بوبيان
Boubyan

Annual Report 2024

Digital Copy

Towards perfection

20 سنة

#بنك_بوبيان_20سنة

In the Name of Allah, Most Gracious, Most Merciful

"Verily, Allah is the All-Provider,
Possessor of Power, the Mighty"

Allah the Almighty speaks the truth

H.H. Sheikh
Meshal Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh
Sabah Khaled Al-Hamad Al-Sabah
Crown Prince

H.H. Sheikh
Ahmed Abdullah Al-Ahmad Al-Sabah
Prime Minister

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Board of Directors

Abdulaziz Abdullah Dakheel Al-Shaya
Chairman

Adel Abdul Wahab Al-Majed
Vice-Chairman and Group Chief Executive Officer

Adnan Abdullah Al-Othman
Director

Hazim Ali Al-Mutairi
Director

Mohamed Yousef Al-Saqer
Director

Waleed Mishari Al-Hamad
Director

Fahad Ahmad Al-Fouzan
Director

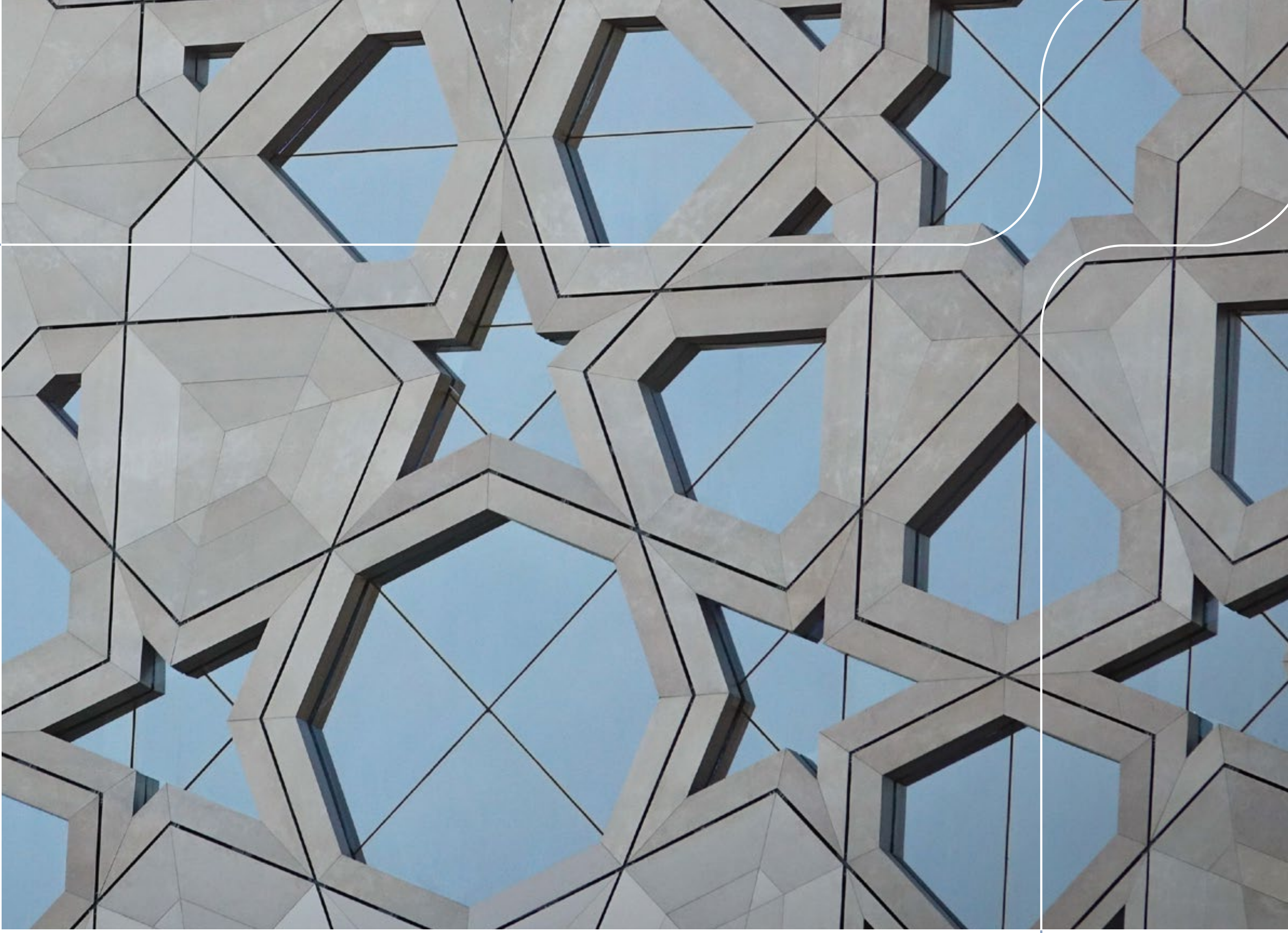
Khalid Ahmad Al-Mudhaf
Independent Director

Waleed Humoud Al-Ayadhi
Independent Director

Abdullah Saud Al-Bader
Independent Director

Syed Imran Azhar
Independent Director

Ahmed Mohammad Al-Fahad
General Manager and
Secretary to the Board



Sharia Supervisory Board

Sheikh Dr. Abdulaziz Khalifa Al-Qasar
Chairman
of the Sharia Board

Sheikh Dr. Esam Khalaf Al-Enezi
Vice-Chairman
of the Sharia Board

Sheikh Dr. Ali Ibrahim Al-Rashid
Member of the Sharia Board

Sheikh Dr. Mohammed Awad Al-Fuzaie
Member of the Sharia Board

Executive Management

Adel Abdul Wahab Al-Majed
Vice-Chairman and Group Chief Executive Officer

Abdullah Abdulkareem Al-Tuwaijri
Chief Executive Officer Private, Consumer, and Digital Banking

Abdul-Salam Mohammed Al-Saleh
Chief Executive Officer Corporate Banking, Financial Control, Treasury and Legal Affairs

Waleed Khalid Al-Yaqout
Group General Manager Administration Group

Adel Abdullah Al-Hammad
Group General Manager Human Resources Group

Abdullah Ahmed Al-Mehri
Chief Operating Officer

Abdullah Abdulmohsen Al-Mejhem
Chief Private Banking and Consumer Banking

Ali Yousef Alansari
General Manager Corporate Banking Group

Dr. Bader Saad Al Hashel
Chief Risk Officer

Mohamed Ibrahim Ismail
Group General Manager Financial Control Group

Abdullah Khalifa Al-Nusef
Chief Data Officer

Abdullah Fahad Al Khuzam
Chief Information Officer

Osama Mohammed Shehab
Chief Digital Officer

Adel Rashed Al-Mutairi
Chief Treasury Officer

Mona Abdullatif Al Duaij
Group Chief Compliance and Governance Officer

Bushra Abdulwahab Al-Wazzan
Chief Internal Audit

Abdulaziz Fahad Al Duwailah
Head of Banking Operations Group


20
Years of Success
and Leadership

Chairman's Message

Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad, his Folk, and Companions all.

Dear Valued Shareholders,
Peace and blessings be with you!

For myself and on behalf of my fellow members of the Board of Directors of Boubyan Group, it gives me great pleasure to place this 2024 Annual Report between your hands, which includes the consolidated financial statements and highlights on the financial performance of the bank, its strategic plans and goals, and the key achievements of the Group across many fronts.

The Kuwait Economy witnessed a significant growth during 2024 and demonstrated some strengths despite the challenges related to potential growth opportunities and future trends, which reflected on the performance and movement of all private sector players, chief among which are banks.

Amid the optimistic forecasts of international and regional institutions, which predicted Kuwait's GDP growth at 3.3% for the year 2025 and 3.7% for the year 2026, up from 2.6% in 2024, Boubyan Bank managed to achieve a significant growth across all of its plans in 2024 to demonstrate its rising leadership and pioneering status across all business sectors, while strongly paving the way for the fulfillment of its goals in 2025.

During 2024, Boubyan Bank continued its dynamic growth and positive performance across all indicators. The bank became the third largest bank domestically, in addition to being included in Forbes' annual list for Middle East Top 100 Listed Companies 2024 with a market value of USD 8.3 billion, and being ranked 49th on a similar list by MEED with USD 27.3 billion in total assets.

The significance of Boubyan's domestic and regional status grew stronger in 2024, taking into consideration the challenges posed by the changes in the international and domestic monetary policy in view of the first interest rate cut, signaling the end of the monetary tightening policy kicked off in March 2022, which affected the profitability of Kuwaiti banks, and amid the continued slow credit growth locally at an annual rate of 4.4% approximately. All this reflects the ongoing advantage of Boubyan Bank over competitors and the strength and robustness of its prudent strategies.

Speaking of Boubyan Group, the group has solidified its local and international presence owing to the successful expansion strategies adopted by Boubyan Bank's management, which moved from planning to working on accelerating digital transformation initiatives and adopting flexible and advanced business models, while raising the bar for standards and supporting operational processes with innovation.

Additionally, Boubyan Bank's executives have provided quality products and services through the Bank of London and the Middle East "BLME" (a Group subsidiary), while linking the bank with a network of GCC banks that offer special services.

Nomo, the Group's digital bank, which is considered the first international Islamic digital bank, continued its growth, rendering it a very importance choice for many customers seeking international digital services.

Solid Financial Performance

Boubyan Bank continued its successful journey towards sustained growth, and all the bank's indicators were record breaking during 2024. This robust performance reflects the bank's ability to achieve the desired results, thus reinforcing its status as one of the most prominent financial institutions in the region, with recorded profits of KD 96.8 million by the end of FY 2024, at a growth rate of 20%, compared with FY 2023, while the earnings per share amounted to 21.6 Fils, compared with 17.7 Fils in FY 2023, and recorded provisions amounted KD 19.3 million for the year 2024.

Chairman’s Message

Boubyan Bank’s results are of special importance since the bank witnessed a significant improvement across all key indicators compared with last year’s performance. This improvement was manifested in the increased profitability and enhancement of the operational efficiency, in addition to a noticeable reduction of non-performing loans’ ratio, which is the lowest in the local market.

Despite the challenges facing the banking sector, Boubyan has once against demonstrated the agility of its operating model and its ability to adapt with market conditions through its successful strategy. Moreover, the bank focused in 2024 on innovative digital services that meet the expectations of customers and on launching quality banking solutions in the local market.

Ongoing & Innovative Banking Digitalization

Boubyan continued its comprehensive strategy towards digital transformation and towards increasing investment in upgrading its digital infrastructure. This led to the improvement of the efficiency of the banking operations and offering cutting-edge digital services that meet the cash and non-cash requirements of customers, as well as their needs for liquidity management, payment transactions, and funds collections. This was realized through hiring the best digital service providers worldwide to provide innovative services as part of an integrated ecosystem that fosters sustained growth and ensures our ongoing banking leadership.

Boubyan Bank managed to increase its investments in digital innovation over 2024, which led to reinforcing its leadership position in the market. The bank managed as well to maintain sustainable enterprise excellence by adopting state-of-the-art digital technology.

Coinciding with the lapse of two decades since its inception, 2024 was a major transformative year for Boubyan Bank which demonstrated the success of its strategy through its milestones over this period of accelerated growth and ongoing enhancements across performance, services, products or digital transformation, in addition to reinforcing its presence in the Islamic banking market, making it an icon of excellence and innovation in this vital sector.

Sustainability & ESG

ESG standards have become a key driving force in Boubyan Group’s direction. They form a solid framework for evaluating all the Group’s metrics up to the financial results, making them an influential element in steering the bank’s investment and financial policies in line with international standards and governing controls which guarantee sustained growth across these sectors and considering them a high priority in the Group. Boubyan Bank released its 4th Sustainability Report in 2024, titled: “Integration into Corporate Strategy” to reflect the bank’s initiatives towards adopting proactive practices that effectively contribute to our sustainable ESG approach.

The year 2024 saw Boubyan Bank continue its transformation journey across many ESG aspects, as we continued our efforts aiming at sustainability and ESG excellence. Guided by our Islamic banking values of integrity and transparency, we made a great progress towards integrating ESG principles into our processes, products, and services. Moreover, these efforts reflect our efforts toward complying with international standards and contributing to the fulfillment of the Sustainable Development Goals “SDGs” of the United Nations, and supporting Kuwait Vision 2035, out of our ESG strategy. This dedication has already been reflected in the advancement of the Bank’s MSCI and S&P ESG ratings. This milestone reflects the tangible progress made in implementing a robust ESG strategy and elevating the overall ESG maturity across the Bank, resulting in an enhanced alignment with global sustainability benchmarks.

Development of Human Resources.. Key Assets

Being our key assets and our strong driver towards leadership, Boubyan Group continued supporting and developing its human resources with the necessary skills, tools, and training programs to motivate them to continue succeeding, coupled with attracting young national cadres. In testimony to the success of this strategy, Boubyan bank became one of the top domestic banks that attracts and recruits Kuwaiti nationals, with an 82% Kuwaitization rate that included the empowerment and recruitment of national manpower and supporting this culture in the society in a real and sustainable manner, which reflects positively on the future job market. Also, female representation has increased across various areas of the Group, including the top management.

To ensure that its human cadres are always flexible and up-to-date, Boubyan continued catering for the training needs of Group employees, while ensuring to improve their skills and boost their experiences through partnering with international specialized companies. This way, the bank continues preparing national cadres to be the exceptionally competent leaders of tomorrow in the banking sector. This aligns well with the bank's strategy to develop leadership and spread the culture of creativity and innovation among staff, which led the bank to have one of the best expertise and excellent cadres industry-wise.

On another note, 2024's score of the Organizational Health Index survey "OHI" taken by all Group employees improved to 86%, while the total staff participation across the bank and its subsidiaries increased to 89%, placing Boubyan Group among the top 3 institutions regionally in terms of the work environment.

Corporate Services

The Corporate Banking Group witnessed a significant growth in 2024, as it offered a wide set of Sharia-compliant financing products that cater for the needs of corporate & retail customers. This helped Boubyan achieve significant milestones in terms of development its corporate products and services across various domains and to retail customers, in addition to being the worldwide leaders of Islamic digital banking, thus continuing to crown it efforts with further achievements.

What really makes Boubyan's strength stand out is its ability to offer banking services that keep pace with the accelerated developments beyond the conventional concept limited to the extension of financing, and to explore other qualitative services to retail customers, vendors, and corporate customers, which helps boost financial inclusion efforts in Kuwait and could upgrade the experience of the growing retail and corporate customer base.

Subsidiaries

Boubyan Capital Investment Company, the investment arm of Boubyan Group, made significant achievements in 2024, with exceptional growth of 30% across its total managed assets compared with last year, and increasing its profits north of 10%. The company maintained its prudent management of various investment funds, which led to ranking Boubyan KD Money Market Fund as one of the top money instruments funds in the local market.

In terms of private equity, Boubyan Capital Investment Company is preparing for strategic investments in startups in line with Boubyan's products and services' development policy through investment partnerships with internationally renowned and reputable investment and asset managers.

Corporate Governance and Reinforcing Sound Practices

Boubyan is always keen on complying with CBK's instructions and guidelines, and it considers governance as one of the pillars of sound credit decision and giving an advantage to customers with sound governance practices in place, so that they may be convinced of the viability of governance and its role in facilitating their access to credit.

Internal controls have been developed for the extension processes and to monitor and update customers' files in an ongoing manner. This has been taken into consideration as well upon designing the corporate banking applications which include a number of authorities for various management levels for companies, in addition to providing the possibility of internal monitoring by the company over the performed transactions in order to ensure the uninterrupted provision of secure and cutting-edge banking services.

Corporate Social Responsibility ... World's Best

Picking up on its CSR efforts that emanate from the bank's belief in its role towards the local community, and humanity in general, the year 2024 witnessed many events and initiatives that highlighted this role and how the bank constantly excels in the same. The bank continued it plans that seek to make it always the closest to all segments of the Kuwaiti society, in addition to the launch of some of its humanitarian projects inside and outside Kuwait.

The bank succeeded in making a CSR leap through its offerings and its adoption of quality initiatives in support of various segments of the society. Boubyan managed to highlight the importance of the private sector's contribution to the community, while boosting efforts to support all segments of the society. These efforts crowned Boubyan Bank with the "World's Best Islamic Bank for CSR" award for the second year in a row from Global Finance, the internationally renowned publication.

Customer Satisfaction

Boubyan Group is committed to offering unique banking experience to its customers. Hence, we keep track of their opinions and suggestions, in addition to measuring the satisfaction of existing customers through extensive frequent visits by specialized team to measure the level of offered banking services and to assess their new requirements and needs. In view of the above, the Group spares no effort to improve its services to build a long-lasting relationship with customers based on trust and complete satisfaction.

In this context, Boubyan worked professionally throughout 2024 to improve the quality of offered banking services. As a result, the Group achieved a minimum Customer Satisfaction Index (CSI) score of 96%, reflecting our commitment to an excellent banking experience to our customers.

Global Recognition

Boubyan Bank made prominent achievements in 2024, which reinforced its status as a leader in the banking industry. The bank received several global awards that reiterate its excellence and distinction, thus demonstrating the bank's commitment to ongoing innovation and to offering the best services to its customers.

Among the prestigious awards and ratings received by the Group in 2024 were 6 global, regional, and domestic digital banking awards by Global Finance, the internationally renowned publication. The icing on the cake was the award for the "World's Best Islamic Digital Bank" for a full decade atop major Islamic financial institutions, coupled with receiving a similar award in the same domain atop the Middle East and Kuwait, in addition to the award for the "Best Corporate/Institutional Digital Bank in Kuwait". The bank maintained its ranking as the Safest Islamic Financial Institution in Kuwait, while ranking third place GCC-wide on Global Finance's list for the World's Safest Banks 2024: Islamic Banks In GCC.

Future Aspirations

After closing the recent 5-year strategic plan "Boubyan 2023", the bank has opened a new chapter for growth and market & digital expansion under a more ambitious strategy labeled "Boubyan 2028", which aligns well with our vision to be the leading Islamic bank that excels in innovating top-tier financial and digital solutions.

Boubyan's ambitious vision for the current and upcoming phase is boosted by its mission to become an influential banking institution economically and financially. This is manifested through its new strategy which focuses on supporting the banking industry with innovative financial institutions that meet the expectations of customers and the market, while developing its human resources, attract national cadres, and increase shareholders' profitability and confidence, in addition to activating strategic partnerships and emphasizing sustainability principles to serve the community as a whole. In this connection, Boubyan is honing its abilities to identity and contain risks through prudential tools that increases the bank's financial and banking stability to be more effective.

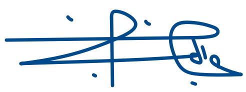
In practice, the well-studied implementation of Boubyan's strategy and its prudence as to local and global risks will affect the bank's growth and presence over the short and long terms, especially as it gives priority for solidifying the sustainability of revenue growth and the growth of the its strength resources in a manner that ensures the continued leadership of the Group in innovation.

Finally, for myself and on behalf of my fellow members of the Board of Directors and the members of the Executive Management, I would like to express deepest thanks and appreciation to His Highness, the Amir of Kuwait, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, may Allah protect him as well as to H.H. Sheikh Sabah Khalid Al-Hamad Al-Mubarak Al-Sabah, the Crown Prince, may Allah protect them, and H.H. Sheikh Ahmad Abdullah Al-Ahmad Al-Sabah, the Prime Minister, may Allah protect him, for their efforts towards the development and growth of our beloved country.

Moreover, I would like to thank the executives of the Central Bank of Kuwait, headed by H.E., the Governor, Mr. Basel Ahmad Al-Haroon, who spared no effort to develop and safeguard the Kuwaiti banking system, and to support Kuwaiti banks. I would also like to thank other regulators represented in the Capital Markets Authority, and the Ministry of Commerce and Industry for their ceaseless efforts towards the development of the banking sector's business.

My sincere thanks as well go to the shareholders, investors, and all customers for their confidence and loyalty, and to my fellow Board Members, Board Committees, and the professional Executive Management for their sound directions and efforts, and the members of the Sharia Supervisory Board, as well as all the bank's employees for their dedication throughout the past year.

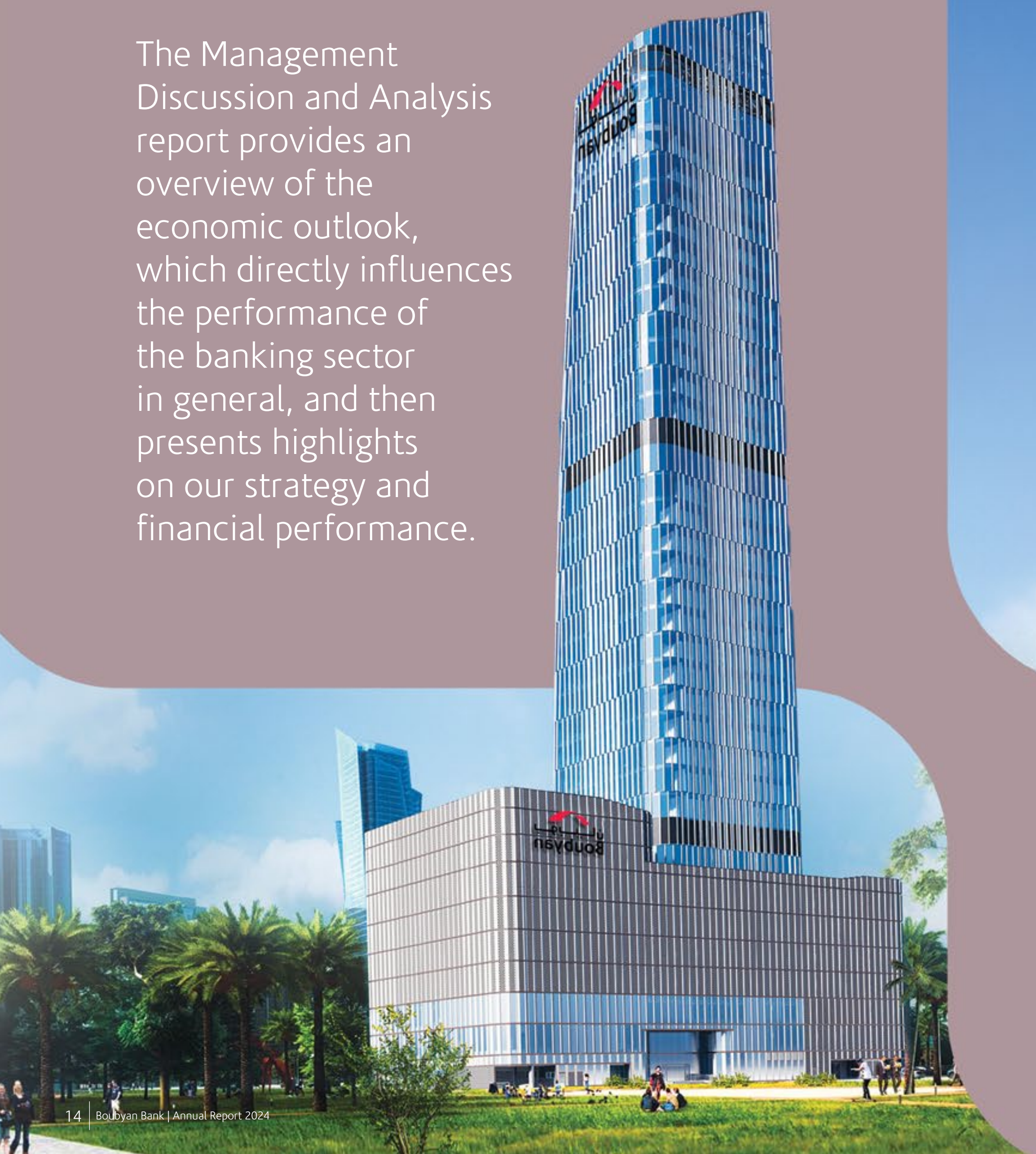
I implore Allah Almighty to protect Kuwait, and to continue blessing us all with safety and security! Allah is the Arbiter of All Success.



Abdulaziz Abdullah Dakheel Al-Shaya
Chairman

Management Discussion and Analysis Report

The Management Discussion and Analysis report provides an overview of the economic outlook, which directly influences the performance of the banking sector in general, and then presents highlights on our strategy and financial performance.



Economic Outlook

Global Economy

Inflation under control, but challenges persist

The global battle against inflation has been successful so far. Inflation, which peaked at 9.4% in 2022, is expected to decline to 5.8% in 2024. Despite the tightening of monetary policies by central banks around the world, the global economy has shown strong resilience, avoiding a recession that many analysts had predicted to be unavoidable. Growth is forecasted to stay steady at 3.2% for both 2024 and 2025, as per published researches.

The decline in inflation mainly pertains to the easing of supply disruptions, tight monetary policies, and stable labor markets. Central banks have begun lowering interest rates during 2024 and are likely to continue reducing well into 2025. Such actions should help the global economy stabilize after a period of high borrowing costs.

For 2024, the United States is expected to see a growth of 2.8% due to stronger consumer demand, driven by higher real wages. Growth is expected to slow to 2.2% during 2025 due to an expected cooling in the labor market, as per published statistics. The Eurozone's GDP growth is forecasted to rise modestly to 0.8% in 2024, due to higher exports. During 2025, GDP growth is expected to reach 1.2% as the gradual loosening of monetary policies is expected to support consumer demand. In China, growth is projected to slow slightly to 4.8% in 2024, despite challenges in the real estate sector and lower consumer confidence.

The Federal Reserve has started cutting rates from September, beginning with a 50 basis point reduction. The federal rate is expected to reach its long-term equilibrium of 2.9% by the third quarter of 2026.

Moreover, risks still exist, including the potential escalation of ongoing conflicts around the world, slower growth in China, and rising protectionist policies. Geopolitical tensions and climate-related events continue to create uncertainty, but global growth is expected to remain stable.

Regional Economy

GCC economies remain resilient

With the ongoing global challenges, the Gulf Cooperation Council (GCC) has maintained stability. Oil prices have stabilized at around USD 75 per barrel towards the end of 2024, supported by OPEC+ production cuts, as an effort to ensure continued strong demand for oil.

The GCC countries are still committed to economic reforms. Growth in the non-oil sector, mostly in financial services, manufacturing, trade, and tourism, have helped offset the decline in the oil sector. Also, most GCC countries are experiencing inflation rates near or below 2%.

Saudi Arabia remains focused on diversifying its economy and has recently won a bid to host the 2034 FIFA World Cup, a major achievement to the country's goal of strengthening its position in global sports. The GCC is also enhancing its business environments to attract more investments, positioning itself as a key global trade hub.

Kuwait Economy

Gradual recovery with ongoing reforms

Despite negative GDP growth expectations for the 2024 year, there are key upside factors to Kuwait's economic outlook going forward. Structural reforms by the new government are being strongly felt such as the introduction of the 15% minimum tax on multinational enterprises operating in Kuwait. This, along with and other ongoing reforms, are expected to boost economic growth.

Inflation has remained relatively stable, easing to 2.9% towards the end of the 2024 as compared to 3.3% at the beginning of the year.

The Kuwaiti government has recently approved a number of major infrastructure projects totaling USD 51 billion which are expected to modernize Kuwait's facilities and infrastructure. Key projects include the development of approximately 10 thousand houses worth USD 3.3 billion, the construction of a 111-kilometer rail line connecting to the GCC network, the USD 3.2 billion development of the Mubarak Al-Kabeer Port, and USD 1.3 billion worth of nation-wide road maintenance contracts with 18 local and foreign companies.

The Central Bank of Kuwait has also reduced interest rates by 25 basis points to 4 percent.

Strategy Highlights

"Boubyan 2028": a new strategic chapter for the group

After closing the recent 5-year strategic plan "Boubyan 2023" last year, the bank has opened a new chapter and a new 5-year strategy cycle labeled "Boubyan 2028." Aligned with our vision to be the leading Islamic bank that excels in innovating top-tier financial and digital solutions, and our mission to fulfill lives and drive prosperity for people, and integrated within our ESG directions, Boubyan's 2028 strategy will instill its values across the group and ensure growth of all stakeholders; employees, customers, shareholders & communities.

Management Discussion and Analysis Report

Boubyan has kickstarted its fourth strategic journey "Boubyan 2028" with great success as 2024 continued to deliver double digit growth across key profitability metrics and main balance sheet items, with both Consumer Banking and Corporate Banking leading the way in terms of bottom-line profitability, while the bank as a whole maintained its position as the third largest Kuwaiti bank in terms of assets and loans. Kuwait's relatively stable economy was considered an aiding hand in this regard.

Boubyan Bank continues to retain its position of being the leading retail franchise in Kuwait with the highest market share within the youth segment, ranked as #1 in terms of mobile app rating, and is the leading bank in terms of customer service and innovation. The Bank's strategy also focused in the past few years on accelerating fee income generating initiatives, which has grown significantly since 2018.

Boubyan's positive performances culminated in the group being added to Forbes' list of top 100 Middle East companies in 2024. Other recognitions of the group's recent success were evident in Boubyan receiving six prestigious global, regional, and domestic digital banking awards from Global Finance. These include being named the Best Islamic Digital Bank in the world, the Middle East, and in Kuwait (for the 10th year in a row), Best Corporate Digital Bank in Kuwait, Best SME Banking Platform in Kuwait, and the World's Best SME Payments Innovation award.

Effective and Dynamic Business Model

Through BLME and NOMO, Boubyan continues to implement its Group Wealth Management Plan after entering into several strategic regional partnerships which resulted in successfully closing 2 Real Estate funds in KSA.

The Bank focused on strengthening its relationship with its customers, which resulted in further growth in customers' deposit and lending volume for retail and corporate businesses. Strong customer engagement and deeper relationship will continue to underpin the growth and performance.

Leader in Customer Service & Innovation

The Bank continued to be a leader in technology and innovation by building trusted relationships and developing differentiated products and services to create more value to the customers. The Bank continues to adopt a customer-centric approach and strive to be the leading Islamic bank that excels in innovation and digitalization. With that approach in mind, Boubyan Bank was named the Best Islamic Bank in Customer Service for the 14th consecutive year from Service Hero.

Financial Highlights

KD '000s

	2024	2023	2022
Financial performance			
Net financing income	**200,429**	172,478	167,223
Operating income	**246,183**	218,030	201,363
Operating profit before provision for impairment	**120,054**	107,452	100,568
Net profit attributable to Equity holders of the Bank	**96,801**	80,438	57,786
Earnings per share – fils (restated)	**21.6**	17.7	13.4
Financial position			
Total assets	**9,376,568**	8,404,989	7,880,757
Financing receivables	**6,923,895**	6,321,041	5,913,518
Investments	**1,320,262**	1,116,567	798,339
Total depositors' accounts	**7,424,166**	6,479,066	5,961,728
Total shareholders' equity	**912,896**	854,652	798,634
Key performance ratios			
Return on average assets	**1.1%**	1.0%	0.8%
Return on average shareholders' equity*	**10.3%**	9.0%	7.6%
Cost-income ratio	**51.2%**	50.7%	50.1%
Non-performing financing ratio	**1.0%**	1.0%	1.0%
Provision coverage ratio	**319%**	319%	315%
Capital Ratios			
Capital Adequacy Ratio	**17.9%**	18.0%	19.4%
Tier 1 Ratio	**16.7%**	16.7%	18.1%
CET 1 Ratio	**14.4%**	14.3%	15.1%
Leverage ratio	**10.0%**	10.6%	11.3%

* Calculated after deducting profit distributed to Tier 1 Sukuk holders.

For the year ended December 31, 2024, net profit attributable to Equity holders of the Bank increased by 20% to KD 96.8 Million, or 21.6 fils per share, from KD 80.4 Million, or 17.7 fils per share, in 2023. This increase is primarily attributable to volume growth and income from the Bank's core business and lower levels of provisions.

Operating income increased by 13% in 2024 to KD 246.2 Million compared to KD 218.0 Million in 2023. This increase was mainly driven by the Bank's growth across core income in both net financing and fees income. Net financing income increased by 16% to KD 200.4 Million compared to KD 172.5 Million in 2023 for the most part by the growth in the Banks financing portfolio of 10%.

The Bank's profit margin of 2.5% in 2024 increased when compared with 2023's 2.3% reflecting the full repricing effects of the multiple increases in the benchmark rates over the past 2 years.

Net investment income dropped by KD 3.9 Million or 26% due to market conditions especially in international investment properties. Additionally, net fee income and FX gains increased by KD 5.0 Million; an increase of 17% mainly due to fee increases across all business segments including banking and wealth management services.

Operating expenses increased by 14% to KD 126.1 Million, compared to KD 110.6 Million in 2023, driven primarily by various strategic initiatives, inflation factors, and increases in digital technology investments, and scaling of operations.

Total assets grew by 12% in 2024 to reach KD 9.4 Billion. The growth was primarily driven by the continued organic growth in the Banks' financing portfolio and investments. In total, the financing portfolio also grew by 10% in 2024 to reach KD 6.9 Billion. Credit facilities growth was mainly from corporate customers.

During 2024, customer deposits grew by 15% to reach KD 7.4 Billion with growth heavily driven by the Bank's domestic retail franchise.

The Bank is well capitalized with a Capital Adequacy Ratio of 17.9% in 2024, well above the minimum requirement of 14%.

The Board of Directors have proposed cash dividends of 10 Fils per share and stock dividends of 5% for the year 2024 which are subject to approval at the forthcoming Annual General Assembly meeting.

Governance Report

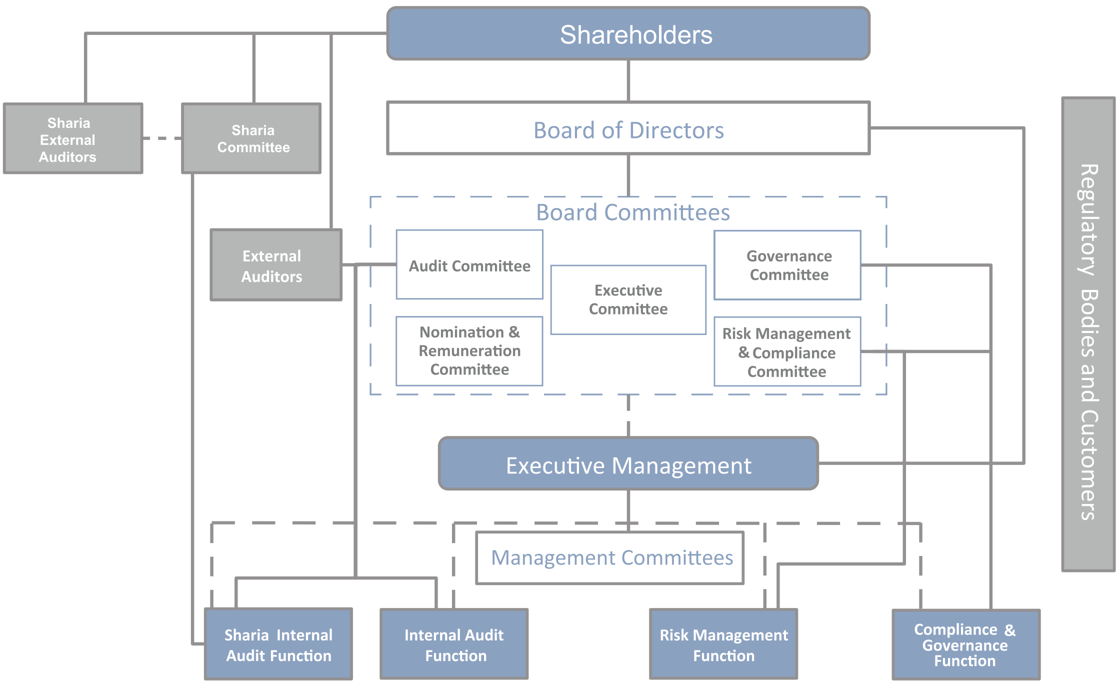
Governance Statement

Boubyan Bank adopts a well-balanced and sound governance framework, which enables directing and controlling business activities in a manner that aims towards perfection and towards serving the best interests of all stakeholders, particularly our customers and shareholders. The commitment toward sound governance commences from the top at Board level through adopting and implementing a well-developed and structured governance framework in line with high standards and professional practices.

Our governance framework is reflected across all levels of Boubyan Bank and its Group in line with the principles of professional responsibility and accountability. It encompasses the Board structure, ethical values and practices, group structure, policies and procedures, internal control, risk management, transparency and disclosures, and protection of the interests of shareholders and stakeholders.

Driven by Boubyan Bank's continuous endeavors to adopt professional practices in management and control under the prime objective of delivering the best to our customers, shareholders, and other stakeholders, we maintained a proper implementation of the "Governance Framework" in line with the bank's "Governance Manual" throughout 2024. We ensured adequate compliance with the Corporate Governance and Sharia Governance requirements issued by the Central Bank of Kuwait ("CBK"). Moreover, we have complied with the latest Corporate Governance requirements issued by the CBK on September 10th 2019.

Governance Framework



Board of Directors

The bank is managed by a Board of Directors (the 'Board'), which currently consists of eleven Directors, out of which 4 are independent directors, elected by the shareholders under a mandate to deliver sustainable value to all stakeholders, including depositors/ customers, shareholders, employees, and the society.

The Board is granted the vastest authorities and overall responsibilities by the shareholders to manage the Bank. The Board operates in line with such authorities, responsibilities, the bylaws of the Bank, and the Board's Charter. The Board held 12 meetings in 2024 and its scope of work includes, but is not limited to:

- Implementing the approved resolutions of the general assembly, which are in line with the provisions of the Law and the Bank's memorandum and articles of association, and which are not subject of the objection of regulatory authorities.
- Developing policies covering all banking activities.
- Setting the bases that guarantee the establishment and maintenance of relationships within the bank in an organized manner.
- Setting the rules and standards that govern the relationship between the bank's management on the one hand, and shareholders, stakeholders, and related parties on the other hand.

- Setting the strategies and risk appetite for the Bank.
- Approving capital and operating plans presented by the management for the achievement of the Bank's strategic objectives.
- Providing regulatory bodies and the Sharia Supervisory Board with all the data and information they may request.
- Ensuring efficient application of the resources for the achievement of the Bank's objectives.
- Monitoring the performance of the Executive Management.

Directors/Board Members

Abdulaziz Abdullah Dakheel Al-Shaya

Chairman

Year of joining: 2009

Skills and Experience:

He is a well-known businessman with more than 45 years of experience in general trading and real estate sectors, and he manages a trading company in Kuwait. Over the past period, he held several positions, chief among which the Vice Chairman of First Investment Company, Chairman of First Finance (Qatar), Director - Wethaq Takaful Insurance Company, Chairman of Orient Holding Company, Chairman of Orient Education Services Company, and Director - Mabanee Company. Mr. Al-Shaya holds a bachelor's degree in Economics from Kuwait University.

Current Positions:

- Vice Chairman - Awtad Real Estate Company, (Kuwait)

Adel Abdul Wahab Al-Majed

Vice-Chairman & Group Chief Executive Officer (Executive)

Year of joining: 2010

Skills and Experience:

Mr. Al-Majed possesses around 43 of experience in the banking business. He worked previously at the National Bank of Kuwait (NBK) for more than 25 years, where he held leadership positions, including Deputy Chief Executive Officer and General Manager - Consumer Banking Group. Mr. Al-Majed graduated from the University of Alexandria with a bachelor's degree in accounting, and attended various executive management development programs at various universities, including Harvard, Wharton, Stanford, and other reputable institutions.

Current Positions:

- Chairman - The Bank of London and The Middle East (U.K.)

Adnan Abdullah Al-Othman

Director (Non-Executive)

Year of joining: 2016

Skills and Experience:

Mr. Al-Othman is a well-known businessman with more than 45 years of experience in banking and real estate sectors; he owns a real estate company in the State of Kuwait. Mr. Al-Othman holds a bachelor's degree in Industrial Engineering from Syracuse University - USA.

Current Positions:

- Member of the Committee of Trustees for the Management and Development of the One Third of Late Abdullah Abdulatif Al-Othman's Estate. (Kuwait)
- Director - Zakat House (Kuwait)

Hazim Ali Al-Mutairi

Director (Non-Executive)

Year of joining: 2010

Skills and Experience:

Mr. Al-Mutairi has a well-diversified experience for more than 32 years in the fields of financing, investment, and banking. He currently serves as the CEO of a holding company in Kuwait. He graduated from the United States of America with a bachelor's degree in Finance.

Current Positions:

- Director and CEO - Credit One Kuwait Holding Company K.S.C.C. (Kuwait)
- Director – Warba Insurance Company, K.P.S.C. (Kuwait)

Mohamed Yousef Al-Saqer

Director (Non-Executive)

Year of joining: 2019

Skills and Experience:

He is a well-known businessman with more than 35 years of experience in business; he manages two trading companies in Kuwait. Mr. Al-Saqer holds a bachelor's degree in Public Administration from Point Park University - USA.

Current Positions:

- Vice-Chairman and Managing Director - Alyasra Group.(Kuwait)

Waleed Mishari Al-Hamad

Director (Non-Executive)

Year of joining: 2010

Skills and Experience:

He is a businessman with more than 33 years of experience in the banking and the investment sectors. Mr. Al-Hamad holds a bachelor's degree in Economics, and a Master's degree in Finance from the United States of America.

Current Positions:

- Director – Helvetia Arab Holding Company, K.S.C.C. (Kuwait)

Fahad Ahmad Al-Fouzan
Director (Non-Executive)
Year of joining: 2023
Skills and Experience:
He is a businessman with more than 40 years of experience, including 30 years of experience in the banking sector, where he held various leadership positions. He manages a construction company in Kuwait, and holds a bachelor's degree in Accounting from Kuwait University.
Current Positions:
- Partner and CEO of Scale and Concept General Construction Contracting Company W.L.L. (Kuwait)

Khalid Ahmad Al-Mudhaf
Director (Independent)
Year of joining: 2022
Skills and Experience:
He has legal expertise as he was hired in the Kuwaiti judicial system following his graduation from the Faculty of Law and Sharia. Over the past period, he held several positions, the most prominent of which were Head of the Experts Administration, the Undersecretary for Legal Affairs, and the Undersecretary for Real Estate Registration & Attestation at the Ministry of Justice. He also held prominent posts at various state bodies such as Deputy Head of the Legal Advice and Legislation Bureau, Chairman of the Public Authority for Assessment of Compensation for Damages, and Head of the General Secretariat of the Central Committee Overseeing Environmental Rehabilitation Projects.
Other current posts:
- Chartered Arbitrator at G.C.C. Commercial Arbitration Centre "GCCCAC"
- Chartered Arbitrator at Kuwait Chamber of Commerce & Industry (Kuwait)

Abdullah Saud Al-Bader
Director (Independent)
Year of joining: 2022
Skills and Experience:
He enjoys an extensive practical experience in the financial sector in the State of Kuwait. Following his graduation from Kuwait University, Al-Bader worked in the financial sector for over 42 years, where he occupied various positions leading a team to set primary targets. This team set the policies and procedures on the one hand, and guided initiatives to generate profitability and capital returns on the other hand. He also had an effective contribution to planning construction projects executed by the companies he managed.

Mr. Al-Bader graduated from Kuwait University with a bachelor's degree in Business Administration. Additionally, Mr. Al-Bader attended various programs of Harvard Business School, including the First Middle East Executive Program.

Furthermore, he attended training programs on Islamic financing. In addition to completing a comprehensive training on Islamic finance schemes & services, and financial instruments, Mr. Al-Bader attended a course on transformation to the Islamic system.

Syed Imran Azhar
Director (Independent)
Year of joining: 2021
Skills and Experience:
He trained as an external auditor with EY in the UK and has 43 years of experience in that field serving in five countries across three continents. He retired as the Managing Partner of EY Assurance Practice in the Middle East and North Africa (MENA). Mr. Ali gained fellowship, and is now a life member, of the Institute of Chartered Accountants in England and Wales (ICAEW).

Waleed Humoud Al-Ayadhi
Director (Independent)
Year of joining: 2021
Skills and Experience:
He has around 43 years of experience in the banking and insurance sectors, where he was the Deputy CEO of Kuwait Real Estate Bank, and a Deputy CEO at a Kuwaiti Takaful Insurance Company. Mr. Al-Ayadhi graduated from City University in the U.S.A. with a bachelor's degree in Business Administration.

Ahmed Mohammad Al Fahad
General Manager and Secretary to the Board of Boubyan Bank
Skills and Experience:
With more than 20 years of experience in the banking sector, he has been serving as Secretary to the Board of Boubyan Bank since 2004, and he previously served as a Consultant to the Chairman of Alwatan TV. He earned his Master's degree in Islamic Jurisprudence and Principles of Islamic Jurisprudence from Kuwait University. Moreover, he enjoys vast experience through several specialized training programs attended in business management and governance, in addition to excellent business knowledge.
Current Positions:
- A KBA media representative (Kuwait)
- Advisor in Al Masaref Magazine Advisory Committee (Kuwait)

Structure and Independence

The Board possesses a collective experience from various industries and business sectors brought by all the Board Directors who are elected to the Board. Only the Vice-Chairman & Group CEO is entrusted with executive role; all other Board Directors are 6 Non-Executive Directors and 4 Independent Directors, who do not act as employees and do not participate in the day-to-day business management and activities of the Bank.

Accordingly, the non-Executive & Independent Directors bring an independent perspective, with constructive challenges to develop proposals on strategy development, scrutinize the performance of management in meeting agreed goals and objectives, and monitor the risk appetite and performance report. Moreover, the decisions of the Board are not dominated by certain individuals or groups.

Furthermore, Non-Executive & Independent Directors are independent in terms of post and judgment in line with CBK's Governance Instructions, the Board's "Code of Conduct" and "Conflict of Interest" policies. The Board ensures that any potential incident of conflict of interest that may jeopardize the independence and objectivity of any Board Director will be managed and resolved as per the adopted policies. Hence, the Bank confirms the independence of its Board Directors as regards their judgments and decisions.

Approach to Governance

The Board understands that sound governance framework is one of the key pillars to ensure the achievement of goals and objectives of the Bank, along with maintaining the trust of shareholders to maintain business growth, sustainability, and profitability.

Accordingly, the Board is committed to implementing sound governance practices, which meet the relevant governance regulatory requirements and extend to reflect applicable best practices in governance. The Board further ensures the implementation of the corporate governance practices through its oversight role without stepping onto the day-to-day activities, which are delegated to the Executive Management.

Authorities

The Board is responsible for managing the business of Boubyan Bank and, in so doing, may exercise its full authorities, subject to any relevant laws and regulations and to the Articles of Association and By-laws of the Bank. In particular, the Board may exercise the authority to secure financing and to mortgage or charge all or any part of the properties or assets (existing or future) of Boubyan Bank, and may exercise any of the authorities delegated by the shareholders of the General Assembly.

On the other hand, the Board can assign to Directors, Executives and/or Committees any of its powers, authorities and discretions (including the power to sub-delegate); accordingly, the Board delegated the management and day-to-day activities of the Bank to the Executive Management but retained certain authorities among of which:

1. The approval of critical strategic matters including business plans, risk appetite and performance targets, and procedures for monitoring and controlling operations.
2. The authority or the delegation of authority to approve credit and market risk limits, acquisitions, disposals, investments, capital expenditure or the disposal or creation of new ventures.
3. Appointment of the Executive Management team.
4. Any changes in the accounting policies, which would have material impact on the financial position of the bank.

Reporting of Information

The Board regularly reviews the financial and management reports compared to financial budgets and business plans. Furthermore, the Board Committees report to the Board on a periodic basis on their activities. The Board ensures the receipt of reliable, relevant, adequate, useful, and timely information that enables taking appropriate decisions; such information includes:

- The agenda and supporting documents of Board and Board Committees' meetings.
- Regular reports and presentations on strategy, budgets, and developments in the businesses.
- Regular reports on the Group's risk appetite profile, top and emerging risks, risk management, credit exposures and the bank's financing portfolio, asset and liability management, liquidity, litigation, compliance, anti-money laundering and reputational issues.
- Reports on capital management, business continuity, and succession planning.
- Periodic reports on findings of internal audit.
- External Auditor's report on the bank' ICR systems, and the necessary corrective actions for the bank and its subsidiaries.
- Reports of the Internal Sharia Audit Department.
- Reports of the Compliance & Governance Group.
- The Annual Governance Report.
- The Annual Sustainability Report.

Furthermore, all Board members have full access to all relevant information, and may seek independent professional advice as necessary; they can also contact the management and employees at all levels.

Board Assessment

Boubyan Bank adopts an internal mechanism to assess the performance of the Board and Board Directors on an annual basis. The performance assessment mechanism is based on peer review, where feedback of participants is obtained through an independent automated system. The overall Board performance evaluation focuses on four keys pillars, which are structure, role, activities, and chairmanship. The respective pillars comprise of around twenty key performance indicators. On the other hand, the individual Board assessment is based on five key performance indicators. The outcome of the performance assessment is discussed at the Board Nomination and Remuneration Committee and is presented to the Board.

For 2024, Boubyan Bank conducted performance assessment for the Board and Board Directors in line with the adopted mechanism. The outcome of the assessment revealed that the Board met the requirements and expectations of the assessment criteria. It also showed that Directors of the Board were clearly aware of their duties and fulfilled them accordingly. Furthermore, there are no areas of concern on the overall performance of the Board and the individual performance of each Director.

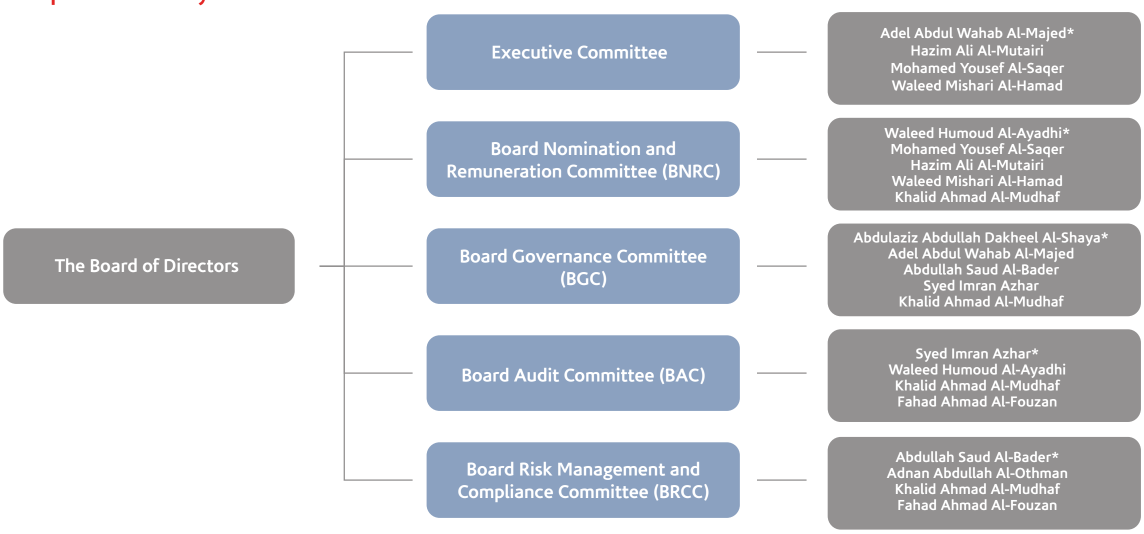
Key Board Committees

To assist in fulfilling its duties, the Board established five key Board Committees, and delegated responsibilities to these committees. The respective key committees were established in line with sound corporate governance principles and the applicable corporate governance regulatory requirements. Furthermore, there are other Board Committees, which meet as needed.

Each Board Committee has clear role, duties, and authorities as determined and reflected within the Board-approved respective charter. The chairperson of each Board Committee regularly reports to the Board on the performance of activities of his respective Board Committee.

Except for heading the Board Governance Committee, the Chairman is not a member of any Board Committee.

Composition of Key Committees



* Chairperson

Details of Key Committees

Executive Committee

The BEC comprises of four Board Directors, and is headed by the Vice-Chairman & Group CEO. The members of the BEC are not members in Board Audit Committee or Board Risk and Compliance Committee; and they possess collective experience in banking, credit financing, business, and real estate.

As per the charter of the BEC, the Committee should meet at least six times a year. It takes decisions on behalf of the Board of Directors within the powers vested with it, and presents its reports to the Board. The main purpose of BEC is to assist the Board in making decisions, submitting recommendations, monitoring performance, following up with the implementation of strategic plans, and undertaking other matters as necessary. The main role of the BEC is to review and approve limits and transactions related to financing and investment activities as set within the authorities delegated thereto. The BEC reviews as well related policies such as financing policies.

Committee Activities During the Year:

During 2024, the committee met 6 times, and performed various activities, including but not limited to:

- Approve financing transactions in line with the approved authority limits.
- Recommend settlement of debts and/or present recommendations on legal cases of corporate customers to the Board.
- Approve related party transactions and investment transactions within its authority limits.

Board Nomination and Remuneration Committee (BNRC)

The BNRC comprises of five directors, including a minimum of 3 non-executive Board Directors; the chairperson of the committee shall be one of the board's independent members who shall have a vice-chairperson to act on his behalf in his absence. The members of the BNRC have collective experience in banking, business, and Islamic Sharia.

As per the Charter, the committee meets 4 times a year at least, or whenever necessary, to perform its role effectively. The key objective of the committee is to assist the Board of Directors to undertake its nominations and remunerations' responsibilities. The responsibilities of BNRC include assessing the nominees for the Board based on an approved set of evaluation criteria, administering the assessment of the Board, revising the Remuneration Policy and the assessment of Executive Management's performance, in addition to ensuring proper employee succession plan is in place.

Committee Activities During the Year:

During 2024, the committee met 4 times. The committee's activities included, but were not limited to, the following:

- Review the proposed remuneration schemes and propose related recommendations to the Board for approval.
- Conduct Board Performance Assessment.
- Conduct performance assessment for the Sharia Supervisory Board.
- Review the annual performance assessment of the Vice-Chairman & Group CEO.
- Ensure that performance assessment was conducted for the Executive Management.
- Review the succession plan.
- Identify training programs to the Board.
- Discuss the employment of competent national cadres in mid and top management.

Board Governance Committee (BGC)

The BGC comprises of five Board Directors; the Chairman is the Chair of the BGC, which includes 3 independent directors. Members of the committee have diverse experiences in banking, business, and governance.

The Governance Committee should meet at least twice a year. The committee's responsibilities include assisting the Board of Directors in undertaking its governance responsibilities related to the corporate governance instructions and responsibilities related to Sharia supervision instructions issued by the Central Bank of Kuwait, developing and updating the Governance Manual, ensuring that the Governance Manual is adequately followed, reviewing annual governance report, and following-up on recommendations related to Group Governance.

Committee Activities During the Year:

During 2024, the committee met twice, and covered the many activities including, but not limited to:

- Review the annual governance report.
- Discuss the governance review reports of the Corporate Governance Unit and follow up on the status of respective recommendations.
- Follow-up on the implementation of CBK Corporate and Sharia Governance requirements.
- Ensure that the Board and Board Committees held adequate number of meetings.
- Review the Corporate Governance Manual.
- Verify subsidiaries' ability to satisfy the requirements of the Group's corporate governance standards and CG standards issued by the respective regulatory authorities of subsidiaries.
- Verify that appropriate means and tools are in place to ensure compliance of all subsidiaries with all adopted governance requirements.
- Follow-up with the Sharia Supervisory Board and the Audit Committee to ensure compliance with the Internal Sharia Audit Manual.

Board Audit Committee (BAC)

The BAC comprises of four Board Directors, all of whom are non-executives, and is chaired by an independent director; those directors have diverse experience in banking, business, governance, and audit. None of the committee's members is a member of the Board Executive Committee.

The BAC should meet on a quarterly basis at least, and its main roles include:

- Reviewing the charter and manual of the Internal Audit Group, and accounting policies.
- Assessing and recommending the appointment of external auditors.
- Reviewing annual and quarterly financial statements.
- Discussing the internal and external Sharia audit reports.
- Approving the internal audit plan, discussing internal audit reports, and following up on the status of corrective actions.
- Providing support to the Internal Audit Group to ensure fulfilling its scope of work effectively and independently.
- Approving the appointment and/or resignation of the Chief Internal Audit, and assessing his/her annual performance.

Committee Activities During the Year:

During 2024, the committee met 7 times including quarterly meetings in line with governance requirements issued by regulatory authorities.

During the year, the committee's activities included, but were not limited to, the following:

- Review and approval of the internal audit plan.
- Discuss audit nature and scope with external auditors before starting the audit process, and discuss internal audit reports, management letters of external auditors, and the ICR report.
- Review the annual and quarterly financial statements.
- Approve the accounting policies.
- Follow up on the corrective actions for observations of internal audit reports, management letters issued by external auditors, as well as the ICR report, and the reports of CBK's inspection.
- Discuss the Sharia internal audit reports.
- Meet the External Auditors and the External Sharia Auditors.
- Review the responses of regulatory bodies, necessary corrective actions related to findings, and the recommendations of internal audit.
- Review the reports of regulatory authorities.

Board Risk Management and Compliance Committee (BRCC)

The committee comprises of four Board Directors, all of whom are non-executive, and is chaired by an independent director. None of the committee's members is a member of Board Executive Committee.

As per its charter, the BRCC meets at least four times a year. The role of the BRCC includes:

- Assessing the Bank's Risk Management and Risk Appetite, Risk Strategy, and other risk related metrics, and proposing recommendations to the Board.
- Reviewing and discussing the reports of the Risk Management Group, including the Capital Adequacy Ratio, Internal Capital Adequacy Assessment Process (ICAAP), Stress Testing, and other risk assessment reports.
- Providing support to the Risk Management Group and Compliance Group to ensure fulfilling the scope of work effectively and independently.
- Approving the appointment and/or resignation of the Chief Risk Officer, and assessing his annual performance.
- Approving the annual plan of the Compliance Department concerning the Group's compliance with the laws, regulations, and instructions related to the same.
- Reviewing compliance reports, the findings of internal audit and external audit, and the findings of CBK's inspection.

Committee Activities During the Year:

During 2024, the committee met 7 times, and its activities included, but were not limited to, the following:

- Reviewing risk appetite metrics and reports on risk levels.
- Reviewing the bank's capital plan.
- Approving a number of policies associated with the activity of risk and compliance.
- Reviewing ICAAP report and the results of stress testing.
- Periodic review of the bank's international exposures' limits.
- Discussing the reports and plans of the activities of the Compliance Department and the AML/CFT Unit.
- Reviewing and discussing the project for restructuring AML.
- Reviewing and discussing the non-quantitative risks, especially cybersecurity, and the steps to cover the same by the IT Department in addition to discussing with the executives in charge of this department

Governance Report

Meetings of the Board of Directors and Key Board Committees

Attendance Number of Meetings Minimum Required Meetings as per Each Charter	Board 12 6	BEC 6 6	BNRC 4 4	BGC 2 2	BAC 7 4	BRCC 7 4	Member's Attendance %
Abdulaziz Abdullah Al-Shaya	12			2			100%
Adel Abdul Wahab Al-Majed	8	6		2			80%
Adnan Abdullah Al-Othman	9					6	79%
Hazim Ali Al-Mutairi	9	6	4				86%
Mohamed Yousef Al-Saqer	11	6	4				95%
Waleed Mishari Al-Hamad	11	6	4				95%
Syed Imran Azhar	10			2	7		90%
Waleed Humoud Al-Ayadhi	11		3		7		91%
Fahad Ahmad Al-Fouzan	12				7	7	100%
Khalid Ahmad Al-Mudhaf	12		4	2	7	7	100%
Abdullah Saud Al-Bader	12			2		7	100%

Executive Management

The Board of Directors delegated to the Executive Management, which is headed by the Vice-Chairman and Group Chief Executive Officer, the implementation of the adopted strategy and business plan.

Management Team

Adel Abdul Wahab Al-Majed

Vice-Chairman & Group Chief Executive Officer

Mr. Al-Majed joined Boubyan Bank in August 2009 and has around 43 years of banking experience. He worked previously at the National Bank of Kuwait (NBK) for more than 25 years, where he held leadership positions, including Deputy Chief Executive Officer and General Manager - Consumer Banking Group. Mr. Al-Majed graduated from the University of Alexandria with a bachelor's degree in accounting, and attended various executive management development programs at various universities, including Harvard, Wharton, Stanford, and other reputable institutions.

Current Positions:

- Chairman - The Bank of London and the Middle East (UK)

Abdullah Abdulkareem Al-Tuwaijri

CEO - Private, Consumer & Digital Banking

Mr. Al-Tuwaijri joined Boubyan Bank in December 2011 and has more than 35 years of banking experience, including 23 years at NBK. During his time with NBK, he held different leadership roles in retail banking in Kuwait and London. Mr. Al-Tuwaijri earned his bachelor's degree in Finance from Kuwait University, and attended several executive development programs at Harvard Business School, INSEAD, and other reputable institutions.

Current Positions:

- Chairman of Boubyan Capital (Kuwait)
- Director - The Bank of London and the Middle East

Abdul-Salam Mohammed Al-Saleh

CEO - Corporate Banking, Finance Control, Treasury, and Legal Affairs

Mr. Al-Saleh joined Boubyan Bank in October 2012, and has more than 36 years of banking experience. He worked for 18 years at NBK, where he gained experience in Financial Control and Corporate Banking; and his last position was the Head of Domestic Corporate Banking. Prior to joining the Bank, he worked over 7 years for National Bank of Abu Dhabi (NBAD) as the Regional Manager of its branch in Kuwait. Mr. Al-Saleh earned his bachelor's degree in Finance from Kuwait University, and attended various executive management development programs over the course of his career.

Current Positions:

- Chairman of Boubyan Takaful (Kuwait)
- Director - The Bank of London and the Middle East.

Waleed Khalid Al-Yaqout

Group General Manager - Administration Group

Mr. Al-Yaqout joined Boubyan in February 2010, and has around 42 years of banking experience. His previous position was General Manager – Administration and Human Resources Group at NBK. Mr. Al-Yaqout graduated with a bachelor's degree in Business Administration and Marketing from the University of Ashland, USA, and participated in various executive management development programs at Harvard, Wharton, Stanford and Columbia.

Current Positions:

- Vice Chairman – Boubyan Takaful (Kuwait)

Adel Abdullah Al-Hammad

Group General Manager - Human Resources Group

Mr. Al-Hammad joined Boubyan Bank in December 2006, and has more than 40 years of experience in Human Resources Management, out of which 23 years were at NBK, where he held several key positions, the last of which was the Head of Human Resources. Mr. Al-Hammad graduated with a bachelor's degree in Economics from Kuwait University, and attended several executive management development programs at Harvard and Stanford.

Abdullah Ahmed Al-Mehri

Chief Operating Officer (COO)

Mr. Al-Mehri joined Boubyan Bank in January 2019 and has more than 23 years of experience in the banking sector. Prior to Boubyan, he was the head of the "Off-Site Supervision Department" at the Central Bank of Kuwait. He worked earlier in Corporate Banking as Executive Manager at First Bank of Abu Dhabi in Kuwait and Senior Manager at National Bank of Kuwait. He holds a bachelor's degree in accounting from the American University in Cairo and a master's degree in business administration from the Maastricht School of Management in Kuwait. Also, he attended various executive management development programs at Harvard.

Current Positions:

- Vice-Chairman - Boubyan Capital (Kuwait)

Abdullah Abdulmohsen Al-Mejhem

Chief Private Banking and Consumer Officer

He joined Boubyan Bank in 2021 and has more than 23 years of experience in the banking sector and at financial institutions. Prior to Boubyan, he was the General Manager - Private Banking and Retail Finance at KFH. He also worked for Deloitte, the auditing and advisory services firm, in Kuwait as well as Kuwait Investment Authority. He holds a bachelor's degree in accounting and an MBA from Kuwait University. Moreover, he attended a number of executive development programs and is a chartered accountant in the State of Kuwait.

Current Positions:

- Board Director - Boubyan Takaful (Kuwait)

Ali Yousef Al-Ansari

General Manager - Corporate Banking Group

Mr. Ali joined Boubyan back in 2012 and has more than 25 years of experience in the banking sector. He started his career with KFH, where he held several managerial and executive positions, following his graduation with a bachelor's degree from Kuwait University. At Boubyan, he occupied several positions, earned several professional certifications, and attended training and leadership programs, chief among which was the General Management Program from Harvard Business School.

Current Positions:

- Board Director - Boubyan Takaful (Kuwait)

Dr. Bader Saad Al Hashel

Chief Risk Officer

Dr. Bader Al Hashel has been appointed as our Chief Risk Officer since 2024, and he has been working for Boubyan Bank since 2019 in the Risk Management Group. Dr. Bader carries more than 19 years of experience in Finance. Prior to joining our bank, he served as an associate professor in Finance at Kuwait University, complemented by a fellowship at the London School of Economics. He kick-started his career in the investment industry. Moreover, Dr. Bader Al Hashel holds a Ph.D. in Finance and an MBA from Indiana University - Bloomington, along with a bachelor's degree in Industrial Engineering from Kuwait University with distinction and honors, in addition to having attended executive training programs. Currently, he serves at multiple boards in the financial and healthcare industries. A CFA Charterholder, Dr. Bader has also worked as a risk-management consultant in the banking industry and as a consultant for the national bureau for academic accreditation. Dr. Bader's contributions include research publications in leading international finance journals, and he has been recognized with awards for teaching and research excellence.

Current Positions:

- Board Director - Boubyan Capital (Kuwait)
- Board Director - Boubyan Takaful (Kuwait)

Bushra Abdulwahab Al-Wazzan

Chief Internal Audit

Ms. Bushra joined Boubyan Bank in 2023 with extensive expertise of more than 21 years in the banking sector in Kuwait. Prior to joining Boubyan, Bushra had held several leadership roles in various departments including being the Head of Internal Control, the Head of IT Governance, and the Head of Quality Assurance & Compliance, and had also served as a consultant for one of the top prestigious accounting firms. Besides holding a bachelor's degree from the University of Kuwait, Ms. Al-Wazzan has earned several International Certifications as she is a Certified ISO Lead Auditor, IRCA QMS Lead Auditor & Internal Auditor, Certified Internal Control Professional (CICP), and she holds an ICA International Advanced Certificate in Governance, Risk and Compliance.

Mohamed Ibrahim Ismail

Group General Manager – Financial Control Group

Mr. Ismail joined Boubyan Bank in 2005 and has about 27 years of banking and financial services experience. He started his career as an external auditor with Deloitte & Touche and then Ernst & Young. In the course of his career, he worked at Kuwait Finance House and Gulf Investment House. Mr. Ismail is a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA), and he holds an MBA in Finance from Manchester Business School.

Current Positions:

• Board Director - Boubyan Capital (Kuwait)
• Board Director - Boubyan Takaful (Kuwait)

Abdullah Khalifa Al-Nusef

Chief Data Officer

He joined Boubyan Bank in February 2016 and has more than 18 years of experience in IT and Technology sector in general. Prior to Boubyan, he was the head of the "Technical Development Department" at the Civil Service Commission Kuwait. He worked in many national IT Projects in the Government Sector. He holds a bachelor's degree in Electrical Engineering from the Kuwait University and a master's degree in Computer Communications from the Gulf University in Bahrain; he attended as well various executive management development programs provided by Wharton and Chicago Booth Schools.

Abdullah Fahad Abdullah Al Khuzam

Chief Information Officer

He joined Boubyan Bank in March 2023 with extensive expertise of more than 21 years in information systems and information technology. Before joining Boubyan Bank, he served as Head of IT Strategy & Planning at the Central Bank of Kuwait. Furthermore, he previously served as AGM - Information Technology Group at Boubyan Bank as well as serving as Information Technology Director at KFAS's Dasman Diabetes Institute, in addition to his tenure with Mobile Telecommunications Company - Zain. He holds a B.Sc in Computer Engineering from Florida Institute of Technology, and he attended many executive leadership development programs at Harvard.

Osama Mohammed Shehab

Chief Digital Officer

He joined Boubyan Bank in May 2011 and has over 27 years of banking experience in IT in general and modern FinTech in particular. Moreover, he occupied several IT positions at KFH where he spent over 14 years. Osama graduated from Ain Shams University and attended various executive management development programs at London Business School and many other prestigious institutions.

Adel Rashed Al-Mutairi

Chief Treasury Officer

He joined the Bank in 2015 and has over 20 years of experience in the banking sector, mainly in treasury services. Prior to joining Boubyan, he held the position of Deputy Treasurer Warba Bank. He holds a bachelor's degree in Education – Major in Science & Mathematics, and he attended the executive management programs at Wharton Business School and Harvard Business School.

Mona Abdullatif Al Duaij

Group Chief Compliance and Governance Officer

She joined Boubyan Bank in 2005. She has since gained lots of experience throughout her 19 years of service in the banking sector. She held many positions where she became in charge of the Sales and Distribution Channels Support Department and then moved to the Compliance Department until she was appointed Head of the Compliance Group in 2021. She graduated from Kuwait University, the College of Business Administration - Finance Major in 2005, and then attended many specialized banking programs and many other programs abroad such as KFAS 2018's Innovation Program from UCLA and a Mini MBA from London in 2016, in addition to attending various executive management development programs at other prestigious institutions.

Abdulaziz Fahad Al Duwailah

Head of Banking Operations Group

He joined Boubyan Bank in March 2010, and has around 21 years of banking experience where he worked for many local banks. He occupied several positions at the bank, including Regional Manager - Consumer Banking Group. He was also in charge of the Branch Support Department, and was then transferred to the Banking Operations Group in 2016, where he held several positions until being promoted to Head of Banking Operations Group in June 2021 after securing the approval of the Central Bank of Kuwait. He earned his MBA from GUST in 2017, and chaired the Operations Committee of Kuwait Banking Association during the period from 2020 to 2021. Throughout his career, he earned many specialized certificates in leadership and strategy from prestigious universities such as Harvard Business School, in addition to attending the Strategic Program of Duke University.

Badria Hamad Al-Humaidhi

Chief Executive Officer (Boubyan Capital)

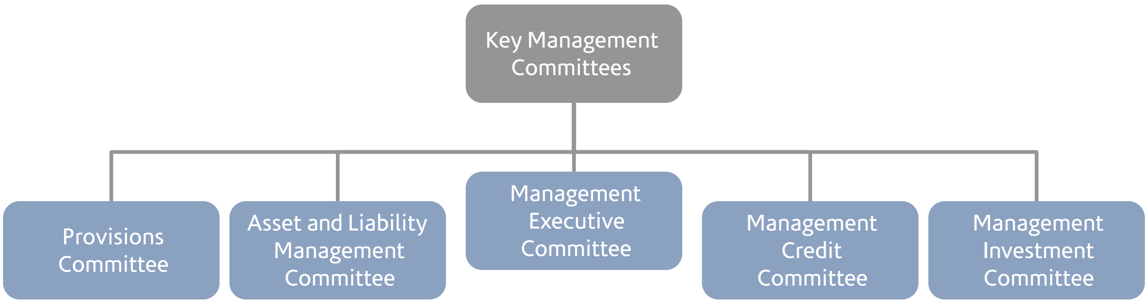
Ms. Badria Hamad Al Humaidhi has over 21 years of experience in investment and asset management. Throughout her career, she held several positions within reputable financial firms namely Global Investment House (now Kamco), and NBK Capital. Her Boubyan Capital's responsibilities included the creation of regional and international investment opportunities, development and implementation of investment strategies, supervision of investment management tools and trading services, in addition to many other responsibilities. Ms. Badria holds a bachelor's degree in Management Information Systems from the University of Massachusetts and an Executive MBA from London Business School. She also attended the Program for Leadership Development at Harvard Business School.

Management Committees

The Executive Management works as one team, where collective efforts and decisions would be required for ensuring effective and efficient management of integrated functions and activities. Accordingly, Boubyan Bank has a set of Management Committees to assist in fulfilling the duties and responsibilities of the Executive Management. The Management Committees derive their authorities mainly from the Vice-Chairman & Group CEO, and based on authorities and limits delegated to him by the Board of Directors.

Key Management Committees

The Key Management Committees are as follows:



Management Executive Committee

This committee deals with all significant management level matters other than those handled by other management committees. The committee meets on an ad hoc basis.

Assets and Liability Management Committee (ALCO)

The ALCO reviews the asset and liability composition of the bank, liquidity, market risks, and their impact on the Bank. The committee generally meets on a monthly basis.

Management Credit Committee (MCC)

The main objective of MCC is to discuss and make decisions within its authorized limits on financing proposals submitted by business groups. The committee usually meets on a weekly basis.

Management Investment Committee (MIC)

The MIC discusses and makes decisions within its authorized limits on investment proposals submitted by the concerned business groups. The committee usually meets on a monthly basis.

Provisions Committee (PVC)

The Provisions Committee reviews and evaluates the outstanding investments and financing transactions for each customer, to identify any issues or difficulties relating to the customer's financial position that require to classify such investments and financing transactions as non-performing and, hence, determine the required provisions in accordance with CBK's instructions and the International Financial Reporting Standards. The committee meets at least once every quarter.

Internal Control

The Board is responsible for ensuring the adequacy of the Group's internal control framework. This includes, but is not restricted to, the approval and oversight of the implementation of the strategy via policies that reflect the prudent Sharia compliant approach to conducting its businesses. The internal control processes include controls and limits that are embedded in all processes; risk and control reports are integral parts of the Group's daily activities. Such procedures were designed to manage and mitigate the risks of failure to achieve business objectives and can only provide reasonable, rather than absolute, assurance against material misstatements, errors, losses, or fraud.

In line with its duties and responsibilities toward ensuring adequate internal control systems, the Board provided all needed support and ensured fulfillment of the roles of the various functions involved in the internal control, including:

- Sharia Supervisory Board.
- Governance.
- Sharia Internal Audit.
- Compliance.
- Fraud Monitoring
- External Audit.
- Internal Audit.
- Risk Management.
- AML.
- Sustainability

Internal Control Review

In the year 2024, Boubyan Bank engaged an external auditor in line with the CBK regulations to conduct an independent internal control review for 2023's activities. Based on the review of the external auditor, no exceptions pertaining to governance aspects were noted. Furthermore, the report of the external auditor concluded that Boubyan Bank maintained, in all material aspects, effective internal control systems; the Internal Control Review report is attached in the next page.

Internal Controls Review Report

RSM

June 25, 2024

Board of Directors
Boubyan Bank K.S.C.P.
State of Kuwait

Subject: Report on Internal Controls Review for the year ended 31 December 2023

Purpose of this Report
In accordance with our letter of engagement dated February 5, 2024, we have examined and evaluated the accounting and other records and internal control system of Boubyan Bank K.S.C.P, referred to as "the Bank" and its subsidiaries (collectively referred to as "The Group"), for the year ended December 31, 2023.
We covered the following departments / areas /units of the Bank:

- Corporate Governance
- Treasury Group
- Group Wealth Management & Investments
- Sharia Internal Audit Division
- Consumer and Private Banking Group
- Customer Experience Management
- Corporate Banking Group
- Corporate Communications Department
- Banking Operations Group
- Digital Group
- Risk Management Group
- Financial Control Group
- Human Resources Group
- Centre of Excellence
- Information Technology
- Internal Audit Group
- Legal Affairs Division
- Anti-money Laundering Department
- Compliance Group
- Marketing Division
- Administration Group
- Complaints and Customer Protection Unit
- Strategic Planning
- Innovation & Partnerships Department
- Social Media Department
- Sales and Distribution Channels Support Department
- Consumer Finance Operations Division
- Data Group
- Change Management
- Confidentiality of Customers' Information
- Anti-Fraud and Embezzlement Systems
- Financial Securities

In addition to the above, we have also covered the following subsidiaries of Boubyan Bank K.S.C.P:

- Boubyan Capital Investment Company – K.S.C. (Closed)
- Boubyan Takaful Insurance Company – K.S.C. (Closed)
- Bank of London & The Middle East (BLME)

Internal Controls Review Report

RSM

Our approach and procedures carried out in accordance with the requirements of the letter issued by the Central Bank of Kuwait (CBK) to the Bank dated January 9, 2024 (Ref: 2024/12/105/2) and CBK requirements contained in the manual of General Directives concerning Internal Controls Review (ICR) issued by the CBK dated June 15, 2003 and Pillar 4 of the regulations related to corporate governance and risk management and internal controls issued by the CBK on June 20, 2012, and updated on 10 September 2019, instructions dated 16 February 2023 concerning anti money laundering and combating financing of terrorism related, instructions dated February 9, 2012 regarding maintaining the confidentiality of customer's information and financial securities activities of the Bank and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.

Responsibilities of Bank

We would like to point out that among the responsibilities of the Board of Directors and the Bank management is to establish appropriate internal control systems at the level of the Bank and the Group, and in order to undertake these responsibilities, judgments and estimates will be made to assess the expected benefits and costs related to management information and control procedures.

Our Responsibilities

The aim is to provide a reasonable, but not absolute, assurance and here for example that the assets are protected from any losses arising from the unauthorized use or disposal of those assets, and that risks are adequately monitored and evaluated, and that the transactions are carried out in accordance with the approved policies and procedures, and that they are appropriately recorded, and the work is carried out properly.

Because of inherent limitations in internal control system, and despite the levels of controls identified, there are still instances where these may not always be effective, and errors or irregularities may nevertheless occur and not be detected or traced. This may be due to human error, incorrect management judgment, management override, controls being by-passed or a reduction in compliance.

Our report is based on the findings and conclusion from the work undertaken, the scope of which has been agreed with the management, Also, projection of any evaluation of the systems to future periods is subject to the risk that information from management and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

The factors considered which may influence our report are:

- Inherent risk in the area being examined/evaluated;
- Limitations in the individual areas being examined, evaluated;
- The adequacy and effectiveness of the risk management and governance control framework;
- The impact of weakness identified;
- The level of risk exposure and
- The response to management actions raised and timeliness of actions taken.

Procedures and Findings

In regard to the nature and scale of its business, during the year ended December 31, 2023, the accounting and other records and the internal control system of the group were established and maintained in accordance with the requirements of the manual of the general directives issued by CBK on June 15, 2003 and letter issued by CBK January 9, 2024, except for the matters specified in the report presented to the Board of Directors.

The findings raised in internal control review do not have a material impact on the fair presentation of the financial statements of the Group for the year ended December 31, 2023, considering the size of the risks and business in the Bank and the actions taken by the Bank to address the findings referred in the report, are considered satisfactory.

Thank you and best regards,

RSM Albazie & Co.

Dr. Shuaib A. Shuaib
License No. 33-A

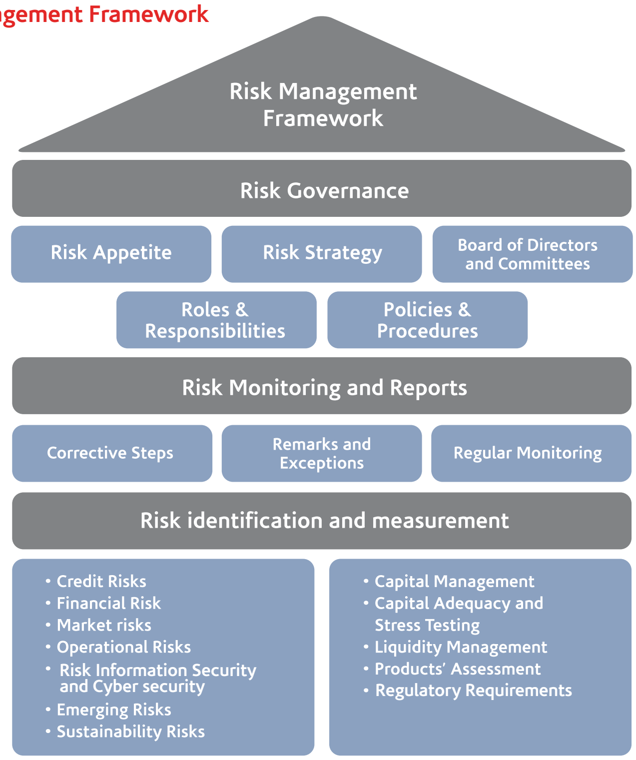
Risk Management

Risk Management Framework

Boubyan Bank understands the importance of the Risk Management Function. This is driven by the responsibility of the Board of Directors for protecting the best interests of shareholder and stakeholders, especially depositors/customers.

Boubyan Bank perceives Risk Management as an integrated function with the business activities, which is guided by a well-balanced Risk Appetite model; hence, Boubyan Bank adopts the philosophy of "risk is everyone's business". Accordingly, Boubyan Bank follows a "Three-Line of Defense" approach, and adopts an Enterprise Risk Management (ERM) model through updating and linking the risk appetite measures to an ERM index.

Boubyan Bank Risk Management Framework



Risk Strategy

In line with risk-management practices, Boubyan prepares a framework to identify, measure, and mitigate risks, and prepares reports about the bank's exposures to risks.

Stress Testing

Moreover, Boubyan Bank conducts stress testing to measure the Bank's vulnerability to exceptional but plausible events. The respective stress testing is conducted on a quarterly basis, where the results are discussed at management level and presented to the Board Risk Management and Compliance Committee. Moreover, the results of Stress Testing are reported on a semi-annual basis to the Board and Central Bank of Kuwait.

Risk Management Group

The Risk Management Group (RMG) operates independently from the business, as it reports to the Board Risk Management and Compliance Committee and to the Group CEO. The RMG comprises of the following functional departments:

- Enterprise Risk Management
- Corporate Credit Risk Review
- Operational Risk
- Fraud Management and Monitoring
- Technology Risk
- Information Security
- Cybersecurity.
- Business Continuity Management.

Remuneration Policy and Remuneration Package

Remuneration Scheme

Boubyan Bank always considers adopting a balanced "Remuneration Scheme" to be competitive enough to attract and maintain qualified and skilled employees, who are key success factors in banking sector, and, at the same time, to be reasonably linked to sustainable progressive performance, and achievement of both short and long-term targets.

The current "Employee Incentive Plan" of Boubyan Bank takes into consideration:

- Both financial and risk metrics.
- Link with long-term targets (Strategic Objectives)
- Sensitivity to time horizons of risks.
- Claw back feature

During 2024, Boubyan Bank conducted a review of the Remuneration Policy and Scheme with BNRC.

Board Remuneration

As per the Bank's policies and Articles of Associations, and in line with the Laws of the State of Kuwait, the Board of Directors may propose annual remuneration up to 10% of the annual Net Profit after deducting the following appropriations:

- 10% of Net Profit as Statutory Reserve
- 10% of Net Profit as Voluntary Reserve
- 1% of Net Profit as Contribution to KFAS
- 5% of capital as dividends to Shareholders.

In any case, remuneration to the Board should be subject to the approval of the shareholders in the Annual General Assembly.

As per the current practices, the Board Directors are not entitled to attendance fees for the Board and/or Board Committees meetings, and/or any material in-kind benefits. Furthermore, none of the Board Directors is entitled to any fixed salaries, except for the Vice-Chairman & Group CEO, who earns benefits as an employee for his executive role.

For the year 2024, the Board proposed annual remuneration of KD 580 thousand to be allocated to Directors of the Board as follows: KD 70 thousand to the Chairman, KD 55 thousand to each director acting as a member in the Board Executive Committee, KD 40 thousand to each remaining Board member, and KD 10 thousand to each chair of a Board committee. This proposal is subject to the approval of shareholders in the General Assembly.

Employee Remuneration

The employees of the Bank are entitled to two categories of remuneration, which are as follows:

- Fixed Remuneration: such a remunerations is defined in the employment contracts, and includes fixed salaries (i.e. basic salary, allowances, and annual fixed pay as a percentage of the gross annual basic salary) and other benefits (i.e. medical insurance, air-tickets, and educational support).
- Variable Remuneration: such a remuneration is driven mainly by performance and is subject to the terms of the "Employee Incentive Plan". This could be in the form of cash bonus and/or deferred cash bonus. These benefits are reviewed by the Board Nomination and Remuneration Committee and approved by the Board of Directors.

The following table includes a breakdown of the remuneration paid to certain employee categories for the year ended 31 December 2024:

Employees Categories	Number of Employees	Fixed Remuneration KD'000	Variable Remuneration KD'000		Total KD'000
			Cash	Deferred Cash	
Senior Management	32	4,585	1,990	948	7,523
Material Risk Takers	34	4,211	1,699	814	6,724
Financial and Risk Control	19	1,477	420	161	2,058

Categories Definitions:

- Senior Management: It includes Deputy General Manager and above for all business units, except control functions.
- Material Risk Takers: It includes the Group Chief Executive Officer, Chief Executive Officers, and heads of operational departments, and their deputies, and all staff whose activities and decisions have a material impact on the risk profile of the bank.
- Financial and Risk Control: It includes control functions represented in the heads of departments and groups of Financial Control, Risk Management, Compliance & Governance, Internal Audit, AML, and Internal Sharia Audit.

The five senior executives who received the highest remuneration packages, plus the heads of Financial Control, Internal Audit, and Risk Management groups (8 executives in total) received together a total remuneration & salaries' package of KD 3,878 thousand for the year ended December 31st 2024.

Major Shareholders

As at December 31st 2024, the major shareholders holding or controlling more than 5% of the bank's capital were as follows:

Name of Shareholder	Percentage of Ownership
National Bank of Kuwait S.A.K	60.368%

Social Responsibility

Boubyan in 2024... Comprehensive CSR Strategy and Practices, Going Hand in Glove with Its Business for Decades

Over the past 20 years, Boubyan Bank's CSR initiatives have been unprecedentedly successful. In 2024, the bank retained the special award for the "World's Best Islamic Bank for CSR" for the second year in a row from Global Finance, the internationally renowned publication. This confirms that Boubyan's CSR strategy is on the right track towards achieving its goals and engaging with various segments of the society through its activities and day-to-day work, coupled with the bank's commitment to ESG standards.

We can safely say that this has been a well-earned recognition that confirms the success and the strength of the practices adopted by Boubyan Bank, which aligns well with its CSR strategy and vision, and how it perceives incorporating the basics of sustainability and implementing the same at a larger and clearer scale in its business strategy over the upcoming decades. This aims to make a positive impact on the society and the upcoming generations, which is considered an important milestone to continue our excellence in serving our community.

Being the bank with the vision that fosters positive community change, Boubyan Bank's 2024 CSR strategy focused on community initiatives and contributions that covered several key aspects such as sustainability, sports, wellbeing, and empowerment of youths and entrepreneurs, in addition to Boubyan Bank's program throughout the Holy Month of Ramadan and how it embodied the meanings of social cohesion through its initiatives.

Towards a More Inclusive and Sustainable Future for Everybody

During 2024, Boubyan continued its efforts to drive sustainable growth across all of its group companies, whilst maintaining its core values of being Innovative, Empowering, and Driven, to steadily move towards the implementation of "Boubyan ESG Strategy 2029", which will prove essential in effecting the needed change to achieve Boubyan's vision of becoming a leading Islamic bank that advocates sustainable development across all of its operations worldwide.

This comes as part of the ESG strategy, which focuses on integrating the mission and vision into the internal and external ESG elements, while setting broader performance measurement goals through KPIs, in addition to focusing on stakeholders and identifying compliance and goals against international standards.

Activities and Events for the Youths

Boubyan is keen on engaging with customers and others through exceptional events that appeal to the public, especially since such events are keen on spreading airs of excitement among participants, encouraging them to discover a different world of exceptional experiences, while enjoying extraordinary challenges.

Boubyan managed to embody those various experiences through Boubyan Bucket List event; an event that attracted a large segment of those who are adventuresome and are thrilled to live new challenges, which were carefully selected to suit various interests and ages, such as a Harley Davidson experience, the "Make Your Favorite and Your Own Perfume" experience, an F1 car-racing experience, and others.

As a part of its community efforts and effective participation in reinforcing education and acquiring knowledge and new information, Boubyan launched its exclusive competition "Boubyan Seen Jeem" among diwaniyas as the biggest group knowledge competition with the participation of 64 teams.

The competition served as an ideal opportunity for participants to test their general information and enrich their knowledge across various subjects and fields, be they cultural, social, sports, Islamic, or other fields to create an effective value, namely, reinforcing community spirit and positive incentives of group participation, while spreading cultural awareness and instilling self-confidence amid competitive airs among the participants.

Social Responsibility

Boubyan continued its activities that aim to increase engagement with customers by holding "Boubyan Mind Games", which is a unique event aiming at increasing the level of challenge among participants of various ages through a group of games and riddles that require high-level concentration and thinking outside the box in a different way to enable the participant to find the solution in the easiest way and in the shortest time.

We have also continued making an effect and creating a positive buzz among various segments of the society through "Boubyan Escape Room" and the "Maze" challenges as we approached the summer. The events saw a huge turnout by customers and others who received instant prizes and gifts.

Supporting Health and Sports

Boubyan CSR program of this year included exceptional sports activities not only at the level of Kuwait, but also region-wise. This included Boubyan WHOOP Showdown; a challenge that mainly revolves around using WHOOP bands, which allow male and female users - whether of the bank's customers or non-customers - to track their fitness performance levels and biometrics' performance to be able to change their lifestyles and daily sports' practices for a healthier community.

This challenge saw a huge turnout and engagement since it was a unique and unprecedented sport event in the region, which aligned well with Boubyan's strategic imperatives, out of the bank's belief in the role played by sports in the lives of individuals and the community as a whole, to add value to the list of top sports events in Kuwait.

Similarly, Boubyan organized additional weekly sports exercises and sessions for participants and others in Boubyan WHOOP Showdown, separately for both males and females, under the supervision of professional fitness specialists from Spark Athletic Center, using state-of-the-art sports equipment and the latest training techniques to monitor their fitness performance.

By the end of the training sessions and exercises, 3 winners were announced ever week among the top performing participants, who received instant prizes up to KD 100, in addition to a one-week membership for the first place winner, KD 50 for the runner-up, and KD 30 for the third place.

The 5th edition of Boubyan E-Cup for FC 24 saw a huge participation from around 1,000 of the bank's customers and other aged 16 and above from video games' enthusiasts. This was the largest tournament approved by Kuwait Olympic Committee, and it gave the winner the opportunity to represent the Kuwaiti National Team for Electronic Games.

Moreover, Padel gained a lot of focus as a part of Boubyan's events for the youths, as the bank announced its Platinum Sponsorship of the International Premier Padel Tournament "P1", the most renowned Padel tournament worldwide, during its world tour, as it was hosted in Kuwait, which was part of its exceptional success. This sponsorship came to reiterate Boubyan's commitment to its CSR role, since the organization of such international sports event in Kuwait enriched the sports scene and reinforced the sports infrastructure in Kuwait.

To continue its health and sports' events program, Boubyan announced its major sponsorship of Gulf Run in its new sports season, out of the bank's belief in the vital role played by private sector institutions in supporting and growing youths and sports activities. Gulf Run is the biggest motorsport event in the GCC, as it brings together top motorsport professionals and provides them with all that is needed to hone their skills, spreads the culture of safe driving, and provides them with a well-prepared place that meets all international safety and security standards for major world races to get ready for top competitions.

Support Program for Public Sector Institutions

Boubyan considers collaboration with public sector institutions to be an integral part of its corporate responsibility in particular, and part of reinforcing the role of private sector institutions in general. In this context, the bank launched a number of social initiatives, chief among which the "Conserve to Preserve" initiative, which supports the efforts of the Ministry of Electricity and Water to conserve and save electricity and the peak-shaving efforts for our power grid, especially during the summer. This was done by taking some measures such as turning off the lights and setting our A/Cs' temperature to save power in all the bank's main buildings and branches after business hours. This is also added to our collaborative efforts with the Directorate General of Civil Aviation and the Public Authority for Housing Welfare.

Activities of the Holy Month of Ramadan

Boubyan Bank's program throughout the Holy Month of Ramadan embodied the meanings of social cohesion through its initiatives, which aimed at daily engagement with various segments of the society. The program comprised of many activities and events for the bank's customers and the public, thereby serving as a message to embody the sublime meanings of social cohesion and solidarity.

In numbers, our initiatives and contributions during the Holy Month of Ramadan were a breaking-record success, such as:

- More than 4,500 participants walked 168 million steps as a part of Boubyan Steps Campaign.
- More than 1,000 participants in the 10th "Recite with Boubyan" Competition, and recognizing 30 winners who memorized the Glorious Qur'an by heart.
- Distribution of more than 25,000 Iftar meals to the visitors of the Grand Mosque and various areas of Kuwait.
- Distribution of more than 3,000 food baskets as a part of "Neamaty" Initiative.
- More than 250,000 users of Kuwait's App for the Glorious Qur'an with the 10 Recitations.
- Offered hospitality services to worshippers at more than 50 mosques across Kuwait's governorates as a part of our Mosques Hospitality Program in the Holy Month of Ramadan.
- More than 800,000 participants in the "One Minute Challenge" throughout the Holy Month.
- 10 new initiatives in collaboration with Bu Jarrah, the known leader of community initiatives. Moreover, we offered instant and valuable prizes to anyone who made a mark and led to a significant change in a specific neighborhood in Kuwait.
- Attendance of more than 1,500 persons in "Boubyan Gergean" at Al Shaheed Park.

An Environment to Empower Entrepreneurs

Entrepreneurs and owners of SMEs represent a very important segment of Boubyan Bank's customers, being the first bank of choice for the youths. Boubyan has a unique set of digital banking solutions that support and enable entrepreneurs to achieve their future financial goal, while opening up new growth opportunities and horizons to develop their entrepreneurship and enhance their operational efficiency, in addition to considering them major partners in all innovative solutions and products offered by Boubyan.

Furthermore, the bank organized Boubyan Coffee Festival for the seventh year in a row, which tops the key events to support young Kuwaiti entrepreneurs. The festival concluded this year's activities with the participation of more than 60 specialty coffee shops of young Kuwaiti entrepreneurs, and was well-attended by more than 100,000 visitors of the 2 days of the festival.

The space of Boubyan Coffee Festival increased by 40% this year, which means increasing the support and motivation of Boubyan Bank and the opportunity it offers to the participation of young entrepreneurs. The festival serves as an annual umbrella for this gathering of entrepreneurs to showcase their local products and present new ideas similar to major and internationally renowned brands, being the largest gathering of famous cafés of young Kuwaitis. This significant progress reflects the creativity and innovation of entrepreneurs in this important emerging sector.

Social Responsibility

Boubyan is well-known for having an exceptional environment for the start-ups' sector, especially those working in technology since they represent the key driver of innovation and as they help accelerate AI integration and development through solutions that reinforce the innovative system aiming to change the business reality. To align with that, Boubyan announced its participation and sponsorship of one of the key technology event and the major one in Kuwait, namely NEXUS 2024, out of its belief in the significance of its role in supporting Kuwaiti entrepreneurs and owners of tech companies, and to support tech entrepreneurship.

Accordingly, Boubyan focused on concluding strategic partnerships with experienced companies in the field of building digital capabilities for designing programs and initiatives that target the development of digital skills, entrepreneurs' business base, and the expansion of their service in line with the requirements of the market in Kuwait and the region. Such partnerships include, but are not limited to, Enabill, the leader in the business of restaurants' digitalization, Baims, one of the emerging Kuwaiti platforms and applications in the field of digital education, and Alhisba real estate app, in addition to the outstanding strategic partnership with Holistic, the leading advisory company that offers its services to entrepreneurs and business owners. Moreover, the bank played a major role in the support and success of many apps and digital projects in Kuwait.

Well-Earned Recognition

Amid all these successes and milestones, Boubyan Bank recognized 344 of its outstanding national cadres in 2024 to celebrate their excellent performance and dedication throughout the past period, which contributed to achieving the best results across all levels.

Moreover, the outstanding business model of Boubyan Bank aiming to reinforce the value of enhancing leadership skills and to prepare exceptionally competent leaders led to improving the score of the Organizational Health Index survey "OHI" taken by all Group employees to 86%, while the total staff participation across the bank and its subsidiaries increased to 89%, placing the bank among the top 3 institutions regionally, and at the top decile of all prestigious institutions that took part in this survey globally.

Another Year of Spreading Banking Awareness and Supporting Diraya Campaign "Be Aware"

In 2024, Boubyan Bank continued its participation in and support to Diraya Campaign "Be Aware", launched by the Central Bank of Kuwait in collaboration with Kuwait Banking Association "KBA". This emanates from the belief in the significant role played by local banks in enlightening customers about their rights and the various services and products offered by banks, in addition to spreading awareness among them about the various types of risks, fraud, and online fraud common nowadays, as well as spreading cybersecurity awareness to help them protect personal and banking information of customers, especially in light of the challenges facing banks due to the developments witnessed in the world across all aspects, which makes the role of banks more important in increasing banking awareness.

Boubyan Bank K.S.C.P. and Subsidiaries

Risk Management

For the year ended 31 December 2024

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

RISK MANAGEMENT

For the year ended 31 December 2024

1. INRODUCTION AND OVERVIEW

Boubyan Bank K.S.C.P and its subsidiaries (the "Group") have achieved significant growth becoming a large group with international operations and a diversified portfolio of financial services. It is now regulated by top internationally recognized regulators starting from the Central Bank of Kuwait (CBK), Capital Markets Authority (CMA), and Prudential Regulation Authority (PRA). The Risk Management Group (RMG) at Boubyan Bank is responsible for the risk management and oversight for the Group through adopting a comprehensive Enterprise Risk Management framework that is cascaded across the Group. Through this comprehensive framework, the Group has adopted various controls and tools including, but not limited to:

- Acting as a second line of defense through its proper monitoring and identification of key risks. This is supported by a robust technology infrastructure.
- A forward-looking Risk Appetite framework which is a key input in developing business and capital plans and performance measurement.

The Group maintains its overall oversight and accountability through the Board Risk and Compliance Committee (BRCC). The BRCC is responsible for overseeing the Group's risk and compliance functions and their associated strategies and policies and monitors their adherence to these. The Group Chief Risk Officer (GCRO) and the Group Head of Compliance assist the BRCC in achieving these objectives.

In June 2014, Central Bank of Kuwait (CBK) issued directives on the adoption of the Capital Adequacy Standards (Basel III) under the Basel Committee framework applicable to licensed Islamic banks in Kuwait, effectively replacing and superseding the earlier requirements under the circular issued in 2009, Basel framework (Basel II). The reforms strengthen the quality of capital and introduced several buffer requirements in line with proposals made by the Basel Committee on Banking Supervision (BCBS). The CBK Basel framework consists of three Pillars. Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the "Standardised Approach". Pillar 2 pertains to the Supervisory Review Process and emphasises the importance of Internal Capital Adequacy Assessment Process (ICAAP) performed by banks. Pillar 3 aims to complement the capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilities comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

In line with the above mentioned CBK guidelines, these disclosures include information on the Group's risk management objectives and policies, risk assessment processes, capital management and capital adequacy.

Detailed information on risk assessment includes:

- Risk weighted assets of the Group - credit risk, market risk and operational risk
- Credit risk profile of gross credit exposure by counterparty classifications and economic activity.
- Profile of gross credit exposure by economic activity, geographical region and maturity
- Profile of credit risk mitigation by economic activity
- Profile of impaired loans by economic activity and geographical region

Information on capital adequacy includes:

- Capital adequacy computation
- Capital profile – CET 1, Tier I and Tier II

2. REGULATORY SCOPE OF CONSOLIDATION

The core activities of the Bank and its subsidiaries (collectively the "Group") are retail, corporate, insurance, investment banking, and asset management, in accordance with Codes of the Islamic Sharia'a, as approved by the Group's Sharia'a Supervisory Board. For further details on the Group's activities, please refer to note 29 of the Group's consolidated financial statements.

The consolidated financial statements and capital adequacy regulatory reports of the Group have been prepared and consolidated on a consistent basis, unless otherwise disclosed. For additional information on the basis of preparation and basis of consolidation please refer to notes 2 and 3.1 of the Group's consolidated financial statements for the year ended 31 December 2024.

The principal subsidiaries of the Group are presented in the note 15 of the Group's consolidated financial statements. All subsidiaries have been fully consolidated under the regulatory scope of consolidation for regulatory capital calculations.

Significant investments in banking, financial and insurance entities that are outside the scope of regulatory consolidation are required to be subject to the threshold treatment prescribed under the CBK Basel III rules and are risk-weighted and/or capital deducted.

- All the significant investments in banking and financial entities classified as associates have been subject to the threshold treatment and risk-weighted as prescribed.
- Other significant investments in banking and financial entities classified as equities have been subject to the threshold treatment and risk-weighted as prescribed.

Other 'minority' investments in banking, financial and insurance entities classified as equities have been subject to the prescribed threshold treatment and risk-weighted as required.

3. CAPITAL STRUCTURE

The Group's regulatory capital comprises:

a) Common Equity Tier 1 (CET1) Capital which is considered as the core measure of the Group's financial strength and includes share capital, share premium, eligible reserves and retained earnings net of regulatory adjustments,

b) Additional Tier 1 (AT1) Capital which consists of perpetual tier 1 Sukuk and eligible portion of non-controlling interests, and,

c) Tier 2 (T2) capital which consists of the allowed portions of general provisions and eligible portion of non-controlling interests.

The Bank's share capital as at 31 December 2024 comprised **4,200,783,638** shares (31 December 2023 comprised 3,963,003,433 shares) issued and fully-paid up equity shares.

The regulatory capital for the Group is detailed below:

Table 1	**2024**	2023
	KD '000s	KD '000s
Regulatory Capital		
Common Equity Tier 1 Capital	**844,930**	793,581
Additional Tier 1 Capital	**137,875**	136,254
Tier 1 Capital	**982,805**	929,835
Tier 2 Capital	**73,066**	69,163
Total Regulatory Capital	**1,055,871**	998,998

4. CAPITAL ADEQUACY RATIOS

The Minimum Capital Requirements (MCR) and The Capital Adequacy Ratios (CAR) for the Group under the various levels of regulatory capital expressed as a percentage of risk-weighted assets are detailed below:

	2024		2023	
Table 2	**MCR***	**CAR**	MCR*	CAR
Common Equity Tier 1 capital adequacy ratio	**10.50%**	**14.36%**	10.50%	14.27%
Tier 1 capital adequacy ratio	**12.00%**	**16.70%**	12.00%	16.72%
Total Regulatory capital adequacy ratio	**14.00%**	**17.94%**	14.00%	17.97%

* Includes 2.5% capital conservation buffer and 1% D-SIB buffer (2023: 1% D-SIB buffer) which are to be met through CET1 capital.

The countercyclical capital buffer has not been required for the year ended 31 December 2024 in the MCR.

The details of the Group's regulatory capital positions under the Common Disclosures template as stipulated under the Pillar 3 section of the CBK Basel III Capital Adequacy framework is presented in Table 1 of the Appendices section.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

RISK MANAGEMENT

For the year ended 31 December 2024

5. PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE

The Group's risk-weighted capital requirements for credit, market and operational risks are shown below.

5.1 Credit risk

The Minimum Capital requirement (MCR) in respect of credit risk as at 31 December 2024 is **KD 709,479 thousand** (31 December 2023: KD 672,017 thousand) as detailed below:

	2024			2023		
	Gross credit exposure	**Risk weighted assets**	**Minimum capital requirement**	Gross credit exposure	Risk weighted assets	Minimum capital requirement
Table 3	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Cash	**53,067**	**-**	**-**	65,001	-	-
Claims on sovereigns	**812,181**	**143,360**	**18,637**	781,330	139,424	18,125
Claims on international organisations	**184,963**	**-**	**-**	153,308	-	-
Claims on public sector Entities	**600,320**	**213,291**	**27,728**	519,122	180,005	23,401
Claims on MDBs	**272,332**	**37,707**	**4,902**	199,010	35,421	4,605
Claims on banks	**822,384**	**196,339**	**25,524**	558,924	144,252	18,753
Claims on corporates	**3,715,957**	**2,492,270**	**323,995**	3,401,084	2,366,424	307,635
Regulatory retail exposure	**2,635,578**	**1,743,081**	**226,601**	2,484,910	1,720,648	223,684
Past due exposure	**50,539**	**33,094**	**4,302**	53,731	37,066	4,819
Investments in real estate	**68,370**	**136,739**	**17,776**	73,521	147,043	19,116
Investments and financing to customers	**106,976**	**131,285**	**17,067**	96,313	125,023	16,253
Sukuk exposures	**37,006**	**24,476**	**3,182**	36,397	25,204	3,277
Other exposures*	**499,530**	**305,889**	**39,765**	455,910	248,854	32,349
	9,859,203	**5,457,531**	**709,479**	8,878,561	5,169,364	672,017

*Other exposures above includes a threshold deduction of **KD Nil** (31 December 2023: KD Nil) and an amount of **KD 136,245 thousand** negative (31 December 2023: KD 129,486 thousand negative) representing the amount of general provision in excess of a maximum of 1.25% of Credit Risk weighted assets, which is allowed in arriving Tier 2 Capital.

5.2 Market risk:

The total Minimum Capital requirement (MCR) in respect of market risk was **KD 1,468 thousand** arising only from foreign exchange risk, (31 December 2023: KD 1,545 thousand).

5.3 Operational Risk:

The Minimum Capital requirement (MCR) in respect of operational risk was **KD 54,078 thousand**, (31 December 2023: KD 49,333 thousand). This Minimum Capital requirement (MCR) was computed using the Basic Indicator Approach by multiplying the three-year average gross income by a pre-defined beta factor.

6. GROUP RISK MANAGEMENT

The Group's business operations require identification, measurement, aggregation and effective management of risks and efficient allocation of capital to derive an optimal risk/return ratio. The Bank manages its risks in a structured, systematic and transparent manner through a risk policy which embeds comprehensive risk management into the organisational structure, risk measurement and monitoring processes. The Group's risk management function is independent of business units; it reports directly to the Risk and Compliance Committee of the Board and takes a holistic and objective approach to assist the Board and Executive Management in managing the Group's risks. Group risk oversight includes subsidiaries ensuring compliance with the group risk appetite and local laws and regulations.

During 2009 the Bank augmented its overall framework for governance and capital planning and management by undertaking an Internal Capital Adequacy Assessment Process (ICAAP), which includes "scenario testing" at periodic, regular intervals. Amongst the key objectives of the ICAAP is to quantify potential risks that the Bank faces and are not covered under Pillar I.

The Bank continues to update its ICAAP assessment to reflect the growth and complexity of its business model and changes to its risk infrastructure.

6. GROUP RISK MANAGEMENT (CONTINUED)

In line with the guidelines from the Basel Committee and Central Bank of Kuwait, key principles of the Group's ICAAP include:

- Responsibilities of the board and senior management.
- Sound capital management.
- Comprehensive assessment of Pillar II risks, e.g., credit (sector and name concentration), profit rate risk, liquidity, legal, reputational and strategic risks, residual market risk, residual operational risk and sharia risk
- Monitoring and reporting.
- Control and review of the process.

The key features of the Group's comprehensive risk management policy are:

- The Board of Directors provides overall risk management direction and oversight.
- The Group's risk appetite is proposed by the Management Executive Committee and approved by the board of directors.
- Risk management is embedded in the Bank as an intrinsic process and is a core competency of all its employees.
- The Bank manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.
- The Group's Internal Audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a bank-wide basis.

The risk management function assists Executive Management in controlling and actively managing the Group's overall risks.

The function also ensures that:

- The Group's overall business strategy is consistent with its risk appetite approved by the board of directors.
- Risk policies, procedures and methodologies are consistent with the Group's risk appetite.
- Appropriate risk management architecture and systems are developed and implemented.
- Risks and limits of the portfolio are monitored throughout the Bank.

The Bank regularly assesses the adequacy and effectiveness of its risk management framework in the light of the changing risk environment.

6.1 Scope and nature of risk reporting tools

The comprehensive risk management framework enables the Bank to identify, assess, limit and monitor risks using a comprehensive range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- Credit risk in corporate and consumer financing and other asset exposures, such as collateral coverage ratio, limit utilisation, past-due alerts, etc.
- Quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
- Quantification of exposure to losses due to extreme movements in market prices or rates.

The Bank regularly assesses the adequacy and effectiveness of its reporting tools and metrics in light of the changing risk environment.

6.2 Risk management processes

Through the comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorised limits, whereas non-quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excesses or deviations are escalated to management for appropriate action.

The key risks assumed by the Bank in its daily operations are outlined below:

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RISK MANAGEMENT

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6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.1 Credit risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. These risks arise in the Group's normal course of business.

6.2.2 Credit risk management strategy

The approach to credit risk is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes, combined with clear policies, limits and approval structures which guide the day-to-day initiation and management of the Group's credit risk exposure. This approach comprises credit limits which are established for all customers after a careful assessment of their credit worthiness.

Standing procedures, outlined in the Group's credit policies and manuals, require that all credit proposals be subjected to detailed screening pending submission to the appropriate credit committee. Whenever necessary, credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks. The board of directors defines the Group's credit risk management strategy and approves credit risk policies to ensure alignment of the Group's exposure with its risk appetite.

6.2.3 Credit risk management structure and governance

Senior management implements the board of directors' credit risk strategy and develops policies and procedures for identifying, assessing, monitoring and controlling credit risk.

The Group's credit committee, chaired by the Group's CEO and comprising senior executives from the business divisions, meets regularly and reviews the Group's financing portfolios and advises the board appropriately.

In compliance with CBK regulations, financing to individual board members and related parties is fully secured and monitored by the Board Executive Committee. Such transactions are made on substantially the same terms, including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. All such facilities are approved by the board of directors in line with the relative authorities from the Shareholders' General Assembly.

Country limits are determined based on the outlook of economic and political factors, along with the review of reports by rating agencies on the country (where available) and application of local business and market knowledge. Country limit exposures are subject to periodic approval by the board of directors or the Board Executive Committee.

6.2.4 Key features of corporate credit risk management

- Credit facilities are granted based on detailed credit risk assessments which consider the purpose of the facility and source of repayment, prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry peer.
- Internal credit-rating models are regularly reviewed by the Bank's risk management function in co-ordination with line management and the Management Credit Committee (MCC) and continually enhanced in line with industry credit risk management "best practices".
- All new proposals and / or material changes to existing credit facilities are reviewed and approved by either the Board Executive Committee (BEC) or the Management Credit Committee (MCC).
- The credit facility administration process is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and contractual covenants.

6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.5 Key features of consumer credit risk management

- Oversight of consumer finance risk is undertaken by an independent unit directly within bank risk management. Within this framework, limits and approval authorities are exercised by consumer banking officers with defined approval authorities.
- Consumer credit risk management functional areas are aligned with key concepts of risk management, namely, governance, control, measurement and reporting.
- Consumer credit risk is managed with three lines of defence. As the first line of defence, consumer banking (i.e., underwriting) is responsible for adherence to CBK regulations and guidelines, the credit policies, controls and processes. As second line of defence, the consumer credit risk management team, working independently of the business unit, assesses and ensures implementation of credit risk management discipline & policies. The third line of defence, the internal audit function, independently tests, verifies and evaluates controls for effective credit risk management and implementation of policies & procedures and the external audit, submits quarterly report to the regulatory authorities on the compliance of regulations and guidelines stipulated by Central Bank of Kuwait
- All significant financing policies and amendments to policies are reviewed annually by the Management Executive Committee and approved by the Board.
- The consumer financing risk assessment uses risk "scorecard" customer-centric methodologies which incorporate CBK regulatory guidelines and bank policies related to consumer financing facilities, such as debt-to-income ratio, minimum qualifying income and limits on advances by product type. Additional inputs utilised include applicant characteristics obtained from financing bureaus, particularly Kuwait Credit Bureau report, to assist in assessing an applicant's ability to repay and the probability of default. This model is reviewed and refined continually.

6.2.6 Group's credit risk monitoring

The Group's exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process.

Credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

Consumer credit risk reporting also includes a "dashboard" for consumer financing, classification and delinquency monitoring.

A specialised and focused team on recovery and collections handles the management and collection of irregular financing facilities.

6.2.7 Group's credit risk mitigation strategy

Portfolio diversification is the cornerstone of the Group's credit risk mitigation strategy which is implemented through customer, industry and geographical limit structures.

To ensure diversification at the portfolio level, interrelated companies with the same management or ownership structure are classified and treated as one entity. The risk appetite requires that the bank limits its financing concentration per entity to specific percentage of the Group's regulatory capital.

Credit risk mitigates such as collateral and guarantees are effective mitigating factors within the Group's portfolio and collateral quality is continuously monitored and assessed. Risk transfer in the form of syndications and risk participation arrangements with other banks are used to manage the Group's exposures.

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RISK MANAGEMENT

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6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (Continued)

6.2.8 Management of credit collateral and valuation

The main types of collateral accepted by the Bank include:

- cash collateral;
- quoted shares and units in collective investment schemes;
- bank guarantees;
- commercial and residential real estate; and
- eligible debt instruments (principally sovereign and bank obligors).

In accordance with the Group's credit policies, banks and creditworthy companies and individuals with high net worth are accepted as guarantor counterparties, subject to credit risk assessment. Furthermore, in accordance with the CBK Basel III framework, only cash collateral, guarantees from banks with defined high credit-quality ratings, quoted shares, eligible debt instruments and units in collective investment schemes are recognized as risk mitigation for capital adequacy purposes.

The custody and daily "mark to market" (revaluation) of financial collateral, inclusive of shares, are performed independent of the business units. Real estate collateral is valued on an annual basis.

The Group's credit exposures were covered by the following eligible financial collateral:

	2024		2023	
	Gross credit exposure	**Eligible Credit Risk Mitigation**	Gross credit exposure	Eligible Credit Risk Mitigation
Table 4	**KD '000s**	**KD '000s**	KD '000s	KD '000s
Cash	**53,067**	**-**	65,001	-
Claims on sovereigns	**812,181**	**-**	781,330	-
Claims on international organisations	**184,963**	**-**	153,308	-
Claims on public sector Entities	**600,320**	**-**	519,122	-
Claims on MDBs	**272,332**	**-**	199,010	-
Claims on banks	**822,384**	**-**	558,924	-
Claims on corporates	**3,715,957**	**258,591**	3,401,084	234,686
Regulatory retail exposure	**2,635,578**	**-**	2,484,910	-
Past due exposure	**50,539**	**4,815**	53,731	4,703
Investments in real estate	**68,370**	**-**	73,521	-
Investments and financing to customers	**106,976**	**7,584**	96,313	4,186
Sukuk exposures	**37,006**	**-**	36,397	-
Other exposures	**499,530**	**-**	455,910	-
	9,859,203	**270,990**	8,878,561	243,575

6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.8 Gross, average and net credit exposures

The Group's gross credit exposures, average credit exposures and net credit exposures, the former adjusted for credit risk mitigation factors, respectively, are detailed below:

	2024			2023		
	Gross credit exposure	**Self-funded exposure**	**Funded through investments accounts exposure**	Gross credit exposure	Self-funded exposure	Funded through investments accounts exposure
Table 5	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Cash	**53,067**	**26,331**	**26,736**	65,001	36,615	28,386
Claims on sovereigns	**812,181**	**267,859**	**544,322**	781,330	304,031	477,299
Claims on international organisations	**184,963**	**59,695**	**125,268**	153,308	59,007	94,301
Claims on public sector Entities	**600,320**	**227,394**	**372,926**	519,122	241,822	277,300
Claims on MDBs	**272,332**	**92,168**	**180,164**	199,010	80,443	118,567
Claims on banks	**822,384**	**322,013**	**500,371**	558,924	289,258	269,666
Claims on corporates	**3,715,957**	**1,619,440**	**2,096,517**	3,401,084	1,664,542	1,736,542
Regulatory retail exposure	**2,635,578**	**850,613**	**1,784,965**	2,484,910	956,427	1,528,483
Past due exposure	**50,539**	**22,237**	**28,302**	53,731	27,058	26,673
Investments in real estate	**68,370**	**68,370**	**-**	73,521	73,521	-
Investments and financing to customers	**106,976**	**78,102**	**28,874**	96,313	76,182	20,131
Sukuk exposures	**37,006**	**11,943**	**25,063**	36,397	14,009	22,388
Other exposures	**499,530**	**324,267**	**175,263**	455,910	296,881	159,029
	9,859,203	**3,970,432**	**5,888,771**	8,878,561	4,119,796	4,758,765

	2024			2023		
	***Average credit exposure**	***Average Self-funded exposure**	***Average Funded through investments accounts exposure**	*Average credit exposure	*Average Self-funded exposure	*Average Funded through investments accounts exposure
Table 6	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Cash	**61,692**	**31,652**	**30,040**	71,116	39,267	31,849
Claims on sovereigns	**847,361**	**288,023**	**559,338**	864,924	343,707	521,217
Claims on international organisations	**176,332**	**59,365**	**116,967**	153,335	60,542	92,793
Claims on public sector Entities	**573,081**	**232,109**	**340,972**	432,936	188,752	244,184
Claims on MDBs	**257,196**	**90,556**	**166,640**	149,313	61,271	88,042
Claims on banks	**654,796**	**282,381**	**372,415**	483,632	263,066	220,566
Claims on corporates	**3,598,811**	**1,605,746**	**1,993,065**	3,323,952	1,680,401	1,643,551
Regulatory retail exposure	**2,556,403**	**862,121**	**1,694,282**	2,454,315	968,959	1,485,356
Past due exposure	**52,525**	**24,354**	**28,171**	56,409	30,661	25,748
Investments in real estate	**72,734**	**72,734**	**-**	66,730	66,730	-
Investments and financing to customers	**113,265**	**83,867**	**29,398**	82,798	64,044	18,754
Sukuk exposures	**28,955**	**9,674**	**19,281**	26,302	10,328	15,974
Other exposures	**475,905**	**300,894**	**175,011**	451,668	292,873	158,795
	9,469,056	**3,943,476**	**5,525,580**	8,617,430	4,070,601	4,546,829

* Based on quarterly average balances

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6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.8 Gross, average and net credit exposures (continued)

	2024			2023		
	Net credit exposure	**Self-funded exposure**	**Funded through investments accounts exposure**	Net credit exposure	Self-funded exposure	Funded through investment s accounts exposure
Table 7	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Cash	**53,067**	**26,331**	**26,736**	65,001	36,615	28,386
Claims on sovereigns	**812,181**	**267,858**	**544,323**	781,330	304,031	477,299
Claims on international organisations	**184,963**	**59,696**	**125,267**	153,308	59,007	94,301
Claims on public sector Entities	**600,320**	**227,394**	**372,926**	519,122	241,822	277,300
Claims on MDBs	**272,332**	**92,168**	**180,164**	199,010	80,443	118,567
Claims on banks	**822,384**	**322,013**	**500,371**	558,924	289,258	269,666
Claims on corporates	**3,457,366**	**1,527,173**	**1,930,193**	3,166,398	1,566,449	1,599,949
Regulatory retail exposure	**2,635,578**	**850,613**	**1,784,965**	2,484,910	956,427	1,528,483
Past due exposure	**45,724**	**20,683**	**25,041**	49,028	25,248	23,780
Investments in real estate	**68,370**	**68,370**	**-**	73,521	73,521	-
Investments and financing to customers	**99,392**	**75,654**	**23,738**	92,127	74,570	17,557
Sukuk exposures	**37,006**	**11,944**	**25,062**	36,397	14,009	22,388
Other exposures	**499,530**	**324,266**	**175,264**	455,910	296,881	159,029
	9,588,213	**3,874,163**	**5,714,050**	8,634,986	4,018,281	4,616,705

As at 31 December 2024, **26.8%** of the Group's net credit risk exposure was rated by accredited External Credit Assessment Institutions (ECAIs), (31 December 2023: 23.9%) as detailed below:

	2024			2023		
	Net credit exposure	**Rated exposure**	**Unrated exposure**	Net credit exposure	Rated exposure	Unrated exposure
Table 8	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Cash	**53,067**	**-**	**53,067**	65,001	-	65,001
Claims on sovereigns	**812,181**	**812,181**	**-**	781,330	781,330	-
Claims on international organisations	**184,963**	**184,963**	**-**	153,308	153,308	-
Claims on public sector Entities	**600,320**	**362,903**	**237,417**	519,122	254,029	265,093
Claims on MDBs	**272,332**	**272,332**	**-**	199,010	199,010	-
Claims on banks	**822,384**	**822,384**	**-**	558,924	558,924	-
Claims on corporates	**3,457,366**	**-**	**3,457,366**	3,166,398	-	3,166,398
Regulatory retail exposure	**2,635,578**	**-**	**2,635,578**	2,484,910	-	2,484,910
Past due exposure	**45,724**	**-**	**45,724**	49,028	-	49,028
Investments in real estate	**68,370**	**-**	**68,370**	73,521	-	73,521
Investments and financing to customers	**99,392**	**-**	**99,392**	92,127	-	92,127
Sukuk exposures	**37,006**	**37,006**	**-**	36,397	36,397	-
Other exposures	**499,530**	**78,002**	**421,528**	455,910	79,373	376,537
	9,588,213	**2,569,771**	**7,018,442**	8,634,986	2,062,371	6,572,615

The Group uses external ratings (where available) to supplement internal ratings during the process of determining credit limits. Unrated public issue instruments are risk-weighted at 100% for capital adequacy purposes.

6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.8 Gross, average and net credit exposures (continued)

The geographical distribution of the gross credit exposure before taking into consideration credit enhancements is as detailed below:

31 December 2024	**Middle East**	**North America**	**Europe**	**Asia and Other**	**Total**
Table 9	**KD '000s**	**KD '000s**	**KD '000s**	**KD '000s**	**KD '000s**
Cash	**39,479**	**-**	**13,588**	**-**	**53,067**
Claims on sovereigns	**809,405**	**-**	**-**	**2,776**	**812,181**
Claims on international organisations	**-**	**-**	**-**	**184,963**	**184,963**
Claims on public sector Entities	**591,178**	**5,670**	**2,947**	**525**	**600,320**
Claims on MDBs	**272,332**	**-**	**-**	**-**	**272,332**
Claims on banks	**763,045**	**37,975**	**20,188**	**1,176**	**822,384**
Claims on corporates	**3,426,406**	**394**	**287,848**	**1,309**	**3,715,957**
Regulatory retail exposure	**2,635,578**	**-**	**-**	**-**	**2,635,578**
Past due exposure	**42,009**	**-**	**8,530**	**-**	**50,539**
Investments in real estate	**50,058**	**-**	**18,312**	**-**	**68,370**
Investments and financing to customers	**42,635**	**-**	**60,808**	**3,533**	**106,976**
Sukuk exposures	**36,539**	**-**	**-**	**467**	**37,006**
Other exposures	**339,280**	**134,185**	**25,814**	**251**	**499,530**
	9,047,944	**178,224**	**438,035**	**195,000**	**9,859,203**

31 December 2023	Middle East	North America	Europe	Asia and Other	Total
Table 9	KD '000s	KD '000s	KD '000s	KD '000s	KD '000s
Cash	46,149	-	18,852	-	65,001
Claims on sovereigns	774,920	-	-	6,410	781,330
Claims on international organisations	-	-	-	153,308	153,308
Claims on public sector Entities	513,172	-	5,430	520	519,122
Claims on MDBs	199,010	-	-	-	199,010
Claims on banks	492,413	25,891	39,473	1,147	558,924
Claims on corporates	3,114,106	432	285,135	1,411	3,401,084
Regulatory retail exposure	2,484,910	-	-	-	2,484,910
Past due exposure	44,168	-	9,563	-	53,731
Investments in real estate	52,187	-	21,334	-	73,521
Investments and financing to customers	32,728	-	60,574	3,011	96,313
Sukuk exposures	36,397	-	-	-	36,397
Other exposures	348,551	105,602	1,757	-	455,910
	8,138,711	131,925	442,118	165,807	8,878,561

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RISK MANAGEMENT

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6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.8 Gross, average and net credit exposures (continued)

The Group's gross credit exposure by residual contractual maturity is as detailed below:

31 December 2024 Table 10	**Up to 3 months KD '000s**	**3 – 6 months KD '000s**	**6 – 12 months KD '000s**	**Over 1 year KD '000s**	**Total KD '000s**
Cash	**53,067**	**-**	**-**	**-**	**53,067**
Claims on sovereigns	**581,354**	**19,880**	**31,841**	**179,106**	**812,181**
Claims on international organisations	**134,074**	**33,952**	**16,937**	**-**	**184,963**
Claims on public sector Entities	**278,885**	**122,029**	**3,148**	**196,258**	**600,320**
Claims on MDBs	**60,054**	**-**	**10,135**	**202,143**	**272,332**
Claims on banks	**524,173**	**102,276**	**19,723**	**176,212**	**822,384**
Claims on corporates	**3,028,417**	**220,874**	**152,101**	**314,565**	**3,715,957**
Regulatory retail exposure	**1,937**	**3,951**	**37,715**	**2,591,975**	**2,635,578**
Past due exposure	**50,539**	**-**	**-**	**-**	**50,539**
Investments in real estate	**-**	**-**	**-**	**68,370**	**68,370**
Investments and financing to customers	**97,345**	**2,050**	**3,595**	**3,986**	**106,976**
Sukuk exposures	**-**	**-**	**1,109**	**35,897**	**37,006**
Other exposures	**-**	**-**	**43,285**	**456,245**	**499,530**
	4,809,845	**505,012**	**319,589**	**4,224,757**	**9,859,203**

31 December 2023 Table 10	Up to 3 months KD '000s	3 – 6 months KD '000s	6 – 12 months KD '000s	Over 1 year KD '000s	Total KD '000s
Cash	65,001	-	-	-	65,001
Claims on sovereigns	509,489	64,458	11,008	196,375	781,330
Claims on international organisations	101,232	40,419	11,657	-	153,308
Claims on public sector Entities	220,606	101,525	885	196,106	519,122
Claims on MDBs	61,844	3,136	-	134,030	199,010
Claims on banks	360,790	36,018	16,619	145,497	558,924
Claims on corporates	2,049,111	850,995	231,100	269,878	3,401,084
Regulatory retail exposure	16,878	4,655	21,310	2,442,067	2,484,910
Past due exposure	53,731	-	-	-	53,731
Investments in real estate	-	-	-	73,521	73,521
Investments and financing to customers	56,417	10,856	7,145	21,895	96,313
Sukuk exposures	15,302	-	-	21,095	36,397
Other exposures	-	3,414	15,204	437,292	455,910
	3,510,401	1,115,476	314,928	3,937,756	8,878,561

6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.9 "Past-due" and impairment provisions

Credit facilities are classified as "past-due" when a payment has not been received on its contractual payment date, or if the facility is in excess of pre-approved limits.

A credit facility is considered as "past-due and impaired" if the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value.

"Past due" and "Past-due and impaired" facilities are managed and monitored as "irregular facilities" and are classified into the following four categories which are then used to guide the provisioning process:

Category	Criteria
Watchlist	Irregular for a period up to 90 days (inclusive)
Substandard	Irregular for a period between 91 and 180 days (inclusive)
Doubtful	Irregular for a period between 181 days and 365 days (inclusive)
Bad	Irregular for a period exceeding 365 days

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.

The Group's impaired finance portfolio as at 31 December 2024 was **KD 72,613 thousand** against which a specific provision of **KD 24,501 thousand** has been made, (31 December 2023: KD 65,219 thousand and KD 12,333 thousand), as detailed below:

	2024			2023		
	Impaired finance facilities	**Related specific provision**	**Net balance**	Impaired finance facilities	Related specific provision	Net balance
Table 11	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Claims on corporates	**50,101**	**7,207**	**42,894**	48,052	1,614	46,438
Regulatory retail exposure	**22,512**	**17,294**	**5,218**	17,167	10,719	6,448
	72,613	**24,501**	**48,112**	65,219	12,333	52,886

The geographical distribution of "past-due and impaired "financing and the related specific provision are as follows:

	2024			2023		
	Middle East	**Europe**	**Total**	Middle East	Europe	Total
Table 12	**KD '000s**	**KD '000s**	**KD '000s**	KD '000s	KD '000s	KD '000s
Past due and impaired financing	**63,678**	**8,935**	**72,613**	55,509	9,710	65,219
Related specific provision	**21,889**	**2,612**	**24,501**	12,145	188	12,333

In accordance with CBK regulations, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities is made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

The adequacy of provisions is regularly evaluated and monitored by the Provisions Committee.

The Group's total provision as at 31 December 2023 was **KD 231,720 thousand** inclusive of a general provision of **KD 206,166 thousand**, (31 December 2023: KD 208,083 thousand and KD 194,625 thousand), as detailed below:

	2024	2023
Table 13	**KD '000s**	KD '000s
Claim on corporates	**179,953**	169,863
Regulatory retail exposure	**26,213**	24,762
	206,166	194,625

The Group's general provision above includes **KD 2,999 thousand** relating to "non-cash" facilities in accordance with CBK regulations, (31 December 2023: KD 2,481 thousand).

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For the year ended 31 December 2024

6. GROUP RISK MANAGEMENT (CONTINUED)

6.2 Risk management processes (continued)

6.2.9 “Past-due” and impairment provisions (continued)

The geographical distribution of the general provision on “cash” facilities is as follows:

	2024	2023
Table 14	**KD ‘000s**	KD ‘000s
Middle East and North Africa	**183,259**	176,876
Europe & UK	**19,908**	15,268
	203,167	192,144

The analysis of specific and general provisions is further detailed in note 8 and note13 of the Group’s consolidated financial statements.

6.3 “Market” risk

“Market” risk is defined as the potential loss in value of financial instruments caused by adverse movements in market variables such as profit rates, foreign exchange rates and equity prices.

Market risk results from uncertainty in future earnings arising from changes in profit rates, exchange rates, market prices and volatilities. Speculative Market Risk is not undertaken by the Bank but market risk arises from financing and investment activities.

The strategy for controlling market risk includes:

- Stringent controls and limits.
- Strict segregation of “front”, “middle” and “back” office duties.
- Regular independent reporting of positions.
- Regular independent review of all controls and limits.

6.3.1 Market-Risk management framework

The market-risk management framework governs the Group’s activities related to market risk. Market risk arising from banking book activities is the primary responsibility of the Group’s Asset and Liability Management Committee (ALCO) and managed within a structure of approved financing and position limits.

To support the ALCO, the Market Risk, Asset Liability Management and ESG Risks department within RMG is responsible for managing the balance sheet risk and its associated market, currency, and profit rate risks. Profit rate risk arises from the maturity mismatch between asset and liability. Various scenarios and sensitivity analyses of balance sheet composition and interest rate movements are run to determine optimal structures. Profit rate risk will be managed using instruments that are approved by the Sharia Board of the Bank.

6.4 Liquidity risk

Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as they fall due, or having to access funds to meet payment obligations at an excessive cost. It is the policy of the Bank to maintain adequate liquidity at all times. The bank applies a prudent mix of liquidity controls which provide security of access to funds without undue exposure to increased costs of funds from the liquidation of assets, or aggressive bidding for deposits. Liquidity risk is monitored and evaluated daily to ensure that, over the short term and by major currency, the profile of projected future cash inflows is adequately matched to the maturity of liabilities.

6.5 Reputation and fiduciary risk

Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion which will affect the ability to establish new relationships or services or to continue servicing existing relationships.

Management of reputation risk is an inherent feature of the Group’s corporate culture which is embedded as an integral part of the internal control systems. Besides identification and management of risks, the internal control system also incorporates as an ethos the maintenance of business practices of the highest quality towards its customers, shareholders, regulators, and general public and fiduciary and non-fiduciary clients.

6. GROUP RISK MANAGEMENT (CONTINUED)

6.5 Reputation and fiduciary risk (continued)

Through its policies and practices Boubyan ensures proper screening of clients' risk profiles and performance expectations is conducted prior to making investment products or services available to them. Furthermore, once a product or service is sold, appropriate risk and performance projections are clearly communicated, and funds placed under management are treated with due care and professionalism.

During the year, assets under management at the Group increased by **35.8%** to reach **KD 1,024,133 thousand** on 31 December 2024 (31 December 2023: increased by 22% to reach KD 754,230 thousand).

6.6 Non-Financial Risk

In order to ensure a consistent framework for managing non-financial risks, Risk Management Group (RMG) has a dedicated division. The Non-Financial Risk (NFR) division is comprised of Operational Risk, Fraud Risk, Technology Risk, Business Continuity & Sustainability, and Data Privacy. This provides a greater opportunity to align risk management practices with the business direction and external mandates such as the CBK's Cyber Security Framework (CSF). Non-Financial Risk (NFR) also works very closely with the Information Security Department (ISD) to ensure better visibility and management of cyber risks across the group.

6.6.1 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems failure, or from external events. When controls fail to perform, it can lead to legal or regulatory implications, or financial or reputational loss.

The Bank monitors its operational risks through an operational-risk management Framework which defines roles and responsibilities for managing and reporting operational risk. The key components of this framework are Risk and Control Self Assessments (RCSA), comprehensive documented policies, procedures and internal controls. The framework also ensures that data across Group entities is maintained in accordance with local regulatory guidelines and global standards such as compliance to PA-DSS (Payment Application Data Security Standards), PCI-DSS (Payment Card Industry Security Standards), and European Union's GDPR (General Data Protection Regulation).

Through the framework, line management is able to identify, assess and decide in what form and scale it can accept, control and reduce operational risk, together with the form of risk-prevention measures which are necessary. Furthermore, it embeds a culture of transparency of information, escalation of key issues, and accountability for issue resolution. The Group's risk management collates and reviews actual loss data arising from the Group's day-to-day operations to continuously refine its control arrangements. The operational-risk framework is supplemented by regular reviews from the Bank internal audit function.

The Group's business processes are closely monitored to identify, assess, control and prevent potentially illicit use of the Group's services for laundering money and/or financing terrorism. The Group's "anti-money laundering" and "combating terrorism-financing" initiatives are regularly reviewed to ensure full compliance with legal and regulatory requirements and international best practices.

6.6.2 Fraud Risk

"Fraud" is defined as any act involving deceit to obtain a direct or indirect financial benefit by the perpetrator or group of people in collusion causing a loss to the deceived party. This includes a financial gain in addition to other benefits, such as the right to have access to or obtain information by deceit or any other dishonest conduct. Whether the loss is material or related to an intangible benefit such as intellectual property rights, fraud usually involves a loss to the group, its shareholders or customers and an attempt to hide this loss.

The Bank has implemented an Enterprise Fraud Risk Management System (EFMS) using a layered approach for proactive real-time & near real-time monitoring of customer transaction activity across products, payment channels, accounts, users and processes. This helps in identifying unusual behaviour that could be a sign of criminal activity, fraud or corruption. The EFMS leverages artificial intelligence & machine learning to achieve a 360^0 view of the customer behaviour and profiles to enhance transaction level and account level fraud detection, investigation and prevention.

The Bank is committed to maintaining high legal, ethical, and moral standards to adhere to the principles of integrity, objectivity and honesty. The Bank takes a very serious approach to all suspected cases, confirmed cases of fraud and/or corruption by its staff and has implemented procedures to handle external fraud and claims affecting bank's customers. The Bank has zero tolerance at all levels for any dishonest & fraudulent behaviour and is committed to preventing such behaviour; treating and responding fully and fairly in accordance with the provisions of the Code of Conduct, Customer Fair Practices and Central Bank of Kuwait guidelines.

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6. GROUP RISK MANAGEMENT (CONTINUED)

6.6 Non-Financial Risk (continued)

6.6.3 Technology Risk

Technology risk is defined as the business risk associated with the use, ownership, operation, involvement, influence and adoption of technology within the bank. Technology risk consists of technology related events that could potentially impact the business and create challenges in meeting strategic goals and objectives. Technology risks are inherited in all Bank's products, services, processes and systems.

The Bank has a Technology Risk Management Department (TRMD) that acts as the 2nd line of defence over the use of Information Technology (IT). TRMD assists with risk assessments and analysis related to technology adoption and changes. The department works closely with other stakeholders to ensure that new or updated policies and procedures sufficiently address technology risks. TRMD also participates in critical projects and conducts an independent review of major IT related incidents to ensure root causes are addressed. Risk and Control Self Assessments covering the technology processes and related systems and services for the bank and its subsidiaries are conducted.

The TRMD supports the Bank in the automation and digitization of business processes in a secure manner. These initiatives include Robotic Process Automation (RPA) and Robotic Desktop Automation (RDA), Near Field Communication (NFC), card-less payments, contactless and wearable payments, mobile banking, and online banking.

6.6.4 Business Continuity and Sustainability

The Bank has a master business continuity plan together with a fully-equipped IT disaster recovery facility which is tested periodically. The Crisis Management Plan, including underlying technical capabilities for disaster recovery, are continually reviewed and enhanced in light of potential scenarios. Business Continuity Management Committee, comprised of senior management, provides oversight for this function and ensures funds are available to support the activities.

The Bank also continues to enhance its focus on sustainability. As such, bank has set out a clear vision that articulates and enforces Environmental, Social, and Governance (ESG) criteria, starting with issuing bank' s first sustainability report in March 2021 which was followed by subsequent annual reports. This report serves as a cornerstone in transparently disclosing our ESG performance to our stakeholders. We have achieved various milestones over the past years, such as launching an Islamic Digital Bank, "Nomo", the very first of its kind that accommodates a diverse range of customer segments in the Middle East who are interested in investing and having access to a secure international banking experience. The Bank also runs an Emerging Businesses Incubation Program to support entrepreneurs and Small to Medium Enterprises (SMEs). This is conducted through coaching and training programs that provide them with adequate skills catered to their business ideas, and with tools that strengthen the SMEs' resilience and market readiness. We continued to exhibit diversity within our culture, specifically in terms of female representation in leadership levels and in cultivating innovative talents.

Boubyan recognizes the ESG challenges and risks arising in the market, and the necessity of having an aligned and institutionalized ESG roadmap that serves as a proactive readiness action plan with a defined strategic direction. The Bank has an ESG roadmap and a strategy framework, covering risks and opportunities within the current business operations that will help Boubyan towards ESG goals. We believe that by transparent disclosure of our non-financial performance, the oversight of higher management, and continuing the development of standardized reporting approach, will result in a deeper engagement and sustained value with our stakeholders

6.7 Information Security and Cyber Risk

An important aspect of managing risks for the Bank is to prevent against cyber threats. The Bank continues to invest in business and technical controls to strengthen the systems and underlying infrastructure. Further, the Bank ensures awareness of cybersecurity issues and maintains plans for incidents and crises. Cyber risks and related controls are frequently discussed at relevant governance forums and the Board to ensure appropriate oversight.

Information Security Department (ISD) acts as the 2nd line of defence over other Bank's functions. Given the increasing digital capabilities within the Bank and the extension of Nomo Bank under BLME, Boubyan Group strives to achieve high standards or information security risk management. To that end, the Bank maintains ISO27001 certification for an independent validation of the strength of the information security management system and handling of payment card data is certified for compliance with the Payment Card Industry Data Security Standard (PCI-DSS). Bank ensures compliance with the Central Bank of Kuwait (CBK) Cyber Security Framework (CSF) and an assessment of the same is conducted on a regular basis.

The Bank considers the number of attack vectors at the Bank as confidential information that is not shared publicly. The maximum value of the insurance policy over breaches or other cybersecurity incidents, and the frequency of audits performed on the Bank's information security policies and systems may be shared once a Non-Disclosure Agreement (NDA) is signed.

6. GROUP RISK MANAGEMENT (CONTINUED)

6.8 Data Privacy

The Bank has an approved Data Privacy Policy that demonstrates Bank’s commitment to applicable data privacy laws, and related compliance oversight efforts. The Policy describes the principles and conditions that apply to handling, processing and storage of personal data, sets out how these principles and conditions apply in the context of the Bank’s operations, and how they are relevant to personal data collected from different data subjects (i.e., customers, employees or suppliers).

The Policy also addresses regulatory requirements related to assessment of products and services that entail processing of personal data, and the Bank’s ability to respond to data subject rights.

6.9 Risk Management Information System (MIS) & Risk Analytics

The Bank puts a lot of emphasis on implementing and independently validating state-of-the-art models and MIS while developing world leading risk management information system. The guiding principles are to accurately and continuously measure the risk exposures, make the exposures’ data and its magnitude available at all times with no lag (i.e., near real time) for risk monitoring against board risk appetite, and corrective actions and risk adjusted decision- making. This framework covers financial risk and non-financial risks areas. The scope of the application involves the full data and exposures across the group. The Bank is working to embed this framework across a number of the group entities.

7. COMPLIANCE WITH SHARI’A PRINCIPLES

Fatwa & Sharia’a Supervisory Board of the Group is responsible for monitoring the Group’s compliance with its issued fatwa and resolutions. The Sharia’a Supervisory Board reviews and approves the contract and agreement forms after obtaining the necessary information to provide its opinion. Random samples of operations related to the Group’s transactions are reviewed through Sharia’a supervision according to the annual Sharia’a audit plan for all the departments and through the periodic reports provided by the Sharia’a supervisory department about the audit processes, field visits, workflow and the validity of implementing the fatwa and resolutions issue by the Sharia’a Supervisory Board. Accordingly, an annual report about the Group’s compliance with Sharia’a fatwa and resolutions are issued according to those fatwa and resolutions and it is attached along with Group’s annual report and submitted to shareholders in the General Assembly. The external auditors have looked at the procedures adopted by the Sharia’a Supervisory Board review all the Shari’s committee minute of the meeting held during the year and regarding to this and based on CBK circular number (2/RBA/100/2003) issue the report describing the procedures that taken in place during the year to ensure that Bank compliance with Shari’s rules and principles in addition, they disclosed in the report that Bank had comply with all Sharia’a Supervisory Board rules and instructions.

The violations related to compliance of Sharia’s principles for the year ended 31 December 2024 is **KD 0.8 thousand**, (31 December 2023: KD nil).

The Shari’s Supervisor Board’s remuneration for the year ended 31 December 2024 is **KD 102 thousand**, (31 December 2023: KD 102 thousand).

8. INVESTMENT ACCOUNTS

Investment accounts receive a proportion of profit based on an agreed profit-sharing ratio and bear a share of loss.

Investment accounts take the form of unrestricted Mudaraba or Wakala contracts and include savings accounts and fixed term deposit accounts.

Saving Investment Accounts

These are open-term deposits and the client is entitled to withdraw the balances of these accounts or portions thereof at any time. The profit sharing of saving investment accounts is calculated and distributed monthly and the rate of profits on the accounts balances were ranging between 0.4% and 1.4% based on the product and currency.

Fixed-Term Deposit Investment Accounts

These are fixed-term deposits based on the deposit contract executed between the Bank and the depositor. These deposits have a predetermined maturity date and renewed automatically for a similar period, unless the depositor notifies the Bank in writing of his/her desire not to renew the deposit. The profit sharing of fixed-term deposit investment accounts is calculated monthly and distributed on the month ended after the maturity date and the rate of profits on the accounts balances were ranging between 1.3% and 4.3% based on the product and currency.

Investment accounts are invested in pools of assets and receive a proportion share of net income from these assets after allocating its proportional share of expenses. These assets are complying with the Codes of the Islamic Sharia’a, as approved by the Group’s Sharia’a Supervisory Board. The Bank does not maintain investment risk reserve or profit equalization reserve.

A weighting factor of 50% is applied on the credit risk-weighted exposures financed from investment accounts.

9. COMPOSITION OF CAPITAL

9.1 Composition of Regulatory Capital

For regulatory purposes, the capital base is divided into:

- Common Equity Tier 1
- Tier 1 Capital
- Total Capital

Common Equity Tier 1 Capital comprises share capital, share premium, retained earnings, eligible reserves and related eligible non-controlling interests. The book values of Goodwill and Intangibles are deducted along with other regulatory adjustments.

Tier 1 Capital consists of Common Equity Tier 1 Capital and Additional Tier 1 Capital which includes eligible portions of non-controlling interests.

Total Regulatory Capital includes Tier 1 Capital and Tier 2 Capital which consists of the allowed portions of general provisions and certain additional eligible non-controlling interests.

The below table summarizes the composition of capital and ratios:

Table 15	2024 KD '000s	2023 KD '000s
Common Equity Tier 1 Capital before regulatory adjustments	**887,453**	850,432
Less:		
Total regulatory adjustments to Common Equity Tier 1	**42,523**	56,851
Deductions from Capital Base arising from Investments in FIs where ownership is > 10%	**-**	-
Common Equity Tier 1 Capital (CET1)	**844,930**	793,581
Additional Tier 1 Capital (AT1)	**137,875**	136,254
Tier 1 Capital (T1 = CET1 + AT1)	**982,805**	929,835
Tier 2 Capital (T2)	**73,066**	69,163
Total Capital (TC = T1 + T2)	**1,055,871**	998,998
Total risk-weighted assets	**5,884,806**	5,560,734
Capital ratios and buffers		
Common Equity Tier 1 Capital (as percentage of risk-weighted assets)	**14.36%**	14.27%
Tier 1 Capital (as percentage of risk-weighted assets)	**16.70%**	16.72%
Total Regulatory Capital (as percentage of risk-weighted assets)	**17.94%**	17.97%
National minima		
Common Equity Tier 1 minimum ratio (excluding Capital Conservation, Counter Cyclical and DSIB buffers)	**7.00%**	7.00%
Tier 1 minimum ratio	**8.50%**	8.50%
Total capital minimum ratio	**10.50%**	10.50%
Bank minima		
Common Equity Tier 1 minimum ratio (including Capital Conservation and DSIB buffers)	**10.50%**	10.50%
Tier 1 minimum ratio	**12.00%**	12.00%
Total capital minimum ratio	**14.00%**	14.00%

A detailed breakdown of the Group's regulatory capital position under the common disclosures templates as stipulated under the Pillar 3 section of the CBK Basel III Capital Adequacy framework is presented in Appendices Table 1.

10 RECONCILIATION REQUIREMENTS

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

Table 16 provides the comparison (Step1) of the balance sheet published in the consolidated financial statement and the balance sheet under the regulatory scope of consolidation. Lines have been expanded and referenced with letters (Step 2) to display the relevant items of the regulatory capital.

31 December 2024

Table 16 - Step 1 and 2 of Reconciliation requirements	Balance sheet as in published financial statements KD '000s	Under regulatory scope of consolidation KD '000s	Reference
Assets			
Cash and balances with banks	495,501	495,501	
Deposits with Central Bank of Kuwait	125,056	125,056	
Deposits with other banks	244,705	244,705	
Islamic financing to customers	6,923,895	6,923,895	
of which general provisions (netted above) capped for Tier 2 inclusion	*69,922*	*69,922*	A
Investment in Sukuk	1,063,896	1,063,896	
of which investments in the capital of banking entities above the threshold deduction that are outside the scope of regulatory consolidation	-	-	B
of which reciprocal cross-holding in Additional Tier 1 instruments	*14,868*	*14,868*	C
Other investment securities	187,996	187,996	
Investment properties	68,370	68,370	
Other assets	99,026	99,026	
of which Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	D
Property and equipment	168,123	168,123	
of which other intangibles (net of related tax liability)	*42,469*	*42,469*	E
Total assets	9,376,568	9,376,568	
Liabilities			
Due to banks	286,437	286,437	
Depositors' accounts	7,424,166	7,424,166	
Medium term financing	445,512	445,512	
Other liabilities	134,393	134,393	
Total liabilities	8,290,508	8,290,508	
Equity			
Share capital	420,078	420,078	F
Share premium	316,942	316,942	G
Proposed bonus shares	21,004	21,004	H
Treasury shares	(54)	(54)	I
Statutory reserve	65,407	65,407	J
Voluntary reserve	15,327	15,327	K
Other reserves	(238)	(238)	L
Retained earnings	32,428	32,428	
of which Retained Earnings eligible as CET1 Capital	*32,428*	*32,428*	M
of which Modification loss on deferral of financing instalments	-	-	
Proposed Cash Dividends	42,002	42,002	
Equity attributable to equity holders of the Bank	912,896	912,896	
Perpetual Tier 1 Sukuk	150,385	150,385	N
Non-controlling interests	22,779	22,779	
of which limited recognition eligible as CET1 Capital	*16,505*	*16,505*	O
of which limited recognition eligible as AT1 Capital	*2,358*	*2,358*	P
of which limited recognition eligible as Tier 2 Capital	*3,144*	*3,144*	Q
Total equity	1,086,060	1,086,060	
Total liabilities and equity	9,376,568	9,376,568	

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RISK MANAGEMENT

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10. RECONCILIATION REQUIREMENTS (CONTINUED)

31 December 2023

Table 16 - Step 1 and 2 of Reconciliation requirements	Balance sheet as in published financial statements KD '000s	Under regulatory scope of consolidation KD '000s	Reference
Assets			
Cash and balances with banks	398,952	398,952	
Deposits with Central Bank of Kuwait	218,997	218,997	
Deposits with other banks	96,228	96,228	
Islamic financing to customers	6,321,041	6,321,041	
of which general provisions (netted above) capped for Tier 2 inclusion	*66,236*	*66,236*	A
Investment in Sukuk	886,286	886,286	
of which investments in the capital of banking entities above the threshold deduction that are outside the scope of regulatory consolidation	*0*	*0*	B
of which reciprocal cross-holding in Additional Tier 1 instruments	*16,327*	*16,327*	C
Other investment securities	156,760	156,760	
Investment properties	73,521	73,521	
Other assets	103,988	103,988	
of which Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	*19,213*	*19,213*	D
Property and equipment	149,216	149,216	
of which other intangibles (net of related tax liability)	*37,584*	*37,584*	E
Total assets	8,404,989	8,404,989	
Liabilities			
Due to banks	187,206	187,206	
Depositors' accounts	6,479,066	6,479,066	
Medium term financing	591,680	591,680	
Other liabilities	118,202	118,202	
Total liabilities	7,376,154	7,376,154	
Equity			
Share capital	396,300	396,300	F
Share premium	316,942	316,942	G
Proposed bonus shares	23,778	23,778	H
Treasury shares	(54)	(54)	I
Statutory reserve	55,233	55,233	J
Voluntary reserve	15,327	15,327	K
Other reserves	299	299	L
Retained earnings	15,127	15,127	
of which Retained Earnings eligible as CET1 Capital	*27,185*	*27,185*	M
of which Modification loss on deferral of financing instalments	*(12,058)*	*(12,058)*	
Proposed Cash Dividends	31,700	31,700	
Equity attributable to equity holders of the Bank	854,652	854,652	
Perpetual Tier 1 Sukuk	150,385	150,385	N
Non-controlling interests	23,798	23,798	
of which limited recognition eligible as CET1 Capital	*15,368*	*15,368*	O
of which limited recognition eligible as AT1 Capital	*2,196*	*2,196*	P
of which limited recognition eligible as Tier 2 Capital	*2,927*	*2,927*	Q
Total equity	1,028,835	1,028,835	
Total liabilities and equity	8,404,989	8,404,989	

10. RECONCILIATION REQUIREMENTS (CONTINUED)

Table 17 provides the relevant lines under 'Appendices Table 1: Composition of Regulatory Capital' with cross references to the letters in Table 16, thereby reconciling (Step 3) the components of regulatory capital to the published balance sheet.

Table 17 **31 December 2024**

Relevant row number in common disclosure template	Item	Component of regulatory capital KD '000s	Source based on reference letters of the balance sheet from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	**420,078**	**F**
2	Retained earnings	**32,428**	**M**
3	Accumulated other comprehensive income (and other reserves)	**418,442**	**G+H+J+K+L**
5	Common share capital issued by subsidiaries and held by third parties	**16,505**	**O**
6	Common Equity Tier 1 Capital before regulatory adjustments	**887,453**	
	Common Equity Tier 1 capital: regulatory adjustments		
8	Goodwill (net of related tax liability)	**-**	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(42,469)**	**E**
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**-**	**D**
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**(54)**	**I**
18	Deductions from Capital Base arising from Investments in FIs where ownership is > 10%	**-**	
28	**Total regulatory adjustments to Common Equity Tier 1**	**(42,523)**	
29	**Common Equity Tier 1 capital (CET1)**	**844,930**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**150,385**	**N**
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**2,358**	**P**
36	**Additional Tier 1 capital before regulatory adjustments**	**152,743**	
	Additional Tier 1 capital: regulatory adjustments		
38	Reciprocal cross-holding in Additional Tier 1 instruments	**(14,868)**	**C**
39	Investments in the capital of banking, financial and Islamic insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	**-**	**B**
43	**Total regulatory adjustments to Additional Tier 1 capital**	**(14,868)**	
44	**Additional Tier 1 capital (AT1)**	**137,875**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**982,805**	
	Tier 2 capital: instruments and provisions		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**3,144**	**Q**
50	General Provisions included in Tier 2 Capital	**69,922**	**A**
51	**Tier 2 Capital before regulatory adjustments**	**73,066**	
	Tier 2 Capital: regulatory adjustments		
54	Investments in the capital of banking, financial and Islamic insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	**-**	**B**
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 Capital (T2)**	**73,066**	
59	**Total capital (TC = T1 + T2)**	**1,055,871**	

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

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10. RECONCILIATION REQUIREMENTS (CONTINUED)

Table 17

31 December 2023

Relevant row number in common disclosure template	Item	Component of regulatory capital KD '000s	Source based on reference letters of the balance sheet from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	396,300	F
2	Retained earnings	27,185	M
3	Accumulated other comprehensive income (and other reserves)	411,579	G+H+J+K+L
5	Common share capital issued by subsidiaries and held by third parties	15,368	O
6	Common Equity Tier 1 Capital before regulatory adjustments	850,432	
	Common Equity Tier 1 capital: regulatory adjustments		
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(37,584)	E
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(19,213)	D
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(54)	I
18	Deductions from Capital Base arising from Investments in FIs where ownership is > 10%	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	(56,851)	
29	**Common Equity Tier 1 capital (CET1)**	793,581	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	150,385	N
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	2,196	P
36	**Additional Tier 1 capital before regulatory adjustments**	152,581	
	Additional Tier 1 capital: regulatory adjustments		
38	Reciprocal cross-holding in Additional Tier 1 instruments	(16,327)	C
39	Investments in the capital of banking, financial and Islamic insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	B
43	**Total regulatory adjustments to Additional Tier 1 capital**	(16,327)	
44	**Additional Tier 1 capital (AT1)**	136,254	
45	**Tier 1 capital (T1 = CET1 + AT1)**	929,835	
	Tier 2 capital: instruments and provisions		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	2,927	Q
50	General Provisions included in Tier 2 Capital	66,236	A
51	**Tier 2 Capital before regulatory adjustments**	69,163	
	Tier 2 Capital: regulatory adjustments		
54	Investments in the capital of banking, financial and Islamic insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	B
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 Capital (T2)**	69,163	
59	**Total capital (TC = T1 + T2)**	998,998	

11. LEVERAGE RATIO

In October 2014, CBK issued the regulations on the 'Leverage ratio' introduced by Basel Committee on Banking Supervision (BCBS) as part of the regulatory reforms package. This transparent and non-risk based metric supplements the Capital ratio to act as a backstop measure to limit excessive build-up of on and off-balance sheet exposures.

The Leverage ratio is a separate, additional requirement from the risk-based capital requirement. It is defined as the 'capital' measure divided by the 'exposure' measure. The capital measure is made up of Tier 1 Capital. The exposure measure is a sum of on-balance sheet assets, derivative exposures; securities finance transactions and off-balance sheet exposures.

The Group is in compliance with the requirements stipulated by CBK for the Leverage ratio set at a minimum of 3%.

The Leverage Ratio for the Group at consolidated level is:

	2024	2023
Table 18		
Tier 1 Capital (KD '000s)	**982,805**	929,835
Total Exposures (KD '000s)	**9,815,945**	8,794,302
Leverage Ratio (%)	**10.01%**	10.57%

The below Table provides the details of the Total Exposures for Leverage Ratio:

	2024	2023
Table 19	**KD '000s**	KD '000s
On-balance sheet exposures	**9,319,176**	8,331,811
Exposures to Sharia compliant hedging contracts	**32,054**	31,704
Off-balance sheet items	**464,715**	430,787
Total Exposures	**9,815,945**	8,794,302

Appendices Table 2 provides details of the Leverage Ratio in the format stipulated for public disclosure under the Pillar 3 framework.

11.1 Leverage Ratio Reconciliation

Table 20 provides the reconciliation of the balance sheet assets from the published financial statement with total exposure amount in the calculation of leverage ratio.

Summary comparison of accounting assets vs leverage ratio exposure measure

	2024	2023
Table 20	**KD '000s**	KD '000s
Item		
Total consolidated assets as per published financial statements	**9,376,567**	8,404,989
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**-**	-
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	-
Adjustments for Exposures to Sharia compliant hedging contracts	**32,054**	31,704
Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	**464,715**	430,787
Other adjustments	**(57,391)**	(73,178)
Leverage ratio exposure	**9,815,945**	8,794,302

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12. REMUNERATION DISCLOSURE

12.1 Qualitative Information

12.1.1 Governance bodies

The Group's remuneration framework is under the supervision of the Board of Directors. As per the Group's policies and charters, the Board is responsible to review and approve the remuneration policy and oversee the implementation of the remuneration framework.

The Board Nomination and Remuneration Committee (BNRC) comprises 5 Board members. Its main responsibility, in terms of remuneration mandates, is to support the board in setting the principles of the Group's remuneration policy and ensures effective implementation in accordance with the Group's remuneration policy and Corporate Governance Code.

The Group remuneration policy is developed and implemented at the Group level and covers Group's wholly owned subsidiaries.

The remuneration policy defines three major categories for remuneration treatment, governance and disclosures.

Senior Management: includes all employees in the positions of Deputy General Manager and above for all business units except for supervisory functions. The number of employees in this category as at 31 December 2024 was **32 employees**, (31 December 2023: 31 employees).

Material Risk Takers: includes Group CEO, CEOs, Head of operating departments and their deputies whose activities and decisions have a material impact on the risk profile of the Bank. The number of employees in this category as at 31 December 2024 was **34 employees**, (31 December 2023: 26 employees).

Financial and Risk Control: includes all head of divisions and head of groups in Financial Control, Risk Management, Compliance, Governance, Internal Audit's Divisions, Anti-Money Laundering functions and Internal Sharia' Audit. The number of employees in this category as at 31 December 2024 was **19 employees**, (31 December 2023: 16 employees).

12.1.2 Remuneration Structure and design

Boubyan Group's remuneration policy is in line with the strategic objectives of the Group. The policy is designed mainly to attract, retain and motivate high-calibre, skilled and knowledgeable employees, thereby ensuring a sound risk management and sustained profitability.

The Group's financial remuneration framework has been linked with long-term and short-term performance objectives. The Board-approved Group's Strategy is transformed into Key Performance Indicators (KPIs) and remuneration is determined based on the achievement of those KPIs towards the overall Group strategy [including financial and non-financial criteria and Key Risk Indicators (KRIs), as appropriate].

The employees of the Bank are entitled to two categories of remuneration, which are as follows:

Fixed remuneration: such remuneration is defined in the employment agreements, and may include fixed salaries (i.e. basic salary, allowances and annual fixed pay as a percentage of basic salary) and other benefits (i.e. medical insurance, air-tickets, and schooling support),

Variable remuneration: such remuneration is driven mainly by performance and guided by the "Employee Incentive Plan". This is in the form of cash bonus and/or Employee Stock Options (ESOP).

The remuneration policy is reviewed by the Board Nomination and Remuneration Committee annually and any amendments should be approved by the Board of Directors.

The risk management, compliance and internal audit functions are independent functions. The risk management and compliance functions are reporting to and assessed by the Board Risk and Compliance Committee. The internal audit function is reporting to and assessed by the Board Audit Committee. The total remuneration for these positions is determined and approved by the Board Risk and Compliance Committee and Board Audit committee as a fully independent party.

The Bank considers its Group risk profile when determining its annual remuneration pool; the risk profile includes the key risks to which the Group is exposed such as strategic, credit, market, liquidity, and operational risk.

The overall variable remuneration pool is determined by taking into account of relevant risk metrics. The metrics used to determine the pool are linked with key risk indicators and they are in line with the Group's overall risk strategy. The Group applied the key risk indicators (KRIs) this year without significant change from last year's KRIs.

12. REMUNERATION DISCLOSURE (CONTINUED)

12.1 Qualitative Information (continued)

12.1.3 An Overview on the Key Performance Indicators

The overall strategy of the Bank is set and approved by the Board and translated into KPIs. These are then documented and communicated to ensure the alignment of management activities to the strategy applied by Senior Management. These KPIs are monitored and reported to the Board on a regular basis.

Remuneration is determined based on the achievement of KPIs toward the overall Group strategy; this includes financial and non-financial criteria and Key Risk Indicators (KRIs) at Group's level.

The Group's performance management policy sets the methodology of linking an individual's annual performance with the Group's overall performance.

The annual remuneration pool for this year was approved by the board of directors after review, discussion and recommendation by the Board Nomination and Remuneration Committee. The percentage of approved remuneration was determined based on the Bank-level KPIs.

The performance appraisal form for each position identifies the quantitative weights of individual KPIs; the final scoring of the appraisal is linked with a quantitative formula to determine the level of remunerations.

Since the overall remuneration pool of the Group is linked to Group performance, the Group adjusts the remuneration percentages in case of weak performance and business recessions.

12.1.4 Remuneration Adjustments

The annual remuneration amount (fixed and variable) is reviewed by the Board Nomination and Remuneration Committee and is then subject to review and approval by the board of directors.

The Group remuneration deferment policy ensures an appropriate portion of the variable remuneration of senior employees (including those deemed to have a material impact on the risk profile of the organisation) is deferred.

The deferment of variable remuneration applies to the equity shares as per the ESOP terms. This deferred variable remuneration is subject to clawback in the event of established fraud, misleading information or exceeding the approved risk limits.

12.1.5 Types of Remuneration Components

The Bank has two main remuneration components (fixed and variable). The variable component is mainly linked with performance and is subject to the deferment approach as mentioned above.

The fixed component (salaries, benefits) is on cash basis, while the variable component is on cash or equity basis (ESOP).

The percentage between fixed and variable (cash and equity) is reviewed and approved by the board of directors on an annual basis.

In case weak performance and business recessions, the Group would try to minimise the percentage of variable remuneration, especially for the Senior Management and Material Risk-Takers.

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12. REMUNERATION DISCLOSURE (CONTINUED)

12.2 Quantitative Information

During the year, the Board Nomination and Remuneration Committee met **4 times**, (31 December 2023: 4 times).

The total remuneration paid to the Committee Chairperson was **KD 10 thousand**, (31 December 2023: KD 10 thousand).

The quantitative disclosures detailed below cover only senior management and other material risk takers:

The number of employees having received a variable remuneration award during 2024 was **45 employees** and they represent **4%** of the total number of employees (31 December 2023: 39 employees representing 3.8% of the total number of employees).

The number of employees who received sign-on awards or guaranteed bonuses during 2024 was 1 **employee** (31 December 2023: 1 employee).

The total amount of end-of-service benefit paid during 2024 was **KD 304 thousand**; this is related to **5 employees** (31 December 2023: KD 480 thousand related to 3 employees).

The total amount of outstanding deferred remuneration as at 31 December 2024 was **KD 3,738 thousand** (31 December 2023: KD 4,032 thousand).

Total amount of deferred remuneration paid during 2024 was **KD 1,162 thousand** (31 December 2023: KD 743 thousand).

Total salaries & remuneration granted during reported period

Senior Management	**2024**		2023	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Table 21	**KD '000s**	**KD '000s**	KD '000s	KD '000s
Fixed remuneration:				
- Cash	**4,059**	**-**	4,085	-
- Others (refer note below)	**-**	**526**	-	371
Variable remuneration:				
- Cash	**1,990**	**-**	1,436	-
- DCC (Deferred cash payment)	**-**	**948**	-	1,309

Material Risk Takers*	**2024**		2023	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Table 22	**KD '000s**	**KD '000s**	KD '000s	KD '000s
Fixed remuneration:				
- Cash	**3,619**	**-**	3,099	-
- Others (refer note below)	**-**	**592**	-	344
Variable remuneration:				
- Cash	**1,699**	**-**	1,129	-
- DCC (Deferred cash payment)	**-**	**814**	-	1,056

Note: This consists of deferred end-of-service benefits in line with Boubyan Bank policy

Employees Category

	2024		2023	
Table 23	**Number of employees**	**Remuneration Fixed and Variable**	Number of employees	Remuneration Fixed and Variable
		KD '000s		KD '000s
Senior Management	**32**	**7,523**	31	7,201
Material Risk Takers*	**34**	**6,724**	26	5,628
Financial and Risk Control	**19**	**2,058**	16	1,606

** Material Risk Takers are identified as Senior Management*

13. LIQUIDITY COVERAGE RATIO

13.1 Introduction

In December 2014, the Central Bank of Kuwait (CBK) issued a directive (2/RB/346/2014) to Islamic banks operating in Kuwait on the adoption of the Liquidity Coverage Ratio (LCR) as part of the Central Banks's implementation of the Basel III reforms.

The main objective of the Liquidity Coverage Ratio (LCR) is to ensure the short-term resilience of the liquidity risk management of banks by ensuring that they have sufficient high quality liquid assets (HQLA) to survive a significant stress scenario lasting for a period of 30 days.

13.2 Definition

The LCR is defined as a ratio of Islamic Sharia'a compliant HQLA to the total net cash outflows estimated for the next 30 'calendar' days. HQLA are classified into two categories: "Level 1" and "Level 2" with a cap on "Level 2" assets to the total HQLA. "Level 2 HQLA" are calculated after applying the hair cut provided by the Central Bank of Kuwait on their market values. The net cash outflows are calculated by applying cash outflow and inflow run off factors assigned by the Central Bank of Kuwait. These factors apply to the various categories of liabilities (outflows relating to retail and wholesale deposits, contingent funding obligations and undrawn commitments) and assets (inflows from retail and corporate financing receivables) maturing within 30 days.

The LCR is calculated by dividing the amount of unencumbered HQLA by the estimated net outflows over a stressed 30-day period.

13.3 Regulatory Scope of Reporting and Consolidation

The LCR is reported on a consolidated basis, banking group including the branches and subsidiaries inside and outside Kuwait.

The LCR is calculated on a total currency level. For follow up purposes only the LCR is prepared on a stand-alone basis for significant currencies. Significant currencies are defined as those whose aggregate liabilities (on- and off- balance sheet) constitute more than 5% of the Group's total aggregate liabilities. Accordingly, the Bank reports the LCR for Kuwaiti Dinar (KWD) and US Dollar (USD) and British Pound Sterling (GBP) denominated balances in addition to the total currency level.

13.4 Liquidity Policy and Contingency Funding Plan

The Group's liquidity management is guided by its liquidity policy as part of the Treasury Policy which is reviewed every three years and approved by the board of directors. The liquidity policy document specifies the main goals, policies and procedures for managing liquidity. The liquidity risk policy as part of the risk management framework outlines procedures to identify, measure and monitor liquidity risk parameters in line with regulatory and internal limits, under normal and stress scenarios.

The liquidity policy also encompasses the Group's Contingency Funding Plan (CFP), which is approved by the board of directors, charts the course to be followed under stressed conditions.

13.5 Funding Strategy and Liquidity Management

While the operational aspect of day-to-day cash flow and liquidity management rests with Treasury Group, other groups such as Consumer Banking Group (CBG), Corporate Banking Group (CBG), Risk Management Group (RMG), and Financial Control Group (FCG) play a key role in managing and monitoring the longer-term funding profile of the bank under the oversight of the Asset Liability Management Committee (ALCO).

The Group's long-term strategy has been to maintain a strong and diversified liabilities profile. The bank has embraced a robust funding profile through its wide domestic retail customer base and the diversified wholesale funding customers. The Group's major wholesale funding counterparties comprise mostly of Kuwaiti government and quasi-sovereign agencies with which the Bank has established a strong and long-term relationship. Moreover, given its strong and consistent credit rating, the Bank is able to obtain longer-term funding from the debt market through its Global Medium-Term Note (GMTN) program, medium term financing and perpetual Tier 1 sukuk.

13.6 Results Analysis and Main Drivers

The Group's HQLA during the three months ended 31 December 2024, averaged **KD 977.16 million** (post-haircut) against an average net cash-outflow of **KD 448.70 million**. The daily-average LCR for the observed period was **217.78%.**
The HQLA is primarily comprised of Level 1 assets which represent cash and reserve balances with the CBK as well as debt issuances by sovereign and Islamic development banks in domestic and foreign currencies. Level 2 assets comprise of debt issuances by International Islamic Liquidity Management Corporation and other non-financial institutions in domestic and foreign currencies. Level 1 assets comprise of **71%** of the total HQLA

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13. LIQUIDITY COVERAGE RATIO (CONTINUED)

13.7 Quantitative Information

Quantitative information on the Liquidity Coverage Ratio is provided in the table below. The values are calculated as the simple average of daily observations over the period between 1 October 2024 and 31 December 2024 for the Bank at Group level.

Table 24

Sr.	Item	Value before applying flow rates (average)**	Value after applying flow rates[1] (average)**
High-Quality Liquid Assets (HQLA)			
1	Total HQLA (before adjustments)		**977,161**
Cash Outflows			
2	Retail deposits and small business	**1,955,308**	**311,814**
3	· Stable deposits	6,933	347
4	· Less stable deposits	1,948,375	311,467
5	Deposit, investment accounts and unsecured wholesale funding excluding the deposits of small business customers:	**1,327,168**	**773,162**
6	· Operational deposits	-	-
7	· Non-operational deposits (other unsecured commitments)	1,327,168	773,162
8	Secured Funding		-
9	Other cash outflows, including:	**145,309**	**14,515**
10	· Resulting from Shari'ah compliant hedging contracts	-	-
11	· Resulting from assets-backed sukuk and other structured funding instruments	-	-
12	· Binding credit and liquidity facilities	145,309	14,515
13	Other contingent funding obligations	**2,110,274**	**105,514**
14	Other contractual cash outflows obligations	**199,392**	**199,392**
15	**Total Cash Outflows**		**1,404,397**
Cash Inflows			
16	Secured lending transactions	-	-
17	Inflows from the performing exposures (as per the counterparties)	**1,473,685**	**895,003**
18	Other cash Inflows	**60,697**	**60,697**
19	**Total Cash Inflows**	**1,534,381**	**955,700**
LCR			**Total Adjusted Value [2]**
20	Total HQLA (after adjustments)		**977,161**
21	Net Cash Outflows		**448,697**
22	LCR		**217.78%**

**Simple Average for all business days of the template reporting period.
1 Is the value after the application of respective haircuts for HQLA, inflow and outflow rates.
2 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e., cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

14. NET STABLE FUNDING RATIO

14.1 Introduction

The Central Bank of Kuwait (CBK) approved at its meeting held on 25 October 2015 and issued a directive (2/IBS/357/2015) to Islamic banks. The issuance of the Net Stable Funding Ratio (NSFR) guidelines comes as part of the steps taken by the CBK to implement Basel III reforms.

The objective of this ratio is to promote resilience of banks' liquidity risk profiles and more resilient banking sector. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure can mitigate the risk of erosion of a bank's liquidity position due to disruptions in its sources of funding. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

The NSFR is reported and monitored at two organizational levels: Local level (Level A) - Boubyan Kuwait and Group Level (Level C) including all subsidiaries having banking activities (Boubyan Group).

14.2 Definition

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. "Required stable funding" is defined as the portion of assets and off-balance sheet (OBS) exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures.

The NSFR (as a percentage) is calculated as follows:

$$\frac{Available\ amount\ of\ stable\ funding}{Required\ amount\ of\ stable\ funding} \geq 100\%$$

14.3 Regulatory Scope of Reporting and Consolidation

The NSFR is reported on a consolidated basis, banking group including the branches and subsidiaries inside and outside Kuwait

14.4 Liquidity Policy and Contingency Funding Plan

The Bank's liquidity management is guided by its Liquidity Policy which is reviewed annually and approved by the Board of Directors. The Liquidity Policy document specifies the main goals, policies and procedures for managing liquidity risk. The Liquidity Policy outlines procedures to identify, measure and monitor liquidity risk parameters in line with regulatory and internal limits, under normal and stress scenarios.

The Liquidity Policy also encompasses the bank's Contingency Funding Plan (CFP), which is approved by the Board of Directors, charts the course to be followed under stressed conditions.

14.5 Funding Strategy and Liquidity Management

While the operational aspect of day-to-day cash flow and liquidity management rests with Treasury Group, other groups such as Consumer Banking Group (CBG), Corporate Banking Group (CBG), and Risk Management Group (RMG), and Financial Control Group (FCG) plays a key role in managing and monitoring the longer-term funding profile of the bank under the oversight of the Asset Liability Management Committee (ALCO).

The Bank's long-term strategy has been to maintain a strong and diversified liabilities profile. The bank has embraced a robust funding profile through its wide domestic retail customer base and the diversified wholesale funding customers. The bank's major wholesale funding counterparties comprise mostly of Kuwaiti government and quasi-sovereign agencies with which the Bank has established a strong and long-term relationship. Moreover, given its strong and consistent credit rating, the Bank is able to obtain longer-term funding from the debt market through its Global Medium-Term Note (GMTN) program, medium term financing and perpetual Tier 1 sukuk.

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14. NET STABLE FUNDING RATIO (CONTINUED)

14.6 Results Analysis and Main Drivers

Available Stable Funding at Boubyan Group level as of end of 31 December 2024, was **KD 6,255 million** (after applying the relevant weights) against Required Stable Funding (RSF) of **KD 5,271 million** (after applying the relevant weights) resulting in Net Stable Funding Ratio of **118.66%.**

The main drivers behind the Available Stable Funding are the adequate capital base, sizable Retail deposit base, and long-term funding. The Available Stable Funding primarily comprise of regulatory capital as per Central Bank of Kuwait Basel III regulations around **16.5%**, retail deposits (including deposits from small-sized business customers) formed **55.6%**, and wholesale funding formed **26.5%** of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding comprised primarily financing to companies, businesses, corporations and retail clients.

The stock of High-Quality Liquid Assets (HQLA), which includes cash and reserve balances with the Central Bank of Kuwait (CBK) and other central banks, sovereign debt issuances as well as debt issuances by highly-rated companies stood at **KD 1,163 million** (before applying the RSF factors). Due to their high quality and liquid characteristic, these assets require no or low amount of stable funding. Accordingly, the HQLA's constituted only **1.7%** of the Required Stable Funding after applying the relevant weights.

"Performing" loans constituted **80.9%** of the total RSF after applying the relevant weights.

Non-HQLA investments, contingent funding obligations, such as committed credit facilities, guarantees and letters of credit (LCs), and other assets, constituted the remaining **17.4%** of the Required Stable Funding, after applying the relevant weights.

14. NET STABLE FUNDING RATIO (CONTINUED)

Quantitative information on the Net Stable Funding Ratio is provided in the table below.

Table 25: NSFR disclosure for the period ending on 31 December 2024

Sr.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	**Capital:**					
2	Regulatory Capital	1,033,864	-	-	-	1,033,864
3	Other Capital Instruments	-	-	-	-	-
4	**Retail deposits and deposits from small business customers:**					
5	Stable deposits	-	47,937	16,228	17,492	78,449
6	Less stable deposits	-	3,065,868	526,493	164,489	3,397,614
7	**Wholesale funding:**					
8	Operational deposits and investment accounts	-	-	-	-	-
9	Other wholesale funding	-	3,404,255	630,095	306,599	1,655,983
10	**Other liabilities:**					
11	NSFR Sharī'ah-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	22,007	168,646	-	66,896	88,903
13	**Total ASF**					**6,254,813**
Required Stable Funding (RSF):						
14	**Total NSFR Sharī'ah-compliant high-quality liquid assets (HQLA)**					90,393
15	**Deposits and investment accounts held at other financial institutions for operational purposes**	-	-	-	-	-
16	**Performing loans and securities:**					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non- Level 1 HQLA and unsecured performing financing to financial institutions	-	1,023,308	12,402	30,307	190,004
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	3,423,486	418,293	2,535,514	4,076,076
20	With a risk weight of less than or equal to 35% as per the 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 the CBK Capital Adequacy Ratio – Basel III Guidelines	-	-	-	-	-
23	**Securities that are not in default and do not qualify as HQLA, including exchange-traded equities**	-	-	-	196,921	167,383
24	**Other assets:**					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Sharī'ah-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Sharī'ah-compliant hedging contract assets		-	-	6,768	-
28	NSFR Sharī'ah-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	502,255	158,157	223,948	-	641,061
30	**Off-balance sheet items**		2,122,308	-	-	106,115
31	**Total RSF**					**5,271,033**
32	**NSFR (%)**					**118.66%**

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

RISK MANAGEMENT
For the year ended 31 December 2024

15. APPENDICES

Table 1: Regulatory Capital Composition: Common Disclosure Template

Row Number	Item	2024 KD '000s	2023 KD '000s
	Common Equity Tier 1 Capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	**420,078**	396,300
2	Retained earnings	**32,428**	50,963
3	Accumulated other comprehensive income (and other reserves)	**418,442**	387,801
5	Common share capital issued by subsidiaries and held by third parties	**16,505**	15,368
6	**Common Equity Tier 1 capital before regulatory adjustments**	**887,453**	850,432
	Common Equity Tier 1 Capital: regulatory adjustments		
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(42,469)**	(37,584)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**-**	(19,213)
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**(54)**	(54)
28	**Total regulatory adjustments to Common Equity Tier 1**	**(42,523)**	(56,851)
29	**Common Equity Tier 1 Capital after the regulatory adjustments (CET1)**	**844,930**	793,581
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**150,385**	150,385
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**2,358**	2,196
36	**Additional Tier 1 Capital before regulatory adjustments**	**152,743**	152,581
	Additional Tier 1 Capital: regulatory adjustments		
38	Reciprocal cross holdings in Additional Tier 1 instruments	**(14,868)**	(16,327)
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**-**	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	**(14,868)**	(16,327)
44	**Additional Tier 1 capital (AT1)**	**137,875**	136,254
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**982,805**	929,835
	Tier 2 Capital: instruments and provisions		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**3,144**	2,927
50	General Provisions included in Tier 2 Capital	**69,922**	66,236
51	**Tier 2 capital before regulatory adjustments**	**73,066**	69,163
	Tier 2 Capital: regulatory adjustments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**-**	-
57	**Total regulatory adjustments to Tier 2 Capital**	**-**	-
58	**Tier 2 Capital (T2)**	**73,066**	69,163
59	**Total Capital (TC = T1 + T2)**	**1,055,871**	998,998
60	**Total risk-weighted assets**	**5,884,806**	5,560,734
	Capital ratios and buffers		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	**14.36%**	14.27%
62	Tier 1 (as percentage of risk-weighted assets)	**16.70%**	16.72%
63	Total capital (as percentage of risk-weighted assets)	**17.94%**	17.97%
	National minima		
69	Common Equity Tier 1 minimum ratio (excluding Capital Conservation, Counter Cyclical and DSIB buffers)	**7.00%**	7.00%
70	Tier 1 minimum ratio	**8.50%**	8.50%
71	Total capital minimum ratio	**10.50%**	10.50%

15. APPENDICES (CONTINUED)

Table 2: Leverage Ratio: Common Disclosure Template

	Item	**2024 KD '000s**	2023 KD '000s
	On-balance sheet exposures		
1	On-balance sheet items (excluding Sharia compliant hedging contracts, but including collaterals)	**9,376,567**	8,404,989
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	**(57,391)**	(73,178)
3	**Total on-balance sheet exposures (excluding Sharia compliant hedging contracts) (sum of lines 1 and 2)**	**9,319,176**	8,331,811
	Exposures to Sharia compliant hedging contracts		
4	Replacement cost associated with all Sharia compliant hedging contracts (i.e., net of eligible cash variation margin)	**22,957**	23,520
5	Add-on amounts for potential future exposures "PFE" associated with all Sharia compliant hedging contracts	**9,097**	8,184
6	Gross-up for the collateral of Sharia compliant hedging contracts provided where deducted from the balance sheet assets pursuant to the Group's accounting policy.	**-**	-
7	(Deductions of receivables assets for cash variation margin provided in with all Sharia compliant hedging contracts)	**-**	-
8	(Group's exposures to exempted Central counter parties "CCP")	**-**	-
9	**Total exposures of Sharia compliant hedging contracts (sum of lines 4 to 8)**	**32,054**	31,704
	Other off-balance sheet exposures		
10	Off-balance sheet exposure (before any adjustment for credit conversion factors)	**2,147,060**	1,697,404
11	(Adjustments for conversion to credit equivalent amounts)	**(1,682,345)**	(1,266,617)
12	**Off-balance sheet items (sum of lines 10 and 11)**	**464,715**	430,787
	Capital and total exposures		
13	**Tier 1 Capital**	**982,805**	929,835
14	**Total exposures (sum of lines 3, 9,12)**	**9,815,945**	8,794,302
	Leverage ratio		
15	**Leverage ratio (Tier 1 Capital (13)/total exposures (14))**	**10.01%**	10.57%

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

RISK MANAGEMENT
For the year ended 31 December 2024

15. APPENDICES (CONTINUED)

Table 3: Regulatory Capital: Main Features Template

	Disclosure template for main features of regulatory capital instruments	
1	Issuer	Boubyan Tier 1 Sukuk Limited
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS2306403788
3	Governing law(s) of the instrument	English law
	Regulatory treatment	
4	Type of Capital (CET1, AT1 or T2)	Additional Tier 1
5	Eligible at solo/group/group and solo	Group and Solo
6	Instrument type	Subordinated Debt
7	Amount recognized in regulatory capital	USD 500 million (KWD 150.385 million)
8	Par value of instrument	USD 1,000/-
9	Accounting classification	Equity Tier 1
10	Original date of issuance	01 April 2021
11	Perpetual or dated	Perpetual
12	Original maturity date	No maturity
13	Issuer call subject to prior supervisory approval	Yes
14	Optional call date, contingent call dates and redemption amount	Optional Call date: 01 October 2026 (6 months par call)
15	Subsequent call dates, if applicable	On the First Call Date 1 October or on any Periodic Distribution Date thereafter (01 April and 01 October every year)
	Coupons/ dividends	
16	Fixed or floating dividend/coupon	Fixed
17	Coupon rate and any related index	3.95%
18	Existence of a dividend stopper	Yes
19	Fully discretionary, partially discretionary or mandatory	Partially discretionary
20	Existence of step up or other incentive to redeem	No
21	Noncumulative or cumulative	Non-Cumulative
22	Convertible or non-convertible	Non-Convertible
23	If convertible, conversion trigger (s)	Not applicable
24	If convertible, fully or partially	Not applicable
25	If convertible, conversion rate	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable
29	Write-down feature	Yes
30	If write-down, write-down trigger (s)	A contractual approach A Non-Viability Event means that the Financial Regulator has informed the Bank that it has determined that a Trigger Event has occurred. A Trigger Event would have occurred if any of the following events occur: a) the Bank is instructed by the Financial Regulator to write-off or convert such instruments into common equity, on the grounds of non-viability; or b) An immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.
31	If write-down, full or partial	Can be partial
32	If write-down, permanent or temporary	Permanent
33	If temporary write-down, description of write-up mechanism	Not applicable
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated, senior only to ordinary shares and Common Equity Tier 1 Capital
35	Non-compliant transitioned features	No
36	If yes, specify non-compliant features	Not applicable

Report of the Sharia Supervisory Board and External Sharia Auditor's Report

Report of the Sharia Supervisory Board

Date: 05 Rajab 1446 A.H.
Corresponding to: 05 January 2025

In the name of Allah, the Most Gracious, the Most Merciful

Report of the Sharia Supervisory Board
For the Financial Year Ended, December 31st 2024

To the Shareholders of Boubyan Bank
Peace and blessings be with you!

By virtue of the resolution of the General Assembly to appoint the Sharia Supervisory Board of Boubyan Bank (SSB), and to assign us with such duties, we hereby provide you with the following report:

First: Activities of the Sharia Supervisory Board:
We, at the Sharia Supervisory Board of Boubyan Bank, have monitored and reviewed the adopted principles and the contracts pertinent to the transactions of the Bank for the period from 01-01-2024 to 31-12-2024. We have observed the due review and revision necessary to express our opinion on the Bank's compliance with the rulings and principles of the Noble Islamic Sharia as well as its compliance with the specific Fatwa, resolutions, principles and guidelines previously issued by the (SSB). The management of the Bank is entrusted with the implementation of such rulings, principles and Fatwa while our responsibility is limited to expressing an independent opinion in light of the transactions submitted and presented to us.

We have exercised proper observation and review that covered review of contracts and procedures followed at the Bank by testing each type of transactions, and we have obtained all the information and explanations necessary to express an opinion on the extent to which the Bank's activities are in compliance with the rulings of the Noble Islamic Sharia.

Second: Meetings and Resolutions of the Sharia Supervisory Board:
During the period from 01-01-2024 to 31-12-2024, the Sharia Supervisory Board held (12) meetings in the presence of all of its members.

These meetings issued (143) Sharia-related resolutions, covering contracts and various Sharia-related inquiries.

Third: The Final Opinion:
In our opinion, Boubyan Bank's contracts, documents and operations during the period from01-01-2024 to 31-12-2024, presented to us, have been concluded as per the rulings and principles of the Noble Islamic Sharia. The (SSB) has further verified that revenues, which were unintentionally generated for the bank without compliance with the rulings of the Noble Islamic Sharia, have been excluded to be spent on charitable purposes.

We invoke Almighty Allah to rightly guide the Bank's management to better serve our noble religion, our dear country, and to put everyone on the right path. Verily, Allah is the Arbiter of All Success.

And Praise Be to Allah, the Lord of the Worlds.

Sheikh Dr. Abdulaziz Khalifa Al-Qassar
Chairman of the Sharia Supervisory Board

Sheikh Dr. Esam Khalaf Al-Enezi
Vice-Chairman of the Sharia Supervisory Board

Sheikh Dr. Ali Ibrahim Al-Rashid
Member of the Sharia Supervisory Board

Sheikh Dr. Mohammed Aud Al-Fuzaie
Member of the Sharia Supervisory Board

External Sharia Auditor's Report

To the Esteemed Shareholders
Boubyan Bank (K.S.C.)

We have conducted the external Sharia audit over the contracts, operations and activities (transactions) of Boubyan Bank (K.S.C.) (the Bank) for the fiscal year ended 31 December 2024, in accordance with the instructions of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's contracts, operations, and activities (transactions) are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the Bank's Sharia Supervisory Board Sharia Supervisory Board.

Opinion
In our Opinion, the contracts, operations, and activities (transactions) concluded and executed by the concerned departments at the Bank during the fiscal year ended 31 December 2024 comply with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Basis for Opinion
We have conducted the external Sharia audit based on the following professional instructions and standards:
1. Instructions of the of the Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016.
2. External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
3. The International Standard on Assurance Engagements (Standard 3000) Assurance other than Audits or Reviews of Historical Financial Information.

These standards require us to adhere to the ethical requirements, plan and conduct the external Sharia audit to obtain reasonable and independent assurance that the Bank complies with Islamic Sharia rules and principles according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Responsibility ofthe Management
The Bank's management is responsible for compliance with Islamic Sharia rules and principles in accordance with the resolutions and fatwas issued by the Sharia Supervisory Board in all contracts it concludes and transactions and activities ti carries out, and relevant policies and procedures. The Bank's management is also responsible for establishing and maintain an efficient and effective system for internal Sharia control enables it to achieve compliance with Islamic Sharia rules and principles in all its transactions according to the resolutions and fatwas issued by the Sharia Supervisory Board.

Responsibility of the External Sharia Auditor
Our responsibility is to conduct the external Sharia audit in accordance with the instructions of Sharia Supervisory Governance for Kuwaiti Islamic Banks issued by the Central Bank of Kuwait on 20/12/2016, which aim to obtain a reasonable and independent assurance that the Bank's operations and activities are carried out in compliance with Islamic Sharia rules and principles, in accordance with the resolutions and fatwas issued by the Sharia Supervisory Board.

Summary of External Sharia Audit Work
We have conducted the external Sharia audit work according tothe External Sharia Audit Standard (No. 6) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Standard on Assurance Engagements (Standard 3000), Assurance other than Audits or Reviews of Historical Financial Information, and we carried out the external Sharia audit work according to the followings:

External Sharia Auditor's Report

1. Planning for external Sharia audit based on the potential Sharia risks.
2. Examine the Bank's internal Sharia control system, not to express opinion on the efficiency and effectiveness of the system, but with the aim to design appropriate external Sharia audit procedures that enable us to obtain a reasonable and independent assurance.
3. Assessment of the potential Sharia risks based on the Bank's Sharia risks matrix.
4. Design external Sharia audit programs based on theresults of the potential Sharia risks assessment.
5. Using external Sharia audit programs in examining transactions on products, operations and activities executed by the Bank, on a sample basis
6. Gathering the findings of the examinations and audits we conducted, discussing those findings - fi any - with the departments responsible for execution such transactions at the Bank.
7. Issue a draft of the external Sharia audit report and discuss it with the concerned executive departments at the Bank.
8. Issue of the final external Sharia audit report.

We communicated with the concerned executive departments at the Bank, through several field audit visits and virtual meetings during our Sharia Audit, that spanned over a number of 9 field audit visits. The first visit was on 11/9/2024 and the last one was on 31/12/2024.

Our External Sharia Audit included, mainly, the following concerned executive departments:

- Secretary of the Sharia
- Supervisory Board
- Internal Shariah Audit
- Treasury Group
- CCOD
- PF Properations
- Corporate Finance
- Direct Banking Channels
- Products Management
- Distribution Channels
- Financial Control
- Internla Audit
- Human Resource
- Private Banking
- Retail Branches
- Direct Sales
- Digital Channels
- Corporate Communication
- Marketing
- Social Media
- Legal Affairs
- CustomerExperience
- Risk Group
- Complaint Unit
- Compliance
- General Services
- Business Performance & Planning
- Syndication & Structured Finance
- Direct Sales

Our External Sharia Audit basically included the following:

1. Conduct discussions with the Bank'smanagement on the Sharia supervisory and control system and the Bank's organizational and administrative structure.

2. Review the documents, systems, policies, and procedures adopted by the Bank to establish the framework for the Bank's internal Sharia control system, which included:

- Review the minutes of Sharia Supervisory Board meetings.
- Reviewthe manuals ofpolicies and procedures for the internal Sharia control system.
- Review the Bank's policies and procedures related to recruitment and employees training procedures.
- Review internal Sharia audit reports.
- Reviewt h e Bank's policy related to reporting on Sharia violations - fi any - in the executed activities and operations
- Review the policies and procedures related to correcting Sharia violations - fi any.

External Sharia Auditor's Report

3. Review the resolutions and fatwas issued by the Sharia Supervisory Board during the fiscal year ended 31/12/2024, related to concluded contracts, and products, operations and activities provided by or entered by the Bank and to ensure that they are implemented by concerned departments at the Bank, in accordance with the Sharia Supervisory Board›s approvals.
4. Review the manuals of policies and procedures related to the operations, products and activities carried out by the concerned departments at the Bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.
5. Review the terms, conditions, contracts, and documents related to banking and financing products and operations provided by the Bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.

6. Review the contracts concluded with external parties by the concerned executive departments at the bank and reviewing them to ensure that they are approved by the Sharia Supervisory Board.

7. Review the Bank›s investment activities and operations to ensure that they are approved by the Sharia Supervisory Board.

8. Examining the transactions executed by the concerned executive departments at the Bank - on a sample basis - of the banking and financing products, operations, and contracts of the Bank to ensure that they were carried out according to the Sharia terms of reference established for those transactions,as follows:

- The forms and contracts approved by the Sharia Supervisory Board.
- Manuals of policies and procedures that have been approved by the Sharia Supervisory Board.
- Policies, terms, and conditions that have been approved by the Sharia Supervisory Board.

9. The banking, financing and investment contracts, operations and products that have been examined and reviewed include, for example but are not limited to the following:

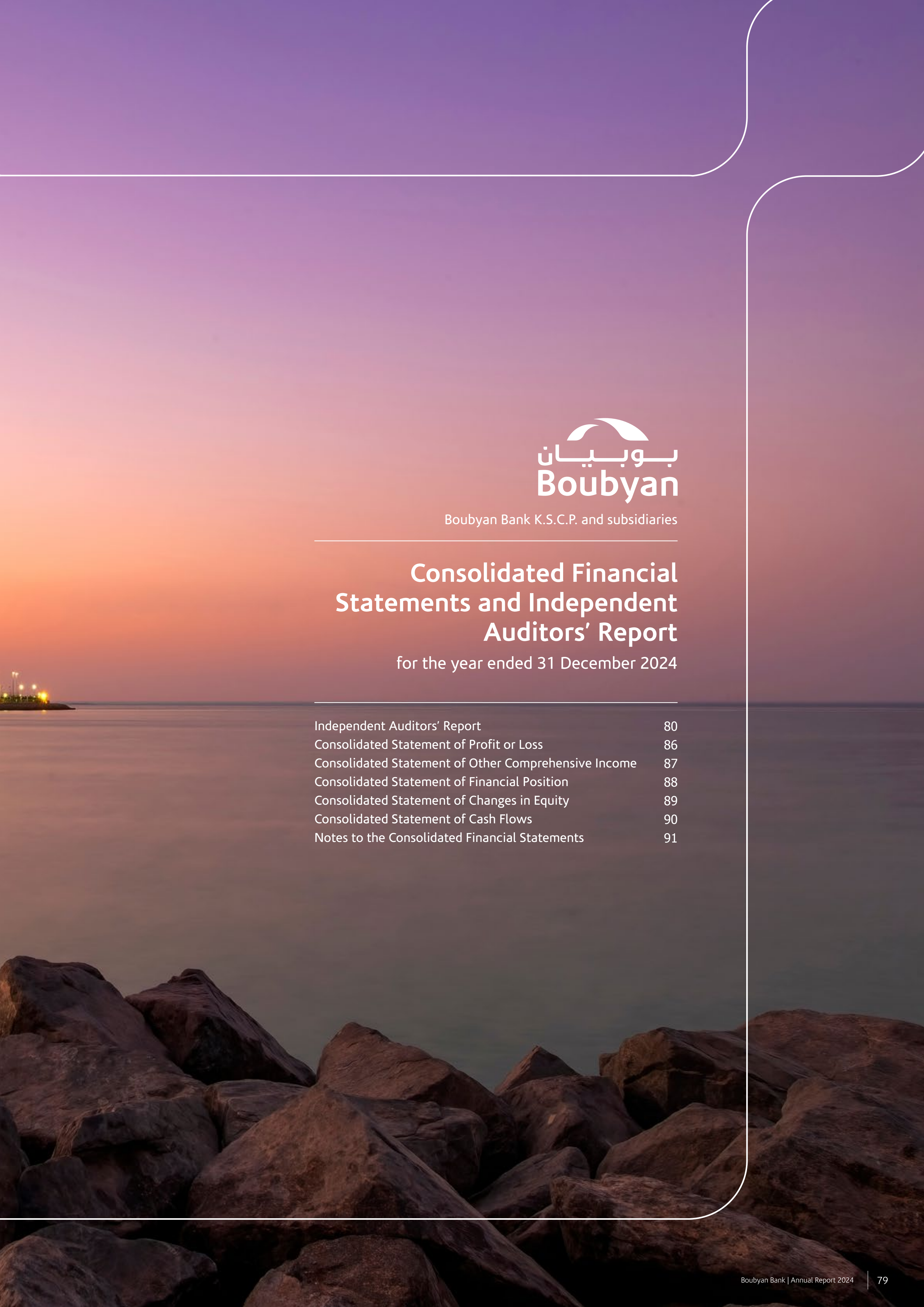
- Banking accounts.
- Banking cards.
- Treasury products, operations, and contracts.
- Corporate finance contracts. - Retail financing contracts.
- Investment funds and portfolios.
- Contracts concluded with external parties.

10. Reviewing Sharia Supervisory Board's report for the fiscal year ended 31/12/2024.

Dr. Yazeed M. Alqattan
Shura Sharia Consultancy

05 Rajab 05 January
1446 H 2025

State ofKuwait



Boubyan Bank K.S.C.P. and subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

for the year ended 31 December 2024

EY
Shape the future
with confidence

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boubyan Bank K.S.C.P (the "Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of 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 policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by Central Bank of Kuwait ("CBK") for use by the State of Kuwait.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P. (continued)

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

Key Audit Matters (continued)

We have identified the following key audit matter:

Credit losses on Islamic financing to customers
The recognition of credit losses on cash and non-cash Islamic financing ("credit facilities") to customers is the higher of Expected Credit Loss ("ECL") under International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), determined in accordance with the CBK guidelines, and the provision required by the CBK rules on classification of credit facilities and calculation of their provision (the "CBK rules") as disclosed in the accounting policies in Note 2 and Note 13 to the consolidated financial statements.

The measurement of ECL under IFRS 9, determined in accordance with CBK guidelines, is a complex accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increase in credit risk and classification of credit facilities into various stages; determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

Recognition of specific provision on impaired facility under the CBK rules is based on the instructions by CBK on the minimum provision to be recognized together with any additional provision to be recognised based on management estimate of expected cash flows related to that credit facility.

Due to the significance of credit facilities and the related estimation uncertainty and management's judgement in assessing significant increase in credit risk and classification of financing facilities into various stages, adjustments to ECL models, if any, this was considered as a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the stage classification and adequacy of credit losses.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P. (continued)

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

Key Audit Matters (continued)

Credit losses on Islamic financing to customers (continued)
With respect to the ECL based on IFRS 9, determined in accordance with the CBK guidelines, we have selected samples of credit facilities outstanding as at the reporting date, which included rescheduled credit facilities, and evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. We involved our specialists to review the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") and the overlays, if any, considered by management, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have computed the ECL including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

Further, for the CBK rules provision requirements, we have assessed the criteria for determining whether there is a requirement to calculate any credit loss in accordance with the related regulations and, if required, it has been computed accordingly. For the samples selected, which included rescheduled credit facilities, we have verified whether all impairment events have been identified by the Group's management. For the selected samples which also included impaired credit facilities, we have assessed the valuation of collateral and checked the resultant provision calculations.

Other information included in the Annual Report of the Group for the year ended 31 December 2024
Management is responsible for the other information. Other information consists of the information included in Annual Report of the Group for the year ended 31 December 2024, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Bank's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2024 after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained 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 auditors' report, we conclude that there is a material misstatement of other information; we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P. (continued)

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS Accounting Standards as adopted by CBK for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 the management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P. (continued)

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOUBYAN BANK K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Bank and the consolidated financial statements, together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Capital Adequacy Regulations and Financial Leverage Ratio Regulations issued by the Central Bank of Kuwait ("CBK") as stipulated in CBK Circular Nos. 2/RB, RBA/336/2014 dated 24 June 2014, and its amendments, and 2/I.B.S. 343/2014 dated 21 October 2014, and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or 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/I.B.S. 343/2014 dated 21 October 2014, and its amendments, respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Bank's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the CBK and the organisation of banking business, and its related regulations during the year ended 31 December 2024 that might have had a material effect on the business of the Bank or on its financial position.

ABDULKARIM ALSAMDAN	BADER A. AL-WAZZAN
LICENCE NO. 208 A	LICENCE NO. 62 A
EY	DELOITTE & TOUCHE
AL AIBAN, AL OSAIMI & PARTNERS	AL WAZZAN & CO.

28 January 2025
Kuwait

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Notes	2024 KD'000s	2023 KD'000s
Income			
Murabaha and other Islamic financing income	5	**458,516**	396,768
Finance cost and distribution to depositors		**(258,087)**	(224,290)
Net financing income		**200,429**	172,478
Net investment income	6	**11,216**	15,158
Net fees and commission income	7	**26,262**	22,914
Net foreign exchange gain		**8,276**	6,622
Other income		**-**	858
Net operating income		**246,183**	218,030
Staff costs		**(71,646)**	(63,660)
General and administrative expenses		**(37,624)**	(32,578)
Depreciation		**(16,859)**	(14,340)
Operating expenses		**(126,129)**	(110,578)
Operating profit before provision for impairment		**120,054**	107,452
Provision for impairment	8	**(19,274)**	(31,729)
Operating profit before taxation and board of directors' remuneration		**100,780**	75,723
Taxation	9	**(3,416)**	3,078
Board of directors' remuneration		**(580)**	(580)
Net profit for the year		**96,784**	78,221
Attributable to:			
Equity holders of the Bank		**96,801**	80,438
Non-controlling interests		**(17)**	(2,217)
Net profit for the year		**96,784**	78,221
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	10	**21.61**	17.70

The notes from 1 to 32 form an integral part of these consolidated financial statements.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	KD'000s	KD'000s
Net profit for the year	**96,784**	78,221
Other comprehensive income		
Items that are or may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Change in fair value of debt investments at fair value through other comprehensive income	**(144)**	2,438
Foreign currency translation adjustments	**(177)**	1,099
Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:		
Change in fair value of equity investments at fair value through other comprehensive income	**(143)**	111
Re-measurement (loss)/gain on post-employment benefits	**(633)**	1,171
Other comprehensive (loss)/income for the year	**(1,097)**	4,819
Total comprehensive income for the year	**95,687**	83,040
Attributable to:		
Equity holders of the Bank	**95,993**	84,525
Non-controlling interests	**(306)**	(1,485)
Total comprehensive income for the year	**95,687**	83,040

The notes from 1 to 33 form an integral part of these consolidated financial statements.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 KD'000s	2023 KD'000s
Assets			
Cash and balances with banks	11	**495,501**	398,952
Deposits with Central Bank of Kuwait		**125,056**	218,997
Deposits with other banks	12	**244,705**	96,228
Islamic financing to customers	13	**6,923,895**	6,321,041
Investment in Sukuk	14	**1,063,896**	886,286
Other investment securities	14	**187,996**	156,760
Investment properties	16	**68,370**	73,521
Other assets	17	**99,026**	103,988
Property and equipment		**168,123**	149,216
Total assets		**9,376,568**	8,404,989
Liabilities and Equity			
Liabilities			
Due to banks		**286,437**	187,206
Depositors' accounts		**7,424,166**	6,479,066
Medium term financing	18	**445,512**	591,680
Other liabilities	19	**134,393**	118,202
Total liabilities		**8,290,508**	7,376,154
Equity			
Share capital	20	**420,078**	396,300
Share premium	21	**316,942**	316,942
Proposed bonus shares	22	**21,004**	23,778
Treasury shares	23	**(54)**	(54)
Statutory reserve	24	**65,407**	55,233
Voluntary reserve	25	**15,327**	15,327
Other reserves	25	**(238)**	299
Retained earnings		**32,428**	15,127
Proposed cash dividends	22	**42,002**	31,700
Equity attributable to equity holders of the Bank		**912,896**	854,652
Perpetual Tier 1 Sukuk	26	**150,385**	150,385
Non-controlling interests		**22,779**	23,798
Total equity		**1,086,060**	1,028,835
Total liabilities and equity		**9,376,568**	8,404,989

Abdulaziz Abdullah Dakheel Al-Shaya
Chairman

Adel Abdul Wahab Al Majed
Vice Chairman & Group Chief Executive Officer

The notes from 1 to 32 form an integral part of these consolidated financial statements.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital	Share premium	Proposed bonus shares	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 25)	Retained earnings	Proposed cash dividends	Equity attributable to equity holders of the Bank	Perpetual Tier 1 Sukuk	Non-controlling interests	Total equity
	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s	KD'000s
Balance at 1 January 2024	**396,300**	**316,942**	**23,778**	**(54)**	**55,233**	**15,327**	**299**	**15,127**	**31,700**	**854,652**	**150,385**	**23,798**	**1,028,835**
Profit/(loss) for the year	-	-	-	-	-	-	-	**96,801**	-	**96,801**	-	**(17)**	**96,784**
Other comprehensive loss for the year	-	-	-	-	-	-	**(808)**	-	-	**(808)**	-	**(289)**	**(1,097)**
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	**(808)**	**96,801**	-	**95,993**	-	**(306)**	**95,687**
Dividends paid (note 22)	-	-	-	-	-	-	-	-	**(31,700)**	**(31,700)**	-	-	**(31,700)**
Issue of bonus shares (note 22)	**23,778**	-	**(23,778)**	-	-	-	-	-	-	-	-	-	-
Proposed bonus shares (note 22)	-	-	**21,004**	-	-	-	-	**(21,004)**	-	-	-	-	-
Proposed cash dividends (note 22)	-	-	-	-	-	-	-	**(42,002)**	**42,002**	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	**(6,049)**	-	**(6,049)**	-	-	**(6,049)**
Transfer to statutory reserve	-	-	-	-	**10,174**	-	-	**(10,174)**	-	-	-	-	-
Realised loss on equity securities at fair value through other comprehensive income (note 25)	-	-	-	-	-	-	**271**	**(271)**	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	**(713)**	**(713)**
Balance at 31 December 2024	**420,078**	**316,942**	**21,004**	**(54)**	**65,407**	**15,327**	**(238)**	**32,428**	**42,002**	**912,896**	**150,385**	**22,779**	**1,086,060**
Balance at 1 January 2023	373,868	316,942	22,432	(54)	46,761	15,327	(3,788)	4,717	22,429	798,634	150,385	30,680	979,699
Profit/(loss) for the year	-	-	-	-	-	-	-	80,438	-	80,438	-	(2,217)	78,221
Other comprehensive income for the year	-	-	-	-	-	-	4,087	-	-	4,087	-	732	4,819
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	4,087	80,438	-	84,525	-	(1,485)	83,040
Dividends paid (note 22)	-	-	-	-	-	-	-	-	(22,429)	(22,429)	-	-	(22,429)
Issue of bonus shares (note 22)	22,432	-	(22,432)	-	-	-	-	-	-	-	-	-	-
Proposed bonus shares (note 22)	-	-	23,778	-	-	-	-	(23,778)	-	-	-	-	-
Proposed cash dividends (note 22)	-	-	-	-	-	-	-	(31,700)	31,700	-	-	-	-
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	-	-	(6,078)	-	(6,078)	-	-	(6,078)
Transfer to statutory reserve	-	-	-	-	8,472	-	-	(8,472)	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,397)	(5,397)
Balance at 31 December 2023	396,300	316,942	23,778	(54)	55,233	15,327	299	15,127	31,700	854,652	150,385	23,798	1,028,835

The notes from 1 to 32 form an integral part of these consolidated financial statements.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	**2024** KD'000s	2023 KD'000s
OPERATING ACTIVITIES			
Net profit for the year		**96,784**	78,221
Adjustments for:			
Provision for impairment	8	**19,274**	31,729
Depreciation		**16,859**	14,340
Dividend income	6	**(8,015)**	(7,311)
Net gain from financial assets at fair value through profit or loss	6	**(2,160)**	(2,403)
Net (gain)/loss from sale of debt investments at FVOCI	6	**(103)**	148
Unrealized loss/(gain) from change in fair value of investment properties	6	**2,326**	(1,609)
Realized loss on sale of investment properties	6	**958**	-
Profit on Medium Term Financing		**20,513**	24,624
Share of results of associates	6	**(29)**	(511)
Operating profit before changes in operating assets and liabilities		**146,407**	137,228
Changes in operating assets and liabilities:			
Deposits with Central Bank of Kuwait		**55,823**	(18,295)
Deposits with other banks		**(84,387)**	46,933
Islamic financing to customers		**(616,770)**	(475,478)
Other assets		**(1,229)**	15,165
Due to banks		**98,515**	(9,313)
Depositors' accounts		**942,810**	560,744
Other liabilities		**(43,118)**	16,611
Net cash generated from operating activities		**498,051**	273,595
INVESTING ACTIVITIES			
Purchase of investment securities		**(295,795)**	(476,237)
Proceeds from sale/redemption of investment securities		**85,091**	204,880
Proceeds from redemption of investment in associates		**230**	98
Proceeds from sale of investment properties		**10,532**	1,281
Purchase of investment properties		**(8,885)**	(38,494)
Purchase of property and equipment		**(35,766)**	(34,923)
Dividend income received		**8,015**	7,311
Net cash used in investing activities		**(236,578)**	(336,084)
FINANCING ACTIVITIES			
Profit distribution on perpetual Tier 1 Sukuk		**(6,049)**	(6,078)
Redemption and profit paid on medium term financing		**(101,895)**	(131,786)
Proceeds from medium term financing		**-**	61,490
Dividends paid		**(31,700)**	(22,429)
Net movement of non-controlling interest		**(713)**	(5,397)
Net cash used in from financing activities		**(140,357)**	(104,200)
Net increase/(decrease) in cash and cash equivalents		**121,116**	(166,689)
Foreign currency translation adjustments		**893**	971
Cash and cash equivalents at the beginning of the year		**563,708**	729,426
Cash and cash equivalents at the end of the year	11	**685,717**	563,708

The notes from 1 to 32 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C.P ("the Bank") is a Kuwaiti public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 published on April 18th 2004, in accordance with the rules and regulations of the Central Bank of Kuwait ("CBK"). The Bank's shares were listed on the Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the Central Bank of Kuwait to do business on 28 November 2004.

The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia'a, as approved by the Bank's Sharia'a Supervisory Board. The Bank's Articles of Incorporation were amended by adding a new activity, namely, offering securities or selling the same for their issuer or affiliate or obtaining securities from the issuer or its affiliate for remarketing (issuance management), in addition to the activity of purchase and sale of land plots and all types of real estate properties for their financing purposes as per the provisions of Law no. 32 of 1968 Concerning Currency, the Central Bank of Kuwait, and Organization of the Banking Business.

The Bank is a subsidiary of National Bank of Kuwait S.A.K.P ("the Parent Company").

The total number of employees in the Group was **2,371** employees as at 31 December 2024 (2,333 employees as at 31 December 2023).

The address of the Bank's registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

The consolidated financial statements were authorised for issue by the Board of Directors on 8 January 2024 and the shareholders have the power to amend these consolidated financial statements at the annual assembly meeting.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statement of the Group has 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 as issued by International Accounting Standards Board (IASB) with the following amendments:

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

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

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the measurement at fair value of financial assets at fair value through other comprehensive income, financial asset at fair value through profit or loss, investment properties and derivatives at fair value. The Bank presents its consolidated statement of financial position in order of liquidity.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Bank's functional currency. All financial information presented in Kuwaiti Dinars ("KD") has been rounded to the nearest thousands, except when otherwise indicated.

2.4 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. 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 the following amendments effective from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

None of these amendments had an impact on the Bank's consolidated financial statements at 31 December 2024.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Standards issued but not yet effective

The significant new and amended standards and interpretations that are issued, but not yet effective up to the date of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new standards and amended standards and interpretations when they become effective.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

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)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed.

IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Standards issued but not yet effective (continued)

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 the Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

3 MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial statements, and have been applied consistently by all of the Group's entities.

3.1 Basis of consolidation

The consolidated financial statements comprise the Bank and its principal operating subsidiaries (collectively "the Group") - Boubyan Takaful Insurance Company K.S.C (Closed) , Boubyan Capital Investment Company K.S.C (Closed) and BLME Holdings plc, as at 31 December 2024 and which are controlled by the Bank as set out in note 15.

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

BOUBYAN BANK K.S.C.P AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

3.1.1 Business combinations (continued)

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.1.2 Non-controlling interests

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. Non-controlling interest in the acquiree is measured at the proportionate share in the recognized amount of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests without loss of control are recorded in equity.

3.1.3 Subsidiaries

Subsidiaries are all entities over which the Bank has control. The control is achieved when the Bank 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. 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. Refer Note 15 for the list of major subsidiaries, their principal businesses and the Group's effective holding.

3.1.4 Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions are recorded in the functional currency at the rate of exchange prevailing at the date of the transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the consolidated statement of profit or loss in the year in which the foreign operation is disposed off.

3.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Income from Murabaha, Wakala, and Leased assets is recognized on a pattern reflecting a constant periodic return on the outstanding net investment.
- Dividend income is recognized when the right to receive payment is established.
- Fees and commission income is recognized at the time the related services are provided.
- Rental income from investment properties is recognised on a straight line basis over the lease period.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments

3.4.1 Financial assets

a) Trade and settlement date accounting

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in the fair value between trade date and settlement date are recognized in the consolidated statement of profit or loss for FVTPL and are recognized in other comprehensive income for FVOCI. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

b) Recognition and derecognition of financial assets

Financial assets are recognised when the Group becomes party to contractual provisions of the instrument and are initially measured at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a liability for the proceeds received.

c) Classification and measurement of financial assets

The Group has determined the classification and measurement of its financial assets as follows:

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, current account with other banks and placements with banks maturing within seven days.

Deposits with Banks, Central Bank of Kuwait and Islamic financing to customers

Deposits with banks, Central Bank of Kuwait and Islamic financing to customers are financial assets with fixed or determinable payments that are not quoted in an active market.

Murabaha

Murabaha is an agreement relating to the sale of commodities at cost plus an agreed upon profit margin, whereby the seller informs the buyer of the price at which the deal will be completed and also the amount of profit to be recognized. Murabaha is a financial asset originated by the Group and is stated at amortized cost net of provision for impairment.

Wakala

Wakala is an agreement involving Al-Muwakkil (the Principal) who wishes to appoint Al-Wakil (the Agent) to be his agent with respect to the investment of Al-Muwakkil’s fund, in accordance with regulations of the Islamic Sharia’a. Wakala is a financial asset originated by the Group and is stated at amortized cost net of provision for impairment.

Leased assets - the Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease. Leased assets are stated at amortized cost.

Renegotiated finance facilities

In the event of a default, the Group seeks to restructure facilities rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new facility conditions. When the terms and conditions of these finance facilities are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these facilities remain past due. Management continually reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur. The facility continues to be subject to an individual or collective impairment assessment.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

c) Classification and measurement of financial assets (continued)

Financial assets at FVTPL and FVOCI

Group's financial investments consists of investment in debt instruments (Sukuk), equity investments and other investments. Sukuk are classified at fair value through other comprehensive income or at fair value through profit or loss based on the business model in which these securities are managed. Equity investments are generally carried at fair value through profit or loss except for those specific investments for which the Group has made an election to classify at fair value through other comprehensive income. Other investments are carried at fair value through 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 a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

Assessment of whether contractual cashflows are solely payments of principal and profit (SPPP test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPP 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. Profit within a basic lending arrangement are typically as consideration for time value of money and for the credit risk associated with the principal, the most significant element of other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

Contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payment of principal and profit. In such cases, the financial asset is measured at fair value through profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

c) Classification and measurement of financial assets (continued)

Assessment of whether contractual cashflows are solely payments of principal and profit (SPPP test) (continued)

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL)

(i) Financial assets measured at amortised cost:

A financial asset is measured 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 profit on the principal amount outstanding

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective yield method. Finance income, foreign exchange gains and losses and charge for expected credit losses are recognised in the consolidated statement of profit or loss. Any gain or loss on de-recognition is recognised in the consolidated statement of profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income (FVOCI):

(i) Debt Securities (Sukuk) at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt Securities (Sukuk) at FVOCI are subsequently measured at fair value. Sukuk income is calculated using the effective yield method, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of profit or loss. Fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the fair value reserves as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss.

(ii) Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading .Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the fair values reserves as part of equity. Cumulative profits and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of profit or loss. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of profit or loss unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

c) Classification and measurement of financial assets (continued)

(iii) Financial assets measured at fair value through profit and loss (FVTPL):
Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cashflows not representing solely payment of principal and profit are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

d) Impairment of financial assets
The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Islamic financing to customers including loan commitments
- Letters of credit and financial guarantee contracts including commitments
- Investment in debt securities measured FVOCI (i.e. Investment in Sukuks)
- Balances and deposits with banks

Equity investments are not subject to Expected Credit Losses.

Impairment of financing facilities
Financing facilities granted by the Group consists of Islamic financing to customers, letters of credit and financial guarantee contracts and commitments to grant credit facilities. Impairment on financing facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Expected Credit Losses
The Group applies a three stage approach to measure the expected credit loss as follows. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL
The Group measures loss allowances at an amount equal to 12-months ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time expected credit losses are ECLs that result from all possible default events over the expected life of a financial instrument. The 12 months ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time expected credit losses and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

d) Impairment of financial assets (continued)

Expected Credit Losses (continued)

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due for corporates' finance and 45 days past due for Consumer finance are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk except where the Group has reasonable and supportable information that demonstrates that the credit risk has not increased significantly even though the contractual payments are more than 30 to 45 days past due.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event
- Legal action taken against the client
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty
- The disappearance of an active market for a security because of financial difficulties
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Measurement of ECLs
Expected credit losses are probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent 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 of the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macroeconomic scenarios etc.

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 models. 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. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on regular basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

d) Impairment of financial assets (continued)

Expected credit losses (continued)

Modification of Islamic financing to customers

Under certain circumstances, the Group seeks to restructure Islamic financing to customers rather than taking possession of collateral. This may involve extending the payment arrangements, reduction in the amount of principal or profit and the agreement of new facility or financing conditions. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, such a facility is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:.

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in consolidated statement of profit or loss . If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as Murabaha and other Islamic financing income

If the facility is derecognized and a new facility is recognised, a loss allowance measured based on 12 month ECL except in rare occasions where the new facility is considered to be originated - credit impaired. Management continuously reviews modified Islamic financing to customers 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 or the facility should be classified in stage 3. When Islamic financing to customers have been modified but not derecognised, any impairment is measured using the original effective profit rate as calculated before the modification of terms.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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 measured at amortised cost. In the case of debt instruments measured at FVOCI (Sukuk), the Group recognises the provision charge in the consolidated statement of profit or loss with the corresponding amount recognised in other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position.

Provision for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on finance facilities in accordance with the instructions of CBK on the classification of finance facilities and calculation of provisions. Finance facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A finance facility is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value.

Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	***Criteria***	***Specific provisions***
Watch list	Irregular for a period 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%

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

d) Impairment of financial assets (continued)

Provision 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 finance facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

In March 2007, CBK issued a circular amending the basis of calculating general provisions on facilities changing the rate from 2% to 1% for cash facilities and to 0.5% for non-cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities as of 31 December 2006 would be retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

3.4.2 Financial liabilities

All financial liabilities are recognised initially on the settlement date at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities comprise due to banks, depositors' accounts, medium term financing and other liabilities.

Due to banks and depositors' accounts

Depositors' accounts are deposits received from customers under current account, saving investment accounts and fixed term investments accounts. The depositors' accounts of the Bank comprise the following:

i) **Non-investment deposits in the form of current accounts**: These deposits are not entitled to any profits nor do they bear any risk of loss as the Bank guarantees to pay the related balances on demand. Accordingly, these deposits are considered Qard Hassan from depositors to the Bank under Islamic Sharia'a principals. Investing such Qard Hassan is made at the discretion of the Group, the results of which are attributable to the equity shareholders of the Bank.

ii) **Investment deposit accounts**: include savings accounts, fixed term deposit accounts, and open term deposit accounts.

Saving Investment Accounts

These are open-term deposits and the client is entitled to withdraw the balances of these accounts or portions thereof at any time.

Fixed-Term Deposit Investment Accounts

These are fixed-term deposits based on the deposit contract executed between the Bank and the depositor. These deposits mature monthly, quarterly, semi-annually, or annually.

Open –Term Deposit Investment Accounts

These are open-term deposits and are treated as annual deposits renewed automatically for a similar period, unless the depositor notifies the Bank in writing of his/her desire not to renew the deposit.

In all cases, investment accounts receive a proportion of profit, bear a share of loss and are carried at cost plus profit payable.

Medium term financing

These are financial liabilities and are initially measured at fair value being the issue proceeds net of transaction costs and are subsequently measured at amortised cost using the effective profit rate method.

3.4.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only if it is so permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Profit rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark profit rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of profit rate benchmark reform, then the Group updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, the Group first updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

3.6 Fair values

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 in the principal or, in its absence, in the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets at a bid price and liabilities at an ask price.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and also considering the ability to generate economic benefits by using the property in its highest and best use.

BOUBYAN BANK K.S.C.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Derivative Financial instruments and hedge accounting

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

i. Derivatives designated as Non-hedged:

The Group enters into foreign exchange forward contracts, currency swaps and profit rate swaps. 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.

ii. Derivatives designated as hedges:

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to the particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedge item and the hedging instrument.
- The effect of the credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges:

The gain or loss on the hedging instrument is recognised in consolidated statement of profit or loss while the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item, if applicable, and be recognised in consolidated statement profit or loss.

Cash flow hedges:

The effective portion of the gain or loss on the hedging instrument is recognised in the consolidated statement of other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognised as other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects consolidated statement of profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in the consolidated statement of other comprehensive income at that time remains in the consolidated statement of comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the consolidated statement of other comprehensive income is immediately transferred to the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Derivative Financial instruments and hedge accounting (Continued)

Hedges of a net investment in a foreign operation:

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity are transferred to consolidated statement of profit or loss.

3.8 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in consolidated statement of profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.9 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance is expensed as incurred.

Items of property and equipment are depreciated on a straight-line basis in the consolidated statement of profit or loss over the estimated useful lives of each component.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

• Furniture and leasehold improvement	5 years
• Office equipment	3 years
• Software	10 years
• Furniture & hardware	5 years
• Buildings on leasehold land	20 years
• Buildings on freehold land	50 years

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate.

3.10 Leases – Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for cash consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10 Leases – Group as a lessee (continued)

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The carrying value of the right-of-use assets are presented under property and equipment in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are presented under other liabilities in the consolidated statement of financial position.

3.11 Impairment of non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market rates and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss.

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. Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount and is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of profit or loss.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the obligation at the financial reporting date and are discounted to present value where the effect is material.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes of the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

3.14 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3.15 Treasury shares

Treasury shares consist of the Bank's own shares that have been issued, subsequently reacquired by the Bank and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. 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 gain on sale of treasury shares account.

No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.16 Post-employment benefits

The Group is liable to make defined contributions to State plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place they are employed. The defined benefit plan is unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

3.17 Kuwait Foundation for the Advancement of Sciences (KFAS)

The Bank calculates the contribution to KFAS at 1% of the Bank's net profit for the year in accordance with the Amiri Decree issued on 12 December 1976.

3.18 National Labour Support Tax (NLST)

The Bank calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. Cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year to determine the taxable profit.

3.19 Zakat

Effective from 10 December 2007, the Bank has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of profit and loss.

3.20 Taxation

Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation enacted at the reporting date.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.21 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization. The liability is measured based on the higher of ECL under IFRS 9 according to the CBK guidelines, and the provision required by CBK.

3.22 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its customers. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position. These are disclosed separately in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the consolidated financial statements:

Fair value hierarchy

As disclosed in note 30.7, the Group is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

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. Judgments are required in determining the business model at an appropriate level that best reflects an aggregated group or portfolio of assets which are managed together to achieve a particular business objective. The Group also applies judgment to assess if there is a change in business model in circumstances when the assets within that business model are realised differently than the original expectations. Refer to note 3.4 classification of financial assets for more information.

4.2 Key sources of estimation uncertainty

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:

Expected Credit Losses on financial assets

The Group estimates Expected Credit Loss (ECL) for all financial assets carried at amortised cost or fair value through other comprehensive income 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.

Impairment losses on Islamic finance facilities

The Group reviews its irregular Islamic finance facilities on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows 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.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

Valuation of unquoted equity investments

Valuation of unquoted equity investments is based on one of the following:

- Recent arm's length market transactions; or
- Current fair value of another instrument that has substantially the same characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

5. MURABAHA AND OTHER ISLAMIC FINANCING INCOME

Islamic financing income includes financing income from customers of **KD 408,368 thousand** (2023: KD 362,489 thousand) and income from Sukuk of **KD 50,148 thousand** (2023: KD 34,279 thousand).

6. NET INVESTMENT INCOME

	2024	2023
	KD'000s	KD'000s
Dividend income	**8,015**	7,311
Net rental income from investment properties	**4,193**	3,472
Net gain from financial assets at fair value through profit or loss	**2,160**	2,403
Net gain/(loss) from sale of debt investments at FVOCI	**103**	(148)
Unrealized (loss)/gain from changes in fair value of investment properties	**(2,326)**	1,609
Realized loss on sale of investment properties	**(958)**	-
Share of result of associates	**29**	511
	11,216	15,158

7. NET FEES AND COMMISSION INCOME

	2024	2023
	KD'000s	KD'000s
Gross fees and commission income	**50,104**	42,335
Fees and commission expenses	**(23,842)**	(19,421)
	26,262	22,914

8. PROVISION FOR IMPAIRMENT

	2024	2023
	KD'000s	KD'000s
Provision for impairment of Islamic financing to customers	**17,475**	30,863
ECL – other financial assets	**(123)**	(11)
Impairment loss on investments and other assets	**1,922**	877
	19,274	31,729

8. PROVISION FOR IMPAIRMENT (CONTINUED)

The analysis of provision for impairment of Islamic financing to customers based on specific and general provision is as follows:

	Specific	General	Total
	KD'000s	KD'000s	KD'000s
Balance at 1 January 2023	14,858	184,902	199,760
Provided during the year	22,178	8,685	30,863
Recovery of written off balances	5,255	-	5,255
Written off balances during the year	(29,625)	-	(29,625)
Foreign currency differences	792	1,038	1,830
Balance at 31 December 2023	13,458	194,625	208,083
Provided during the year	**5,686**	**11,789**	**17,475**
Recovery of written off balances	**16,416**	**-**	**16,416**
Written off balances during the year	**(9,700)**	**-**	**(9,700)**
Foreign currency differences	**(306)**	**(248)**	**(554)**
Balance at 31 December 2024	**25,554**	**206,166**	**231,720**

Further analysis of provision for impairment of Islamic financing facilities by category is as follows:

	Islamic finance to customers	Non-cash facilities	Total
	KD'000s	KD'000s	KD'000s
Balance at 1 January 2023	195,866	3,894	199,760
Provided during the year	31,151	(288)	30,863
Recovery of written off balances	5,255	-	5,255
Written off balances during the year	(29,625)	-	(29,625)
Foreign currency differences	1,830	-	1,830
Balance at 31 December 2023	204,477	3,606	208,083
Provided during the year	**17,029**	**446**	**17,475**
Recovery of written off balances	**16,416**	**-**	**16,416**
Written off balances during the year	**(9,700)**	**-**	**(9,700)**
Foreign currency differences	**(554)**	**-**	**(554)**
Balance at 31 December 2024	**227,668**	**4,052**	**231,720**

At 31 December 2024, non-performing finance facilities amounted to **KD 48,551 thousand**, net of provision of **KD 25,554 thousand** (2023: KD 54,495 thousand, net of provision of KD 13,458 thousand). The analysis of specific and general provision stated above is based on Central Bank of Kuwait's instructions.

9. TAXATION

	2024	2023
	KD'000s	KD'000s
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	**915**	756
National Labour Support Tax ("NLST")	**2,452**	2,106
Zakat (Based on Zakat law no: 46/2006)	**987**	840
Overseas tax credit	**(938)**	(6,780)
	3,416	(3,078)

Pillar 2 Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate. The jurisdictions in which the Group operates including the State of Kuwait have joined the IF. Group's earnings in certain jurisdictions, primarily in Kuwait and Bahrain, are currently subject to a lower effective tax rate compared to the proposed global minimum tax.

The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of issue of the Law. The Law effectively replaces the existing National Labour Support Tax (NLST) and Zakat tax regimes in Kuwait for MNEs within the scope of this Law.

9. TAXATION (CONTINUED)

Similar DMTT laws are enacted or announced in low tax jurisdictions such as the Kingdom of Bahrain and United Arab Emirates. Additionally, some jurisdictions where the Group operates have Pillar 2 legislation in effect in 2024 and some of those jurisdictions have also adopted the Undertaxed Profits rule (UTPR) whereby undertaxed profits in any of the Group's jurisdictions will be brought to an effective global minimum tax rate of 15% starting from the year 2025.

The Group has performed an analysis of its Pillar 2 position for 2024 based on OECD guidelines. The Group doesn't have any Pillar 2 top up tax exposure for 2024 in jurisdictions where the Pillar 2 legislation is in effect, since the relevant jurisdictions are already paying tax above the global minimum tax rate. The Group's effective tax rate is expected to increase significantly in 2025 due to applicability of the Pillar 2 legislation in low tax jurisdictions such as Kuwait, Bahrain, and UAE. In the absence of Executive Regulations in Kuwait, the expected impact in 2025 cannot be reasonably estimated at this time. The Group continues to assess the impact of evolving Pillar 2 tax regulations on its future financial performance.

10. BASIC AND DILUTED EARNING PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to the equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

	2024	2023
Net profit for the year attributable to the equity holders of the Bank (KD'000s)	**96,801**	80,438
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000s)	**(6,049)**	(6,078)
	90,752	74,360
Weighted average number of shares outstanding during the year (thousands of shares)	**4,200,198**	4,200,264
Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)	**21.61**	17.70

Earnings per share for the year ended 2023 was 18.77 fils per share before retroactive adjustment to the number of shares following the bonus issue (see note 22).

11. CASH AND CASH EQUIVALENTS

	2024	2023
	KD'000s	KD'000s
Cash and balances with banks	**495,501**	398,952
Placement with banks maturing within seven days	**190,216**	164,756
	685,717	563,708

12. DEPOSITS WITH OTHER BANKS

The geographical distribution of deposits with other banks is as follows:

	2024	2023
	KD'000s	KD'000s
Kuwait & Middle East	**244,761**	81,604
Europe & UK	**-**	14,789
	244,761	96,393
Less: Expected credit losses (ECL)	**(56)**	(165)
	244,705	96,228

13. ISLAMIC FINANCING TO CUSTOMERS

The geographical distribution of Islamic financing to customers is as follows:

	Kuwait & Middle East KD'000s	**North America & Africa KD'000s**	**Europe & UK KD'000s**	**Total KD'000s**
2024				
Corporate banking	**3,861,085**	**16,993**	**486,086**	**4,364,164**
Consumer banking	**2,787,399**	**-**	**-**	**2,787,399**
	6,648,484	**16,993**	**486,086**	**7,151,563**
Less: provision for impairment	**(204,946)**	**(170)**	**(22,552)**	**(227,668)**
	6,443,538	**16,823**	**463,534**	**6,923,895**
2023				
Corporate banking	3,444,936	11,796	479,745	3,936,477
Consumer banking	2,589,041	-	-	2,589,041
	6,033,977	11,796	479,745	6,525,518
Less: provision for impairment	(188,908)	(118)	(15,451)	(204,477)
	5,845,069	11,678	464,294	6,321,041

Provisions for impairment of Islamic financing to customers are as follows:

	Specific		General		Total	
	2024	2023	**2024**	2023	**2024**	2023
	KD'000s	KD'000s	**KD'000s**	KD'000s	**KD'000s**	KD'000s
Balance at beginning of the year	**12,333**	13,394	**192,144**	182,472	**204,477**	195,866
Provided during the year	**5,758**	22,517	**11,271**	8,634	**17,029**	31,151
Recovery of written off balances	**16,416**	5,255	**-**	-	**16,416**	5,255
Written off balances during the year	**(9,700)**	(29,625)	**-**	-	**(9,700)**	(29,625)
Foreign currency differences	**(306)**	792	**(248)**	1,038	**(554)**	1,830
Balance at end of the year	**24,501**	12,333	**203,167**	192,144	**227,668**	204,477

Further analysis of specific provision based on class of financial assets is given below:

	Corporate banking		Consumer banking		Total	
	2024	2023	**2024**	2023	**2024**	2023
	KD'000s	KD'000s	**KD'000s**	KD'000s	**KD'000s**	KD'000s
Balance at beginning of the year	**1,614**	4,929	**10,719**	8,465	**12,333**	13,394
Provided during the year	**1,079**	17,502	**4,679**	5,015	**5,758**	22,517
Recovery of written off balances	**14,520**	3,019	**1,896**	2,236	**16,416**	5,255
Written off balances during the year	**(9,700)**	(24,628)	**-**	(4,997)	**(9,700)**	(29,625)
Foreign currency differences	**(306)**	792	**-**	-	**(306)**	792
Balance at end of the year	**7,207**	1,614	**17,294**	10,719	**24,501**	12,333

Whenever necessary, Islamic financing to customers is secured by acceptable forms of collateral to mitigate the related credit risks.

Non performing Islamic financing to customers and related specific provisions are as follows:

	2024	2023
	KD'000s	KD'000s
Islamic financing to customers	**72,613**	65,219
Specific provision for impairment	**(24,501)**	(12,333)
	48,112	52,886

At 31 December 2024, management estimates the fair value of collaterals held against individually impaired Islamic finance facilities to be **KD 70,460 thousand** (2023: KD 61,725 thousand).

The ECL for Islamic financing (Cash and non-cash) as at 31 December 2024 is **KD 98,490 thousand** (2023: KD 71,091 thousand) which is lower than the provision for impairment of Islamic finance to customers required under CBK regulations.

The available provision for impairment on non-cash facilities of **KD 4,052 thousand** (2023: KD 3,606 thousand) is included under other liabilities.

13. ISLAMIC FINANCING TO CUSTOMERS (CONTINUED)

An analysis of the gross carrying amounts of Islamic financing to customers, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations. For contingent liabilities, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1 KD'000s	Stage 2 KD'000s	Stage 3 KD'000s	Total KD'000s
31 December 2024				
High	**5,754,028**	**50,955**	**-**	**5,804,983**
Standard	**1,041,457**	**232,510**	**-**	**1,273,967**
Impaired	**-**	**-**	**72,613**	**72,613**
Islamic financing to customers	**6,795,485**	**283,465**	**72,613**	**7,151,563**
High	**350,416**	**1,505**	**-**	**351,921**
Standard	**97,526**	**64,393**	**-**	**161,919**
Impaired	**-**	**-**	**1,492**	**1,492**
Contingent Liabilities (Note 28)	**447,942**	**65,898**	**1,492**	**515,332**
Commitments (revocable and irrevocable) to extend credit	**1,562,911**	**79,012**	**429**	**1,642,352**
31 December 2023				
High	5,949,928	45,935	-	5,995,863
Standard	293,106	171,330	-	464,436
Impaired	-	-	65,219	65,219
Islamic financing to customers	6,243,034	217,265	65,219	6,525,518
High	313,784	1,386	-	315,170
Standard	32,834	61,464	-	94,298
Impaired	-	-	2,734	2,734
Contingent Liabilities (Note 28)	346,618	62,850	2,734	412,202
Commitments (revocable and irrevocable) to extend credit	1,231,674	58,352	1,175	1,291,201

An analysis of the changes in the Expected Credit Losses in relation to Islamic financing to customers (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
31 December 2024				
ECL allowance as at 1 January 2024	**22,134**	**16,935**	**32,022**	**71,091**
Impact due to transfer between stages	**7,347**	**(4,358)**	**(2,989)**	**-**
Transfer from Stage 1	(1,667)	911	756	-
Transfer from Stage 2	5,022	(5,675)	653	-
Transfer from Stage 3	3,992	406	(4,398)	-
Additional ECL for the year	**(9,581)**	**24,137**	**6,168**	**20,724**
Amounts written off and recoveries	**-**	**-**	**6,716**	**6,716**
Foreign currency translation	**(5)**	**(3)**	**(33)**	**(41)**
At 31 December 2024	**19,895**	**36,711**	**41,884**	**98,490**
31 December 2023				
ECL allowance as at 1 January 2023	24,516	16,027	34,768	75,311
Impact due to transfer between stages	6,277	(3,432)	(2,845)	-
Transfer from Stage 1	(1,246)	438	808	-
Transfer from Stage 2	3,154	(4,162)	1,008	-
Transfer from Stage 3	4,369	292	(4,661)	-
Additional ECL for the year	(8,693)	4,267	24,450	20,024
Amounts written off and recoveries	-	-	(24,370)	(24,370)
Foreign currency translation	34	73	19	126
At 31 December 2023	22,134	16,935	32,022	71,091

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14. INVESTMENT SECURITIES

	2024 **KD'000s**	2023 KD'000s
Investment in Sukuk	**1,063,896**	886,286
Financial assets at fair value through profit or loss	**165,644**	132,859
Financial assets at fair value through other comprehensive income	**21,992**	21,844
Investment in associates	**360**	2,057
	1,251,892	1,043,046

	2024 **KD'000s**	2023 KD'000s
Investment in Sukuk		
Investment in Sukuk- FVOCI	**1,044,249**	868,306
Investment in Sukuk- FVTPL	**19,647**	17,980
	1,063,896	886,286

	2024 **KD'000s**	2023 KD'000s
Financial assets at fair value through profit or loss		
Investment in unquoted equity funds	**163,563**	132,859
Managed securities portfolio	**2,081**	-
	165,644	132,859

	2024 **KD'000s**	2023 KD'000s
Financial assets at fair value through other comprehensive income		
Investment in unquoted equity securities	**14,077**	13,534
Investment in quoted securities	**7,915**	8,310
	21,992	21,844

15. SUBSIDIARIES

15.1 Details of principal operating subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Effective ownership % **2024**	Effective ownership % 2023
Boubyan Takaful Insurance Company K.S.C. (Closed)	Kuwait	Takaful insurance	**98.88**	98.88
Boubyan Capital Investment Company K.S.C. (Closed)	Kuwait	Islamic investments	**100.00**	100.00
BLME Holdings Plc, ("BLME")	United Kingdom	Islamic Banking	**72.37**	72.08

15.2 Material partly-owned subsidiary

Financial information of subsidiary that has material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

Name of subsidiary	Country of incorporation	Principal activity	Effective ownership % **2024**	Effective ownership % 2023
BLME Holdings Plc, ("BLME")	United Kingdom	Islamic Banking	**27.63**	27.92

15. SUBSIDIARIES (CONTINUED)

15.2 Material partly-owned subsidiary (continued)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before intra-Group eliminations and adjustments.

Summarised consolidated statements of profit or loss and comprehensive income for the year ended:

	2024	2023
	KD 000's	KD 000's
Revenues	**18,178**	18,492
Expenses	**(16,680)**	(14,148)
Income for the year	**1,498**	4,344
Total comprehensive income	**1,446**	4,267
Attributable to non-controlling interest:		
Income for the year	**684**	1,071
Other comprehensive (loss)/income	**(455)**	271
	229	1,342

Summarised consolidated statement of financial position as at:

	2024	2023
	KD 000's	KD 000's
Total assets	**592,702**	618,914
Total liabilities	**496,638**	523,143
Total equity	**96,064**	95,771
Attributable to:		
Equity holders of the Bank	**68,149**	67,421
Non-controlling interest	**27,915**	28,350
	96,064	95,771

Summarised consolidated statement of cash flows for year ended:

	2024	2023
	KD 000's	KD 000's
Net cash (used in) /generated from operating activities	**(14,777)**	14,536
Net cash used in from investing activities	**(9,455)**	(17,931)
Net cash used in financing activities	**(150)**	(494)
Net decrease in cash and cash equivalents	**(24,382)**	(3,889)

16. INVESTMENT PROPERTIES

The movement in the investment properties is as follows:

	2024	2023
	KD'000s	KD'000s
Balance at the beginning of the year	**73,521**	33,618
Additions during the year	**9,244**	39,046
Disposal during the year	**(11,489)**	(1,281)
Net unrealized gain from change in fair value of investment properties	**(2,326)**	1,609
Foreign currency translation adjustments	**(580)**	529
Balance at the end of the year	**68,370**	73,521

The fair value of investment properties was determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach and income capitalization approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use where price per square meter and annual lease income are the significant inputs. There has been no change to the valuation techniques during the year. The following table provides the fair value measurement hierarchy of the investment properties.

	Level 1	**Level 2**	**Level 3**	**Total**
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**
2024				
Investment properties	**-**	**2,161**	**66,209**	**68,370**
2023				
Investment properties	-	2,221	71,300	73,521

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16. INVESTMENT PROPERTIES (CONTINUED)

The following table shows a reconciliation of the opening and closing amount of level 3 investment properties:

	At 1 January 2024	Change in fair value	Additions	Sale	Exchange rate movements	At 31 December 2024
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**
2024						
Investment properties	**71,300**	**(2,256)**	**9,244**	**(11,489)**	**(590)**	**66,209**

	At 1 January 2023	Change in fair value	Additions	Sale	Exchange rate movements	At 31 December 2023
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
2023						
Investment properties	31,421	1,589	39,045	(1,281)	526	71,300

17. OTHER ASSETS

	2024	2023
	KD'000s	KD'000s
Accrued income	**14,614**	11,771
Prepayments	**7,937**	5,807
Positive fair value of derivatives (Note 31)	**26,616**	23,607
Deferred tax assets	**24,377**	19,213
Others	**25,482**	43,590
	99,026	103,988

18. MEDIUM TERM FINANCING

	2024	2023
	KD'000s	KD'000s
Global Medium Term Sukuk ("GMTN programme")*	**383,509**	376,514
Other medium term financing**	**62,003**	215,166
	445,512	591,680

* The Bank established a USD 1 billion Global Medium Term Sukuk programme ("GMTN programme") in 2019, which has been subsequently revised to USD 3 billion in 2022.

During the prior years, on 29 March 2022, the Bank issued senior unsecured Sukuk amounting to USD 500 million due in March 2027 under the GMTN programme through a wholly owned special purpose vehicle. This Sukuk was issued at 100 per cent of nominal value and carries a fixed profit rate at 3.389% per annum payable semi-annually in arrears.

During the prior years, on 18 February 2020, the Bank issued senior unsecured Sukuk amounting to USD 750 million due in February 2025 under the GMTN programmed through a wholly owned special purpose vehicle. This Sukuk was issued at 100 per cent of nominal value and carries a fixed profit rate at 2.593% per annum payable semi-annually in arrears.

** Other medium term financing has a tenor of three years and carry a profit rate in the range of **5.24%** to **5.56%** (2023: 6.23% to 6.37%).

19. OTHER LIABILITIES

	2024	2023
	KD'000s	KD'000s
Creditors and accruals	**27,913**	24,002
Accrued staff benefits	**15,819**	13,446
Post-Employment Benefit	**18,061**	15,384
Provision on non-cash facilities (note 8)	**4,052**	3,606
Negative fair value of derivative (Note 31)	**8,780**	18,324
KFAS payable	**915**	756
Others	**58,853**	42,684
	134,393	118,202

19. OTHER LIABILITIES (CONTINUED)

Post-Employment Benefit

The present value of defined benefit obligation and the related current and past service cost was determined by actuarial valuations using the projected unit credit method. The significant inputs used in the actuarial valuation were a discount rate of **5.60%** (2023: 5.94%), future salary increases in line with expected consumer price inflation and demographic assumptions of mortality, withdrawal, retirement and disability rates.

20. SHARE CAPITAL

	2024		2023	
	Shares	**KD'000s**	Shares	KD'000s
Shares authorised, issued and fully paid in cash and bonus shares.	**4,200,783,638**	**420,078**	3,963,003,433	396,300

The change in share capital was recorded in the commercial register on 1 April 2024 (Note 22).

21. SHARE PREMIUM

The share premium is not distributable except under specific circumstances as provided by the Companies Law No. 1 of 2016 and its executive regulations, as amended.

22. DIVIDEND

The Annual General Assembly meeting of the shareholders held on 24 March 2024 approved **6%** bonus shares (2022: 6%) and a cash dividend of **8** fils per share (2022: 6 fils per share) for the year ended 31 December 2023. The cash dividend paid amounted to **KD 31,700 thousand** (2022: KD 22,429 thousand) and the bonus shares increased the number of issued and fully paid up shares by **237,780,205** shares (2022: 224,320,949 shares) and increase in share capital by **KD 23,778 thousand** (2022: KD 22,432 thousand). The approved bonus shares and cash dividends were distributed on 28 April 2024.

The board of directors recommended distribution of cash dividends of **10** fils per share and bonus share of **5%** for the year ended 31 December 2024. The proposed dividends, if approved by the shareholders' general assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

23. TREASURY SHARES

The Bank held the following treasury shares as at 31 December:

	2024	2023
Number of treasury shares	**594,987**	534,607
Treasury shares as a percentage of total issued shares - %	**0.01416%**	0.01349%
Cost of treasury shares (KD'000s)	**54**	54
Market value of treasury shares (KD'000s)	**334**	323
Weighted average of market value per share (fils)	**0.585**	0.639

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

24. STATUTORY RESERVE

In accordance with the Companies Law No. 1 of 2016 and the Bank's Memorandum of Incorporation and Articles of Association, a minimum of 10% profit for the year attributable to the shareholders of the Bank before KFAS, NLST, Zakat and Board of directors' remuneration is transferred to statutory reserve based on the recommendation of the Banks's Board of Directors. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by law and the Bank's Articles of Association.

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25. OTHER RESERVES

	Fair value reserve	**Foreign currency translation reserve**	**Change in actuarial valuation reserve**	**Total**
	KD'000s	**KD'000s**	**KD'000s**	**KD'000s**
Balance at 1 January 2024	**13,162**	**(12,825)**	**(38)**	**299**
Other comprehensive (loss)/income	**(287)**	**112**	**(633)**	**(808)**
Total comprehensive (loss)/income for the year	**(287)**	**112**	**(633)**	**(808)**
Realised loss on equity securities at fair value through other comprehensive income	**271**	**-**	**--**	**271**
Balance at 31 December 2024	**13,146**	**(12,713)**	**(671)**	**(238)**

	Fair value reserve	Foreign currency translation reserve	Change in actuarial valuation reserve	Total
	KD'000s	KD'000s	KD'000s	KD'000s
Balance at 1 January 2023	10,613	(13,192)	(1,209)	(3,788)
Other comprehensive income	2,549	367	1,171	4,087
Total comprehensive income for the year	2,549	367	1,171	4,087
Balance at 31 December 2023	13,162	(12,825)	(38)	299

Voluntary reserve

As required by the Bank's Articles of Association, a maximum of 10% of the profit for the year attributable to the shareholders of the Bank before Board of Directors' remuneration has to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon a recommendation by the Board of Directors. On 24 March 2024, the shareholders' General Assembly approved to discontinue the transfers to the voluntary reserve.

Voluntary reserve is available to be distributed to shareholders at the discretion of the general assembly in ways that may be deemed beneficial to the Bank, except for the amount equivalent to the cost of purchase of the treasury shares (note 23).

26. PERPETUAL TIER 1 SUKUK

During the previous years on 1 April 2021, the Bank has issued "Tier 1 Sukuk – 2021", through a Sharia's compliant Sukuk arrangement amounting to USD 500 million which was fully allocated. Tier 1 Sukuk -2021 is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk – 2021 is callable by the Bank on 1 October 2026 and bears an expected profit rate of **3.95%** per annum to be paid semi-annually in arrears. The expected profit rate will be reset on 1 April 2027 based on then prevailing 6 years US Treasury Rate plus initial margin of **2.896%** per annum. The net proceeds are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the general Mudaraba pool. Mudaraba profit will not be accumulated and the event is not considered an event of default.

27. RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members and the Parent Company including their board members, key management personnel, branches, associates and subsidiaries. Balances with related parties arise from commercial transactions in the normal course of business and are included within the following financial information captions:

	Number of board member or executive officers		Number of related parties			
	2024	2023	**2024**	2023	**2024**	2023
					KD'000s	KD'000s
Islamic financing to customers	**10**	13	**8**	6	**83,020**	68,733
Depositors' accounts	**26**	28	**41**	42	**18,094**	18,345
Letters of guarantee and letters of credit	**-**	-	**3**	1	**1,910**	3,732
Murabaha and other Islamic financing income					**3,702**	3,635
Finance cost and distribution to depositors					**(290)**	(420)
Parent Company						
Due from banks					**61,244**	28,510
Due to banks					**88,322**	73,022
Depositors accounts					**1,832**	175
Murabaha and other Islamic financing income					**1,087**	630
Finance cost and distribution to depositors					**(1,901)**	(2,350)

The Group holds collaterals against Islamic finance facilities to related parties in the form of shares and real estate. An estimate of the fair value of collaterals held against Islamic finance facilities to related parties amounted to **KD 121,570 thousand** as at 31 December 2024 (2023: KD 91,800 thousand).

Compensation of key management personnel:

Details of compensation for key management comprise the following:

	2024	2023
	KD'000s	KD'000s
Short-term benefits	**3,400**	3,626
Post-employment benefits	**422**	297
Deferred compensation	**1,081**	1,029
	4,903	4,952

Remuneration to directors of the Bank amounting to **KD 580** thousand for the year ended 31 December 2024 (31 December 2023: KD 580 thousand) is in accordance with local regulations and is subject to approval of shareholders at the Annual General Meeting.

28. CONTINGENCIES AND COMMITMENTS

At the financial reporting date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	2024	2023
	KD'000s	KD'000s
Letters of Guarantee	**409,551**	305,879
Letters of credit and Acceptances	**105,781**	106,323
Capital commitments and irrevocable undrawn financing Commitments	**165,219**	282,752
	680,551	694,954

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29. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

Business Segments

For management purposes, the Group is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional customers. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking and international operations: Principally handling direct investments, investment in associates, local and international real estate investment, asset and wealth management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with banks, as well as the management of the Bank's funding operations.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

	Consumer banking	Corporate banking	Investment banking and international operations	Treasury	Group centre	Total
2024	**KD'000s**	**KD'000s**	**KD'000s**	**KD'000s**	**KD'000s**	**KD'000s**
Net financing income	**111,225**	**48,660**	**2,246**	**28,989**	**9,309**	**200,429**
Operating income	**122,530**	**58,074**	**24,563**	**36,976**	**4,040**	**246,183**
Net profit/(loss) for the year	**69,550**	**47,831**	**(8,956)**	**35,823**	**(47,464)**	**96,784**
Total assets	**2,763,658**	**3,872,831**	**747,062**	**1,839,332**	**153,685**	**9,376,568**
Total liabilities	**5,184,136**	**557,077**	**600,086**	**1,491,351**	**457,858**	**8,290,508**
2023						
Net financing income	98,285	42,617	5,124	21,853	4,599	172,478
Operating income/(loss)	110,174	50,756	30,162	28,521	(1,583)	218,030
Net profit/(loss) for the year	62,668	45,874	(4,084)	27,158	(53,395)	78,221
Total assets	2,576,372	3,433,729	782,676	1,481,930	130,282	8,404,989
Total liabilities	4,257,922	451,799	647,689	1,466,300	552,444	7,376,154

Geographical segment

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on the geographical location of assets.

	Middle East & North Africa	North America	Europe & UK	Asia	Total
	KD'000s	**KD'000s**	**KD'000s**	**KD'000s**	**KD'000s**
2024					
Assets	**8,426,500**	**220,161**	**541,117**	**188,790**	**9,376,568**
Non-current assets (excluding financial instruments)	**268,521**	**4,615**	**62,744**	**-**	**335,880**
Liabilities and equity	**8,507,573**	**461,217**	**367,315**	**40,463**	**9,376,568**
Segment income	**215,730**	**7,402**	**19,880**	**3,171**	**246,183**
2023					
Assets	7,578,359	62,365	603,976	160,289	8,404,989
Non-current assets (excluding financial instruments)	269,345	97	59,339	-	328,781
Liabilities and equity	7,308,941	481,860	418,320	195,868	8,404,989
Segment income	203,954	2,693	5,371	6,012	218,030

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

30.1 Introduction and overview

Risk is inherent in the Group's activities but is managed in a structured, systematic manner through a Group risk policy that embeds comprehensive risk management into organisational structure, risk measurement and monitoring processes. The overall risk management direction and oversight is provided by the Board of Directors and Board Risk Committee with the support of the Management Executive Committee and the Group's Risk Management functions.

The Group is exposed to credit risk, market risk, liquidity risk and operational risk.

In accordance with the Central Bank of Kuwait's directives, the Group has implemented a comprehensive system for the measurement and management of risk. This methodology helps in reflecting both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. Information compiled from all internal business groups are closely examined and analysed to identify, manage and control risks.

Transactions and outstanding risk exposures are quantified and compared against authorised limits, whereas non-quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excesses or deviations are escalated to management for appropriate action.

As part of its overall risk management, the Group uses financial instruments to manage exposures resulting from market and profit rate risk. Collateral is used to reduce the Group's credit risk.

The Group's comprehensive risk management framework has specific guidelines that focus on maintaining a diversified portfolio to avoid excessive concentration of risks.

30.2 Credit risk

30.2.1 Assessment of expected credit losses

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business.

All policies relating to credit are reviewed and approved by the Board of Directors.

Credit limits are established for all customers after a careful assessment of their credit worthiness. Standing procedures, outlined in the Group's Credit Policy Manual, require that all credit proposals be subjected to detailed screening by the respective credit risk functions. Whenever necessary, Islamic facilities are secured by acceptable forms of collateral to mitigate the related credit risks.

In accordance with the instructions of the Central Bank of Kuwait, 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 the study and evaluation of the existing credit facilities of each customer of the Group. This committee, which meets regularly throughout the year, is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

The Group further limits risk through diversification of its assets by industry sectors. In addition, all credit facilities are continually monitored based on a periodical review of the credit performance and account rating.

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 for management purposes; or any ongoing legal action proceeded by the bank.

The Group considers investments in sukuk and interbank balances as in default when the coupon or principal payment is past due.

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it is no longer meets any of the default criteria. However, these would be required to meet the scheduled payments (all on current basis) for at least 1 year, or as the reason for such classification has been cured.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Credit risk (continued)

30.2.1 Assessment of expected credit losses *(continued)*

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess whether there has been a significant increase in credit risk since initial recognition including assessment of impairment factors in the light of the ongoing economic impacts such as whether financial difficulties of the borrowers are temporary or long-term and the industry sectors in which the borrowers operate. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds which are subjected to bank's internal policies and regulatory thresholds.

The Group considers a 2 notch downgrade (without considering modifiers in the rating) as a significant increase in credit risk for externally rated instruments with an "investment grade" rating at inception of the asset whereas for instruments with a below "investment grade" rating at inception, 1 notch downgrade is considered as a significant increase in credit risk. Similarly the Group applies consistent quantitative criteria for internally rated portfolio to assess significant increase in credit risk. In the absence of ratings at inception, the Group considers the earlier available rating to determine if there is significant increase in credit risk.

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 profit 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, credit conversion factors for off balance sheet commitments, forward looking macro-economic scenarios etc.

The Group considers expected maturity period of 7 years for credit facilities to corporate customers classified in stage 2 unless these facilities have schedule of repayments with final repayment amount not exceeding 50% of the original credit facilities. The expected maturity period of 5 years is considered for consumer financing and credit cards and 15 years for housing loans.

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 the haircuts prescribed by CBK.

Incorporation of forward-looking information

The Group considers various key economic variables which reflect the continuing uncertainties and effect stemming from ongoing economic impacts and other emerging risks, which may be expected to have an impact on credit risk and the expected credit losses (ECL), when incorporating forward-looking information into the ECL models. Key economic variables include, but are not limited to, Gross Domestic Product, Equity price index, Oil prices, and Government expenditure. Together, they provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models which incorporate the effect of macro-economic factors to adjust the historical TTC PDs to arrive at the PiT PDs. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for designated geographies and segments, and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions, on a regular basis.

The weighting of the multiple scenarios increased the Bank's reported allowance for credit losses for financial assets, other than credit facilities, in Stage 1 and Stage 2, relative to the base case scenario, by **KD 1,269 thousands** (2023: increased by KD 380 thousands). If the Bank were to use only downside case scenario for the measurement of allowance for credit losses for financial assets, other than credit facilities, allowance for credit losses would be **KD 5,281 thousands** (2023: KD 1,759 thousands) higher than the reported allowance for credit losses as at 31 December 2024.

The weighting of the multiple scenarios increased Bank's reported allowance for credit losses for financing receivables in Stage 1 and Stage 2, relative to our base case scenario, by **KD 1,233 thousands** (2023: KD 3,357 thousands). If the Bank were to use only downside case scenario for the measurement of allowance for credit losses for financing receivables, allowance for credit losses on performing loans would be **KD 4,235 thousands** (2023: KD 5,176 thousands) higher than the reported allowance for credit losses as at 31 December 2024.

Actual results will differ as this does not consider the migration of exposures or incorporate changes that would occur in the portfolio due to risk mitigation actions and other factors.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Credit risk (continued)

30.2.1 Assessment of expected credit losses (continued)

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level.

The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the cycle (TTC) PDs are generated from the rating tool based on the internal/external credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the Behavioural scorecard. The Group applied minimum PD floors as prescribed the Central Bank of Kuwait (CBK).

Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, amortization schedule, credit conversion factors, etc. Credit conversion factors are applied to estimate the future draw downs and compute EAD for credit cards portfolio.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Group applied minimum LGD floors as prescribed by the Central Bank of Kuwait (CBK).

30.2.2 Maximum exposure to credit risk (Net exposure after covered collateral)

An analysis of Islamic financing to customers and contingent liabilities before and after taking account of collateral held or other credit enhancements is as follows:

	2024		2023	
	Gross exposure	**Net exposure**	Gross exposure	Net exposure
	KD'000's	**KD'000's**	KD'000's	KD'000's
Islamic financing to customers	**6,923,895**	**4,490,480**	6,321,041	4,111,532
Contingent liabilities and other commitments	**680,551**	**639,263**	694,954	653,560

Collateral and other credit enhancements

The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collateral accepted includes real estate, shares, cash collateral and bank guarantees. The revaluation and custody of collaterals are performed independent of the business units. The Group may also obtain guarantees from parent companies for financing provided to their subsidiaries in addition to personal guarantees from owners.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Credit risk (continued)

30.2.3 Risk Concentration of the maximum exposure to credit risk

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio. The 20 largest Islamic financing facilities outstanding as a percentage of gross facilities as at 31 December 2024 are **21.13%** (2023: 21.31%).

The Group's financial assets and off-balance sheet items, before taking into account any collateral held or credit enhancements can be analysed by the following geographic regions:

	Middle East & North Africa	North America	Europe & UK	Asia	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
2024					
Balances with banks	**386,591**	**38,746**	**29,973**	**43**	**455,353**
Deposits with Central Bank of Kuwait	**125,056**	**-**	**-**	**-**	**125,056**
Deposits with other banks	**244,705**	**-**	**-**	**-**	**244,705**
Islamic financing to customers	**6,443,538**	**16,823**	**463,534**	**-**	**6,923,895**
Investment in Sukuk	**875,181**	**-**	**-**	**188,715**	**1,063,896**
Other assets (excluding prepayments)	**64,901**	**-**	**26,188**	**-**	**91,089**
	8,139,972	**55,569**	**519,695**	**188,758**	**8,903,994**
Contingent liabilities	**512,869**	**-**	**417**	**2,046**	**515,332**
Commitments	**126,410**	**-**	**38,809**	**-**	**165,219**
Total credit risk exposure	**8,779,251**	**55,569**	**558,921**	**190,804**	**9,584,545**
2023					
Balances with banks	283,949	26,112	42,685	37	352,783
Deposits with Central Bank of Kuwait	218,997	-	-	-	218,997
Deposits with other banks	81,284	3,145	11,799	-	96,228
Islamic financing to customers	5,831,031	12	489,984	14	6,321,041
Investment in Sukuk	726,048	-	-	160,238	886,286
Other assets (excluding prepayments)	77,790	-	20,391	-	98,181
	7,219,099	29,269	564,859	160,289	7,973,516
Contingent liabilities	409,605	-	551	2,046	412,202
Commitments	234,590	-	48,162	-	282,752
Total credit risk exposure	7,863,294	29,269	613,572	162,335	8,668,470

The Group's financial assets before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors:

	2024	2023
	KD'000's	KD'000's
Trading	**365,273**	331,551
Manufacturing	**97,831**	102,086
Banking and other financial institutions	**1,883,043**	1,571,692
Construction	**524,776**	410,561
Real Estate	**1,823,124**	1,521,477
Retail	**2,696,986**	2,450,875
Government	**873,691**	778,693
Others	**1,319,821**	1,501,535
	9,584,545	8,668,470

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Credit risk (continued)

30.2.4 Credit quality per class of financial assets

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of relevant aspects of perceived risk. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not impaired. The ultimate risk of possible financial loss on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Group's credit rating system:

	High	**Standard**	**Impaired**	**Total**
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**
2024				
Balances with banks	**455,353**	**-**	**-**	**455,353**
Deposits with Central Bank of Kuwait	**125,265**	**-**	**-**	**125,265**
Deposits with other banks	**244,761**	**-**	**-**	**244,761**
Islamic financing to customers	**5,804,984**	**1,273,966**	**72,613**	**7,151,563**
Investment in Sukuk	**1,063,896**	**-**	**-**	**1,063,896**
Other assets (excluding prepayment)	**91,089**	**-**	**-**	**91,089**
	7,785,348	**1,273,966**	**72,613**	**9,131,927**

	High	Standard	Impaired	Total
	KD'000's	KD'000's	KD'000's	KD'000's
2023				
Balances with banks	352,783	-	-	352,783
Deposits with Central Bank of Kuwait	219,027	-	-	219,027
Deposits with other banks	96,393	-	-	96,393
Islamic financing to customers	5,995,863	464,437	65,219	6,525,519
Investment in Sukuk	886,286	-	-	886,286
Other assets (excluding prepayment)	98,181	-	-	98,181
	7,648,533	464,437	65,219	8,178,189

Ageing analysis of past due or impaired financial assets:

	Corporate banking		**Consumer banking**		**Total**	
	Past due and not impaired	**Impaired**	**Past due and not impaired**	**Impaired**	**Past due and not Impaired**	**Impaired**
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**
2024						
Up to 30 days	**25,202**	**16,970**	**1,764**	**345**	**26,966**	**17,315**
31 – 60 days	**696**	**1,792**	**9,588**	**130**	**10,284**	**1,922**
61 – 90 days	**2,148**	**-**	**3,884**	**68**	**6,032**	**68**
91 – 180 days	**-**	**3,051**	**-**	**4,931**	**-**	**7,982**
More than 180 days	**-**	**27,790**	**-**	**17,536**	**-**	**45,326**
	28,046	**49,603**	**15,236**	**23,010**	**43,282**	**72,613**
2023						
Up to 30 days	8,198	7,773	1,750	746	9,948	8,519
31 – 60 days	2,958	-	8,237	120	11,195	120
61 – 90 days	387	-	4,164	89	4,551	89
91 – 180 days	-	5,105	-	6,211	-	11,316
More than 180 days	-	34,700	-	10,475	-	45,175
	11,543	47,578	14,151	17,641	25,694	65,219

At 31 December 2024 management estimates the fair value of collaterals held against individually past due and impaired Islamic finance facilities to **KD 141,320 thousand** (2023: KD 102,932 thousand).

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.3 Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in currency and securities, all of which are exposed to general and specific market movements and changes in the level of volatility of prices and profit rates.

The Group is not exposed to material risk in terms of the re-pricing of its liabilities since, in accordance with Islamic Sharia'a, the Group does not provide a guaranteed contractual rate of return to its depositors.

The group takes major steps towards managing its market risk through diversification, pre-fact risk assessment, limits and controls at various points, and continuous monitoring and reporting.

30.3.1 Foreign currency risk

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

Foreign exchange risks are controlled through limits pre-established by the Board of Directors on currency position exposures. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Appropriate segregation of duties exists between the treasury front and back office functions, while compliance with position limits is independently monitored on an ongoing basis by an independent middle office function.

The table below analyses the effect on profit and equity of an assumed 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

		2024		2023	
		Effect on profit	**Effect on equity**	Effect on profit	Effect on equity
		KD'000's	**KD'000's**	KD'000's	KD'000's
US Dollar	+5	**(365)**	**119**	(708)	114
Sterling Pound	+5	**333**	**8**	(12)	24
Euro	+5	**(104)**	**-**	11	-
Japanese Yen	+5	**3**	**-**	4	-
Saudi Riyals	+5	**(240)**	**397**	(415)	418
Others	+5	**62**	**-**	14	-

A five percent decrease of the above currencies against the Kuwaiti Dinar would have had equal, but opposite, effect of the amounts shown above, on the basis that all other variables remain constant.

30.3.2 Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

For such investments classified as FVOCI, a five percent increase in stock prices as at 31 December 2024 would have increased equity by **KD 1,100 thousand** (2023: an increase of KD 1,092 thousand). For such investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase of **KD 104 thousand** (2023: Nil). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis.

The Group has established an Asset and Liabilities Management Committee to manage the assets and liabilities of the Group comprehensively and strategically. The committee meets regularly to determine and review policies for managing liquidity risk, as well as to set risk limits.

The table below summarises the maturity profile of Group's assets, liabilities and equity based on contractual cash flows, maturity dates or on management's estimate of liquidation. This does not necessarily take account of the effective maturities.

	Up to three months	3 to 6 months	6 months to one year	Over 1 year	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
2024					
Assets					
Cash and balances with banks	495,501	-	-	-	495,501
Deposits with Central Bank of Kuwait	107,012	18,044	-	-	125,056
Deposits with Banks	244,705	-	-	-	244,705
Islamic financing to customers	3,434,499	354,081	198,218	2,937,097	6,923,895
Investment in Sukuk	140,165	88,868	64,339	770,524	1,063,896
Other investment securities	-	1,446	-	186,550	187,996
Investment properties	-	-	-	68,370	68,370
Other assets	35,554	-	12,365	51,107	99,026
Property and equipment	-	-	-	168,123	168,123
Total assets	4,457,436	462,439	274,922	4,181,771	9,376,568
Liabilities and Equity					
Due to banks	272,863	12,031	1,543	-	286,437
Depositors' accounts	4,721,150	1,268,361	1,175,451	259,204	7,424,166
Medium term financing	231,458	3,401	-	210,653	445,512
Other liabilities	19,958	-	16,910	97,525	134,393
Equity	-	-	-	1,086,060	1,086,060
Total liabilities and equity	5,245,429	1,283,793	1,193,904	1,653,442	9,376,568
Derivative Financial instruments settled on a gross basis					
Contractual amounts payable	197,062	310,027	-	-	507,089
Contractual amounts receivable	195,985	308,374	-	-	504,359

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Liquidity risk (continued)

	Up to three months	3 to 6 months	6 months to one year	Over 1 year	Total
2023	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
Assets					
Cash and balances with banks	398,952	-	-	-	398,952
Deposits with Central Bank of Kuwait	160,487	57,504	1,006	-	218,997
Deposits with Banks	96,228	-	-	-	96,228
Islamic financing to customers	2,634,988	901,149	204,105	2,580,799	6,321,041
Investment in Sukuk	141,479	59,159	25,663	659,985	886,286
Other investment securities	2,318	-	3,654	150,788	156,760
Investment properties	-	-	-	73,521	73,521
Other assets	51,781	-	5,942	46,265	103,988
Property and equipment	-	-	-	149,216	149,216
Total assets	3,486,233	1,017,812	240,370	3,660,574	8,404,989
Liabilities and Equity					
Due to banks	176,892	6,135	4,179	-	187,206
Depositors' accounts	4,445,953	1,035,875	761,222	236,016	6,479,066
Medium term financing	-	-	153,690	437,990	591,680
Other liabilities	26,974	-	20,646	70,582	118,202
Equity	-	-	-	1,028,835	1,028,835
Total liabilities and equity	4,649,819	1,042,010	939,737	1,773,423	8,404,989
Derivative Financial instruments settled on a gross basis					
Contractual amounts payable	372,850	-	-	-	372,850
Contractual amounts receivable	372,921	-	-	-	372,921

The liquidity profile of financial liabilities of the Group summarised below reflects the projected cash flows including future profit payments over the life of these financial liabilities based on contractual repayment arrangements.

	Up to three months	**3 to 6 months**	**6 months to one year**	**Over 1 year**	**Total**
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**
2024					
Financial liabilities					
Due to banks	**273,334**	**12,241**	**1,600**	**-**	**287,175**
Depositors' accounts	**4,739,344**	**1,289,268**	**1,211,566**	**283,221**	**7,523,399**
Medium term financing	**236,312**	**7,189**	**-**	**221,686**	**465,187**
	5,248,990	**1,308,698**	**1,213,166**	**504,907**	**8,275,761**
Contingent liabilities and capital commitments					
Contingent liabilities	**126,231**	**57,974**	**122,058**	**209,069**	**515,332**
Other commitments	**9,391**	**1,688**	**23,732**	**130,408**	**165,219**
	135,622	**59,662**	**145,790**	**339,477**	**680,551**

	Up to three months	3 to 6 months	6 months to one year	Over 1 year	Total
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
2023					
Financial liabilities					
Due to banks	177,127	6,285	4,293	-	187,705
Depositors' accounts	4,461,326	1,056,591	786,348	259,516	6,563,781
Medium term financing	6,223	6,292	166,168	456,724	635,407
	4,644,676	1,069,168	956,809	716,240	7,386,893
Contingent liabilities and capital commitments					
Contingent liabilities	102,782	57,312	108,079	144,029	412,202
Other commitments	8,843	720	22,309	250,880	282,752
	111,625	58,032	130,388	394,909	694,954

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.5 Profit Rate Risk

Profit Rate Risk is the risk of losses arising as a result of adverse changes in profit rates. It refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in profit rates that affect the bank's banking book positions.

Accepting this risk is a part of normal banking activities. However, excessive profit rate risk can pose a significant threat to Group's earnings and capital base.

The goal of profit rate risk management at the Group is to ensure stability in profitability by adopting pro-active balance sheet management techniques.

30.6 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events. When controls fail to perform, it can lead to legal or regulatory implications, or financial / reputational loss.

The Group has established policies and procedures, which are applied to identify, assess, monitor, control and mitigate operational risk in addition to other types of risks relating to the banking and financial activities of the Group as part of overall risk management activities.

The operational risk of the Group is managed in line with the Central Bank of Kuwait's instructions concerning the general guidelines for internal controls and best practice for managing and supervising operational risks in banks.

30.7 Fair value of financial instruments

Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. The carrying values of financial instruments are approximate to their fair values as at 31 December 2024 due to relatively short-term maturity of the instruments.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
2024	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**
Financial assets at fair value through profit or loss	**2,081**	**163,563**	**-**	**165,644**
Investment in Sukuk	**1,063,896**	**-**	**-**	**1,063,896**
Financial assets at fair value through other comprehensive income	**7,915**	**-**	**14,077**	**21,992**
	1,073,892	**163,563**	**14,077**	**1,251,532**
2023				
Financial assets at fair value through profit or loss	-	132,859	-	132,859
Investment in Sukuk	886,286	-	-	886,286
Financial assets at fair value through other comprehensive income	8,310	-	13,534	21,844
	894,596	132,859	13,534	1,040,989

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.7 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets.

	At 1 January 2024	**Change in fair value**	**Additions/ transfers**	**Sale/ redemption**	**Exchange rate movements**	**At 31 December 2024**
	KD'000's	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**	**KD'000's**
2024						
Assets measured at fair value						
Financial assets at fair value through other comprehensive income	**13,534**	**620**	**-**	**(77)**	**-**	**14,077**

	At 1 January 2023	Change in fair value	Additions/ transfers	Sale/ redemption	Exchange rate movements	At 31 December 2023
	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's	KD'000's
2023						
Assets measured at fair value						
Financial assets at fair value through other comprehensive income	15,310	523	(1,794)	(505)	-	13,534

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2024 are not material.

Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating a range of input assumptions that are appropriate in the circumstances. Carrying value of financial assets and liabilities that are carried at amortised cost are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in profit rates and is only used for disclosure purpose.

30.8 Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Group.

The Group's regulatory capital and capital adequacy ratios for the years ended 31 December 2024 and 31 December 2023 are calculated in accordance with Central Bank of Kuwait circular numbers 2/RB, RBA/336/2014 dated 24 June 2014, related to Basel III regulations which are shown below:

	2024	2023
	KD'000's	KD'000's
Risk weighted assets	**5,884,806**	5,560,734
Capital required	**823,873**	778,502
Capital available		
Common Equity Tier 1 Capital	**844,930**	793,581
Additional Tier 1 Capital	**137,875**	136,254
Tier 1 Capital	**982,805**	929,835
Tier 2 Capital	**73,066**	69,163
Total Capital	**1,055,871**	998,998
Common Equity Tier 1 Capital Adequacy Ratio	**14.36%**	14.27%
Tier 1 Capital Adequacy Ratio	**16.70%**	16.72%
Total Capital Adequacy Ratio	**17.94%**	17.97%

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.8 Capital management *(continued)*

The Group's financial leverage ratio for the year ended 31 December 2024 is calculated in accordance with Central Bank of Kuwait circular number 2/RBA/ 343/2014 dated 21 October 2014 and is shown below:

	2024	2023
	KD'000's	KD'000's
Tier 1 Capital	**982,805**	929,835
Total Exposures	**9,815,945**	8,794,302
Financial Leverage Ratio	**10.01%**	10.57%

The disclosures relating to the capital adequacy regulations issued by Central Bank of Kuwait as stipulated in Central Bank of Kuwait's circular number 2/RB, RBA/336/2014 dated 24 June 2014 and disclosures related to financial leverage ratio as stipulated in Central Bank of Kuwait's circular number 2/RBA/ 343/2014 dated 21 October 2014 for the year ended 31 December 2024 are included under the 'Risk Management' section of the annual report.

31. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve Sharia'a approved derivative financial instruments such as currency swaps, profit rate swaps and forward foreign exchange contracts to mitigate foreign currency and profit rate 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.

Currency swaps

Currency swaps is a contractual agreement between two parties to buy a Sharia'a compliant asset at an agreed price on the relevant future date in different currencies. The fixed or floating payments as well as notional amounts are exchanged in different currencies.

Profit rate swaps

Profit rate swaps are contractual agreements between two counter-parties to exchange fixed and floating payments based on a notional value in a single currency.

Forward foreign exchange contracts

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.

The fair value of Islamic derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	2024			2023		
	Positive fair value	**Negative fair value**	**Notional**	Positive fair value	Negative fair value	Notional
	KD'000s	**KD'000s**	**KD'000s**	KD'000s	KD'000s	KD'000s
Profit rate swaps (held as fair value hedges)	**17,590**	**(7,350)**	**796,284**	22,697	(15,387)	776,047
Cross currency swaps	**9,006**	**(1,205)**	**458,103**	786	-	308,795
Forward foreign exchange contracts	**20**	**(225)**	**46,515**	124	(820)	62,842
	26,616	**(8,780)**	**1,300,902**	23,607	(16,207)	1,147,684

All of the above Islamic derivative financial instruments are included in Level 2 of fair value hierarchy as at 31 December 2024 and 2023.

32. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Group as at 31 December 2024 amounted to **KD 1,024,133 thousand** (2023: KD 754,230 thousand) and the related fees and commission income from these assets amounted to **KD 4,123 thousand** (2023: KD 4,433 thousand).