments (KD 000)	61,381	39,138	60,058	67,308	45,208	1,586,376
IBK contribution %	91	76	69	88	80	60

Source: Industrial Bank of Kuwait

Chairman's Message

ANNUAL REPORT



Chairman's Statement

It is my distinct pleasure, both personally and on behalf of the Board of Directors, to present the Industrial Bank of Kuwait's Annual Report for the financial year ended December 31st, 2025. This report outlines the Bank's most prominent endeavors over the past year to enhance its operational efficiency, further develop its activities, maintain the quality of its assets, and deliver best-in-class services tailored to the needs of the industrial sector.

The global economy experienced a moderation in growth during 2025, yet it exhibited remarkable resilience, surpassing expectations despite escalating trade policy tensions and persistent geopolitical uncertainties. This resilience was evidenced by a notable rebound in global trade early in the year, supported by the continued adaptation of international supply chains and the relatively contained impact of higher tariffs on economic activity. Meanwhile, major central banks maintained their monetary easing trajectory, reinforcing global economic resilience and enhancing the capacity of economies to navigate sustained challenges and successive external shocks.

At the domestic level, economic indicators for 2025 pointed to a gradual strengthening of Kuwait's macroeconomic performance, underpinned by resilient public finances despite the decline in oil revenues. The State Budget for the fiscal year of 2025/2026 projects a deficit of approximately KWD 6.3 billion. Meanwhile, real GDP returned to positive growth following contractions in 2023 and 2024, with growth projected at around 2.6% for 2025, supported by higher oil production and stronger momentum across the non-oil sectors. Inflationary pressures continued to ease, with annual inflation moderating to 2.36% in 2025, down from approximately 2.9% in the previous year.

During the second half of 2025, Kuwait successfully re-entered the international debt markets through the issuance of USD 11.25 billion in sovereign international bonds, alongside KWD 2.05 billion in domestic bonds. These issuances strengthened investor confidence in the country's fiscal position, contributing to an improved sovereign credit outlook and prompting Standard & Poor's to upgrade Kuwait's sovereign credit rating to (AA-) with a "Stable" outlook.

In support of this trajectory, the Central Bank of Kuwait maintained its growth-oriented monetary policy throughout 2025, lowering the discount rate by a cumulative 50 basis points through two reductions implemented in September and December. These measures extended the monetary easing cycle initiated in 2024, enhancing liquidity conditions and fostering a more supportive environment for credit expansion. Consequently, credit facilities extended by local banks rose to approximately KWD 53.18 billion. Nevertheless, the industrial sector continued to account for no more than 4% of total outstanding credit facilities, highlighting the need to further stimulate industrial investment and broaden access to financing in order to accelerate economic growth and advance the country's long-term economic diversification objectives.

Despite heightened geopolitical tensions across the globe, the IBK delivered resilient financial performance in 2025. Operating income increased and reached KWD 46.3 million compared with KWD 44.2 million recorded in 2024, while total assets grew to approximately KWD 855.1 million by year-end. At the same time, the Bank's total credit portfolio reached approximately KWD 332.5 million.

After recognizing the required provisions, the Bank recorded a net profit of KWD 27.027 million at the end of 2025, representing only a slight decline from the previous year's net profit of approximately KWD 27.8 million.

Although the manufacturing sector's contribution to the State's economic growth remains modest, accounting for approximately 8% of GDP, the IBK continued its efforts to support the sector's development by providing concessional financing for industrial projects. During 2025, the Bank financed 13 industrial projects with a total project cost of KWD 56.7 million, compared with 19 industrial projects with a combined project cost of approximately KWD 76.4 million in the previous year. Since launching its industrial financing activities in 1974 through the end of 2025, the Bank's cumulative industrial loan commitments have reached approximately KWD 1.59 billion, supporting the financing of nearly 1,233 industrial projects.

The Bank also continued to fulfill its role in supporting economic development by managing three specialized financial portfolios on behalf of the Government, through which it provided credit facilities and financial services to Kuwaiti citizens in the areas of small enterprises, agricultural activities, livestock production, and Sharia-compliant industrial financing.

In this regard, the Industrial Portfolio for Small Enterprises financed 47 projects across a range of sectors and activities during 2025, with a total project cost of approximately KWD 3.2 million. In the agricultural sector, financing was provided for 30 agricultural projects, with a total cost amounting to KWD 6.56 million.
In addition, the Sharia-compliant Industrial Financing Portfolio financed six industrial projects with a total project cost of approximately KWD 7.4 million and total financing of KWD 5.2 million.

In closing, the IBK expresses its sincere appreciation and profound gratitude to His Highness the Amir of the State of Kuwait, His Highness the Crown Prince, and His Highness the Prime Minister for their continued support and patronage, which have contributed significantly to strengthening the Bank's performance and advancing its success.

The Bank also extends its sincere appreciation to the Minister of Finance and the Governor of the Central Bank of Kuwait for their continued guidance and support, which have strengthened the Bank's position and enhanced its role in advancing industrial development. I would also extend my sincere thanks to the members of the Board of Directors for their cooperation in achieving the Bank's objectives, and to the Executive Management and all Bank employees for their dedication and commitment in fulfilling their responsibilities, which have enabled the Bank to carry out its mission. Lastly, I would like to express my profound appreciation to our clients and institutional partners for their continuous collaboration and trust.

May Allah grant us success.

Hadeel Faisal Boukhadour



Board of Director Members



Mrs. Hadeel F. Boukhadour

Board Member (As of 16/10/2024)
Chairman (As of 10/11/2024)

- Represents Kuwait Investment Authority.
- Acting Executive Director – Alternative Investments Sector (2024).
- Department Director - Private Equity (2019).

Memberships:
- UNITIC – Bosnia
- Kuwait Institute for Scientific Research - Board of Trustees
- Public Authority for Industry
- Kuwait Banking Association

Bachelor of Accounting - George Washington University - USA (1997)
General Management Program - Harvard Business School GMP36 - (2024)



Mr. Khaled H. Al Shatti

Board Member (As of 06/06/2017)
Vice Chairman (As of 27/09/2023)

- Represents Al Ahli Bank of Kuwait.
- CEO: Fair Real Estate Co. (2011).
- Member of Ahli Capital Investment Co.

Bachelor of Business Administration - Finance - California State University - USA (1988)



Sheikha AlAnoud A. Al-Sabah

Board Member (As of 12/11/2019)

- Represents Securities Group Co.
VP Operations-Securities Group (2018).

Memberships:
- Al Jazeera Real Estate Development Co.

Bachelor of Business Administration - Finance American University of Kuwait (2011)



Mr. Khalifa A. AL-Rashid

Independent Board Member (As of 08/06/2022)

- Director Dept Capital Markets Division Gulf Investment Corporation (2016).
- Member ALAFCO Aviation Lease and Finance Co.

MBA, General & Strategic Management - Kuwait Maastricht Business School 2007.
Bachelor: Accounting - Kuwait University (2002).



Mrs. Dalal H. Mundani

Board Member (As of 16/10/2024)

- Represents Kuwait Investment Authority.
- Investment Manager - Direct Holdings Department - General Reserve Sector Kuwait Investment Authority (2023).

Memberships:
- Chairman - Tri International Consultant Group.
- Vice chairman - Touristic Enterprises Co.

Master's Degree - Financial Risk Management - University of Leicester - UK (2023).
Bachelor: Finance & Financial Institutions - Kuwait University (2011).
Passed the CFA level II Exam.



Mr. Salamah I. Ben Salamah

Board Member (As of 18/08/2025)

- Represents wafra international investment company.
- Social security Affairs (2022).
- Deputy Director General for social security affairs and automated systems (2026).
- The Public institution for social security.

Bachelor's degree in insurance – Kuwait university (1998).



Mr. Abdullah I Al Khashti

Board Member (As of 16/10/2024)

- Represents Kuwait Investment Authority.
- Executive Manager - Nizar AlNusif Sons Holding Co. (2022).

Bachelor of Political Science - Kuwait University (2003).



Mr. Othman Salah Alburaidi

Independent Board Member (As of 18/08/2025)

- Represents Wafra International Investment Co.
- Supervisor - Investment Studies Dept.
- The public Institution for Social Security (since 2023).

Masters of buisness Administration (MBA), with a Concentration in finance, from Purdue University (2017).
Bachelor: Accounting - University of Texas at San Antonio - USA (2015).



Mr. Esam E. Al Kheshnam

Independent Board Member (As of 26/09/2023)

- C.E.O - The Shared Electronic Banking Services Co. (Knet) (2022).
- Computer Engineering – The University of The Pacific – USA (1991).



Mrs. Lulwa A. Al Therban

Board Member (As of 16/10/2024)

- Represents Kuwait Investment Authority
- Investment Manager - Risk Management & Performance Measurement Unit
- Planning and Senior managment Support Sector.
- Kuwait Investment Authority (2024).

Memberships:
- Kuwait Public Transport Co.
- Kuwait Investment Co.

Bachelor of Finance & Financial Institutions - Kuwait University (2010).



Mr. Mazen M. Madooh

Independent Board Member (As of 08/06/2022)

- Manager/Partner - Bright Management Consulting Co. (2019).

Bachelor of Commerce - Accounting - Kuwait University (1986).



Mr. Malek E. Al Ajeel

Independent Board Member (As of 12/12/2023)

Bachelor of Civil Engineering.
Catholic University of America - USA (1982).



Mrs. Mariam R. Abdulsalam

Board Member (As of 24/04/2022)

- Represents Central Bank of Kuwait.
- Treasury Manager Central Bank of Kuwait (2025).

Master Degree - Finance - London Business School- UK (2017).
Bachelor: Finance & Financial Institutions - Kuwait University (2011).



Mr. Mutlaq Y. Al Zayed

Board Member (As of 26/09/2023)

- Represents Kuwait Flour Mills & Bakeries Co.
- C.E.O - Kuwait Flour Mills & Bakeries Co. (2013).
- The public Institution for Social Security (since 2023).

Memberships:
- Public Authority of Agriculture Affairs and Fish Resources.

Bachelor of Business Administration.
Concordia University - USA (1985).

Capitalization & Ownership

No	Shareholder Name	No. of Shares (1000 KD)	Percentage of ownership
1	Ministry of Finance	627,803	31.390
2	Wafra International Investment Company K.S.C.C.	464,199	23.210
3	The Central Bank of Kuwait	251,121	12.556
4	Commercial Bank of Kuwait K.P.S.C.	139,182	6.959
5	The Securities Group Company K.S.C.	91,686	4.584
6	Al-Ahli Bank of Kuwait K.S.C.P.	89,686	4.484
7	Privatization Holding Company K.S.C.	89,686	4.484
8	Kuwait Flour Mills & Bakeries Co. S.A.K.C.	89,686	4.484
9	Kuwait Investment Company S.A.K. (KIA)	71,749	3.587
10	Arab Investment Co. K.S.C.C.	53,812	2.691
11	Burgan Bank K.P.S.C.	17,937	0.897
12	Bobyan Petrochemical Company K.S.C.	13,453	0.673
	Total	2,000,000	100.000

Board of Directors and Committees

General Responsibilities

• The Board has the overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic plans, risk strategy, corporate governance and corporate values. The Board is responsible for providing oversight of the Bank's senior management, including the CEO.

• The Board assumes ultimate responsibility for the Bank's business and its financial soundness, fulfilment of the Central Bank of Kuwait requirements, protecting the legitimate interests of shareholders, depositors, creditors, staff and stakeholders, and ensuring that the Bank is managed in a prudent manner and within the applicable laws and regulations and the internal policies and procedures.

Board Meetings

Members	No. of Meetings	Attendance No.
Mrs. / Hadeel F. Boukhadour – Chairman	8	8
Mr. / Khaled H. Al Shatti – Vice Chairman		8
Mrs. / Sheikha / Al Anood Athbi Al Sabah		5
Mr. / Khalifa A. AL-Rashid		8
Mrs. / Dalal H. Mundani		8
Mr. / Salamah Ibrahim Bn Salamah (As of 18/08/2025)		3
Mr. / Othman Salah AlBuraidi (As of 18/08/2025)		2
Mr. / Abdullah I Al Khashti		8
Mr. / Esam E. Al Kheshnam		8
Mrs. / Lulwa A. Al Therban		6
Mr. / Mazen M. Madooh		8
Mr. / Malek E. Al Ajeel		7
Ms. / Mariam R. Abdulsalam		7
Mr. / Mutlaq Y. Al Zayed		7

Board Committees

Governance Committee

The role of the Governance Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities relating to the application of proper governance of the Bank; including establishing a set of guiding principles for corporate governance, the preparation and updating the Bank's governance guide and follow-up on the adherence with the parties involved, and provide the board of Directors reports on this subject.

Members	No. of Meetings	Attendance No.
Mr. / Khaled H. Al Shatti – Chairman	4	4
Mr. / Malek E. Al Ajeel - Vice Chairman		3
Ms. / Sheikha / Al Anood Athbi Al Sabah - Member		4
Mr. / Abdullah I Al Khashti - Member		4
Mr. / Othman Salah AlBuraidi– Member (As of 09/09/2025)		1
Ms. / Mariam R. Abdulsalam – Member		4

Audit Committee

The role of the Audit Committee is to assist the Board of Directors to fulfill its auditing responsibility, related to the following:

- The integrity of the financial statements of the Bank.
- Oversight of the financial reporting process and disclosures.
- Internal control systems and financial accounting.
- The internal audit function (including the responsibilities and the estimated Budget).
- The independent annual audit of the financial statements.
- Evaluate the performance of the external and internal auditors.
- Ensuring Bank's compliance to relevant policies, rules, regulations and instructions.

Members	No. of Meetings	Attendance No.
Mr./ Esam E. Al Kheshnam - Chairman	8	8
Mr. / Mazen M. Madooh - Vice Chairman		8
Mrs. / Dalal H. Mundani - Member		8
Mrs./ Lulwa A. Al Therban - Member		8

Nominations and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist the Board of Directors in fulfilling its oversight on the identification of persons eligible for membership of the Board of Directors; the Committee will submit its recommendations to the Board regarding candidates to different committees. The committee is also responsible for the draft, review and update of the Remuneration policy, and assist the board in evaluating the effectiveness and fairness of the policy, and to ensure that the policy is appropriate with the strategic objectives of the Bank.

Members	No. of Meetings	Attendance No.
Mr. / Khalifa A. Al-Rashid - Chairman	6	6
Mr. / Khaled H. Al Shatti - Vice Chairman		6
Mrs. / Dalal H. Mundani - Member		6
Mr. / Salamah Ibrahim Bn Salamah – Member (As of 09/09/2025)		1
Mr. / Mazen M. Madooh - Member		6
Mr./ Mutlaq Y. Al Zayed - Member		6

Risk Committee

The role of the Risk Committee is to provide advice to the Board of Directors to meet its supervisory responsibilities related to current and emerging risks, strategies and limits of risks associated with the Bank's banking and credit activities, including investment portfolio. The Risk Committee is responsible for monitoring the implementing of the risk management policies and strategies.

Members	No. of Meetings	Attendance No.
Mr. / Mazen M. Madooh - Chairman	5	5
Mr./ Esam E. Al Kheshnam – Vice Chairman		5
Mr. / Salamah Ibrahim Bn Salamah – Member (As of 09/09/2025)		2
Mr. / Abdullah I Al Khashti (As of 10/11/2024)		5
Mrs./ Lulwa A. Al Therban (As of 10/11/2024)		5

Finance and Investment Committee

The role of the Finance and Investment Committee is to assist the Board of Directors of the Bank to fulfill its responsibilities relating to industrial and commercial lending, and investment activity of the Bank.

Members	No. of Meetings	Attendance No.
Mrs. Hadeel F. Boukhadour – Chairman	7	7
Mr. / Khaled H. Al Shatti - Vice Chairman		7
Ms. / Sheikha / Al Anood Athbi Al Sabah - Member		5
Mr. / Khalifa A. Al-Rashid – Member		7
Mr. / Othman Salah AlBuraidi– Member (As of 09/09/2025)		2
Mr. / Malek E. Al Ajeel - Member		5
Mr./ Mutlaq Y. Al Zayed - Vice Chairman (Till 09/11/2024)		7

Protection of Shareholders' and Stakeholders' Rights Policy

1) Purpose & Scope

IBK is committed to the rules and regulations including Corporate Governance instructions issued by the CBK, as well as the banks' Articles and Memorandum of Association and internal policies, include the controls and basis for protecting stakeholders' rights, particularly, clients, borrowers, vendors, investors, business partners, shareholders, etc.
This policy aims to safeguard the Banks' stakeholders and ensure adequate and equitable treatment.

The purpose of this policy is to ensure that IBK is committed to:

- Stressing on the importance of respecting stakeholders' rights as per the applicable laws, bylaws and regulations.
- Protecting shareholders' rights including minority shareholders and the Bank's various stakeholders.
- Providing timely and accurate information of the Bank (i.e. financial information and major shareholders).
- Encouraging effective participation of shareholders at General Assembly meetings while respecting their rights in line with the Bank's AoA, By-Laws and the prevailing laws.
- Ensuring timely disclosure to the shareholders, regulatory bodies and the general public as per the requirements of the various regulatory authorities and the applicable laws.
- Setting in place the required controls, policies and processes to effectively implement this Policy and the protection of stakeholders and shareholders rights.

2) Responsibilities for the Protection of Shareholders and Stakeholders Rights

Definitions:

Shareholder: The owner of one or more shares in the Bank. A shareholder should have his/her name registered with the Bank, and may hold a share certificate which has been assigned over to him/her.
Stakeholder: Any person or entity that has a relation with the Bank is its stakeholder. Stakeholders of the Bank include the Bank's customers, shareholders, creditors, suppliers, employees, the society and the environment, and other related parties.

Roles and Responsibilities

IBK realizes that stakeholders' rights constitute an essential part of the Bank's corporate governance culture. The Bank's goals and achievements are the result of the efforts of the IBKs various stakeholders.

Board of Directors

- The BoD is accountable to the shareholders and stakeholders of the Bank.
- The BoD must emphasize on the equitable and fair treatment of all shareholders, including minority, and give them the opportunity to question the BoD and rectify any violations preventing them from exercising their rights.
- The BoD shall stress on the Bank's bylaws, policies and processes to emphasize on the importance of respecting stakeholders' rights as per relevant laws, bylaws and instructions from regulators, and approve their rights to rectify any violations of their rights in line with the relevant laws.
- The BoD shall oversee whether the CEO and executive management exercise competent and ethical activities of the Bank on a day-to-day basis and assure that the long-term interests of shareholders and the stakeholders are provided.
- The BoD is responsible for protecting the interests of the shareholders and stakeholders by ensuring that the Bank's is adhering to the applicable policies, procedures and regulations pertaining to their rights.
- The BoD shall ensure proper management and control of potential risks that may affect the Bank, particularly its shareholders and the stakeholders.
- The BoD shall assure that their role is not restricted only to the Bank's performance, but shall take into account the potential risks on the interests of depositors.
- The BoD is responsible for engaging shareholders to actively participate at AGMs. Other responsibilities include, but is not limited to:
  - Notifying shareholders of the AGMs date and time and agenda at a sufficient time before the meeting and providing them with voting rules and procedures. Furthermore, the location and timing of the meeting shall be announced for the public as per prevailing laws and regulations.
  - Disclosing the capital structure or any arrangements which might result in certain shareholders controlling the Bank.
  - Enabling the shareholders to read and review the minutes of meetings of the AGMs.
  - Preparing a statement of financial and non-financial penalties imposed on the Bank during the financial year according to Article (85) of Law No. 32 of 1968. Such statement will be read by the Board Chairman at the AGM.
- The BoD ensures that there is an effective and efficient disclosure system and annual reporting, pertaining to financial, governance and risk related disclosures, in place within the Bank to enable the shareholders and stakeholders to monitor the performance of the Bank and its management and exercise their rights.

Chairman

- The Chairman of the BoD shall act as the primary spokesperson for the BoD and as a representative of the BoD to shareholders and stakeholders.
- The Chairman presides over all shareholders' meetings and ensures that shareholders and stakeholders are sufficiently informed on the performance of the Bank and provided with the relevant information in a timely manner.
- The Chairman shall ensure that the Bank has sound corporate governance standards in place in order to protect
- shareholders' and the stakeholders' rights.
- The Chairman shall ensure that AGM and EGM are efficiently and effectively organized with the assistance of the BoD Secretary.
- The Chairman shall ensure that the Bank's management is aware of any concerns of either the BoD or other stakeholders.

Chief Executive Officer (CEO)

- The CEO shall foster a high performing corporate culture within the Bank that promotes ethical practices, encourages individual integrity/accountability, and social responsibility.
- The CEO shall ensure that all operations and activities of the Bank are conducted in accordance with the applicable laws, regulations, the Bank's AoA, and in accordance with the policies and procedures approved by the BoD.
- The CEO shall ensure that the Bank's assets are adequately safeguarded and optimized in the best interests of the shareholders.
- The CEO shall establish a transparent and comprehensive management reporting mechanism to the BoD on all activities and performance results of the Bank.

External Auditor

- The external auditor is responsible for assuring the accuracy and quality of financial reports of the Bank which are provided to the shareholders and other stakeholders.

Compliance and Anti Money Laundering

- The Compliance and Anti Money Laundering functions shall establish mechanisms to ensure compliance with various local laws and regulations, including prevailing CBK regulations and guidelines, as well as instructions pertaining to AML and CFT, in addition to Law No. (106) of 2013.

Internal Audit

- The Internal Audit function is responsible for providing assurance over the adequacy, effectiveness, and reliability of functions controls along with ensuring appropriate control environment is established within the Bank as per the Internal Audit Scope and mandate set in the Internal Audit Charter.

Disclosures

- The Bank shall abide by all the regulatory requirements pertaining to disclosures in line within the Bank's Disclosure Policy.

3) Shareholders Rights

Protection of Shareholders Rights

The Bank is committed to creating sustainable shareholder value and aims to provide prolific financial returns and act in the best interests of its shareholders.
The Bank's policies, procedures, and practices must reflect the provisions of the laws, bylaws and regulations issued by regulatory entities, such as; controls and measures of protecting shareholders rights, and equality.

Shareholders Rights

- Reviewing and participating in the decisions related to amending the Bank's Article and Memorandum of Association, as well as the decisions related to non-ordinary transactions which might affect the Bank's plans or activities, such as; mergers, sale of a substantial portion of its assets, or establishing subsidiaries.
- Contributing in the decision-making process of any potential significant changes made within the Bank.
- Receiving minutes of meetings of the AGM.
- Shareholders representing fifteen percent of the issued share capital of the Bank or the Ministry, may request for an Extraordinary General Meeting.
- Electing and appointing members of BoD.
- Receiving accurate, timely, and comprehensive information to assist in evaluating the performance of the Bank.
- Hold the Board of Directors and executive management accountable and pursue legal action for responsibility in case if they fail to perform the assigned tasks.
- Securities issued by the Bank shall be subject to the Central Depository System of Securities with the Clearing Agency.
- Receipt of depositing securities with the Clearing Agency shall be considered as a title to the securities and each owner shall deliver a receipt with the number of securities he owns.
- The Bank shall have a special register to be kept with a Clearing Agency, and the names, nationalities and domicile of the shareholders shall be recorded in the Register, the number of shares owned, the type and value paid for each share. The Bank or the Clearing Agency shall be required to provide data from this Register.
- Each share entitles its owner to a share equal to that of another, without discrimination in the ownership of the assets of the bank and in the dividends. Equity of the same class shall be equal in rights, privileges or restrictions, rights, privileges or restrictions relating to a type of shares may be amended only by a resolution of the Extraordinary General Assembly and with the approval of two thirds of the holders of the type of shares to which it relates after the amendment.
- Receive the dividends proposed by the BoD and determined by the AGM and receive the bonus shares to be distributed.
- Participate in the management of the bank through membership in the BoD and attend AGM's and participate in its deliberations, in accordance with the provisions of the Companies Law and the bank's articles of association. Any agreement to the contrary shall be null and void.
- Obtaining a share of the bank's assets upon liquidation after meeting its debts.
- Obtain at least seven days prior to the AGM, the bank's financial statements for the past accounting period, the report of the BoD and the report of the auditor.
- Disposal of shares owned by them and priority in subscribing to any new shares in accordance with the provisions of the Companies Law and the Bank's AoA.

4) Stakeholders Rights

Protection of Stakeholders Rights

The Bank is committed to ensuring delivery of the appropriate stakeholder rights and interests and aims to provide protection for its stakeholders in the best practice.
The Bank shall set a mechanism to ensure maximum benefit is received from stakeholders' contributions and encourages stakeholders to participate in monitoring its activities.
The Bank shall set appropriate mechanisms that would allow stakeholders to report to the Bank's Board of Directors on any improper practices which the Bank exposes them to, while providing them with adequate protection.

Employee Rights

- The Bank is committed to treating its employees fairly and providing equal employment opportunities for all employees in its employment practices, including recruiting, compensation, professional development and career progression.
- The Bank shall attract, develop and retain competent people by providing fair working environment and involving them in prominent decision making process.
- The BoD believes in providing safe and healthy working conditions, respecting human rights, and respecting employee rights.
- The Bank shall abide by the Kuwait Labor Law, and ensure that the Human Resources policies are adequately prepared to reflect best practices in line with the Laws of the State of Kuwait.

Suppliers and Service Providers Rights

- The Bank is committed to dealing with suppliers in a straightforward and honest manner, and seeks to build and maintain good relations with suppliers & service providers and shall ensure the confidentiality of information related to them is protected. For that purpose, IBK is to devise procurement policies and a supplier code of conduct.
- IBK shall ensure that contracts signed with suppliers ensure the best interest of both parties.
- IBK is committed to establish mechanism for supplier to report suspected fraud, waste or misuse of the bank resources or property.
- IBK is committed for settling complaints or disputes which could arise between the Bank and its suppliers in a fair manner for the best interest of both parties.

Customers Rights

- The Bank shall ensure the protection of the rights of its customers by maintaining open communications with them, while taking point on their concerns, and acting upon them.
- The Bank shall develop adequate customer complaints and protection policies on order to safeguard the best interests of the customers.
- All the stakeholders shall be given an opportunity to provide feedback on the business decisions and on their experiences with the bank.
- All complaints and disputes will be addressed promptly and within the guiding principles of transparency, fairness, respect and accountability.
- The Bank respects the values and culture of each stakeholder. When disagreement with stakeholders occurs and cannot be resolved, the Bank employees shall always demonstrate respect for the diversity of views presented and try to resolve issues as quickly as possible.
- The Bank shall have a customer complaints unit to be in charge of receiving customers complaints, and acting upon them in order to ensure the satisfaction of the banks customers and protecting their rights accordingly.
- No preferences shall be given to any related party dealing with the Bank, who shall be dealt in the same way as any other stakeholder.
- The Bank and the stakeholders are required to maintain confidentiality of information and an agreement shall be entered between the parties in this regard.

Community Interests

The Bank is committed to contributing to the overall quality of life wherever it operates and to use resources responsibly to preserve the environment. The BoD wants communities to count on the bank's help in civil, charitable and other community activities by fulfilling its social responsibilities.
Furthermore, in order to develop successful stakeholder relations, the Bank shall follow the following principles:
- Those affected by the Bank's business have a right to be informed about the bank's activities, participate in a transparent stakeholder engagement process and be involved in issues and opportunities that affect them.
- Stakeholders shall be provided with timely and accurate information about the Bank's business and the Bank shall take into account the needs and concerns of stakeholders when making decisions on the bank's behalf.
- All the stakeholders shall be given an opportunity to provide feedback on the business decisions and on their experiences with the bank.
- The Bank respects the values and culture of each stakeholder. When disagreement with stakeholders occurs and cannot be resolved, the Bank employees shall always demonstrate respect for the diversity of views presented and try to resolve issues as quickly as possible.
- No preferences shall be given to any related party dealing with the Bank, who shall be dealt in the same way as any other stakeholder.
- The Bank commits to promote contracts and deals of various types, through bids or various purchase orders and to fully disclose it in its related registers.
- The Bank shall be committed to maintaining positive working relationships with its stakeholders and to meet their requirements in a timely and effective manner.
- The Bank shall develop collaborative and two-way communication programs to improve the involvement of the stakeholders in the activities of the Bank.
- All stakeholders shall have an opportunity to inform the Chairman of any inappropriate practices in line with the whistleblower policy.
- All complaints and disputes will be addressed promptly and within the guiding principles of transparency, fairness, respect and accountability.
- The Bank shall ensure adequate disclosures in line with regulatory requirements and other disclosures to the public through its annual report, local newspapers and the Bank's official website.
- The Bank shall maintain and promote fair dealing with its stakeholders and contracts or projects shall be entered only after obtaining competitive quotes from various parties. The policies with respect to entering into contracts shall be followed by the Bank in all cases.
- The Bank and the stakeholders are required to maintain confidentiality of information and an agreement shall be entered between the parties in this regard.

Executive Management

Mr. Ali A. Khajah
Chief Executive Officer (CEO)
Until 30 June, 2025
Holds a Master Degree in
Economics on (1976)
Joined the bank in 1981

Mrs. Iman Al Salamah
Acting Chief Executive Officer (CEO)
Development Finance
Effective 1 July, 2025
Holds a Bachelor Degree in Industrial Engineering (2001)
Joined the bank in 2001

Mr. Jawad Hussain Al Qallaf
Deputy Chief Executive Officer
Commercial Banking & Investment
Until 31 August, 2025
Holds a Bachelor Degree in
Accounting (1981)
Joined the bank in 1983

Corporate Governance Report

ANNUAL REPORT

Corporate Governance

Introduction
The Bank has a Corporate Governance Framework in place to ensure that the Bank is appropriately governed as per best practice. The Board of Directors sets the corporate governance policies and directs the process framework, and they are responsible for ensuring good corporate governance for the Bank while adhering with the guidelines of the Central Bank of Kuwait in letter and spirit.

Board's certificate on the adequacy of Internal Control Systems
The Board is responsible for the establishment and review of the Bank's system of internal control, which is designed to ensure effective and efficient operations; quality of internal and external reporting; internal control; and compliance with laws and regulations. It should be noted, however, that such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The system of internal control can only provide reasonable but not absolute assurance against the risk of material loss. Management is responsible for establishing and maintaining the system of internal controls.

The effectiveness of the internal control system is reviewed regularly by the Board, the Governance Committee and the Audit Committee, which also receives reports of reviews undertaken by the Compliance and Governance Unit and the Internal Audit Department.

The Compliance and Governance Unit In cooperation with Risk Management Department reviews all policies and procedures that underpin the internal control framework. It also reviews risks at the departmental and enterprise level. The Risk Committee reviews all identified risks and their mitigation.
The Governance Committee evaluates reports received from the Compliance and Governance Unit and discusses the notes undertaken by the unit over periodical meetings to ensure compliance with laws and regulations.
The Audit Committee evaluates reports received from the external auditors and discusses the issues with them over periodical meetings. The Audit Committee is further responsible for overseeing financial and Internal Control Review (ICR) reports.

The Board has assessed the effectiveness of the internal control system and the Bank's risk and financial reports for the year 2024, and concluded that there are no significant deficiencies, confirming effective operation and design of the Bank's internal control system.

Corporate Governance compliance assessment
The Bank has complied with all applicable requirements as per the corporate governance manual as well as w the Code of Conduct and Ethics, which are accessible through the Bank's website through the following link:

https://www.ibkuwt.com/ar/corporate-governance/

Bank's Financial Remuneration Policies

Remuneration Policy
The Bank's Remuneration Policy is designed to attract and retain highly qualified, skilled, and knowledgeable professionals and incorporates all the requirements of the CBK as mentioned within its corporate governance instructions. The Policy includes all necessary aspects and components of financial remuneration considering reinforcing the Bank's performance objectives and effective risk management.

The Bank's Board, based on the Board Nominations and Remuneration Committee (NRC) recommendations, approves and modifies the Bank's remuneration policy and its design (if any), and reviews the process of its implementation to ensure that it is operating as intended.

Remuneration components:
The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the characteristics of the business, the employee's grade in the Bank and the job function as well as market practice concerning the prevailing remunerations level. Employee remuneration consists of fixed remuneration like salary and other benefits, in addition to variable yearly performance-based remuneration.

The fixed remuneration is determined based on the role of the individual employee, including job responsibility, job complexity, grade, performance and local market conditions and the applicable laws.

The performance-based incentives (STI for all employees and LTI for senior management) are designed to motivate and reward the employees to achieve the goals and objectives of the Bank as per the strategy and annual plans of the Bank.

Performance-based incentives are disbursed as an annual cash bonus for employees. The incentive schemes are linked with a balanced mix of performance indicators at the corporate level and the employee level. The primary goal of the STI is to align the incentive with the Bank's annual performance and individual contributions. The LTI for the senior staff is designed to encourage sustainable and risk-adjusted long-term performance of the Bank.

The Bank implements a formal performance management process for evaluating and measuring staff performance at all levels. In the beginning of the year, the staff and their performance managers plan and document the annual performance goals (KPIs), required competencies and personal development plans for the staff. At the annual performance appraisal, the performance managers and the reviewers evaluate and document performance against the KPIs / performance objectives. Decisions on adjustment of the employee's fixed salary and on performance-based incentives are made based on the annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical insurance, annual tickets, and allowances are provided based on approved policy, and local market practice subject to the applicable laws. The CEO oversees the implementation of the remuneration system of the employees as per the approved policy, including the design and related procedures. The Board NRC periodically evaluates the sufficiency and effectiveness of the Remuneration Policy to ensure its alignment with the Bank's objectives. The NRC assists the Board to conduct an independent annual review of the Bank's compliance with the Remuneration Policy.
Complying with the Corporate Governance Requirement, the financial remunerations paid to the following groups of employees are disclosed hereunder:

First category: It includes the CEO, his deputies and managers whose hiring is subject to approval of regulators.

Second category: It includes all managers whose activities and decisions have a material impact on the risk profile of the bank.

Third category: Include the Financial and Risk Control managers.

Financial remuneration paid for the above categories are:

Category	Nb. Of Staff	Remuneration Paid (annual)			
		Fixed	Mode of Payment	Variable	Mode of Payment
First Category	6	Salaries: KD 449,960 Tickets: KD 9,582 Insurance benefits: KD 8,857 Yearly bonus: KD 67,494 Social Security: KD 15,455	Cash Cash Cash Cash Deferred Cash	Special bonus: KD 549,806	Cash
Second Category	6	Salaries: KD 340,632 Tickets: KD 11,855 Insurance benefits: KD 7,554 Yearly bonus: KD 51,095 Social Security: KD 22,770	Cash Cash Cash Cash	Special bonus: KD 146,774	Cash
Third Category	5	Salaries: KD 233,100 Tickets: KD 12,286 Insurance benefits: KD 9,572 Yearly bonus: KD 34,965 Social Security: KD 10,754	Cash Cash Cash Deferred Cash	Special bonus: KD 84,045	Cash

- The yearly remunerations (including salaries, yearly bonus, tickets, insurance benefits, social security and special bonus) paid for the five senior executives who have received the highest remuneration packages and for the Chief Internal Auditor and Chief Risk Officer (7 persons) amounted to 705,160 KD.

- The financial remuneration package paid to the Board of Directors amounted to 390,840 KD.

Report on accounting and other records and internal control systems

Grant Thornton
Al-Qatami, Al-Aiban & Partners

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Independent Auditor's Report
on Accounting Records and other Records and Internal Control Systems

M/s. Industrial Bank of Kuwait (KSCC)
State of Kuwait

Introduction:

In accordance with the engagement of Industrial Bank of Kuwait ("the Bank"), we have examined your accounting and other records and have also examined and evaluated the internal control systems applied during the year ended 31 December 2024 with regard to major activities for departments and functions described in the attached report.

Scope:

Our examination was conducted in accordance with the requirements of the Central Bank of Kuwait as outlined in the circular issued on 15 June 2003 "Instructions to Banks Regarding the Review of Internal Control Systems", the Anti-Money Laundering and Combating Financing of Terrorism instructions issued on 16 February 2023, and the Corporate Governance instructions for Kuwaiti banks issued on 20 June 2012, along with their amendments issued on 10 September 2019, as well as all subsequent instructions and circulars issued by the Central Bank of Kuwait. Additionally, it adheres to the instructions dated 9 February 2012, regarding maintaining confidentiality of information and bank's customers data.

Responsibility of the Bank:

We would like to state that the Bank's Board of Directors and upper management is responsible, among other matters, for establishing adequate internal control systems, considering that the costs of such control elements are consistent with the expected benefits of their application. The Bank's management is responsible for defining and applying all regulatory instructions and controls related to compliance with the above-mentioned regulatory requirements. It is also responsible for preparing the policies, procedures, and internal control systems that it deems necessary to ensure compliance with the regulatory requirements, ensure the soundness of its financial information, protect its assets, and the efficiency of its operations in all aspects.

Our Responsibility:

The objective of this report is to provide reasonable assurances on the adequacy of the control procedures and systems in place, to protect the Bank's assets against losses that may result from irresponsible acts or uses, the soundness of the financial information, and the efficiency of its operations in its administrative, financial and accounting aspects. It also provides reasonable assurances stating the risks are carefully monitored and evaluated, and the transactions are carried out in accordance with the established authorization procedures and are properly recorded.

In this regard, it is taken into account that deficiencies in any of the internal control systems may result in the occurrence of errors that are delayed or not detected or tracked, as well as the difficulty in assessing the adequacy of systems for future periods, given that management information and control procedures may become insufficient due to changes in circumstances, or as a result of a low degree of compliance with these procedures.

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Independent Auditor's Report (Continued)

Our Responsibility (Continued)

We are also responsible for preparing a report on review and evaluation of the internal control systems of the Bank and compliance with the above-mentioned regulatory requirements. We conducted a reasonable assurance engagement, in accordance with ISAE 3000, other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

A reasonable assurance engagement in accordance with the above-mentioned ISAE involves performing procedures to obtain evidence of whether the Bank has complied with the above-mentioned regulatory requirements. The nature, timing, and extent of procedures depend upon our judgment. They are selected according to the subject matter of the report, including the risk of material non-compliance whether due to fraud or error. They also depend on our understanding of the nature of the Bank and other relevant engagement circumstances.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA comprehensive Code) and complied with the applicable requirements of the International Standard on Quality Management (1) (ISQM 1) to maintain a comprehensive system of quality management.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion:

In our opinion, having regard to the nature and scale of the Bank's business during the year ended 31 December 2024:

a) The accounting records, as well as other records and internal control systems that we have examined, comply with the requirements of the General Guidelines for Reviewing Internal Control Systems, issued on 15 June 2003.

b) The exceptions listed in Appendix No. (2), attached to this report, do not materially affect the credibility of the presentation of the bank's financial statements for the year ended 31 December 2024.

c) The actions taken by the bank to address the exceptions mentioned in the report are considered satisfactory.

Restriction on Distribution

This report is intended solely for the information and use of the Bank and the Central Bank of Kuwait and should not be used for any other purpose. Therefore, we do not assume any liability in respect of this report towards any party other than what was stated above.

Yours Faithfully,

Abdullatif M. Al-Aiban (CPA)
(License No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban and Partners

Kuwait
11 June 2025



Executive Report

By the end of 2025, the Industrial Bank of Kuwait would have completed the fourth year of its authorized 2022-2026 Strategic Plan, which seeks to strengthen the Bank's role in growing the industrial sector as a vital pillar of the Kuwaiti economy.

The Bank continues to implement its strategic initiatives by enhancing its operational procedures and processes, while advancing a comprehensive digital transformation program aimed at improving the quality of the electronic services it provides to customers and further strengthening its credit risk assessment and measurement framework. In addition, the Bank remains committed to advancing sustainability through the implementation of environmental, social, and governance (ESG) initiatives.

On the financial front, the Bank's total assets grew by 5% to KWD 855 million as of December 31st, 2025, compared with KWD 814.5 million in 2024. Industrial loans increased to KWD 179.1 million at year-end 2025 from KWD 148.8 million in 2024. The net loans and advances portfolio, after provisions, reached KWD 291.7 million at the end of 2025, compared with KWD 268 million in 2024. Meanwhile, the ratio of non-performing loans to the total loans and cash facilities portfolio declined to 0.05% at the end of 2025 from 0.65% in 2024. Investment assets stood at KWD 166.7 million at year-end 2025, compared with KWD 161.6 million in 2024.

With respect to the statement of profit or loss for the year ended December 31st, 2025, net interest income remained unchanged at KWD 20.6 million, consistent with the level recorded in 2024. Meanwhile, total income increased to KWD 46.3 million, compared to KWD 44.2 million in 2024, primarily driven by higher net investment income, which rose to KWD 17.4 million from KWD 11.7 million in the previous year. Income from recovered written-off loans also increased to KWD 6.6 million, compared to KWD 5.9 million in 2024.
After recognizing provisions amounting to KWD 18.3 million, compared to KWD 15.5 million in 2024, the Bank reported a net profit of KWD 27.027 million for 2025, compared to KWD 27.8 million in 2024, representing a marginal decrease of KWD 773 thousand, or 2.8%.

Internal Control Systems

Pursuant to the directives of the Board of Directors, the Bank's Management has implemented internal control systems covering all of the Bank's activities and banking operations. These systems are designed to ensure effective oversight of the accounting records and all banking transactions, safeguard them against banking risks, and ensure compliance with the relevant instructions issued by the Central Bank of Kuwait.

Management also ensures that the internal control systems are subject to periodic reviews by an external auditor to assess their adequacy and effectiveness and to recommend any necessary amendments to the Bank's policies and operating procedures. Such recommendations are submitted first to the Audit Committee and subsequently to the Board of Directors for approval. Management further emphasizes the importance of all employees adhering to the approved operating procedures governing the Bank's various activities.

In addition, the Bank's Internal Audit Function conducts periodic reviews of the adequacy and effectiveness of the internal control systems and verifies compliance with the approved policies and procedures. The Head of Internal Audit reports directly to the Audit Committee established by the Board of Directors. Based on the Internal Audit reports, the Risk Management Department's assessment of the effectiveness of the internal control systems, and the Bank's Operational Risk Self-Assessment reports for 2024, Management concluded that there were no material deficiencies in the Bank's internal control system.

May Allah grant us success.

Iman Nouri Al-Salamah

Achievements of Main Operational Activities:

Industrial loans

During the year 2025, the bank completed studying 13 industrial loan requests, which were approved to be granted long-term industrial loans, consisting of 4 expansion projects, 9 new projects. The total industrial loans commitments reached KD 45.2 million in the year 2025, with total projects cost of about KD 56.7 million. The total industrial loans commitments represented 80% of total projects cost.

Loan Commitments During 2025

Sub-Sector	No. of Projects	Total project Cost (KD)	IBK Financing (KD)	Finance Share %
Manufacture of food products	1	8,612,000	7,500,000	16.6%
Manufacture of textiles	1	499,000	250,000	0.6%
Manufacture of paper and paper products	1	3,346,000	2,100,000	4.6%
Manufacture of coke and refined petroleum products	1	560,000	242,000	0.5%
Manufacture of other non-metallic mineral products	6	40,852,000	33,549,000	74.2%
Manufacture of electrical equipment	1	1,045,000	550,000	1.2%
Manufacture of furniture	2	1,795,000	1,017,000	2.2%
Total	**13**	**56,709,660**	**45,208,000**	**100**

The table indicates that the Manufacture of other non-metallic mineral products sector ranked first, accounting for 74.2 % of industrial loans commitments in year 2025, while Manufacture of food products second representing 16.6% of industrial loans commitments in year 2025.

Industrial Loan Commitments during 2019-2025

	2019	2020	2021	2022	2023	2024	2025	Cumulative 1974-2025
Number of industrial Loans	29	17	20	24	22	19	13	1233
Total Cost of Projects Financed (KD 000)	52,829	33,775	67,493	51,376	87,214	76,452	56,709	2,634,087
Total loan Commitments (KD 000)	41,774	25,901	61,381	39,138	60,077	67,318	45,208	1,586,395
Percent of Commitments-to-Total Project Costs (%)	79	76	91	76	69	88	80	60
Average Project Cost (KD 000)	1,822	1,987	3,375	2,140	3,964	4,024	4,362	2,136
Average IBK Financing/project (KD 000)	1,441	1,524	3,069	1,631	2,731	3,543	3,478	1,287

Cumulative industrial loans commitments since the bank commenced lending operations in year 1974 until the end of year 2025 reached KD 1.586 bn, representing 60% of the aggregate project costs of KD 2.634 bn for 1,233 projects financed by IBK.

Corporate Finance

The Commercial Banking Relationship Management Department continued, during 2025, to offer a full range of commercial banking facilities to the industrial sector clients in Kuwait by providing working capital facility, project finance facility, short/medium term loans. The department also provided bridge financing to industrial clients pending approval / disbursement of long term industrial loans. The banking facilities granted by the department are priced at market rates. In addition, the department is also responsible for the establishment and monitoring of treasury lines to domestic and international banks and financial institutions.

The year 2025 has witnessed many challenges due to high inflation rates, ongoing political turmoil, and geopolitical developments in the world, and the consequent rise in raw materials prices and the continued increase in discount interest rates by Kuwait Central bank, a long with the lack of new govement projects in the country, which led to lending rates drop during the year. In addition, many clients prepaid their credit loans and reduced their credit exposures due to mentioned economic conditions. Which led to drop in granted cash facilities comparing with targeted figures, the portfolio size recorded total cash facility of KWD 153,390 Mil comparing the target of KWD 172,000 Mil. One more reason of the said drop in portfolio balance is the fewer new projects in different sectors which normally play an important role in our portfolio growth. However, it is noticeable that our client base has increased by granting them a new non-cash banking facilities and establishing a new credit and banking relationship with new clients to keep pace with our bank's objectives in contributing to the development of the industrial sector in Kuwait and providing all support to industrial projects by providing banking services and credit facilities to industrial companies.

In continuation of the bank›s policy of focusing more on the local market, the international markets conditions are still conservative.

Direct Investment

Throughout 2025, the Direct Investment & Promotion Department ("DIP") (including its subsidiary KIPC), pursued a value-driven investment strategy focused on risk management and long-term sustainability. The Department prioritized selective investments in private equity, venture capital, and infrastructure through partnerships with highly experienced international fund managers. These long-standing relationships, spanning more than 40 years, have been instrumental in maintaining portfolio resilience and consistent performance.

On the local front, DIP concentrated on expanding its exposure to companies with innovative, scalable business models that support industrial development. This approach contributed to measurable growth in the bank's investment portfolio, including subsidiaries, which increased by %3.5 to reach KD 176.63 Million by the end of 2025, compared to KD 170.65 Million in 2024. Fiduciary assets under management also reached KD 82.74 Million during the year.
The Department continued to strengthen its strategic network by engaging with leading local investment firms; where the collaboration aims to originate and evaluate high-quality investment opportunities.
In parallel, the department actively reviewed acquisition opportunities involving distressed companies, particularly former clients of the Bank; through auction mechanisms, with a focus on restructuring and value recovery.
In support of Kuwait's national sustainability objectives, DIP significantly advanced its involvement in renewable energy projects.

Treasury

The Treasury Department is responsible for efficiently managing the daily cash flow and liquidity by utilizing the foreign exchange, money markets and capital markets.
Despite the rate cut and further rate cut expectations, the Treasury Department ensured to deploy funds at competitive yields. The department helped in efficiently managing the cost of fund and maintaining it within acceptable limits by utilizing Capital Markets including Bilateral Loans, which had a positive impact on the bank.
During 2025, the Bank succeeded in obtaining Bilateral loans from international institutions namely Commerzbank, Abu Dhabi Commercial Bank, Arab Banking Corporation and National Bank of Kuwait, Bahrain branch.
In addition, Treasury Department continues to develop and maintain activities in Kuwaiti Dinars and foreign currencies as well as actively investing in Kuwaiti Dinar denominated Government T-bonds and CBK bonds to maintain high quality liquid assets and consistent growth.
Treasury Department aims to maximize returns by utilizing selective opportunities that meet IBK's overall diversification strategy. It also maintains its presence in the local and international capital market through active relationships with local and international banks along with, continuing to serve the bank's customers by providing suitable financial solutions and products to serve their financial needs.
Furthermore, by the constant efforts of the ALCO committee, the bank managed to implement CBK's instructions to its operations, which guided the bank to control market risk and liquidity risk beside predicting future trends of foreign exchange prices and interest rates in the financial market.

Research Department activities during 2025

In 2025, the Research Department strengthened its role in supporting the industrial sector by conducting specialized market studies for various industrial products in Kuwait. These studies aimed to assess the feasibility of local production by analyzing current and projected supply and demand, evaluating competition between locally produced and imported products, and estimating the potential market share for new products. These efforts aligned with Kuwait Vision 2035, which seeks to enhance the national economy and diversify income sources. The resulting insights provided reliable data to assist decision makers in identifying growth opportunities and enhancing the competitiveness of local industries.
During the year, the department completed several important studies across key industrial sectors, including "Wood Products Sector", recognizing it as a growing field that supports both the construction and manufacturing industries. It also prepared a comprehensive analysis of the "Cement and Ready-Mix Concrete Sector", one of the fundamental pillars of infrastructure projects and urban development. The department's efforts further extended to the Industrial Waste Management Sector through a study entitled "Waste Landfills in Kuwait", supporting the Bank's role in promoting industrial sustainability and adopting effective environmental practices. In addition, the department continued its research activities by preparing a study on the "Fourth Industrial Revolution", as part of its continuous monitoring of industrial and technological developments and its commitment to keeping pace with digital transformation. Currently, the department is working on a new study titled "Industrial Exports in Kuwait", to assess national industrial capabilities and identify opportunities to expand the global presence of Kuwaiti products, supporting Kuwait's position as a competitive industrial and economic hub in the region.
As part of its commitment to promoting industrial knowledge, the department prepared brochures and executive summaries for most of these studies and published them on the bank's official website. This initiative ensures the availability of reliable information for industrial stakeholders and interested parties, enhancing their ability to make informed decisions based on a deep understanding of market dynamics and opportunities across various industrial sectors.

Regarding economic reports, the Research Department continues to play a pivotal role in preparing and analyzing periodic and specialized economic reports that provide the Bank's management with an accurate outlook on economic performance and future trends. These efforts include the preparation of annual, semi annual, and quarterly economic reports, in addition to updating economic and statistical databases related to industrial activity, the oil market, construction developments, and demographic trends. These reports contribute to delivering a comprehensive economic perspective that supports strategic planning, risk management, and informed, analytically grounded decision making.
As part of its efforts to enhance data quality, the department ensures the regular updating of industrial information through field visits to factories and industrial establishments, which enables the continuous and accurate updating of client data. The department also collects and analyzes the latest market-specific studies, statistics, and modern industrial guides, ensuring that the Bank is provided with a comprehensive and reliable information base used in preparing various industrial and economic studies.

Portfolio Management

The Industrial Bank of Kuwait is managing three financial portfolios on behalf of the government, Al-Senai portfolio for small enterprises with a capital of 150 million KD, Agricultural Financing Portfolio with a capital of 50 million KD, and The Islamic Industrial Financing Portfolio with a capital of 100 million KD.

Al-Senai portfolio for small enterprises:

Al-Senai portfolio for small enterprises continued on supporting activities of Kuwaiti youth in the field of small business by providing funds in accordance to Islamic finance which in turn seeks to support the aspirations of the state through national manpower restructuring, and directing youth for self-employment , which contribute in diversification of production and service activities in Kuwaiti economy.

In 2025, the portfolio financed total of 47 projects, with 3.2 million Kuwaiti dinar investment cost. While Al-Senai portfolio funding amount reached 2.5 million Kuwaiti dinar equivalent to 75.84 % of total cost of projects .

Project financing:

	CATEGORY	No.	INVESTMENT	PORTFOLIO SHARE	%
1	Wholesale & Retail trade	11	1,097,665	758,829	30.93
2	Manufacturing	18	590,876	584,006	23.81
3	Accommodation and food service activities	7	505,994	402,599	16.41
4	Human health and social work activities	2	562,503	341,362	13.91
5	Arts, Entertainment and recreation	4	216,316	139,487	5.69
6	Professional, scientific and technical activities	3	143,965	117,076	4.77
7	Administrative and support service activities	1	79,000	79,000	3.22
8	Transportation and storage	1	38,650	30,920	1.26
	Total	**47**	**3,234,969**	**2,453,279**	**100**

The following table indicates the number of funding projects, according to top three sectors as following:

No.	CATEGORY	No of projects
1	Wholesale & Retail trade	18
2	Accommodation and food service activities	11
3	Manufacturing	7

The following table indicates investment cost and portfolio Finance share, according to top three sectors with 71.15 % of Al-Senai portfolio share:

No.	CATEGORY	INVESTMENT	PORTFOLIO SHARE	%
		(KD)		
1	Accommodation and food service activities	1,097,665	758,829	30.93
2	Wholesale & Retail trade	590,876	584,006	23.81
3	Manufacturing	505,994	402,599	16.41

The Islamic Industrial Financing Portfolio

has an objective to support the industrial development through providing medium to long term financing to industrial projects and services in compliance with Islamic Sharia'a such as Murabaha, Istisna›a, and Ijara. Thus, (6) new industrial project was financed during the year 2025.
Cumulative industrial financing commitments since the portfolio commenced its financing operations in year 2009 until the end of year 2025 reached KD 81 mm, presented to 51 Industrial projects.

Cumulative Finance Commitments during 2025 – 2009

	During year 2025	Cumulative 2009 – 2025
Number of Projects	6	51
Total Projects Cost (KD 000s)	7,424	168,581
Portfolio Finance (KD 000s)	5,249	80,586

Agricultural Financing Portfolio

The agricultural loans committee approved to grant (30) agricultural loans during year 2025. The total estimated project cost was KD (6,560,988); however, the agricultural portfolio's contribution was KD (3,205,000) which represents %49 of the projects` cost as distributed below:

Sector	No	Total Project Cost	Agricultural Portfolio Financing
Planting	16	4,118,929	1,930,000
Short term	5	86,000	86,000
Dairy	3	977,185	521,000
Feeds	1	105,341	53,000
Fruits	1	285,200	100,000
Poultry	1	364,900	200,000
Egg	1	383,833	230,000
Livestock	2	239,600	85,000
Total	**30**	**6,560,988**	**3,205,000**

According to the previous table, the agriculture portfolio financed %60 of its total sectors financing for the Planting sector.

Information Technology

The year 2025 was a year full of achievements accomplished by the Information Technology Department, as the department focused on several vital projects in alignment with the Bank's strategic management, as outlined below:

First: Projects related to the Central Bank of Kuwait

- December 2025: Kuwait National Payments System – Release KNPS2, which includes:
- - Automated Clearing House (ACH) solution: Completed
- - Dispute Management System (DMS): Go-live will be in February, 2026
- December 2025: Integration with SWIFT Lite 2 for sending and receiving Real-Time Gross Settlement (RTGS) messages: Development and integration have been completed. However, Testing with CBK is in progress.
- December 2025: "Afaq" Project – Phase II: GCC-RTGS (Real-Time Gross Settlement for GCC countries) through the Central Bank of Kuwait (CBK): Development and integration have been completed. However, Testing with CBK is in progress. SWIFT Syntax Upgrade (SWIFT, PAYMENTSAFE, AML) - Implemented SWIFT Syntax upgrade in November 2024.
- December 2025: New (14) regulatory reports for CBK.
- March 2025: CBK KASSIP new timings- Finacle Core automation.

Second: Projects related to various Bank Departments

- May 2025: Swift / PaymentSafe Auto client Upgrade.
- November 2025: Implementation of a new Human Resources Management System – SAP SuccessFactors: Development and integration have been completed. However, Testing is in progress.
- September 2025: Deployment of new Avaya telephones with call recording system.
- November 2025: Implementation of a new Enterprise Resource Planning ERP System: Development and integration have been completed. However, Go-live will be in January 2026.
- December 2025: Online Banking Services: Development and integration have been completed. However, testing is in progress.
- January 2025: Customization of Finacle Core – Trade Finance Module.
- December 2025: Development and enhancement of the Bank's website.
- September 2025: Payment Purpose Code update project in line with changes applied in Finacle and PaymentSafe systems.
- November 2025: SWIFT Payment ISO20022 upgrade.
- MAR 2025: Reports enhancements requests from multiple departments (20 Reports).
- January 2025: Automation for HR Onboarding Workflow.
- April 2025: Automation for training feedback Workflow.

Third: Projects related to Technical Infrastructure

- March 2025: Oracle Database upgrade from version 11g to 19c, including migration of the Finacle technology stack.
- September 2025: Upgrade of CBK Regulatory application (TBS, TDTS, AAS) application.
- November 2025: Migration of ETL server (Operating System) and conversion of ETL Sybase database to SQL Server.
- November 2025: Windows Server 2012 End-of-Life Upgrade.
- October 2025: Data Warehouse (DWH) enhancements – Re-engineering of 68 processes.
- May 2025: Security servers solution for perimeter firewall, strengthened with XDR (Extended Detection and Response) solution.
- September 2025: DR setup of SAP BO.
- October 2025: DR Setup of CBK Regulatory application.
- October 2025: Automated Ci-Net error analysis (2700 issues were cleared).
- March 2025: Automation for IT licenses renewal Workflow.

Human Resources

1- Administration Section

The year 2025 witnessed a significant advancement in strengthening the community focused role of the Human Resources and Administration Department. The Bank enhanced its presence at specialized job fairs and exhibitions, positioning these platforms as strategic opportunities for direct engagement with talents and the wider community. In line with our commitment to financial awareness, the Department continued its support for the "Deraya" campaign in

collaboration with the Central Bank of Kuwait and the Kuwait Banking Association, launching innovative awareness initiatives aimed at elevating financial literacy and fostering a well informed and knowledgeable society. The Bank also continued to enrich knowledge content through the "Edaat" magazine and by supporting the societal initiatives of the Kuwait Banking Association.

As part of our efforts to promote sustainable development, several programs were implemented to reinforce values and social responsibility. This included ongoing internal awareness campaigns for employees, such as those dedicated to women in October and men in November. Additionally, the

Bank continued to strengthen its culture of appreciation through employee recognition initiatives, contributing to enhanced teamwork and institutional loyalty.

The Bank also remains committed to improving customer experience by conducting surveys designed to measure customer satisfaction, reflecting its dedication to delivering distinguished banking services. Moreover, special focus was placed on upgrading the Bank's external channels to ensure alignment with the latest information technologies and to enhance service mechanisms. These efforts have positively impacted on the quality of banking services provided and reinforced the Bank's commitment to excellence.

2- Human Resources

The Human Resources and Administration Department continue to exert its utmost efforts to support the Industrial Bank of Kuwait's mission and achieve its strategic objectives through the ongoing investment in developing human capital by attracting and qualifying the best talents, particularly young national professionals. This is achieved by providing comprehensive training and development programs that contribute to enhancing employees' professional and personal skills and preparing them to work within an increasingly knowledge driven environment.

Particular emphasis is given to the development of Kuwaiti talent by ensuring their training and enhancement of their skills and providing them with all the necessary foundations to accomplish success. In the fiscal year of 2025, the bank provided employees with more than 7000 training hours which were delivered by more than 60 training courses from different training providers in 2025. This reflects the bank›s commitment towards investing strongly in enhancing the efficiency of its employees by developing programs and workshops in accordance with the requirements of the Central Bank of Kuwait. Additionally, the utilization of the most respected educational institutions & training providers locally and internationally to implement programs and training courses that keep pace with the development and requirements of the labor market in addition to investing in the Bank›s internal resources giving them the opportunity to build a career by elevating their professional and personal skill set and preparing them for a knowledge-based work environment with exposure to training providers such as: Imperial College Business School, INSEAD, Bentley University, Chicago Booth, Babson College, The University of Manchester, and Columbia Business School, Google, National Leadership Institute, Kuwait Institute of Banking Studies and other specialized training providers.

The HR & Administration Department, in coordination with the Legal Department at IBK, undertook a social responsibility initiative by providing training to recent law graduates at its head office, focusing on legal practices in accordance with labor law, as part of a program by the Public Institution for Social Security. Furthermore, proactive steps are being taken to support Kuwaitization and diversity within the bank. At the end of the fiscal year 2025, the number of Kuwaiti staff were at 158, elevating the percentage of national employment to %83.6 of the total employees in the bank. In addition to the increase of participation in career job fairs in May 2025 at GUST and in October 2025 at Watheefti Exhibition. Bank also has engaged with SAP company to enhance employee service system.

It is noteworthy that the Department has surpassed the targeted number of training programs delivered this year. Furthermore, we successfully automated the entire training cycle, enhanced the orientation framework for new employees, and implemented an automated system that enables managers to make more precise and effective decisions regarding the continuation or termination of new employees' services. Collectively, these achievements underscore the Department's ongoing commitment to strengthening operational efficiency and fostering a culture of continuous improvement.

The Strategic Plan

The strategic plan of the Industrial Bank of Kuwait has defined the vision that it seeks to achieve during the years (2022-2026), which is: **"IBK as a profitable bank with a strong focus on industrial development impact and as the main driver behind growing a diversified Kuwaiti economy"**

To achieve this ambitious vision, four strategic objectives were set:

1- Optimize to "IBK 2.0" Address internal improvement areas to ensure continued financial sustainability, e.g., through optimizing and digitizing processes, streamlining customer relationship management, bringing our IT systems up to par

2- Orchestrate industry growth Step up to coordinate diversified development of the industrial sector

3- Innovate IBK's product offering Expand and reshape the product portfolio and capabilities to provide more additionality

4- Support sustainable economy: Promote ESG agenda in line with Kuwait's government ambition These strategic objectives are attained through the implementation of initiatives addressed by the strategy, which encompasses all major and auxiliary operational areas. To implement the identified initiatives and attain the strategic objectives, work is performed in two important areas:

- Strategy Management
- Strategic transformation

I: Strategic management

The year 2025 represents an advanced stage in the implementation of the strategic plan, where the focus has been on enhancing execution effectiveness, improving the quality of monitoring, and linking strategic initiatives to tangible operational outputs. This has contributed to strengthening and reinforcing coordination between departments and supporting the integration between work plans and strategic objectives.

The effectiveness of implementing the strategic plan is assessed by measuring the efficiency of executing work plans and the extent to which the key financial and non financial performance indicators (KPIs) are achieved.



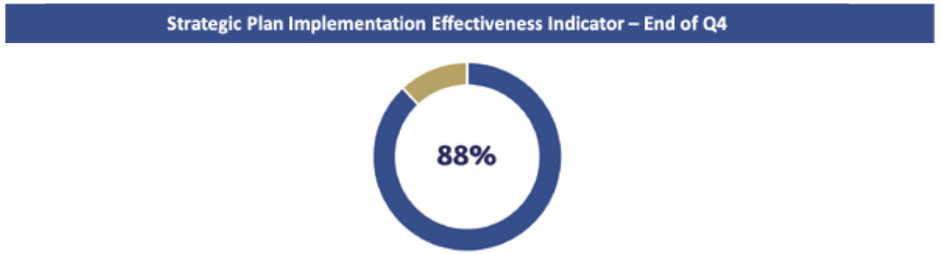
The period after 48 months of the strategic plan

1.1 Action Plans



2025 Action Plan Execution Rate

1.2 KPI Achievement Effectiveness



2025 KPI Achievement Rate

II- Strategic Transformation

Internal transformation:

The Bank continued implementing digital transformation initiatives by enhancing the technological infrastructure and upgrading the core banking system to align with future needs. Work procedures were automated to accelerate workflows and reduce reliance on paper-based processes. Additionally, the Enterprise Resource Planning (ERP) system was activated to strengthen internal controls and support decision making. Digital dashboards were also developed to enhance monitoring of digital transformation projects and measure actual performance.

The Bank also launched initiatives to re-engineer financing procedures, contributing to reducing the turnaround time for applications and improving output quality. Furthermore, the procedures of supporting departments were improved based on a clear methodology focused on identifying gaps and enhancing operational efficiency.

In line with the best global practices and efforts to strengthen institutional efficiency, the Bank obtained the ISO 9001:2015 certification for its Quality Management System. Awareness and training programs were conducted to reinforce a culture of quality and document procedures to ensure continuous compliance with international standards.

Regarding sustainability, which is one of the most important global priorities, the Industrial Bank of Kuwait has placed strategic emphasis on strengthening its role in this area.

External transformation:

At the external transformation level, the Bank focused on strengthening its developmental role and supporting the national economy through strategic partnerships and initiatives targeting the development of the industrial sector. In collaboration with the Public Authority for Industry, the Bank supported initiatives aimed at transitioning toward smart industry by encouraging the adoption of Fourth Industrial Revolution technologies, which contribute to enhancing productivity and improving industrial competitiveness.

These initiatives reflect the Industrial Bank of Kuwait's commitment to supporting economic diversification and promoting the transition toward a more sustainable and innovative industrial sector, in line with the country's strategic directions.

Risk Management Disclosures 2025

Risk Management Objectives:

The Industrial Bank of Kuwait has clear risk management objectives and a well-established strategy to deliver them through core risk management processes under the guidelines of the Central Bank of Kuwait. The Risk Management Department's objectives, in coordination with business lines, are:

- To identify the Bank's material risks, financial and non-financial.
- To formulate the Bank's risk appetite and ensure that business profile and plans are consistent with it.
- To optimize risk/return decisions by dialogue with business, while establishing a strong and independent review process and structure.
- To adhere to regulatory guidelines relating to risk management.
- To ensure business growth, new initiatives and strategic plans are properly supported by effective risk assessment.
- To monitor risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To assist business and support functions improve the control and co-ordination of risk taking across the Bank and transfer through insurance risks that cannot be managed internally.
- To manage information security and cyber risks.
- To promote a culture of risk awareness throughout the organization.

Risk Management Structure:

The responsibility for risk management resides at all levels within the Bank, from the Board and the executive level down through the organization to each business manager and risk specialist documented in detail through policies and procedures and available to all staff through an online shared system. In a three-eye approach, the responsibilities for effective review and challenge reside with managers of departments as the primary risk holders, an independent risk management department and internal audit. For effective corporate governance, the Chief Risk Officer assists the Board Risk Committee to guide and oversee effective risk management across the Bank. Risk Management also assists the Board of Directors in tasks required by the Board Committees. The Board is responsible for approving risk appetite, which is the level of risk tolerance that the Bank chooses to accept in pursuit of its business objectives and risk management tracks it within tolerance levels. The risk appetite is reviewed annually by the Board Risk Committee so that it is in synchrony with the economic environment and internal strategic objectives.

The Board is also responsible for the internal control and assurance framework. To enhance corporate governance and the management of risk, the following committees have been set up to perform specific roles - the Board Audit Committee, the Board Risk Committee, the Board Nomination and Remuneration Committee and the Board Governance Committee.

Internal Audit is responsible for the independent review of the effectiveness of risk management and the internal control environment in the bank. Its objective is to provide reliable, valued and timely assurance to the Board and Executive Management over the effectiveness of independently, mitigating current and evolving high risks and enhancing the control culture within the Bank. The compliance and strategic planning functions report to its Board Governance Committee.

The Board Risk Committee monitors through the risk management department, the Bank's risk profile against the risk appetite documented quantitatively and qualitatively in the risk appetite policy, providing benchmarks for high-level oversight and supervision of the management of risks. The Risk Committee reviews the constituents of the detailed risk appetite statement annually. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the Committee is comfortable with them. The Committee receives regular and comprehensive reports on the Bank's risk profile, an assessment of all risk factors, key issues affecting each business portfolio, risk measurement methodologies and future risk trends. The Board Risk Committee ensures that appropriate policies and procedures exist to manage risks in a professional and proactive manner, reviewing the independence and integrity of the Bank's risk management department and assessing business and strategic risks within established risk management policies and procedures.

The Chief Risk Officer reports directly to the Chairman of the Board Risk Committee. The risk management department is responsible for independently assessing and managing credit risks, market risks, liquidity risks, and all types of non-financial risks. While primary risks are managed by line managers, the risk management department provides a structured and independent assessment of credit, liquidity, market and all types of operational risks by proactively working with line management in identifying, documenting, quantifying, tracking and monitoring Key Risk Indicators and providing solutions whenever KRI's tend to go beyond acceptable levels. It facilitates implementation of risk initiatives and continuously tracks portfolio risks as well as individual credit, investment, new projects and product proposals. It ensures that risks are categorized into groups of low, medium and high risks and that significant risks that are outliers in the boundary provided by the risk appetite policy and those that have potential operational loss impacts, are highlighted, reported and mitigated.

In the collaborative spirit of risk accountability, there are specific committees set up to monitor specific areas of risk. There is an Assets and Liabilities Management Committee (ALCO) that monitors liquidity risks, investment risks and asset projections, in which the CRO participates as an active member. The Credit Committee and Provisions Committees deal with commercial banking and project finance proposals and impairment and provisions issues. Risk management coordinates the Bank's business continuity plans and off-site disaster recovery activities

Environmental, Social and Governance Initiatives:

The Industrial Bank of Kuwait plays a vital role in consolidating the sustainability approach of the industrial sector in the country, and this is reflected by financing loans in various industrial sectors that support efforts to diversify the production structure.

The bank also contributed effectively to environmental and social sustainability activities through the specialized portfolios it manages, by financing agricultural projects that contribute to the growth of the vegetation cover and enhancing food security in the country, and financing small and medium enterprises that contributed to creating job opportunities for Kuwaiti youth.

The bank's strategy has allocated the fourth goal to support the concept of sustainability, which states "Support a sustainable economy by promoting ESG agenda in line with the Kuwaiti government ambition"

The bank has developed a work policy for ESG, to manage the implementation of sustainability initiatives related to economic, environmental and social aspects within an internal governance system that is consistent with global governance standards.

This policy aims to demonstrate the bank›s commitment to integrating sustainability principles into its strategies and investment and financing operations, and aligning its business practices with environmental, social and corporate governance standards. The policy includes 8 elements that the bank focuses on as follows:

1. Community development
2. Job creation and talent development
3. Diversification of the economy
4. Enhancing waste and wastewater management in the industrial sector
5. Digital transformation
6. Enhancing supply chain sustainability
7. Renewable energy
8. Enhancing environmental contribution

As part of its efforts to enhance corporate sustainability, the bank conducted a Materiality Assessment involving internal and external stakeholders. The strategic team is currently developing a sustainability strategy that will form the basis for adopting sustainability standards and practices across the bank.

In addition, the bank has launched several projects and initiatives aimed at encouraging local investors to participate in projects with environmental and social benefits, including:

• The Green Industry Project with the Ministry of Electricity, Water, and Renewable Energy.

• A project to develop local factories by adopting Fourth Industrial Revolution technologies.

Concurrently, the bank is working to develop and train internal staff in sustainability reporting according to GRI (Global Reporting Initiative) standards. It is preparing to issue its first sustainability report for 2025, which will include a comprehensive plan for calculating and measuring greenhouse gas emissions and complying with relevant best practices. This step will support the development of an accurate database that informs decision-making, enhances transparency in environmental disclosure, and identifies opportunities for the bank to reduce emissions in the long term.

Stress Testing: A fundamental duty of the risk management department is to ensure that the Bank does not neglect to prepare for the worst event as they plan for growth. Stress testing helps the Bank understand how its portfolios would react if business conditions became significantly more challenging. Risk Management generates specific forward-looking scenarios and analyses how well liquidity and profitability would hold up, whether the levels of capital would be adequate to meet significant shocks and what managers could do ahead of time to mitigate risk. Stress tests capture a wide range of variables that are relevant to the current environment. The Risk Management department co-ordinates the process of stress testing, using bottom-up analysis on expected and unexpected loss. The results of the stress tests are presented to the Executive Committee, the Board Risk Committee, the Board of Directors and to the regulatory authority – The Central Bank of Kuwait for its assessment of the Bank's resilience to stressed credit risk, market risk and economic conditions. The stress scenarios consider a wide range of factors, including: The Bank's revenue generation potential, loan loss provisions and the probability of default and possible losses given default within its loan book; and possible declines in the market value of investment assets and effects on capital adequacy. The results of the stress testing also serve as reference points for triggering action on the Bank's capital planning policy and decisions on whether it requires a change of strategy or additional capital. Presently, the Bank is highly capitalized, and the capital support risk is low.
Financial Environment and Regulation: The Crude Oil prices which were at USD76 /bbl reached USD55/bbl by the end of FY2025. The international conflicts in the form of geopolitical risks in Russian region and in the middle east, kept the demand for oil buoyant. Keeping in view of the geopolitical conditions, the crude oil prices are likely to be volatile for the coming year FY26. The inflation rates continued to decline marginally during FY25, leading to reduce Central Bank of Kuwait discount rate from 4.00% to 3.50%.
The investment portfolio offered reasonable returns during FY25, even though the volatility was moderate in the international financial markets with stable interest rates during FY2025. The IFRS9 allows considering the investment valuations (positive and negative) directly into Profit and Loss (P&L) account. Based on the valuations of FY25, the profits of Direct Investment are booked straight into P&L account.

Risk Rating by External Rating Agencies:

During 2025, the international rating agency Fitch reaffirmed the rating of the Industrial Bank of Kuwait as shown below:

Fitch Ratings:	
Foreign Currency	
Long Term IDR	A
Short Term IDR	F1
Support Rating	'a'
Sovereign Risk	
Foreign Currency Long Term IDR	AA-
Local Currency Long Term IDR	AA-
Outlooks	
Foreign Currency Long Term IDR	Stable
Sovereign Foreign Currency Long Term IDR	Stable
Sovereign Local Currency Long Term IDR	Stable

Fitch comments that IBK›s IDRs and Support rating reflect the extremely high probability of support from the government of Kuwait, in case of need. This is based on the government of Kuwait's %49 direct ownership and %12 indirect ownership of IBK, as well as the long-term government funding provided for the bank›s development activities. The ratings also consider the Kuwaiti authorities› long history of strong support for Kuwaiti banks.

The rating agency 'Capital Intelligence' reaffirmed their existing rating of IBK at A+ for 2025 with a 'Stable' outlook. Their summary rating is as follows:

Foreign Currency Long-term	A+
Foreign Currency Short Term	A1
Financial Strength	bbb+
Outlook – Foreign Currency	Stable
Outlook – Financial Strength	Stable

Basel III Pillar 3 Consolidated Disclosures:

Overview of Basel III and Pillar 3:
Since December 2005, The Industrial Bank of Kuwait has applied the Basel framework as part of its risk and capital management strategy. The accord is made up of three pillars:

- Pillar 1 covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- Pillar 2 allows firms and supervisors to take a view on whether the firm should hold additional capital to cover the three Pillar 1 risk types, or to cover other risks. A firm' own internal models and assessments support this process, which is interactive between the Bank and its regulator, the Central Bank of Kuwait.
- Pillar 3 covers external communication of risk and capital information by banks.

The Basel guidelines provide for different approaches to calculating capital requirements.

- The first is the Standardized approach, where risk weights used to assess requirements against credit exposures are consistent across the industry.
- The second approach is the Internal Ratings Based approach (IRB) which relies on the bank's internal models to derive the risk weights.
- The third approach is the advanced approach suitable for very large and complex structures.

As per the guidelines of the Central Bank of Kuwait, the Bank's Pillar I capital adequacy calculations are based on the Standardized approach. For stress testing purposes, however, the Bank uses an internal modeling methodology, which is specifically designed for large credit exposures, which constitutes the main business line of the Bank, as under its mandate it cannot have retail or real estate exposures. Stress tests are simultaneously carried out as per parameters and scenarios provided by the Central Bank of Kuwait. Stress test submissions are made based on both internal and regulatory methodologies.

Stress tests are conducted twice a year, in accordance with the Bank's Basel Pillar 3 Policy and as per the guidelines of the Central Bank of Kuwait. A full report (qualitative and quantitative) is prepared based on December year-end results and a quantitative-only report is prepared based on June mid-year results and projections.

Capital Risk Management:
Capital adequacy is the degree to which capital resources on the Bank's balance sheet are sufficient to cover the businesses' capital requirements now and in the foreseeable future. The Group's permission to operate as a bank is dependent upon the maintenance of adequate capital resources. Capital risk management is the process of reviewing capital requirements to enable the Bank to:

- Meet minimum regulatory requirements in Kuwait where its business is focused and where it is solely located.
- Support its credit rating and maintain cost of funds;
- Support business growth and the ability to withstand and tide over shocks.

The Bank ensures that it is sufficiently capitalized by continually assessing its capital resources and requirements given current financial projections. This considers material risks to the projections as well as strategies employed to manage those risks.

The Bank's capital management considers both economic and regulatory capital. Regulatory capital requirements are calculated based on Pillar 1 risks of the Basel framework. Pillar 1 capital covers credit, market and operational risks.

The calculation methods and risk weights are specified by Basel III rules. Pillar 2 capital can also be held against the three risk types above but mainly covers other types of risk. Being an industrial bank with a focused but restricted mandate, significant weight is given to Concentration Risk. The Bank uses its own internal capital framework and stress testing processes to help determine its capital requirements under stressed scenarios. The Bank ensures that it always maintains sufficient buffers above regulatory minima. The adequacy of these buffers is assessed by Risk Management and presented periodically to the Board Audit and Risk Management Committee as part of the Capital Management Policy, the risk governance process, the risk appetite review process and the stress testing process. The Bank's stress testing process forecasts the projected capital requirements and resources in a range of stress scenarios. This enables the Bank to ensure it can meet its minimum regulatory capital requirements in a stressed environment, and to assess that there is adequate buffer above regulatory capital to meet economic capital needs if trigger points are approached. The stress testing process forms a key component of the internal capital adequacy assessment process (ICAAP).

For Pillar I regulatory capital adequacy calculations, the Bank has adopted the Standardized approach of Basel III, as recommended by the Central Bank of Kuwait in determining the capital required for each component of credit, market and operational risk. As the Bank is a specialized development bank which also offers commercial banking facilities to its customers, it has long term support from the Government of Kuwait. This, together with its significant disclosed reserves, makes its available capital substantially in excess of the minimum requirements of Basel III even after considering the additional requirements of ICAAP under the new Pillar II and buffers determining economic capital. With the planned expansion of the asset portfolio as per the Bank›s strategic plan, the capital adequacy ratio is expected to remain substantially above minimum regulatory requirements which is 55.39% as on 31.12.2025, in the foreseeable future. This strong capitalization provides a cushion against low diversification opportunities due to the government mandate to service and develop the industrial sector in Kuwait

Capital Structure and Adequacy:

In addition to the paid-up capital of KD 20 million and significant disclosed voluntary reserves, the principal corpus of long-term funds for the Bank is a renewable long-term loan of Kuwaiti Dinars ("KD") 300 Million (= USD 990 Million approx..) from the Government of Kuwait first given through an Amiri decree in 1973, from which the Bank's Projects Division provides medium- and long-term project finance to its industrial borrowers at concessionary pricing.

Subsidiaries:

The top corporate entity is The Industrial Bank of Kuwait K.S.C. The Bank has two wholly owned subsidiaries, Kuwait Industrial Projects Company KSCC (KIPCO), a Kuwaiti closed shareholding company ("KIPCO"), and Senaey Enterprises Ltd, a limited liability company incorporated in George Town, Grand Cayman, the British West Indies (together "the Group"). KIPCO is the Group's vehicle for domestic investments and for holding and managing assets taken over by the Bank because of domestic loan defaults; it accounts for some 6% of the total Group assets. Senaey Enterprises is insignificant and not a material element of the Group statement of financial position. Capital adequacy data submitted to the Central Bank of Kuwait includes relevant data from both subsidiaries on a fully consolidated basis.

Capital Structure – 31st December 2025 (All figures in KD'000)

Total Tier - 1 Capital		**355,600**
Shareholders' Equity		20,000
Reserves:		
Legal reserves	53,081	
Voluntary reserves	157,219	
Fair value reserve	0	
Retained Earnings	125,300	335,600
Total Tier - 2 Capital		**7,812**
General Provision as allowed		7,812
Total eligible capital after deductions		**363,412**

Capital Structure Disclosure - 31.12.2025 (Sheet 2)

Sr No	Asset Categories	Net Credit Risk	After CRM Risk
		Exposure (After CRM)	Weighted Assets
1	Cash Items	403	00
2	Claims on Sovereigns	77,624	0
3	Claims on International Orgns	0	0
4	Claims on PSE	0	0
5	Claims on MDB	0	0
6	Claims on Banks	307,074	61,448
7	Claims on Corporates	372,581	372,347
8	Claims on Securitized Assts	0	0
9	Credit Derivative Claims	0	0
10	Regulatory Retail	0	0
11	Past Due Exposures	189	189
12	Other Exposures	190,951	190,951
	Total	948,822	624,935
	Less General Provision		(32,970)
	Total Credit Risk Exposure		591,965
	Min Capital Requirements for Credit Risk		76,955
	Capital Requirements for Market Risk		
	Total Market Risk Weighted Exposure		7,423
	Minimum Capital required		965
	Capital Requirements for Operational Risk		
	Total Operational Risk Weighted Exposure		56,724
	Minimum Capital required		7,375
	Total Risk Weighted Exposure		656,112
	Total Min Capital requirement (Cr Risk + Mkt Risk + Op Risk)		85,295
	Eligible Tier - 1 Capital		355,600
	Eligible Tier - 2 Capital		7,812
	Total Eligible Capital		363,412
	Unused Capital		278,117
	Capital Adequacy Ratio as per Basel - III		**55.39%**
	Capital Adequacy Ratio based on Tier - 1 capital		**54.20%**
	CET - 1 Capital Adequacy Ratio		**54.20%**

Financial Leverage Ratio: The Basel III framework introduced a simple, transparent, non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to (1) restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy; and (2) reinforce the risk-based requirements with a simple, non-risk based "backstop" measure.

The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework; and a credible leverage ratio is one that ensures broad and adequate capture of both the on- and off-balance sheet sources of banks' leverage. The Basel III leverage ratio is defined as the capital measure (the numerator, Tier I capital) divided by the exposure measure (the denominator), with this ratio expressed as a percentage: Leverage ratio = Capital measure/Exposure measure (%). For Kuwait the minimum regulatory leverage ratio is 3%.

	Item	Leverage ratio Framework (000)
On-balance sheet exposures		
1	**On balance sheet items**	855,091
2	(Amounts of assets deducted when calculating theT1 of the capital)	0
3	**Total On-balance sheet exposures**	**855,091**
Derivative Exposures		
4	Gross Exposure (including the amount of additional factor)	0
5	(Adjustments)	0
6	**Total derivative exposures**	0
Securities financing transaction exposures		
7	SFT Assets	0
8	**Total securities financing transaction exposures**	0
Off Balance sheet items		**207,966**
9	Commitments	195,017
10	(Adjustments for conversion to credit equivalent amounts)	(156,014)
11	**Total Commitments**	**39,003**
12	Contingencies	60,803
13	(Adjustments for conversion to credit equivalent amounts)	(31,573)
14	**Total Contingencies**	**29,230**
15	**Total Off Balance sheet items**	**68,233**
Capital & Total Exposures		
16	Tier 1 Capital	**355,600**
17	Total Exposures	**923,324**
Leverage Ratio		
18	Basel III Leverage Ratio	**38.51%**

Credit Risk Management:

Credit risk is the risk of suffering financial loss should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations to the Bank. The granting of credit is one of the Bank's major sources of income and, as the most significant risk, the Bank dedicates considerable resources and energy to control it.

The credit risk that the Bank faces arise mainly from project finance and working capital finance. The Bank is also exposed to other credit risks arising from its treasury activities, including debt securities, settlement balances with market counterparties and available-for-sale assets.

The role of the risk management department is to provide bank-wide direction, independent risk assessment, oversight and challenge of credit risk-taking. The Bank has dedicated departmental credit policies reviewed by a committee for policies and procedures (where the CRO is a member). The Board of Directors approves the credit risk control framework, which provides a structure within which credit risk is managed together with supporting risk management departmental policies. Loans and advances to customers provide the principal source of credit risk to the Group although the Bank can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. The Bank's risk management policies and procedures are designed to identify and analyze risk, to set appropriate risk appetite, limits and controls, and to monitor the risks, delinquency, and adequacy of follow up and rating assessments. The risk management department independently reviews and rates all individual credit proposals generated by the two credit granting departments, relating to project finance and commercial, working capital and trade finance. It also quantifies reviews and monitors the quality and movement of the overall credit portfolio of the Bank.

One area of review is concentration risk. Credit concentration risk exists when a number of customers belong to the same group or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other business conditions. As a result, the Bank constantly reviews its concentration in several areas including, for example, geography, maturity, industrial sector and group control. Diversification is achieved through setting maximum exposure guidelines to individual counterparties not exceeding 15% of capital. However, given the specific mandate to operate within the industrial sectors, concentration risk is on the higher side. Mitigation of this risk is provided through high distortionary position, high capital adequacy and high liquidity

The Bank has in place a system for internal credit risk rating of all exposures on a scale of 1 to 10. Risk Management recommends credit ratings for new clients and periodically reviews all existing borrower ratings in the Bank using well defined internal rating parameters. Risk Management tracks the weighted average rating of the credit portfolio and each risk category within the portfolio.

In order to mitigate credit risk, exposures are usually secured by acceptable collateral. The existing portfolio of loans and advances reflects the Bank's emphasis on lending inside Kuwait and in particular to industrial units in Kuwait - a country whose dynamics the Bank comprehends well and where the Bank has a better understanding of the inherent risks. The Bank has credit concentration to the industrial sector due to the terms of its constitution. The Bank manages the risk by avoiding concentration by obligor, by a particular industry and, in the case of cross border exposures, by geographical area.

Special attention is paid to overdue accounts by committees, especially set up for this purpose. Follow-up measures are discussed, and remedial action is taken. If required, appropriate provisioning levels are determined.

At both the departmental level as well as the overall bank level, disciplined credit processes are in place. The processes are intended to ensure that risks are accurately assessed, properly approved and continuously monitored. The primary tool for managing credit risk is a set of credit policies and procedures that are periodically reviewed and updated. A stringent approval framework exists in the Bank which mandates a rigorous and thorough evaluation of the creditworthiness of every obligor. All credit and investment proposals and their extensions and renewals of existing credits are assessed by Risk Management.

Credit limits are established for all customers after careful assessment of the relevant credit application. As per procedure, the approval of the Board of Directors is necessary for credit limits above a certain level. Management's appetite is conveyed by limits for country, industry, borrower and product. Excesses above approved limits require approval by appropriate credit authorities in the Bank.

Concentrations by size, industry, business and industry sectors are monitored and limited. Central Bank of Kuwait defines concentration as 15% of a bank's total eligible capital base as defined under Basel III/CBK; all concentrations in the portfolio by industry are monitored closely for adverse financial or economic conditions.

Risk Management tracks delinquencies at the company and portfolio level and is in constant dialogue with the Business departments so that action on irregularities can be taken in time and slippage down the past-due time buckets are controlled as far as possible.

buckets are controlled as far as possible.

Information related to credit exposures

Past Due / Impaired Assets and Provisioning

IBK follows the Central Bank of Kuwait definitions of irregular assets and guidelines for impairment provision. Classification of credit exposures and computation of provisions are as below:

A. Credit Facilities to Customers (Resident & Non-Resident):

(i) Exposure is classified as Irregular if:

- the debit balance in the current account has been constantly showing an excess of over 10% of the approved Overdraft limit,
- the current account is in debit, without an approved Overdraft limit,
- credit facilities have expired, outstanding's have not been settled and the Bank has decided not to renew thefacilities on credit grounds,
- loan installments are defaulted, and
- interest is in arrears.

(ii) Irregular exposures are classified as below:

- Sub-Standard: Where any of the irregularities as above has been existing for a period exceeding 90 days but less than 180 days, or if, in the Bank›s judgment, there is noticeable deterioration in the customer›s financial condition.
- Doubtful Debts: Where any of the irregularities as above has been existing for a period exceeding 180 days but less than 365 days, or if, in the Bank's judgment, there is noticeable deterioration in the customer›s financial condition.
- Bad Debts: Where any of the irregularities as above has existed for a period exceeding 365 days, or if, in the Bank›s judgment, there is noticeable deterioration in the customer›s financial condition.

(iii) Provision requirements:
Specific provisions are made as below:

- Sub-Standard exposures : 20%
- Doubtful Debts : 50%
- Bad Debts : 100%

1% General Provisions are made on all exposures not subject to a specific provision after deducting certain allowed collaterals as per the guidelines of The Central Bank of Kuwait. The Bank successfully implemented IFRS 9 system for provisioning approach. The Bank calculates expected credit losses based on CBK – IFRS9 methodology and the existing CBK methodology and applies the higher of the two.

This section discusses the part of the credit portfolio where customers have been delinquent in their repayments.

Disclosure on Past Due Loans - Ageing Criteria as on 31.12.2025

Past Due Category	Outstanding amount (KD '000)	% of Total Past Dues
0 ≤ 30	3,418	98.9%
31 ≤ 90	37	1.1%
91 ≤ 180	0	0.0%
181 ≤ 364	0	0.0%
1 year (365) ≤ 3 year	0	0.0%
Above 3 years	0	0.0%
Total	3,455	100.00%

The ratio of Non-Performing Loans (NPL) to credit exposure stood at 0.05% as on 31.12.2025.

(iv) Loan Loss Provisions as per International Financial Reporting Standards (IFRS9-):
According to CBK guidelines credit loss provisions are calculated based on IFRS - 9 CBK criteria, as well as CBK's existing criteria as explained above. The higher of the two applies.

According to the IFRS9 method, the Bank is required to maintain provisions for performing credits in Stage 1 where credits are not impaired. However, there are three staging levels/criteria in the process. The placement in a stage classification depends on multiple factors, i.e. the credit rating, class probability of default, delinquency record and other information of significant rise in credit risk. The objective is to have a forward-looking statistical estimate of loan loss provisions. The Bank uses its internal credit rating system and classification system to model credit risk and calculate the probabilities of default. This is then used in the model with the Loss Given Default rate (1 minus the recovery rate) and the Exposure at Default.
IFRS9- Stage 1 is for performing and regular credits. Stage 2 is for credits where the risk levels have risen and as per CBK, the company is at least 30 days delinquent. Stage3- is where there is significant rise in credit risk and as per CBK at least 90 days delinquent. Customer lists classified as per IFRS9 Staging criteria are submitted to the Bank's Provisions Committee and IFRS9- data is reported to the Central Bank of Kuwait. As the Bank has maintained more provisions as per the traditional CBK method, and as the higher of the two methods applies, the Bank has continued to make provisions based on the CBK method as described above.

B. Sovereign Exposures:

The Bank has a minimal sovereign exposure and the capital charge for that exposure is computed based on the guidelines issued by CBK from time to time.

C. Information on Credit Exposures as of 31.12.2025 (All figures in KD'000)

Disclosure on Total Credit Risk Exposure (Funded & Non-funded)
Asset Category-wise Report: 31.12.2025

	Asset Category	Funded Credit Risk Exposure	Non-funded Risk Exposure	Total Credit Risk Exposure
1	Cash Items	403		403
2	Claims on Sovereigns	77,624		77,624
3	Claims on International organizations			
4	Claims on PSEs			
5	Claims on MDBs			
6	Claims on Banks	307,014		307,014
7	Claims on Corporates	317,074	55,567	372,641
8	Claims on Securitized Assets			
9	Credit Derivative claims			
10	Regulatory Retail			
11	Past Due Exposures	180	9	189
12	Other Assets	178,285	12,666	190,951
	Total Credit Risk Exposure	**880,580**	**68,242**	**948,822**

Geographical Distribution of Exposures as on: 31st December 2025 (All figures in KD '000')

Geography	Loans & Advances: Commercial Facilities				Loans & Advances: Industrial loans				Total Loans and Advances			
	Dec 2025		Dec 2024		Dec 2025		Dec 2024		Dec 2025		Dec 2024	
Kuwait	214,574	100%	218,885	100%	154,343	100%	150,115	100%	368,917	100%	369,000	100%
Others	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total	214,574	100%	218,885	100%	154,343	100%	150,115	100%	368,917	100%	369,000	100%

Residual Maturity of the Loans and Advances Portfolio as on 31st December 2025 (All figures in KD'000)

Geography	Loans & Advances at Commercial rates		Industrial Loan at encouraged rates		Total Portfolio	
	Dec 2025	Dec 2024	Dec 2025	Dec 2024	Dec 2025	Dec 2024
Up to 1 Month	43,022	42,866	86,606	73,010	129,628	115,876
1 to 3 Month	33,608	37,407	5,587	4,575	39,195	41,982
3 to 12 Month	70,884	88,099	23,204	24,858	94,088	112,957
Over 1 Year	10,078	14,314	145,927	114,874	156,005	129,188
Balance at Year end	**157,592**	**182,686**	**261,324**	**217,317**	**418,916**	**400,003**

Loans and Advances Portfolio by Sector as on 31st December 2025 (Outstanding Balances in KD'000)

Sector	2025		2024	
	Outstanding Balance	As a % of Total Exposure	Outstanding Balance	As a % of Total Exposure
Chemicals	20,699	5.23%	18,576	4.98%
Food & Beverages	21,690	5.49%	23,748	7.30%
Metal Products & Engineering	164,279	41.54%	153,932	42.11%
Construction & Building Material	80,555	20.37%	79,165	20.11%
Furniture	4,987	1.26%	5,098	1.32%
Textile	605	0.15%	602	0.14%
Paper & Printing	6299	1.59%	5,988	1.64%
Government	0	0.00%	0	0%
Oil and Gas	95,933	24.26%	79,196	22.02%
Agriculture and Fishing	0	0.00%	1,698	0%
Others (non-financial)	0	0.00%	979	0%
Total non-financial Sectors	395,047	99.90%	368,982	99.60%
Financial Sectors	387	0.10%	18	0.40%
Total Sectors	395,434	100.00%	369,000	100%

Impaired Loans – Geographical Distribution as on 31st December 2025 (All figures in KD '000)

Geography	Outstanding loans		Provision provided for impaired loans	
	2025	2024	2025	2024
Kuwait	180	1,982	0	84
Other GCC countries	0	0	0	0
Grand total	180	1,982	0	84
Impaired loans as a percentage of outstanding loans portfolio	**0.05%**	**0.65%**		
Coverage percentage			**0%**	**4.24%**

Credit risk mitigation

Netting: In cases where the Bank›s claims against customers are not settled, the Bank exercises set-off rights and pursues its claim on a net basis. During the course of any legal action, the Bank preserves its claim at the original net level, disregarding any partial payment(s) in order to avoid inadvertently triggering any legal issues that could otherwise arise.

Collateral Valuation and Management: In cases where collateral is to be taken, the Bank accepts standard collateral types such as cash, chattel mortgage over movable assets, mortgage over fixed assets, personal / corporate/ bank guarantees etc. In the case of mortgages, the Bank insists on being named the loss-payee in the related insurance policy. Where guarantees are taken, the Bank satisfies itself of the creditworthiness of the guarantor by obtaining full financial information about the guarantor, on the rationale that the Bank views the guarantor as though he were himself the primary obligor who would himself have to be eligible for the size of the commitment. In respect of bank guarantees, a formal guarantor line for the bank concerned is a pre-requisite.

Given its status as a specialized industrial finance institution, the Bank has sufficient skills and means in-house to evaluate projects, factories and other types of fixed assets under mortgage to the Bank.

Credit Risk Concentration: The Bank's charter limits its customer base to manufacturing industries specifically to entities holding industrial license. Accordingly, there is a credit concentration in the industrial sector. Within that class, the Bank's portfolio is composed of customers spanning a wide variety of activities. Additionally, the Bank participates in syndicated loans to non-resident banks. The Bank's customer base is not subject to any significant degree of cyclicality.

Credit Exposure after Credit Risk Mitigation (CRM) and credit conversion factor: 31.12.2025 (All figures in KD '000)

Asset Category	Credit Exposure before CRM	Credit Exposure after CRM	Credit Risk Weighted Assets
Cash Items	403	403	0
Claims on Sovereigns	77,624	77,624	0
Claims on International organizations	0	0	0
Claims on PSEs	0	0	0
Claims on MDBs	0	0	0
Claims on Banks	307,074	307,074	61,448
Claims on Corporates	372,581	372,347	372,347
Claims on Securitized Assets	0	0	0
Credit Derivative claims	0	0	0
Regulatory Retail	0	0	0
Past Due Exposures	189	189	189
Other Assets	190,951	190,951	190,951
Total Credit Risk Exposure	**948,822**	**948,588**	**624,935**

IFRS9 Model Validation:

Risk Management updated its financial model for calculating probability of defaults (PDs) at both the customer and credit rating category levels to arrive at Expected Credit Loss (ECL) assessments. A professional validation exercise was performed by independent experts – Loxon Advisory Services, Hungary. An advanced statistical analysis of the credit portfolio was conducted for this validation. Firstly, validation was performed on our existing internal credit rating scale and ratings given to customers based on financial and behavioral factors. The results showed an increase in default rates as it moves from better to worse rating grades, and an even better monotonous increase in the average calculated IFRS9 PD, which showed that the IBK internal rating is a good input for IFRS9 PD models and was statistically significant. Secondly, average one – year probability of default (PD) was determined and validated for all internal credit rating categories. Thirdly, one year, through the cycle Probability of Default was established and validated for all customers including macroeconomic overlay. These PDs together with IFRS9 stage classifications and CBK guidelines provide the forward-looking Expected Loan Loss Provisions as per IFRS9 guidelines. The entire model validation, internal rating and probability of default exercise has been subject to independent special audit by E&Y, who have given full clearance for the validation process and results. The stagewise, IFRS9 exposures and the corresponding Expected Credit Loss for each stage are mentioned below:

IFRS9 - EXPECTED CREDIT LOSSES - STAGEWISE - AS ON 31.12.2025 (All figures in KD '000)		
Stages	**Exposure**	**Expected Credit Loss (ECL)**
Stage - 1	253,099	1,122
Stage - 2	66,848	1,033
Stage - 3	12,540	10,525
TOTAL	**332,487**	**12,680**

Market Risk Management:

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. This risk is inherent in the financial instruments associated with our operations and/or activities including loans granted at commercial rates, deposits, securities and trading account assets, and derivatives. The majority of market risk exposure resides in the Bank's treasury and investment departments and market risk through the local equity holdings of the Bank's subsidiary KIPCO which are passive AFS holdings. IBK Risk Management's market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of limits and monitoring of the same.
- Ensuring accuracy in the deal/settlement process
- Facilitate business growth within a controlled and transparent risk management framework.
- Measure and report non-traded market risk.

Market risk for the Bank is relatively limited as, except for managing an FX book for its own account and its local industrial customers, and in rare cases using derivatives for hedging purposes, the Bank does not expose itself significantly to market risks. Appropriate limits have been established and treasury and investment activities are constantly monitored.

The focus at IBK is on industrial lending and on corporate banking. The Bank has a long-term investment in its wholly owned subsidiary (KIPCO) which invests in the local market and has a non-traded Kuwaiti equity portfolio. There is also an international component in the Bank's equity book which is invested in start-up ventures through reputed international managers. These investments are of long-term nature and are exposed to the downside risk of direct equity investments. These investments are diversified and individual investments are capped within limits. The Bank is not actively involved in equity or bond trading, trading in derivative products, options, commodities or most of the other market risk generating activities that commercial/investment banks usually engage in.

Market risk is monitored taking into consideration market analysis, market liquidity, business strat-egy and dealer experience. The Bank has limits on investment size, country, and counterparty ex-posure as well as on open positions by dealers and for the Bank as a whole. These limits help to reduce the absolute amount of market risk. In addition, the Bank has established stop-loss limits for certain activities involving market risk.

Market risk for trading portfolio and foreign exchange exposures: The Bank currently does not have a proprietary trading portfolio of any significance in foreign exchange or money market instruments. It does not have derivative trading exposures or exposures in commodities. However, all forward foreign exchange swap positions, used for hedging Bank's position have been considered as part of derivative exposures.

Market Risk

Industrial Bank of Kuwait		
Disclosure on Market Risk - Capital Requirements as of 31.12.2025 (All figures in KD '000)		
Type of Risk	**Risk Weighted Exposure**	**Minimum Regulatory Capital Requirement**
Interest Rate Risk	0	0
Equity Position Risk	0	0
Foreign Exchange Risk	7,423	965
Note: The figures are matched with Capital Adequacy computations. The Bank does not have any exposures in the trading book		

Equity position in the banking book:

Given the specialized nature of the Bank and under its constitution, the Bank invests in equity of companies both for strategic and relationship reasons as well as to generate capital gains. The Direct Investments and Promotions department manages the equities portfolio which has local and international dimensions. It makes investments in new ventures and funds with the objective of making capital gains in the international private equity markets. The equities portfolio for investments within Kuwait is managed by «Kuwait Industrial Projects Company KSCC» (KIPCO), a wholly owned subsidiary of the Industrial Bank of Kuwait, whose financial statements are consolidated with those of the Bank.

Strategic investments are those that fit in with the Bank›s objectives of long-term industrial development and are expected to benefit the Bank in terms of reach and network presence. Strategic investments in equities may be made to ensure growth and development of existing companies, investment in new ventures as well as to exercise control over companies which have turned severely delinquent and are underperforming and thus must be taken over. Equity investments may be made by KIPCO as pre-IPO placements or may be made directly through the stock exchange for listed companies. Since these are long-term investments, this is a passive investment portfolio with valuations subject to the movements of the market. Following world and regional trends, the Kuwait Stock Exchange index continues to witness high volatility.

Impaired investments form a small component of the equity portfolio. This is retained to exercise remedial control over companies which have become severely delinquent, are underperforming and thus must be taken over. These are under management of KIPCO and relate to domestic exposures only.

Differentiation is made between the component of the portfolio which has been made with the objective of making capital gains and those that have been made for strategic reasons mentioned above. It is recognized that equity investments carry considerable downside risk as well as expectation of high returns. Risk Management rates all investments made by the Direct Investments and Promotions department using a rating methodology for private equity developed internally by the risk management department.

Interest Rate Risk Management:

The overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net Interest Income. Interest rate risk is measured as the potential volatility in Net Interest Income caused by changes in market interest rates. The Bank uses interest rate gap analysis to measure the interest rate sensitivity of its earnings caused by re-pricing mismatches between rate sensitive assets, liabilities and off-balance sheet positions.

The Bank has received a -20year loan from the Government of Kuwait (initiated in 1973 and rolled over) which is partly priced at the fixed rate of 2/1 % per annum to the extent of the total industrial loans and commitments made by the Bank. In 2007, this was extended by another KD 100 million by the Government. This low-cost source is a very important component of the Bank's total cost base. The Bank engages in subsidized fixed rate lending to the industrial sector. To that extent, fixed cost sources and applications of funds are outside the framework of interest rate risk calculations.

Substantially all remaining KD loans are floating and priced at the Central Bank discount rate plus margin and are re-priced when the Central Bank changes the discount rate.
Around %90 of the Bank's assets are denominated in Kuwaiti Dinars. Among other currencies, the US Dollar is significant. As to all other currencies, the exposure, though not significant, is nonetheless generally matched in each of the maturity buckets.
From time to time, stress tests are conducted to gauge the impact on income under stress conditions e.g. sensitivity to a %1 reduction in the discount rate of the Central Bank.

Counterparty Credit Risk
Since the Bank may deal with other banks and financial institutions in foreign exchange forward contracts / swaps used for hedging the bank's exposure, the Bank computes the capital charge for the notional exposure and the mark to market positions of those derivatives, using the Current Exposure Method (CEM) guidelines issued by CBK in this regard. The total capital charge for such exposures is Nil.

Industrial Bank of Kuwait	
Disclosure on Counterparty Credit Risk as of 31st December 2025	
Description	**Total Weighted Value** ('000)
Notional Exposure of Foreign Exchange Forward Contracts	0
Positive MTM	0

Interest rate risk in the banking book
Interest rate risk in the banking book arises from the mismatches between assets and liabilities, in the various maturity buckets. These are, however, kept within prescribed limits set for each maturity bucket. There is a downside risk in providing hedging as the Kuwaiti Dinar market lacks depth, with limited number of players in the interbank Kuwaiti Dinar market. Interbank activity is sporadic beyond short maturity. Central Bank of Kuwait intervention bonds, direct one-month intervention and treasury bonds are the only available instruments for deploying excess liquidity. As a result, CBK interventions can have a major impact on KIBOR rates. The lack of interest rate hedging instruments in the KD market is a concern. However, the Bank›s overall exposure to interest rate risk is mitigated by the following factors: (i) active and effective management of the Treasury investments portfolio; (ii) commercial loans are priced on floating rate basis; and (iii) project loans are funded by the Government loan and are thus market independent.

Interest Rate Sensitivity – 31st December 2025 – Local Currency - All figures in KD '000			
	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	450,755	122,906	30,520
Interest Bearing Liabilities	7,342	300,000	0
GAP	443,413	(177,094)	30,520
Cumulative GAP	443,413	266,319	296,838
Sensitivity to 1% interest rate change in the next 1 year			2968
Interest Rate Sensitivity – 31st December 2025 - Foreign Currency (USD) - All figures in KD '000			
	Up to 1 Year	1 - 5 Years	Over 5 Years
Interest Earning Assets	23,375	0	0
Interest Bearing Liabilities	42,046	0	0
GAP	(18,671)	0	0
Cumulative GAP	(18,671)	(18,671)	(18,671)
Sensitivity to 1% interest rate change (in KD terms, after conversion)			(187)
Overall Interest Rate Sensitivity (Combine Position) for 1% Interest Rate Change			**2,781**

Liquidity Risk Management:
Liquidity risk is the risk of 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 a failure to recognize or address changes in market conditions that affect the ability to liquidate assets (i.e. convert them to cash) quickly and with minimal loss in value.

The primary objective for IBK is to ensure that the Bank has sufficient liquidity to meet its obligations in both normal and under stress conditions without having to make emergency and unplanned sales of assets or be forced to borrow expensive funds under emergency conditions.

The Board has established an appropriate liquidity policy for the management of the Bank's funding and liquidity management requirements. The Bank's Asset and Liability Committee ("ALCO") oversees the implementation of the liquidity policy and risk management plays an active role with the CRO being a part of the Committee and the risk management department performing a risk-monitoring role. The Bank's senior management manages liquidity risk effectively in the context of the Bank's business plan and long-term funding strategy, considering prevailing economic and financial conditions and currency needs. To this end, the Board has set limit and tolerance levels for its liquidity risk appetite, which is monitored by risk management and reported regularly to the Board Risk Committee.

The Bank through its Treasury Department manages liquidity risk on a continuous basis within established liquidity risk management policies and limits. This involves monitoring and managing several liquidity metrics, a portfolio of high-quality liquid assets, reserves, and the continuous monitoring of forecast and actual cash flows together with institutional relationships as funding sources. In addition, the Bank uses liquidity ratios (LCR, NSFR) and liquidity scenarios, regular and stressed together with volatility tracking, as key metrics to establish its liquidity risk tolerance levels, which are built into the risk appetite statement. These metrics measure the Bank's ability to fulfill all its payment obligations stemming from ongoing business operations under various scenarios.

The Bank's Treasury Department 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. Business departments provide Treasury with their forecasts and actual trends within ALCO.

The Risk Management function periodically reviews liquidity risk policies and procedures and the adequacy of these policies and the overall liquidity management process. It also monitors and reports adherence to the various liquidity ratios and limits, both internal and regulatory, on a regular basis. It also monitors asset liability gaps and adherence to limits. A strong plus in the term structure of funding is the long-term loan from the government available on a rollover basis that funds the long-term developmental finance provided by the bank, which obviates the need to use short term liabilities to fund long term assets, thus covering risks. 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.

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. Stress testing is integrated into the Bank's liquidity risk management and assesses the Bank's ability to generate sufficient liquidity under extreme conditions and is a key input when defining liquidity targets and limits.
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. HQLAs are assets which can be easily and immediately converted into cash at little or no loss of value.
In December 2014, CBK released the final guideline on "Liquidity Coverage Ratio Disclosure Standards", requiring banks to disclose the LCR ratio beginning in Q2016 ,1. 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 January 2024, Central Bank of Kuwait ("CBK") kept the minimum required LCR and NSFR ratios at %100 As at 31 December 2025, the Industrial Bank of Kuwait's short-term Liquidity Coverage Ratio (LCR) and the longer-term Net Stable Funding Ratio (NSFR) stood at well above %100, at %749.73 and %147.43 respectively. Thus, the Bank is in a good position to manage any short-term funding stress should they arise.

Accounting policies: Financial assets which are intended to be held for an indefinite period of time, and which are not classified as fair value through statement of income, loans and receivables and Held to Maturity assets are classified as Available for Sale investments. Such investments are reported at fair value, determined on a quarterly basis and marked to market where market valuations are available. Unlisted equity participation or private investments in Funds whose fair value cannot be reliably determined are carried at cost less impairment. Other Available-for-Sale investments are initially recognized at cost and subsequently re-measured at fair value with unrealized gains or losses recognized directly in Other Comprehensive Income. The fair value investments listed on the stock exchange are based on their quoted market price (bid price) at the balance sheet date without any deduction for transaction cost. All classifications of investments are based on International Financial Reporting Standards.

Disclosure on Liquidity Coverage Ratio (LCR): Based on the CBK guidelines on Liquidity Coverage Ratio, the LCR disclosure for the period ended 31.12.2025 is as under:

Group	ID	Description	Values (KD'000)	Values After Flow Rates (KD'000)
HIGH QUALITY LIQUID ASSETS	1	TOTAL HIGH-QUALITY LIQUID ASSETS (BEFORE REVISIONS)		205,509
CASH OUTFLOWS	2	RETAIL DEPOSITS AND SMES:	16,105	3,515
	3	> STABLE DEPOSITS		
	4	> LESS STABLE DEPOSITS	11,625	2,540
	5	OTHER UNSECURED DEPOSITS AND FUNDS FROM WHOLESALE FUNDING EXCLUDING DEPOSITS OF SMES CUSTOMERS:	40,024	16,274
	6	> OPERATIONAL DEPOSITS		
	7	> NON-OPERATIONAL (OTHER UNSECURED FUNDING)	40,024	16,274
	8	SECURED FUNDING		
	9	OTHER CASH OUTFLOWS, INCLUDING:	232,682	40,839
	10	> FROM DERIVATIVES		
	11	> FROM ASSET-BACKED SECURITIES AND COMMERCIAL PAPERS (ASSUMING NON-FEASIBILITY OF RE-FINANCING)		
	12	> COMMITTED CREDIT AND LIQUIDITY DRAWBACKS	232,682	40,839
	13	OTHER PROSPECTIVE FUTURE FUNDING OBLIGATIONS	74,275	3,714
	14	OTHER CASH CONTRACTUAL OUTFLOWS	10	10
	15	TOTAL CASH OUTFLOWS		64,352
CASH INFLOWS	16	SECURED LENDING TRANSACTIONS		
	17	CASH INFLOWS FROM PERFORMING LOANS	645,280	322,640
	18	OTHER CASH INFLOWS	202	202
	19	TOTAL CASH INFLOW	645,482	322,842
LIQUIDITY COVERAGE RATIO	20	TOTAL HIGH QUALITY LIQUID ASSETS (AFTER REVISIONS)		205,509
	21	NET CASH OUTFLOWS		16,088
	22	LIQUIDITY COVERAGE RATIO		1,276.19%

Disclosure on Net Stable Funding Ratio (NSFR): Based on the guidelines received from Central Bank of Kuwait, on Net Stable Funding Ratio, the disclosure details are as under:

Table 4: NSFR Common Disclosure Template for the period ending on: 31.12.2025 (All values in KD '000)

		Unweighted Values (before applying relevant factors)				
Sr	Item	No specified maturity	Less than 6 Months	More than 6 months & less than 1 year	Over 1 Year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	* Regulatory Capital	363,412	-	-	-	363,412
3	* Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and Deposits from small business customers:					
5	* Stable Deposits	-	-	-	-	-
6	* Less Stable Deposits	7,226	721	-	-	649
7	Wholesale funding:					
8	* Operational Deposits	-	-	-	-	-
9	* Other wholesale funding	16,055	21,880	16,600	405,039	421,780
10	Other Liabilities:					
11	* NSFR Derivative Liabilities	-	-	-	-	-
12	* All other liabilities not included in the above categories	104,683	3,970	-	-	-
13	**Total ASF**	**491,376**	**26,571**	**16,600**	**405,039**	**785,841**
Required Stable Funding (RSF):						
14	Total NSFR high - quality liquid assets (HQLA)	74,937	-	-	-	3,550
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing Loans & Securities:					
17	* Performing Loans to financial institutions secured by Level 1 HQLA	8,287	183,300	103,000	-	69,830
18	* Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
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:	545	54,304	92,474	185,073	258,462
20	** With a risk weight of less than or equal to 35% as per Capital Adequacy Ratio - Basel 3 Guidelines	-	-	-	-	-
21	* Performing residential mortgages, of which:	-	-	-	-	-
22	** With a risk weight of less than or equal to 35% under CBK Capital Adequacy Ratio - Basel III Guidelines	-	-	-	-	-
23	* Securities that are not in default and do not quality as HQLA, including exchange - traded equities	-	-	-	-	-
24	Other Assets:					
25	* Physical traded commodities, including gold	-	-	-	-	-
26	* Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
27	* NSFR derivative assets	-	-	-	-	-
28	* NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	* All other assets not included in the above categories	4,741	10,060	-	188,384	198,156
30	Off - Balance Sheet Items	-	60,803	-	-	3,040
31	Total RSF	**88,510**	**308,467**	**195,474**	**373,457**	**533,038**
32	**NSFR (%)**					**147.43%**

Note: Quantitative information relating to investments is available in the financial statements.

Operational Risk Management:

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Bank's operations. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts. The Bank is committed to the identification, measurement and management of operational risks. Such risks are managed through bank-wide or line of business specific policies and procedures, controls, and monitoring tools. A critical element is the identification of business specific Key Risk Indicators (KRIs) and their monitoring across business lines. Risk Management has worked closely with business units and implemented improved management approaches for operational risk, including self-assessment formats and surveys, to focus on critical risk areas, to strengthen control, and minimize operating losses.

The Bank's operational risk management framework aims to:

- Understand and report the operational risks being taken by the Bank.
- Capture and report KRIs and operational errors made.
- Understand and minimize the frequency and impact, on a cost benefit basis, of Operational risk events.
- Manage residual exposures using insurance.

An operational risk self-assessment process is in place with focus on Key Risk Indicators that are specific to the operational area. Risk Management and Internal Audit departments play a vital role in reviewing and maintaining the integrity of the control environment. Additionally, the Bank has covered certain specific areas of operational risk that cannot be controlled internally, through insurance policies. Risk management has a scoring system to compare and report on all departments' operational risks.

Information Technology Management

Procedures are in place to safeguard the confidentiality and integrity of stored data and information. These include:

- The installation of firewall systems to protect the network from external interference
- Access controls over application systems
- Compliance with the principle of dual control in operating procedures
- Various monitoring and internal control processes.
- Online data replication processes on independent servers.
- Onsite contingency planning.
- Offsite business continuity and disaster recovery programs.

The Bank is in the process of substantially upgrading the IT infrastructure including transactional, data warehousing and risk management solutions in order to form the base for future growth opportunities.

Information Security:

To improve efficiency and service to customers, adoption of newer technology in banking is increasing. This has brought with it Information security risks that are on the rise in Gulf Region. Information security risks such as Cyber – attacks using malwares, ransomware and internal threats may affect the banking operations and lead to monitory and reputational loss.

To mitigate these information security risks, IBK has established a dedicated Information Security Unit reporting to the Chief Risk Officer. The Information Security Unit monitors and assesses the Bank's Technology and Information related risks and ensures controls and adherence to Industry standards and Central Bank of Kuwait guidance to mitigate these risks related to Information Security.

Capital allocation for Operational Risk:

For the purpose of capital adequacy under Basel III, the Bank presently follows the Standardized Approach of measurement for calculating its operational risk capital charge based on three years' gross income. This is calculated as per the CBK guidelines. The Bank maintains a database of its operational losses. The total amount of capital charge for operational risk for FY2025 is: KD 7.374 million.

Industrial Bank of Kuwait Disclosure on Operational Risk (Using Standardized Approach) as on 31st December 2025	
Description	**Value(KD '000)**
Total Operational Risk Weighted Assets	56,724
Total Capital Charge	7,374
Methodology: Based on the average of last 3 years gross income, the approach as suggested by Central Bank of Kuwait / Basel – III	

Anti-Money Laundering Policies:

The Bank is subject to the rules and regulations of its regulator, the CBK, in the conduct of banking business. The Bank is bound by CBK Instruction No. (2/RB/RBA/2019/432) and Law No. 106 of 2013 and subsequent amendments which have been designed to combat money laundering.

The Bank has internal written policies and procedures authorized by its Board of Directors, designed to prevent, detect and combat money laundering. Its anti-money laundering systems include processes, policies, personnel and training, documentation, reporting, and control systems. In 2013, based on new guidelines of the Central Bank of Kuwait the AML policy and procedure was updated to cover the latest developments.

The Bank is required to obtain from its customers copies of the license and registration at the time of opening customer accounts. The Bank follows Know Your Customer ("KYC") processes, and the identity of the Bank's customers is established ab initio through official documents as above. Customer records are preserved for a period of 5 years after the termination of the banking relationship. Suspicious transactions are tracked. Staff training and awareness programs are conducted from time to time. The Bank has implemented a state-of-the-art automated anti-money laundering system to track and analyze suspicious transactions. The Bank has initiated the process of becoming FATCA compliant.

New guidelines of the Central Bank of Kuwait require all customers of the Bank to be rated for money laundering and terrorist financing risks. An internal methodology for AML risk assessment for companies and businesses has been developed by risk management and has been incorporated in Board approved policies of AML-TF.

Information related to the Bank's remuneration policy:

Overview of the key features and objectives of the remuneration policy:

The Bank's Remuneration Policy is designed to attract and retain highly qualified, skilled, and knowledgeable professionals and incorporates all the requirements of the CBK as mentioned within its corporate governance instructions. The Policy includes all necessary aspects and components of financial remuneration taking into account reinforcing the Bank's performance objectives and effective risk management. The Bank's Remuneration Policy incorporates all the requirements of the CBK as mentioned within its corporate governance instructions,
The Bank's Board, based on the Board Nominations and Remuneration Committee (NRC) recommendations, approves and modifies the Bank's remuneration policy and its design, and reviews the process of its implementation to ensure that it is operating as intended.

Remuneration components: : The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the characteristics of the business unit, the employee's grade in the Bank and the job function as well as market practice concerning the prevailing remunerations level.

The employee remuneration components are:

1. Fixed remuneration,
2. Performance based Annual Incentives for all staff (STI),
3. Risk and Return Based Long Term Incentives for Senior Staff (LTI),
4. Other benefits, and
5. End of service payments.

The fixed remuneration is determined on the basis of the role of the individual employee, including job responsibility, job complexity, grade, performance and local market conditions and the applicable laws.

The performance-based incentives (STI and LTI) are designed to motivate and reward the employees to achieve the goals and objectives of the Bank as per the strategy and annual plans of the Bank. Performance-based incentives are disbursed as an annual cash bonus for all staff (STI) and deferred cash bonus for the senior staff (LTI). The incentive schemes are linked with a balanced mix of performance indicators at the corporate level, department / unit level and the employee level. The primary goal of the STI is to align the incentive with the Bank's annual performance and individual contributions. The LTI for the senior staff is designed to encourage sustainable and risk-adjusted long-term performance of the Bank. The LTI scheme is applicable from 2015 onwards.

The Bank has introduced a formal performance management process for evaluating and measuring staff performance at all levels. In the beginning of the year, the staff and their performance managers plan and document the annual performance goals (KPIs), required competencies and personal development plans for the staff. At the annual performance appraisal interview, the performance managers and the reviewers evaluate and document performance against the documented goals. Decisions on adjustment of the employee's fixed salary and on performance-based incentives are made on the basis of the annual performance review.

Other benefits like annual leave, medical leave and other leaves, medical insurance, annual tickets, and allowances are provided on the basis of individual employment contracts, local market practice subject to the applicable laws. End of service payments are payable in accordance with the employment contract subject to the applicable laws.

The CEO oversees the implementation of the remuneration system of the employees as per the approved policy, including the design and related procedures. The Board NRC periodically evaluates the sufficiency and effectiveness of the Remuneration Policy to ensure its alignment with the Bank's objectives. The NRC assists the Board to conduct an independent annual review of the Bank's compliance with the Remuneration Policy.

Nomination and Remuneration Committee (NRC): The role of the Nomination and Remuneration Committee is to assist the Board of Directors in fulfilling its oversight on the identification of people eligible for membership of the Board of Directors; the Committee will submit its recommendations to the Board regarding candidates to the different committees. The committee is also responsible for the draft, review and update of the Remuneration policy, and assist the board in evaluating the effectiveness and fairness of the policy, and to ensure that the policy is appropriate with the strategic objectives of the Bank. The NRC conducts regular revision of Remuneration Policy and makes recommendations on any updates to the Board. It carries out regular evaluation of the sufficiency and effectiveness of Remuneration Policy to ensure alignment with Bank's objectives. It makes recommendations to the Board regarding the level and components of the remuneration of the CEO and his direct reports as well as the Bank's executive staff. It works closely with the Bank's Risk Committee and the CRO in order to evaluate the incentives proposed by the remuneration system.

The Bank consulted Ernest & Young during 2014 to structure an incentive policy. The Bank follows a Board approved Remuneration Committee Charter and Procedures, which was approved in 2014. Since FY2015, the Bank has been implementing revised performance management system for all employees.

Risk Assessment: The main business of the Bank is a combination of development and commercial banking supplemented by an investment portfolio. It also manages two government funded portfolios related to small scale industry and handicrafts and agricultural financing. It is risk management department's assessment that the remuneration policy of the bank evenly weights the long and the medium term results and this is well documented and recorded in the new performance appraisal system (PMS) through a SMART process (Specific, Measurable, Achievable, Relevant and Time based) through detailed and quantified KPIs (Key performance indicators), continuous performance monitoring and coaching, periodic reviews and final performance based on financial results as well as defined qualitative objectives. Senior management is judged by the Remuneration Committee on a distribution and combination of return on investment, defined risk measures including CAMEL-BCOM components, and business elements. The Bank took measures to ensure that no material risk taker or the senior management approached areas for short term gains such as financial market trading or areas subject to high risk and potential reward or indulged in excessive risk taking. All proposals of the Bank and the overall portfolio of the Bank were assessed independently by risk management and reported to the Board Risk Committee.

The performance review and the remuneration for control departments such as Internal Audit and Risk Management are determined by the Board Audit Committee and the Board Risk Committee respectively. The performance criteria for the control departments are recorded through specific Key Performance Indicators or KPIs relevant for these departments and none of the KPIs are based on a business target such as revenue, profits or related targets. As per corporate governance principles, the control departments do not report to the CEO and the executive arm of the Bank but directly to the Board and the remuneration is determined accordingly.

With respect to the determination of relationship between performance and levels of remuneration, the Bank has established adequate links and weights for individual performance, business unit performance and corporate performance according to the different levels of bank staff with assistance of the external consultants. Corporate performance in turn, takes measures relating to ROE, assets portfolio and defined risk measures.

Variable remuneration for senior staff has short term and long-term components. The long-term component is vested 3 years after the date of granting. The vesting amount may increase or decrease according to the -3year average performance in terms of EPS and risk measures. The Bank has only cash based variable remuneration and does not provide stock options or shares. Corporate performance targets have a ROE weight of %40, asset portfolio performance of 30% and risk rating measure of %30, as designed by E&Y consultants. All staff of the Bank are eligible for performance based variable incentives. Only senior management and staff are eligible for long-term variable incentives. There was no sign of awards provided for any staff.

Senior Management is defined as the CEO and his executive team of DCEOs. Reporting to the CEO, is the DCEO – Development Finance, the DCEO – Commercial Banking and Investments. Material risk takers include the heads of revenue generating business departments which are Project Finance, Commercial Banking, Direct Investments and Treasury. Control departments include the Chief Risk Officer, Head of Internal Audit, Head of Financial Control Unit, Head of AML, Head of Accounts and the Compliance officer.

Remuneration paid in 2025 (in KD)

Category 1: CEO & 2 DCEOS + CTO - 4 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
393,460	6,147	39,923

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	502,602	

Category 2: Material Risk Takers - 6 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
403,582	7,554	77,572

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	146,774	

Category 3: Financial & Risk Control Staff - 5 employees

Fixed

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
280,351	9,572	39,292

Variable

Unrestricted Cash-based	Deferred Cash-based	Unrestricted Other
	84,045	

Consolidated Financial Statements and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE INDUSTRIAL BANK OF KUWAIT K.S.C.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Industrial Bank of Kuwait K.S.C.C. (the "Bank") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the Central Bank of Kuwait for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Annual Report of the Group for the year ended 31 December 2025

Management is responsible for the other information. Other information consists of the information included in Annual Report of the Bank for the year ended 31 December 2025, other than the consolidated financial statements and our auditors' report thereon. We have obtained the report of the Bank's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2025 after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in this other information; we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE INDUSTRIAL BANK OF KUWAIT K.S.C.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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 Central Bank of Kuwait for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE INDUSTRIAL BANK OF KUWAIT K.S.C.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE INDUSTRIAL BANK OF KUWAIT K.S.C.C. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014, and its amendments, and 2/B.S. 342/2014 dated 21 October 2014, and its amendments, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Bank's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the CBK as stipulated in CBK Circular Nos. 2/RB, RBA /336/2014 dated 24 June 2014, and its amendments and 2/B.S. 342/2014 dated 21 October 2014, and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2025 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2025 that might have had a material effect on the business of the Bank or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

12 March 2026
Kuwait

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Notes	2025 KD'000	2024 KD'000
Assets			
Cash and cash equivalents	3	**35,033**	27,451
Treasury bills and bonds	4	**70,965**	20,893
Deposits with banks and other financial institutions		**274,923**	322,105
Financial assets at fair value through profit or loss	5	**158,842**	154,306
Loans and advances to customers	6	**291,704**	267,864
Investments in associates	7	**7,857**	7,298
Other assets		**10,707**	10,198
Property and equipment		**5,057**	4,680
Total assets		**855,088**	814,795
Liabilities			
Deposits from banks and other financial institutions		**5,257**	16,771
Deposits from customers		**57,199**	31,320
Other liabilities	8	**25,994**	24,984
Term loans	9	**105,039**	101,148
Loan from the State of Kuwait	9	**300,000**	300,000
Total liabilities		**493,489**	474,223
Equity			
Share capital	10	**20,000**	20,000
Treasury shares reserve		**152**	152
Statutory reserve	10	**52,929**	50,136
Voluntary reserve	10	**157,218**	154,425
Retained earnings		**131,300**	115,859
Total equity		**361,599**	340,572
Total liabilities and equity		**855,088**	814,795

Hadeel F. Boukhadour
Chairman

Iman N. Al Salamah
Acting Chief Executive Officer

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2025

	Notes	2025 KD'000	2024 KD'000
Interest income		**28,863**	30,349
Interest expense		**(8,285)**	(9,756)
Net interest income		**20,578**	20,593
Fee and commission income		**4,169**	4,190
Foreign exchange (loss) gain		**(2,682)**	1,750
Net investment income	11	**17,370**	11,676
Recoveries from loans written-off	6	**6,634**	5,930
Other income		**221**	109
Total income		**46,290**	44,248
Staff costs	12	**(10,190)**	(9,979)
Depreciation		**(425)**	(226)
Other expenses	13	**(4,662)**	(3,715)
Provision for credit losses charged	6	**(2,838)**	(2,143)
Other provisions (charged) reversal		**(244)**	534
Total expenses		**(18,359)**	(15,529)
Profit for the year before tax and board of directors' remuneration		**27,931**	28,719
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(239)**	(262)
Zakat		**(274)**	(284)
Board of directors' remuneration	14	**(391)**	(324)
Net profit for the year		**27,027**	27,849
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**27,027**	27,849
Basic and diluted earnings per share (KD)	15	**13.514**	13.925

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital KD'000	*Treasury shares reserve KD'000*	*Statutory Reserve KD'000*	*Voluntary reserve KD'000*	*Retained earnings KD'000*	*Total equity KD'000*
As at 1 January 2025	**20,000**	**152**	**50,136**	**154,425**	**115,859**	**340,572**
Profit for the year	-	-	-	-	27,027	27,027
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	27,027	27,027
Transfer to reserves (Note 10)	-	-	-	2,793	(5,586)	-
Dividends (Note 10)	-	-	-	-	(6,000)	(6,000)
At 31 December 2025	**20,000**	**152**	**52,929**	**157,218**	**131,300**	**361,599**

	Share capital KD'000	*Treasury shares reserve KD'000*	*Statutory Reserve KD'000*	*Voluntary reserve KD'000*	*Retained earnings KD'000*	*Total equity KD'000*
As at 1 January 2024	20,000	152	47,265	151,554	99,752	318,723
Profit for the year	-	-	-	-	27,849	27,849
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	27,849	27,849
Transfer to reserves (Note 10)	-	-	2,871	2,871	(5,742)	-
Dividends (Note 10)	-	-	-	-	(6,000)	(6,000)
At 31 December 2024	20,000	152	50,136	154,425	115,859	340,572

The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

	Notes	***2025 KD'000***	*2024 KD'000*
Cash flows from operating activities			
Profit for the year before tax and board of directors' remuneration		**27,931**	28,719
Adjustments for:			
Foreign exchange loss (gain)		**2,682**	(1,750)
Dividend income	11	**(640)**	(489)
Realised gain on financial assets at fair value through profit or loss	11	**(4,577)**	(8,918)
Unrealised gain on financial assets at fair value through profit or loss	5, 11	**(11,497)**	(2,126)
Share of results from associates	7, 11	**(656)**	(143)
Depreciation		**425**	226
Provision for credit losses, net	6	**2,838**	2,143
Other provisions charged (reversal)		**244**	(534)
		16,750	17,128
Changes in operating assets and liabilities:			
Treasury bills and bonds		**(50,072)**	26,201
Deposits with banks and other financial institutions		**47,182**	(15,104)
Loans and advances to customers		**(26,678)**	20,741
Other assets		**(753)**	1,357
Deposits from banks and other financial institutions		**(11,514)**	(11,550)
Deposits from customers		**25,879**	(19,122)
Other liabilities		**(7,989)**	2,916
Cash (used in) from operations		**(7,195)**	22,567
KFAS paid		**(262)**	(200)
Zakat paid		**(284)**	(205)
Board of Directors' remuneration paid		**(324)**	(331)
Net cash flows (used in) from operating activities		**(8,065)**	21,831
Cash flows from investing activities			
Purchase of property and equipment		**(802)**	(410)
Purchase of financial assets at fair value through profit or loss		**(9,753)**	(12,687)
Proceeds from disposal of financial assets at fair value through profit or loss		**21,291**	16,478
Dividends received from associates	7	**97**	15
Dividend income received		**640**	489
Net cash flows from investing activities		**11,473**	3,885
Cash flows from financing activities			
Term loans obtained		**79,011**	25,193
Term loans paid		**(68,837)**	(25,166)
Dividends paid	10	**(6,000)**	(6,000)
Net cash flows from (used in) financing activities		**4,174**	(5,973)
Net increase in cash and cash equivalents		**7,582**	19,743
Cash and cash equivalents at 1 January		**27,451**	7,708
Cash and cash equivalents at 31 December	3	**35,033**	27,451

1. INCORPORATION AND ACTIVITIES

The Industrial Bank of Kuwait K.S.C. (Closed) ("the Bank") is a closed shareholding company incorporated in the State of Kuwait in 1973 under the commercial registration number 20139 as a specialized bank and is regulated by the Central Bank of Kuwait ("CBK") to provide banking services to the industrial projects and investments in related activities and the bank is principally engaged in the following activities:

- Contribute to developing the Kuwaiti economy, diversify its production structure by encouraging new industries and support existing industries. For this purpose, it may undertake the operations described explicitly in its Articles of Association, as amended; and
- The Bank may have an interest or to participate in any aspect in other entities conducting similar activities or which may help to achieve its objectives in Kuwait or abroad and may purchase these entities or merge therewith.

The Bank's registered office in Kuwait is at Joint Banking Complex, Commercial Area 9, Mubarak Al Kabeer Street, Darwaza Abdul Razaq, P.O. Box 3146, Safat 13032, Kuwait. The number of employees of the Group as at 31 December 2025 is 189 (2024: 191).

The consolidated financial statements of the Bank and its subsidiaries (collectively the "Group") (Note 2.5) were authorized for issue by the Board of Directors on 16 February 2026. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFOMRATION

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the IFRS Accounting Standards with the following amendment:

- Expected credit loss ("ECL") to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

The above framework is hereinafter referred to as 'IFRS Accounting Standards as adopted by CBK for use in the State of Kuwait'.

The consolidated financial statements have been prepared under the historical cost basis except for measurement of financial assets at fair value through profit or loss and derivative instruments which carried at fair value.

The Bank presents its consolidated statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Bank, rounded to the nearest thousand Kuwaiti Dinars, except when otherwise stated.

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025
The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments had no impact on the Group's consolidated financial statements.

2.3 NEW 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 Group's consolidated financial statements are disclosed below.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) – 1 January 2026

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

Presentation and disclosures in financial statements (IFRS 18) – 1 January 2027

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. These include:

- The requirement to classify all income and expense into specified categories and provide specified totals and subtotals in the statement of profit or loss.
- Enhanced guidance on the aggregation, location and labeling of items across the primary financial statements and the notes.
- Mandatory disclosures about management-defined performance measures (MPMs - a subset of alternative performance measures).

IFRS 18 also makes consequential amendments to other accounting standards, including IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Statements.

The Group is currently evaluating the impact of these new standards and amendments. The Group will adopt it when the new standard and amendments become effective.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2025 (the "reporting date") and its subsidiaries (investees which are controlled by the Bank) as at the same date or a date not earlier than one month from the reporting date. The Bank consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

	Country of incorporation	*Principal activities*	*Percentage of ownership*	
			2025	*2024*
Senaey Enterprises Limited	Cayman Islands	Investments	**100%**	100%
Kuwait Industrial Projects Company K.S.C. (Closed) ("KIPC")*	State of Kuwait	Investments	**99.6%**	99.6%
Entities held through KIPC				
Al Reada Petrochemical Company K.S.C. (Closed)	State of Kuwait	Petrochemicals	**96%**	96%
Intermediate Petrochemical Products Company K.S.C. (Closed)	State of Kuwait	Petrochemicals	**96%**	96%
Derwaza Company for Construction, Managing and Leasing Warehouses	State of Kuwait	Leasing	**100%**	100%

*The Parent Company effectively owns 100% of equity interest of the above entity. Accordingly, the consolidated financial statements have been prepared on this basis. The ownership of the remaining equity interest in this subsidiary is registered in the name of related parties as nominees. However, the Parent Company is the beneficial owner of 100% equity interest.

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2025

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

2.5.1 Financial Instruments

2.5.1.1 Recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of profit or loss and other comprehensive income (OCI) in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

2.5.1.2 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, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank 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 objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the 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;
- 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 FVTPL 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).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.1 Financial Instruments (continued)

2.5.1.2 Classification and measurement (continued)

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 method. Interest income, foreign exchange gains and losses, impairment and gain or loss on derecognition is recognised in the consolidated statement of profit or loss and other comprehensive 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, and certain other assets are classified as financial asset carried at amortised cost.

Financial assets carried 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.

Financial assets carried at FVTPL are subsequently measured at fair value. The changes in fair value are recorded in the consolidated statement of profit or loss and other comprehensive income. Interest earned or incurred on debt instruments designated at FVTPL is accrued in interest income using the effective interest rate method, considering any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated statement of profit or loss and other comprehensive income as other operating income when the right to the payment has been established. Certain debt securities, equities and derivatives that are not designated as hedging instruments are classified as Financial assets carried at FVTPL.

Subsequent classification and measurement categories of financial liabilities

Financial liabilities, other than financial guarantees and loan commitments, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments, or the fair value designation is applied.

Deposits from banks and other financial institutions, deposits from customers, other borrowed fund 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 Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised as a liability 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 profit or loss and other comprehensive income, and the higher of ECL under IFRS 9 according to the CBK guidelines and provision required by the CBK instructions.

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries
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2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.1 Financial Instruments (continued)

2.5.1.2 Classification and measurement (continued)

Financial guarantees and loan commitments (continued)

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, , a provision was made if they were an onerous contract and the higher of ECL under IFRS 9 according to the CBK guidelines and provision required by the CBK instructions.

2.5.1.3 Derecognition

Derecognition 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 profit or loss and other comprehensive 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.

When assessing whether or not to derecognise a financing receivable, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.2 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 realize the assets and liabilities simultaneously.

2.5.3 Collateral pending sale

The Group occasionally acquires non-monetary assets in settlement of certain financing receivables. Such assets are stated at the lower of the carrying value of the related financing receivables and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.5.4 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 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 the CBK guidelines. These financial assets comprise of deposits with banks and 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 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 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.

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2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.4 Impairment of financial assets (continued)

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.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and are classified under Stage 3.

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. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognised and is still in the portfolio. The Group uses Through-The-Cycle PD (TTC PD) for each rating to calculate the ECL. The minimum PD is 1% for investment grade credit facilities and 0.75% for non-investment grade credit facilities except for credit facilities that are rated by an external credit rating agency as investment grade and are granted to government entities and banks.

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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.4 Impairment of financial assets (continued)

Measurement of ECLs (continued)
The LGD threshold for unsecured senior and subordinate loans and advances to customers is determined in accordance with the CBK guidelines relating to IFRS 9.

The maximum period for which the credit losses are determined is the contractual life of a financial asset, unless the Group has the legal right to call it earlier.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed a historical analysis and identified the key economic variables impacting credit risk and ECL. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, gross domestic product, unemployment rates and oil prices and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Renegotiated loans and advances
In the event of a default, the Group seeks to restructure facilities to customers rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. When the facility to a customer has 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 facilities to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk and the facility should be classified in Stage 2.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortized cost.

Write-offs
Financial assets are written off either partially or in their entirety only when the Group has ceased pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are recorded directly in consolidated statement of profit or loss and other comprehensive income.

2.5.5 Provisions for credit losses in accordance with CBK instructions
The Group is required to calculate provisions for credit losses on loans and advances to customers in accordance with the instructions of the CBK on the classification of loans and advances to customers and calculation of provisions. Loans and advances to customers 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. Loans and advances to customers are 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 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 provision*
Watch list	Irregular for a period of 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%

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2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.5 Provisions for credit losses in accordance with CBK instructions (continued)
The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable loans and advances to customers (net of certain restricted categories of collateral), which are not subject to specific provisioning.

2.5.6 Derivative financial instruments
Derivative instruments are initially recognised in the consolidated statement of financial position at cost (including transaction costs) and subsequently measured at their fair value.

The Group enters into forward foreign exchange. Derivatives are stated at fair value. The fair value of a derivative includes unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

The resultant gains and losses from derivatives are included in the consolidated statement of profit or loss and other comprehensive income.

2.5.7 Fair value measurement
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 are 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
- 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.7 Fair value measurement (continued)

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 in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, 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.

2.5.8 Cash and cash equivalents

Cash and cash equivalents, for the purpose of preparing the consolidated statement of cash flows, comprise of cash and short-term funds with banks and financial institutions (including the Central Bank of Kuwait) maturing within seven days.

2.5.9 Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of profit or loss and other comprehensive income its share of the total recognised profit or loss of the associate from the date that influence, or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss statement. The Group's share of those changes is recognised in the consolidated statement of profit or loss and other comprehensive income.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. If such indication exists, the Group estimates the asset's recoverable amount. 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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the associates and the Group's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at fair value. Any difference between carrying amount of the investment in associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss and other comprehensive income.

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2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all premises and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis 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 years
Others	1 to 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 profit or loss and other comprehensive 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 profit or loss and other comprehensive 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 profit or loss and other comprehensive income as the expense is incurred.

2.5.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An assets or cash-generating unit's ("CGU") recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

2.5.12 Post-employment benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed contribution basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.13 Provisions
Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

2.5.14 Treasury shares
The Bank's holding in its own shares is stated at acquisition cost and is recognised in equity. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are sold, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable until all the treasury shares are disposed. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to 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.

2.5.15 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.

2.5.16 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services and class of customers are appropriately aggregated and reported as reportable segments.

2.5.17 Fiduciary assets
Third party assets managed by the Group and assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed at their original value in the notes to the consolidated financial statements.

2.5.18 Revenue recognition
Interest and similar income and expense
Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Fees which are considered as an integral part of the effective yield of a financial asset are recognized using the effective interest rate method.

Recognition of interest income is suspended on interest receivables where interest and/ or principal is overdue by 90 days or more.

Interest income on impaired loans and advances to customers is recognized either when cash is collected or on a cost–recovery basis as conditions warrant.

Fees and commission income
Fees and commission income is recognized when the Group satisfies the performance obligation by transferring the promised service to the customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time.

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2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5.18 Revenue recognition (continued)

Fees and commission income (continued)
Fees income earned from services provided over a period of time is recognized over the period of service. Fees income arising from providing a transaction service are recognized at a point in time on completion of the underlying transaction.

Portfolio and other management advisory and service fee related to investment funds are recognized over the period in which the service is provided.

Dividend income
Dividend income is recognized when the right to receive the payment is established.

2.5.19 Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed and is included in the same line item in the consolidated statement of profit or loss and other comprehensive income.

2.5.20 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 profit or loss and other comprehensive income.

2.5.21 Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

Zakat
Zakat is calculated at 1% of the profit for the year in accordance with the requirements of the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of comprehensive income.

2.5.22 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING 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.

2.6.1 Significant 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 profit on the principal amount outstanding.

2.6.2 Estimates 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 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.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment

Impairment of financial instruments

The Group estimates ECL for all financial assets carried at amortised cost (except for balances with the CBK and government of Kuwait) or FVOCI except for equity instruments.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

The Group has the policy to regularly review its model in the context of actual loss experience and adjust when necessary.

Valuation of financial instruments with significant unobservable inputs

Valuation techniques for financial instruments with significant unobservable inputs includes estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm's length market transactions; current fair value of another instrument that is substantially the same; valuation models etc.

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 the carrying values of unquoted financial assets.

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3. CASH AND CASH EQUIVALENTS

	2025 KD'000	*2024 KD'000*
Balances with the CBK	**3,937**	2,733
Cash in hand and current accounts	**2,796**	2,718
Deposits with banks and financial institutions maturing within 7 days*	**28,300**	22,000
	35,033	27,451

*Deposits with banks and financial institutions carry interest rates of 1.75% to 3.5% (2024: 3.750%) per annum.

4. TREASURY BILLS AND BONDS

	2025 KD'000	*2024 KD'000*
Treasury bills	**68,500**	5,000
CBK bonds	**2,465**	15,893
	70,965	20,893

In accordance with guidelines of the CBK, the Bank is required to maintain a minimum of 15% of the private customer deposits denominated in Kuwaiti Dinars as treasury bills and bonds. Treasury bills and bonds carry interest rate ranging from 3.25% to 5.375% (2024: 4.125% to 5.375%) per annum.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 KD'000	*2024 KD'000*
Quoted equities	**20,171**	17,595
Unquoted equities	**1,160**	1,158
Funds	**137,511**	135,553
	158,842	154,306

The disclosure of fair value measurement and the levels of fair value hierarchy relating to the financial assets at fair value through profit or loss is disclosed in Note 20.

The net unrealised gain (loss) on financial assets at fair value through profit or loss for the year is as below:

	2025 KD'000	*2024 KD'000*
Quoted equities	**2,578**	1,772
Unquoted equities	**2**	(42)
Funds	**8,917**	396
	11,497	2,126

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6. LOANS AND ADVANCES TO CUSTOMERS

	2025 KD'000	*2024* KD'000
Industrial loans at preferential lending rates	**179,097**	148,834
Loans and advances at commercial lending rates	**153,390**	157,618
	332,487	306,452
Less: provision for credit losses	**(40,783)**	(38,588)
	291,704	267,864

The provision for credit losses is as follows:

2025	*Industrial loans*			*Commercial loans*			*Total*
	Specific KD'000	*General* KD'000	*Total* KD'000	*Specific* KD'000	*General* KD'000	*Total* KD'000	KD'000
Balance at 1 January	**-**	**8,252**	**8,252**	**84**	**30,252**	**30,336**	**38,588**
Charged for the year	**316**	**304**	**620**	**243**	**1,975**	**2,218**	**2,838**
Write off	**(316)**	**-**	**(316)**	**(327)**	**-**	**(327)**	**(643)**
Balance at 31 December	**-**	**8,556**	**8,556**	**-**	**32,227**	**32,227**	**40,783**

2024	*Industrial loans*			*Commercial loans*			*Total*
	Specific KD'000	*General* KD'000	*Total* KD'000	*Specific* KD'000	*General* KD'000	*Total* KD'000	KD'000
Balance at 1 January	1,418	8,362	9,780	486	29,961	30,447	40,227
Charged (reversal) for the year	301	(110)	191	1,661	291	1,952	2,143
Write off	(1,719)	-	(1,719)	(2,063)	-	(2,063)	(3,782)
Balance at 31 December	-	8,252	8,252	84	30,252	30,336	38,588

The available provision balance relating to non-cash facilities of KD 1,705 thousand (2024: KD 1,222 thousand) is included in other liabilities (Note 8).

The expected credit losses on loans, advances, and non-cash facilities to customers determined under IFRS 9 according to the guidelines of the Central Bank of Kuwait amounted to KD 13,680 thousand as at 31 December 2025 (2024: KD 5,239 thousand).

During the year, the Bank has made recoveries amounting to KD 6,634 thousand (2024: KD 5,930 thousand) pertaining to certain loans and advances that were fully provided for and written-off in prior years.

An analysis of the carrying amounts of loans and advances (cash facilities) based on the staging criteria under IFRS 9 in accordance with CBK regulations:

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6. LOANS AND ADVANCES TO CUSTOMERS (continued)

2025	*Stage 1* KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
Credit Facilities				
High	**92,199**	**-**	**-**	**92,199**
Standard	**160,900**	**66,848**	**-**	**227,748**
Past due or impaired	**-**	**-**	**12,540**	**12,540**
	253,099	**66,848**	**12,540**	**332,487**

2024	*Stage 1* KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
Credit Facilities				
High	74,279	-	-	74,279
Standard	132,839	94,283	-	227,122
Past due or impaired	-	-	5,051	5,051
	207,118	94,283	5,051	306,452

An analysis of the carrying amounts of contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed (non-cash facilities), based on the staging criteria under IFRS 9 in accordance with CBK regulations:

2025	*Stage 1* KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
Credit Facilities				
High	**7,761**	**-**	**-**	**7,761**
Standard	**27,344**	**22,509**	**-**	**49,853**
Past due or impaired	**-**	**-**	**3,189**	**3,189**
Contingent liabilities (Note 17)	**35,105**	**22,509**	**3,189**	**60,803**

2024	*Stage 1* KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
Credit Facilities				
High	8,478	-	-	8,478
Standard	21,057	27,944	-	49,001
Past due or impaired	-	-	2,580	2,580
Contingent liabilities (Note 17)	29,535	27,944	2,580	60,059

An analysis of the changes in the ECL in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is as follows:

	Stage 1 KD 000's	*Stage 2* KD 000's	*Stage 3* KD 000's	*Total* KD 000's
ECL allowance as at 1 January 2025	**991**	**3,482**	**766**	**5,239**
Transfer between stages				
Transfer from Stage 1	**(94)**	**94**	**-**	**-**
Transfer from Stage 2	**42**	**(1,710)**	**1,668**	**-**
Transfer from Stage 3	**-**	**-**	**-**	**-**
Net increase (decrease) in ECL for the year	**183**	**(833)**	**9,091**	**8,441**
At 31 December 2025	**1,122**	**1,033**	**11,525**	**13,680**

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Stage 1 KD 000's	*Stage 2 KD 000's*	*Stage 3 KD 000's*	*Total KD 000's*
ECL allowance as at 1 January 2024	1,223	4,023	1,391	6,637
Transfer between stages				
Transfer from Stage 1	(69)	69	-	-
Transfer from Stage 2	257	(276)	19	-
Transfer from Stage 3	-	666	(666)	-
Net decrease in ECL for the year	(420)	(1,000)	22	(1,398)
At 31 December 2024	991	3,482	766	5,239

Sensitivity

For measuring the overall sensitivity of the forward-looking information and key economic variables on the Group's ECL on credit facilities, the Group conducts stress tests by allocating a higher weightage to the downside scenario which results in an increase in the Bank's ECL allowance for credit facilities in Stage 3. However, the ECL so determined after incorporating the aggregate impact of these sensitivity adjustments, continues to remain lower than the total provision for credit losses recorded as per CBK instructions, and accordingly will not have an impact on the Group's consolidated statement of profit or loss and other comprehensive income as well as on the carrying value of these assets.

7. INVESTMENTS IN ASSOCIATES

	Country of incorporation	*Principal activities*	*Ownership*		*Carrying value*	
			2025	*2024*	*2025 KD'000*	*2024 KD'000*
Al Rawdatain Water Bottling Co. K.S.C.C.	State of Kuwait	Production and bottling of mineral water	**30%**	30%	**4,281**	3,922
Qaroh P.E.T. Products Co. K.S.C.C.	State of Kuwait	Specialised industrial products	**30%**	30%	**1,714**	1,662
Technology Industrial Gases Production Company K.S.C.C.	State of Kuwait	Production of industrial gases	**20%**	20%	**1,862**	1,714
					7,857	7,298

As at 31 December 2025, the aggregate amount of assets, liabilities, income and expenses of associates, without adjustment for the ownership interest held by the Group, was KD 38,940 thousand, KD 10,028 thousand, KD 3,994 thousand and KD 2,677 thousand, respectively (2024: KD 37,006 thousand, KD 10,269 thousand, KD 2,405 thousand and KD 1,573 thousand, respectively).

The Group's share of results of the associates and dividend distributed by associates to the Group during the year ended 31 December 2025 was KD 656 thousand and KD 97 thousand respectively (2024: share of results of KD 143 thousand and KD 15 thousand, respectively).

The management has carried out an assessment of impairment indicators on the Group's investment in associates considering the significant adverse changes in economy, market factors, legal environment, industry or the political factors affecting the investees business including the consideration for the changes in investees' financial condition. The management has not identified any indicators of impairment relating to Group's investment in associates as at the reporting date.

8. OTHER LIABILITIES

	2025 KD'000	*2024 KD'000*
Provision on non-cash credit facilities (Note 6)	**1,705**	1,222
Accrued staff benefits	**18,700**	15,995
KFAS payable	**239**	262
Zakat payable	**274**	284
Others	**5,076**	7,221
	25,994	24,984

9. LOANS

Term loans

	Currency	*Facility limit*	*Effective interest rate (EIR)*	*Granting date*	*Settlement date*	***2025 KD'000***	*2024 KD'000*
Unsecured medium-term loan	EURO	50 million	Six-month EUROBOR plus a spread of 0.8%	26 June 2023	20 June 2025	-	16,039
Unsecured medium-term loan	EURO	30 million	Three-month EUROBOR plus a spread of 0.9%	19 June 2024	22 June 2026	**10,758**	9,623
Unsecured medium-term loan	EURO	50 million	Three-month EUROBOR plus a spread of 0.8%	16 June 2025	10 June 2027	**17,931**	-
Unsecured medium-term loan	USD	50 million	Three-month SOFR plus a spread of 1.55%	26 October 2022	23 October 2025	-	15,405
Unsecured medium-term loan	USD	75 million	Six-Month SOFR plus a spread of 1.1%	19 December 2022	19 December 2025	-	23,108
Unsecured medium-term loan	USD	70 million	Three-month SOFR plus a spread of 0.75%	30 March 2023	28 March 2025	-	21,568
Unsecured medium-term loan	USD	50 million	Three-month SOFR plus a spread of 1.25%	22 October 2024	21 October 2027	**15,270**	15,405
Unsecured medium-term loan	USD	75 million	Three-month SOFR plus a spread of 0.85%	19 March 2025	18 March 2027	**22,905**	-
Unsecured medium-term loan	USD	50 million	Three-month SOFR plus a spread of 1.20%	14 October 2025	12 October 2028	**15,270**	-
Unsecured medium-term loan	USD	75 million	Three-month SOFR plus a spread of 0.90%	10 December 2025	11 December 2028	**22,905**	-
						105,039	101,148

9. LOANS (continued)

Loan from the State of Kuwait
This represents a revolving credit facility of KD 300 million granted by the State of Kuwait under Law No. 7 of 2001, amended by Law No. 43 of 2007 issued on 1 July 2007. This facility is valid for a period of 20 years and matures in 2027.

The interest on loan from the State of Kuwait is as follows:

- Interest rate of 0.5% per annum on amounts equal to the outstanding balances and undrawn commitments of industrial loans granted by the Bank at preferential lending rates; and
- The unutilised portion of the loan (which is not granted for industrial exposures) is subject to interest rate of 3 months Kuwait inter-bank offering rate.

Term loans are subject to customary financial and non-financial covenants. A breach of these covenants could result in the loan becoming repayable on demand. During the year ended 31 December 2025, the Group complied with all covenant requirements and did not default on any of its obligations under the loan agreement.

10. EQUITY

a) The authorised, issued and fully paid-up share capital of the Bank comprises of 2 million shares of KD 10 each, paid in cash (2024: 2 million shares of KD 10 each).

b) As required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Bank's Articles of Association, as amended, 10% of the profit for the year before contribution to KFAS, Board of Directors' remuneration and Zakat has been transferred to the statutory reserve, which is subject to approval by the Shareholders of the Bank at the Annual General Meeting. Distribution from statutory reserve is limited to enable the payment of dividend equivalent to 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of such dividends.

c) For the year ended 31 December 2025, in accordance with Article 48 of the Bank's Articles of Association, as amended, the Board of Directors have proposed to transfer an amount of KD 2,793 thousand to voluntary reserve for the year ended 31 December 2025 (2024: KD 2,871 thousand), which is subject to approval by the Shareholders of the bank at the Annual General Meeting.

d) The Shareholders' Annual General Meeting held on 17 June 2025 approved the audited consolidated financial statements for the year ended 31 December 2024, cash dividend of 30% of the paid-up share capital amounting to KD 6,000 thousand (2023: cash dividend of 30% amounting to KD 6,000 thousand), and 10% of the profit for the year before contribution to KFAS, Board of Directors' remuneration and Zakat to the statutory and voluntary reserves.

e) For the year ended 31 December 2025, the Board of Directors meeting held on 16 February 2026 proposed cash dividends of 30% of paid-up share capital amounting to KD 6,000 thousand. The proposal is subject to the approval of the Shareholders at the Annual General Assembly Meeting.

11. NET INVESTMENT INCOME

	2025 KD'000	*2024 KD'000*
Dividend income	**640**	489
Realised gain on financial assets at fair value through profit or loss	**4,577**	8,918
Unrealised gain on financial assets at fair value through profit or loss	**11,497**	2,126
Share of results from associates (Note 7)	**656**	143
	17,370	11,676

12. STAFF COSTS

	2025 KD'000	*2024 KD'000*
Salaries and other short-term benefits	**5,492**	5,331
Post-employment benefits	**1,104**	986
Other benefits	**3,594**	3,662
	10,190	9,979

13. OTHER EXPENSES

	2025 KD'000	*2024 KD'000*
Administrative expenses	**1,930**	1,958
Operating expenses	**893**	973
Other expenses	**1,839**	784
	4,662	3,715

14. BOARD OF DIRECTORS' REMUNERATION

On 16 February 2026, the Board of Directors proposed an amount of KD 391 thousand towards remuneration of the Board of Directors and respective committees for the year ended 31 December 2025 (2024: KD 324 thousand). The proposed remuneration of the Board of Directors is subject to approval of shareholders at the Annual General Assembly meeting.

The Shareholders' Annual General Assembly held on 17 June 2025 approved the board of directors' remuneration for the year ended 31 December 2024, with an amount of KD 324 thousand.

15. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of shares outstanding during the year. There are no potential dilutive shares therefore, the basic and diluted earnings per share are identical.

	2025	*2024*
Net profit for the year (KD'000)	**27,027**	27,849
Weighted average number of outstanding shares during the year shares ('000)	**2,000**	2,000
Basic and diluted earnings per share (KD)	**13.514**	13.925

16. RELATED PARTY DISCLOSURES

Related parties comprise major shareholders, Board of Directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances and transactions with related parties arise from commercial transactions in the ordinary course of business on terms approved by the management.

As at 31 December 2025, the Bank has 14 members on the Board of Directors (2024: 12 members), and 20 executive officers (2024: 22 executives).

16. RELATED PARTY DISCLOSURES (continued)

The balances and transactions with related parties as at reporting date are summarised below.

	2025 **KD'000**	*2024* KD'000
Consolidated statement of financial position		
Balances with shareholders		
Cash and cash equivalents	**3,937**	2,733
Treasury bills and bonds	**70,965**	20,893
Other assets	**722**	7
Deposits from banks and other financial institutions	**9**	9
Deposit from customers	**33,201**	15,722
Other liabilities	**974**	548
Loan from the State of Kuwait	**300,000**	300,000
Balances with other related parties		
Other assets	**498**	510
Deposits from customers	**6,654**	5,496
Commitments and contingent liabilities	**652**	360
Balances with associates		
Loans and advances to customers	**8,009**	6,375
Other assets	**65**	68
Other liabilities	**29**	-
Commitments and contingent liabilities	**1,396**	3,169
Consolidated statement of profit or loss and other comprehensive income		
Transactions with shareholders		
Interest income	**1,679**	1,754
Interest expense	**2,702**	3,030
Fee and commission income*	**2,590**	2,622
Transactions with other related parties		
Interest expense	**8**	3
Transactions with associate companies		
Interest income	**296**	255

** Fees and commission income includes amounts related to Group's fiduciary assets managed on behalf of a related party (Note 18).*

Details of compensation to key management personnel comprise the following:

	2025 **KD'000**	*2024* KD'000
Salaries and other short-term benefits	**320**	469
Variable benefits	**480**	503
Post-employment benefits	**27**	23

17. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Group has exposure to various indirect credit commitments which, though not reflected in the consolidated statement of financial position, are subject to normal credit standards, financial controls and monitoring procedures.

These credit commitments do not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. Credit losses, if any, which may result from exposure to such commitments are not expected to be significant.

a) Commitments and contingent liabilities

	2025 **KD'000**	*2024* KD'000
Acceptances	**1,196**	1,040
Letters of credit	**2,709**	5,124
Letters of guarantee	**56,898**	53,895
	60,803	60,059

The Group also has revocable commitments to extend credit amounting to KD 216,100 thousand (2024: KD 227,071 thousand). The available provision balance relating to non-cash facilities of KD 1,705 thousand (2024: KD 1,222 thousand) is included in other liabilities (Note 8).

b) Other commitments

At 31 December 2025, the Group has commitments in respect of uncalled capital contribution relating to investments carries at fair value through profit or loss amounting to KD 63,332 thousand (2024: KD 62,274 thousand).

18. FIDUCIARY ASSETS

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

At the reporting date, the total amount of fiduciary assets was KD 258,867 thousand (2024: KD 276,346 thousand). The Group earned fees income from managing the fiduciary assets of KD 2,824 thousand during the year ended 31 December 2025 (2024: KD 2,940 thousand).

19. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments, as part of its routine operations:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risk.

Risk management framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk Committee, which is responsible for developing and monitoring Group's risk management policies through the Bank's Risk Management Department.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Risk Committee is assisted in its oversight role by the Risk Management Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group's Board Audit Committee.

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has a credit policy and exposure to credit risk is monitored on an ongoing basis by limiting transactions with specific concentration and assessing continuously the creditworthiness of the counterparties.

Assessment of expected credit losses

Credit limits are established for all customers after a careful assessment of their credit worthiness. Standing procedures require that all credit proposals be subjected to detailed screening under the risk management framework of the Bank including the submission to the appropriate credit committee. Whenever necessary, all loans and advances to customers are secured by acceptable forms of collateral to mitigate the related credit risks.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising competent professional staff and having as its purpose to study and evaluate of the existing credit facilities of each customer of the Group. This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of those customers whose irregular balances exceed 25% of their total debt, in order to determine whether further provisions are required.

In addition, all credit facilities are continually monitored based on a periodical review of the credit performance and account rating.

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);
- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- 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 unlikeliness 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, or
- Borrower is deceased.

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore, reclassified out of Stage 3 when it no longer meets any of the default criteria. With respect to the restructured facilities which are classified in Stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in Stage 2.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses as 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.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have a low credit risk. In addition to the quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

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19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk (continued)

Measurement of ECL

ECL are probability-weighted estimates of credit losses and are measured at the present value of all cash shortfall discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

The Group calculates ECL on credit facilities classified in Stage 3 at 100% of the defaulted exposure, net of value of eligible collaterals after applying applicable haircuts.

The Group, in estimating ECL for credit facilities, has taken into consideration the following key parameters based on inputs from CBK:

- Floor for estimating PDs for specific portfolios;
- Eligible collateral with haircuts for determining LGD;
- Deemed maturity for exposures in Stage 2; and
- Credit conversion factor on utilised and unutilised portions for cash and non-cash facilities.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into the ECL model. Key economic variables include, but not limited to, gross domestic product, unemployment rates and oil prices. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL.

Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is represented by the carrying amount of each financial asset in the consolidated statement of financial position as at reporting date. Information on credit risk relating to commitments and contingent liabilities is provided in note 17.

The industry concentration of credit risk pertaining to loans and advances to customers relating to manufacturing and industrial sector is 82.65% (2024: 82.78%).

Geographical concentration of credit risk is reflected in Note 19.1.1.

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown below (Net exposure after provisions):

	2025 KD'000	*2024 KD'000*
Credit risk exposures relating to financial assets on consolidated statement of financial position:		
Cash and cash equivalents (excluding cash on hand)	**34,701**	27,290
Treasury bills and bonds	**70,965**	20,893
Deposits with banks and other financial institutions	**274,923**	322,105
Loans and advances to customers	**291,704**	267,864
Other assets	**10,707**	10,198
Total	**683,000**	648,350
Credit risk exposures relating to off balance sheet items:		
Acceptances	**1,196**	1,040
Letters of credit	**2,709**	5,124
Letters of guarantees	**56,898**	53,895
Total	**60,803**	60,059
Total credit risk exposure	**743,803**	708,409

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty and this risk is managed by diversification of the portfolio. The 10 largest gross loans and advances to customers outstanding as a percentage of total loans and advances to customers is 50.15% as at 31 December 2025 (2024: 50.19%).

Collateral and other credit enhancements

The Bank has implemented various policies and practices to minimise credit risk. The Bank seeks collateral coverage, the assignment of contract proceeds and other forms of protection to secure lending and minimise credit risks wherever possible. The Bank's borrowing agreements also include legally enforceable netting arrangements for loans and deposits enabling the Bank to consolidate the customer's various accounts with the Bank and either transfer credit balances to cover any outstanding borrowings or freeze the credit balances until the customer settles their outstanding obligations to the Bank.

The Bank's credit facilities are secured by collaterals, consisting primarily of mortgage of industrial projects, shares or listed securities on the stock exchange and commercial papers.

Credit quality of financial instruments

Internal credit quality rating

The Bank uses an internal rating system where borrowers are rated on a scale of 1 to 10. Ratings 1 to 4 are considered to be prime credit and therefore categorized as 'High Grade' and ratings 5A to 5C are other performing credits that are categorized as 'Standard Grade'. Ratings 6 to 10 are past due and non-performing credits.

The credit risk exposure by credit quality of financial assets by class, stage and status presented in Note 6.

Ageing analysis of loans and advances that are past due but not impaired is as follows:

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk (continued)

Credit quality of financial instruments (continued)

Internal credit quality rating (continued)

2025	*Past due up to 30 days KD'000*	*Past due from 31 to 60 days KD'000*	*Past due from 61 to 90 days KD'000*	*Total KD'000*
Loans and advances to customers				
- Industrial loans	**27**	-	-	**27**
- Commercial loans	**3,015**	**37**	-	**3,052**
Total	**3,042**	**37**	-	**3,079**
Fair value of collateral				**9,172**

2024	*Past due up to 30 days KD'000*	*Past due from 31 to 60 days KD'000*	*Past due from 61 to 90 days KD'000*	*Total KD'000*
Loans and advances to customers				
- Industrial loans	1,691	-	-	1,691
- Commercial loans	4,346	6	-	4,352
Total	6,037	6	-	6,043
Fair value of collateral				43,325

Past due and individually impaired loans are as follows:

2025	*Gross exposure KD'000*	*Impairment KD'000*	*Fair value of collateral KD'000*
Loans and advances to customers			
- Industrial loans	-	-	-
- Commercial loans	-	-	-
Total	-	-	-

2024	*Gross exposure KD'000*	*Impairment KD'000*	*Fair value of collateral KD'000*
Loans and advances to customers			
- Industrial loans	-	-	-
- Commercial loans	84	84	605
Total	84	84	605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2025

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk (continued)
19.1.1 Geographical concentration of assets, liabilities and contingent liabilities (continued)

2024	*Kuwait KD'000*	*GCC KD'000*	*Europe KD'000*	*North America KD'000*	*Asia and Pacific KD'000*	*Latin America KD'000*	*Total KD'000*
Assets							
Cash and cash equivalents	25,265	313	873	998	2	-	27,451
Treasury bills and bonds	20,893	-	-	-	-	-	20,893
Deposits with banks and other financial institutions	322,105	-	-	-	-	-	322,105
Financial assets at fair value through profit or loss	18,753	-	21,997	93,933	18,832	791	154,306
Loans and advances to customers	267,864	-	-	-	-	-	267,864
Investments in associates	7,298	-	-	-	-	-	7,298
Other assets	10,198	-	-	-	-	-	10,198
Property and equipment	4,680	-	-	-	-	-	4,680
Total assets	677,056	313	22,870	94,931	18,834	791	814,795
Liabilities							
Deposits from banks and other financial institutions	16,771	-	-	-	-	-	16,771
Deposits from customers	31,320	-	-	-	-	-	31,320
Other liabilities	24,984	-	-	-	-	-	24,984
Term loans	-	75,485	25,663	-	-	-	101,148
Loan from the State of Kuwait	300,000	-	-	-	-	-	300,000
Total liabilities	373,075	75,485	25,663	-	-	-	474,223
Commitments and contingent liabilities	55,325	440	1,113	31	3,150	-	60,059

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2025

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Credit risk (continued)
19.1.1 Geographical concentration of assets, liabilities and contingent liabilities

2025	***Kuwait KD'000***	***GCC KD'000***	***Europe KD'000***	***North America KD'000***	***Asia and Pacific KD'000***	***Latin America KD'000***	***Total KD'000***
Assets							
Cash and cash equivalents	**17,766**	**311**	**13,462**	**3,492**	**2**	**-**	**35,033**
Treasury bills and bonds	**70,965**	-	-	-	-	-	**70,965**
Deposits with banks and other financial institutions	**245,707**	**-**	**29,216**	**-**	**-**	**-**	**274,923**
Financial assets at fair value through profit or loss	**79,157**	**-**	**18,544**	**44,052**	**16,713**	**376**	**158,842**
Loans and advances to customers	**291,704**	-	-	-	-	-	**291,704**
Investments in associates	**7,857**	-	-	-	-	-	**7,857**
Other assets	**10,707**	-	-	-	-	-	**10,707**
Property and equipment	**5,057**	-	-	-	-	-	**5,057**
Total assets	**728,920**	**311**	**61,222**	**47,544**	**16,715**	**376**	**855,088**
Liabilities							
Deposits from banks and other financial institutions	**5,257**	**-**	**-**	**-**	**-**	**-**	**5,257**
Deposits from customers	**57,199**	-	-	-	-	-	**57,199**
Other liabilities	**25,994**	-	-	-	-	-	**25,994**
Term loans	**-**	**76,350**	**28,689**	**-**	**-**	**-**	**105,039**
Loan from the State of Kuwait	**300,000**	-	-	-	-	-	**300,000**
Total liabilities	**388,450**	**76,350**	**28,689**	**-**	**-**	**-**	**493,489**
Commitments and contingent liabilities	**59,058**	**563**	**287**	**-**	**895**	**-**	**60,803**

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2025

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value.

The table below summarises the maturity profile of the Group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period at the reporting date, to the contractual maturity date. The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and deposits by customers might have to be repaid on demand.

The undiscounted maturity profile of the financial liabilities is as follows:

2025	*Less than 1 month KD'000*	*1 to 3 months KD'000*	*3 to 12 months KD'000*	*1 to 5 years KD'000*	*Over 5 years KD'000*	*Total KD'000*
Deposits from banks and other financial institutions	**5,260**	**-**	**-**	**-**	**-**	**5,260**
Deposits from customers	**56,850**	**436**	**197**	**-**	**-**	**57,483**
Other liabilities	**-**	**-**	**25,994**	**-**	**-**	**25,994**
Term loans	**-**	**-**	**11,004**	**103,501**	**-**	**114,505**
Loan from the State of Kuwait	**-**	**-**	**-**	**302,248**	**-**	**302,248**
Total undiscounted financial liabilities	**62,110**	**436**	**37,195**	**405,749**	**-**	**505,490**

2024	*Less than 1 month KD'000*	*1 to 3 months KD'000*	*3 to 12 months KD'000*	*1 to 5 years KD'000*	*Over 5 years KD'000*	*Total KD'000*
Deposits from banks and other financial institutions	16,793	-	-	-	-	16,793
Deposits from customers	30,690	384	255	-	-	31,329
Other liabilities	-	-	24,984	-	-	24,984
Term loans	-	21,874	57,077	28,452	-	107,403
Loan from the State of Kuwait	-	-	-	303,748	-	303,748
Total undiscounted financial liabilities	47,483	22,258	82,316	332,200	-	484,257

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities:

2025	***Less than 1 month KD '000***	***1 to 3 months KD '000***	***3 to 12 months KD '000***	***1 to 5 years KD '000***	***Over 5 years KD '000***	***Total KD '000***
Commitments and contingent liabilities	**2,293**	**9,995**	**35,850**	**12,665**	**-**	**60,803**

2024	*Less than 1 month KD '000*	*1 to 3 months KD '000*	*3 to 12 months KD '000*	*1 to 5 years KD '000*	*Over 5 years KD '000*	*Total KD '000*
Commitments and contingent liabilities	2,641	15,386	30,372	11,038	622	60,059

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2024

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Liquidity risk (continued)

The maturity profile of the assets and liabilities as at the reporting date based on contractual maturities is as follows:

2025	*Less than one year KD'000*	*From one year to five years KD'000*	*Over five years KD'000*	*No fixed maturity KD'000*	*Total KD'000*
Assets					
Cash and cash equivalents	**35,033**	**-**	**-**	**-**	**35,033**
Treasury bills and bonds	**13,965**	**38,500**	**18,500**	**-**	**70,965**
Deposits with banks and other financial institutions	**274,923**	**-**	**-**	**-**	**274,923**
Financial assets at fair value through profit or loss	**-**	**-**	**158,842**	**-**	**158,842**
Loans and advances to customers	**145,311**	**86,887**	**59,506**	**-**	**291,704**
Investments in associates	**-**	**-**	**-**	**7,857**	**7,857**
Other assets	**8,868**	**-**	**1,839**	**-**	**10,707**
Property and equipment	**-**	**-**	**-**	**5,057**	**5,057**
Total assets	**478,100**	**125,387**	**238,687**	**12,914**	**855,088**
Liabilities and equity					
Deposits from banks and financial institutions	**5,257**	**-**	**-**	**-**	**5,257**
Deposits from customers	**57,199**	**-**	**-**	**-**	**57,199**
Other liabilities	**25,994**	**-**	**-**	**-**	**25,994**
Term loans	**10,758**	**94,281**	**-**	**-**	**105,039**
Loan from the State of Kuwait	**-**	**300,000**	**-**	**-**	**300,000**
Equity	**-**	**-**	**-**	**361,599**	**361,599**
Total liabilities and equity	**99,208**	**394,281**	**-**	**361,599**	**855,088**
Net liquidity position	**378,892**	**(268,894)**	**238,687**	**(348,685)**	**-**

2024	*Less than one year KD'000*	*From one year to five years KD'000*	*Over five years KD'000*	*No fixed maturity KD'000*	*Total KD'000*
Assets					
Cash and cash equivalents	27,451	-	-	-	27,451
Treasury bills and bonds	15,893	5,000	-	-	20,893
Deposits with banks and other financial institutions	322,105	-	-	-	322,105
Financial assets at fair value through profit or loss	-	-	154,306	-	154,306
Loans and advances to customers	88,098	102,701	77,065	-	267,864
Investments in associates	-	-	-	7,298	7,298
Other assets	8,406	-	1,792	-	10,198
Property and equipment	-	-	-	4,680	4,680
Total assets	461,953	107,701	233,163	11,978	814,795
Liabilities and equity					
Deposits from banks and financial institutions	16,771	-	-	-	16,771
Deposits from customers	31,320	-	-	-	31,320
Other liabilities	24,984	-	-	-	24,984
Term loans	76,119	25,029	-	-	101,148
Loan from the State of Kuwait	-	300,000	-	-	300,000
Equity	-	-	-	340,572	340,572
Total liabilities and equity	149,194	325,029	-	340,572	814,795
Net liquidity position	312,759	(217,328)	233,163	(328,594)	-

19. FINANCIAL RISK MANAGEMENT (continued)

19.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. This risk is inherent in the financial instruments associated with the Group's operations and/or activities including loans granted at commercial rates, deposits, securities and trading account assets. The majority of market risk exposure resides in the Group's treasury and investment functions. The Group's market risk objectives of risk management are to:

- Understand and control market risk by robust measurement, setting and monitoring of limits,
- Accuracy in the deal / settlement process;
- Facilitate business growth within a controlled and transparent risk management framework; and
- Measure and report non-traded market risk.

19.3.1 Foreign currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The effect on profit, as a result of change in currency rate, with all other variables held constant is shown below:

2025

Currency	***Change in currency rate in %***	***Effect on profit KD '000***
USD	**+1 %**	**135**
Euro	**+1 %**	**(15)**

2024

Currency	*Change in currency rate in %*	*Effect on profit KD '000*
USD	+1 %	73
Euro	+1 %	(14)

The Group had the following significant net exposures denominated in foreign currencies as at 31 December:

	2025 Long/(short) KD '000	*2024 Long/(short) KD '000*
US Dollars	**13,500**	7,362
Euro	**(1,472)**	(1,355)

19.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities in the consolidated statement of financial position that mature or re-price in a given period.

The table below details the Group's exposure to interest rate risk. Fixed rate instruments are allocated according to the residual term of maturity and floating rate instruments according to the residual term to the next re-pricing date.

19. FINANCIAL RISK MANAGEMENT (continued)

19.3.2 Interest rate risk (continued)

2025	***Less than 1 year KD '000***	***1 to 5 years KD '000***
Assets		
Cash and cash equivalents	**35,033**	**-**
Treasury bills and bonds	**13,965**	**38,500**
Deposits with banks and other financial institutions	**274,923**	**-**
Loans and advances to customers	**145,311**	**86,887**
Total assets	**469,232**	**125,387**
Liabilities		
Deposits from banks and financial institutions	**5,257**	**-**
Deposits from customers	**57,199**	**-**
Term loans	**10,758**	**94,281**
Loan from the State of Kuwait	**-**	**300,000**
Total liabilities	**73,214**	**394,281**
Net gap	**396,018**	**(268,894)**
Cumulative interest rate sensitivity gap	**396,018**	**127,124**

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. FINANCIAL RISK MANAGEMENT (continued)

19.3.2 Interest rate risk (continued)

2024	*Less than 1 year* KD '000	*1 to 5 years* KD '000	*Over 5 years* KD '000	*Total* KD '000	*Effective interest rate / range*
Assets					
Cash and cash equivalents	27,451	-	-	27,451	0.000% - 3.750%
Treasury bills and bonds	15,893	5,000	-	20,893	4.125% - 5.375%
Deposits with banks and other financial institutions	322,105	-	-	322,105	0.850% - 4.750%
Loans and advances to customers	88,098	102,701	77,065	267,864	3.500% - 8.000%
Total assets	453,547	107,701	77,065	638,313	
Liabilities					
Deposits from banks and financial institutions	16,771	-	-	16,771	4.400% - 5.900%
Deposits from customers	31,320	-	-	31,320	0.000% - 5.750%
Term loans	76,119	25,029	-	101,148	3.515% - 6.155%
Loan from the State of Kuwait	-	300,000	-	300,000	0.500% - 0.500%
Total liabilities	124,210	325,029	-	449,239	
Net gap	329,337	(217,328)	77,065	189,074	
Cumulative interest rate sensitivity gap	329,337	112,009	189,074		

The effect on the consolidated statement of profit or loss and other comprehensive income as a result of an assumed change of +0.5% in the effective interest rate with all other variables held constant, is KD 1,026 thousand (2024: KD 947 thousand)

The Industrial Bank of Kuwait K.S.C. (closed) and its Subsidiaries

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As at 31 December 2025

19. FINANCIAL RISK MANAGEMENT (continued)

19.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities may fluctuate as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on the consolidated statement of profit or loss and other comprehensive income as a result of a change in the fair value of equity instruments held at fair value through profit or loss due to an assumed 10% increase in equity indices, with all other variables held constant, is as follows:

	2025 ***KD '000***	*2024* *KD '000*
Increase in the stock market index (Kuwait stock exchange):		
Effect on investment portfolios on +10% change in index	**2,017+-**	1,760+-

The Group's other significant investments are held in well diversified portfolio of funds which invest in a variety of securities and underlying assets whose performance cannot necessarily be measured in relation to movement in any specific equity indexes.

19.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes, including the role of internal audit.

20 FAIR VALUE MEASUREMENT

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. Financial instruments comprise financial assets and financial liabilities.

The following shows an analysis of financial assets at fair value through profit or loss by levels of fair value hierarchy:

2025	***Level 1*** ***KD'000***	***Level 3*** ***KD'000***	***Total*** ***KD'000***
Investments at fair value through profit or loss			
Quoted equities	**20,171**	**-**	**20,171**
Unquoted equities	**-**	**1,160**	**1,160**
Funds	**-**	**137,511**	**137,511**
Total	**20,171**	**138,671**	**158,842**

2024	*Level 1* *KD'000*	*Level 3* *KD'000*	*Total* *KD'000*
Investments at fair value through profit or loss			
Quoted equities	17,595	-	17,595
Unquoted equities	-	1,158	1,158
Funds	-	135,553	135,553
Total	17,595	136,711	154,306

20. FAIR VALUE MEASUREMENT (continued)

31 December 2025

	At 1 January 2025 KD '000	*Additions / (redemptions) KD '000*	*Net change in fair value KD '000*	*At 31 December 2025 KD '000*
Investments at fair value through profit or loss				
Funds	**135,553**	**(6,959)**	**8,917**	**137,511**
Unquoted equities	**1,158**	**-**	**2**	**1,160**
	136,711	**(6,959)**	**8,919**	**138,671**

31 December 2024

	At 1 January 2024 KD '000	*Additions / (redemptions) KD '000*	*Net change in fair value KD '000*	*At 31 December 2024 KD '000*
Investments at fair value through profit or loss				
Funds	130,954	4,203	396	135,553
Unquoted equities	1,200	-	(42)	1,158
	132,154	4,203	354	136,711

For the assets classified under Level 3, the fair value is estimated using appropriate valuation techniques such as recent arm's length market transactions, reference to current fair value of similar assets and other valuation techniques. Significant unobservable inputs used by the management in these valuation techniques represent the discount for lack of marketability ranging from 5% to 15% (2024: 5% to 15%) which is derived based on tenor, nature underlying assets, geographic location pertaining to these investments.

The Group has also performed a sensitivity analysis by varying the key inputs used in the valuation techniques by 5% which did not result in a material impact on the consolidated financial statements.

Fair values of remaining assets and liabilities carried at amortised cost are not materially different from their fair values as at the reporting date, given most of these are of short-term maturities or are repriced immediately based on market movement in interest rates.

21 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management policy are to ensure that Group complies with regulatory requirements and that the Group maintains a strong credit ratings and healthy capital ratios in order to support its business and maximize shareholder value. Capital adequacy ratio, financial leverage ratio and the use of various levels of regulatory capital are governed by guidelines of Basel Committee on Banking Supervision as adopted by Central Bank of Kuwait.

The Group's regulatory capital and capital adequacy ratio calculated under Basel III in accordance with Central Bank of Kuwait circular number 2/RB, RBA/ 336/2014 dated 24 June 2014, are as shown below;

21. CAPITAL MANAGEMENT (continued)

	2025 KD'000	*2024 KD'000*
Risk weighted assets	**656,112**	657,435
Total minimum capital required	**85,295**	85,466
Common Equity Tier 1 (CET1) Capital	**355,600**	334,572
Tier 2 Capital	**7,812**	7,771
	363,412	342,343
CET 1 capital adequacy ratio	**54.20%**	50.89%
Total capital adequacy ratio	**55.39%**	52.07%

Total capital requirement as at 31 December 2025 is 15% (31 December 2024:15%) including capital conservation buffer of 2.5% (31 December 2024 :2.5%).

The Group's financial leverage ratio as at 31 December, is calculated in accordance with the Central Bank of Kuwait circular number 2/BS/342/2014 dated 21 October 2014 and is shown below:

	2025 KD'000	*2024 KD'000*
Tier 1 Capital	**355,600**	334,572
Total exposure	**923,324**	881,730
Leverage ratio	**38.51%**	37.94%

22 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments such as cross currency swaps to mitigate foreign currency risk. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

Cross currency swaps
Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date. The notional amount, disclosed gross, is the amount of a derivative's underlying asset 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 neither indicative of the market risk nor credit risk.

Types of derivative contracts
The table below shows the fair value of derivative financial instruments, together with their notional amounts analysed by the terms of maturity:

	2025		
	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount KD 000's*
Derivatives held for trading:			
Forward foreign exchange contracts	-	-	-
	-	-	-

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22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2024		
	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount KD 000's*
Derivatives held for trading:			
Forward foreign exchange contracts	962	(962)	962
	962	(962)	962

The Group's derivative financial instruments are classified under level 2 hierarchy of the fair value measurement.

Bank Directory

Bank Directory

Name	Job title	Phone
Mrs. Hadeel F. Boukhadour	Chairman of the Board	22337602 - 22337603
Mrs. Iman N. Al-Salamah	Acting Chief Executive Officer	22337408
Mrs. Bashaer Al-Beloshi	Senior Manager, Assessments Department	22337102
Mr. Fuad Ali Al Bahrani	Executive Manager, Strategic Planning and Monitoring Department	22337109
Mrs. Showqiya M. Towfiqi	Executive Manager, Operations Department	22337003
Mr. Yousef Fawzi Bouresly	Executive Manager, Relationship Management Department	22337414
Mr. Jamal B. Al-Rumaih	Executive Manager, Direct Investments and Promotions Department	22337800
Mr. Essa Al Amer	Manager, Compliance and Governance Unit	22337064
Mrs. Afaf Al Adwani	Executive Manager , Al-Senai Portfolio for Small Enterprises	22337188
Mr. Nawaf Y. Al-Munafi	Executive Manager, Treasury Department	22337070
Mr. Abdul Aziz Al Naqi	Senior Manager, Anti-Money Laundering Department	22337505
Mr. Osama M. Al-Othman	Executive Manager, Agriculture Finance Portfolio	22337700
Mr. Bhaskar Majumdar	Executive Manager , Risk Management Department	22337420
Mr. Ramy A. Abdulaal	Chief Technology & Operations Officer	22337600
Mr. Jasem M. Al-Msaileem	Senior Manager, Research & Marketing Department	22337300
Mr. Abdulkarim M. Ibrahim	Executive Manager, Internal Audit Department	22337345
Mr. Abdullah Mohammad Abbas Almutawaa	Board Secretary	22337577
Mr. Ashraf Sallam	Senior Manager, Legal Department	22337203
Mr. Sajid A. Ahmed	Senior Manager, Human Resources Administration & Department	22337942
Mrs. Farah Al Haroon	Manager, Disclosure Unit	22337590

Anuual Report 2025

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الصناعي
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The Industrial Bank of Kuwait K.S.C.C