Annual Report 2024

Navigating Change, Embracing Opportunity.

بنك الخليج
GULF BANK

HH Sheikh
Sabah Al-Khaled Al-Hamad Al-Mubarak Al-Sabah

Crown Prince of the State of Kuwait

HH Sheikh
Mishal Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

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STRATEGIC REVIEW

Gulf Bank at **a Glance**

Business Model

Consumer Banking

Our Consumer Banking serves a broad range of customer segments, offering customer-centric solutions and a unique experience tailored to each customer segment. Our diversified product offering includes personal loan options, credit and debit cards, and deposits.

Corporate Banking

Our Corporate Banking has a comprehensive suite of wholesale, commercial and Small and Medium Enterprise (SME) banking products and services. These include structured finance, project finance, transaction banking, Advisory / Corporate Finance and Investment Banking, Merchant Banking and Cards.

Treasury And Investment

Our Treasury focus is to optimize the balance sheet's efficiency, managing the Bank's liquidity while supporting asset growth and sufficient buffers to meet regulatory requirements. Our Investment Services manages the Bank's proprietary investment and offer investment products to clients.

7.5
KD Billion
Total Assets YE 2024

+50
Branches across Kuwait

1984
Listed on Kuwait Stock Exchange

1960
Founded

2024 Board of Directors Activity

50 Meetings

Committee	Meetings
Board Meetings	9
Compliance and Governance Committee	3
Audit Committee	5
Nomination and Remuneration Committee	4
Risk Committee	5
Credit and Investment Committee	24

2024 External Recognitions

A3	A	A+
Moody's	Fitch Ratings	Capital Intelligence
Positive	Stable	Stable

- Highest Tokenized Debit Portfolio in Kuwait Award

IBS intelligence
Global FinTech Perspectives

- Best Digital Platform Implementation Award
- Best Program Vision Award
- 'Digital Blueprint' Program Award

PRIVATE BANKER INTERNATIONAL
Global Wealth Awards 2024

- Best Next-Generation Offering award

Global Finance
25th Annual Best Digital Bank Award 2024

- Best Bank in Marketing and Social Media Services Award

CSR
Bahrain CSR Society

- Best in Sustainable Workplace Development Award

Euromoney
Awards for Excellence Kuwait 2024
Best Bank for Corporate Responsibility

- Best in Kuwait for Social Responsibility Award

MENA Banking Excellence Awards 2024

- Best Implementation of Diversity and Inclusion Initiatives
- Best in Empowering Women Award

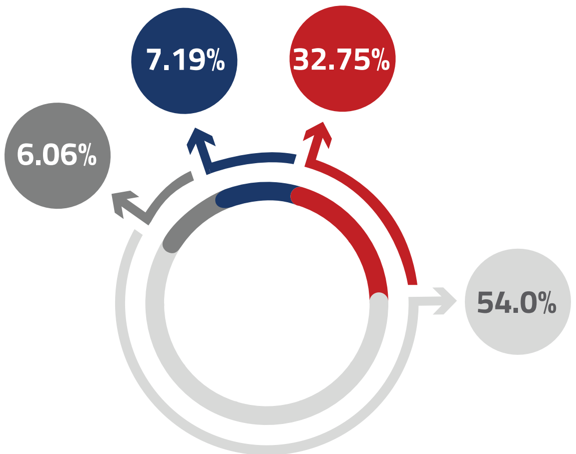
Guinness World Records

- AlDanah Millionaire Account Grand Prize Enters the Guinness World Records

mepra awards 2024

- Gold Award for Best Campaign in Kuwait (From Hesitation to Confidence: Promoting Responsible Credit Card Usage in Kuwait.).
- Silver Award for Best Campaign in Kuwait (Rose Gold Credit Card: Empowering the Modern Kuwaiti Woman campaign.).

Ownership Structure



Alghanim Trading Co.	32.75%
Public Institution for Social Securities (PIFSS)	7.19%
Behbehani Investment Co.	6.06%
Other Shareholders	54.00%

Note: As of 31 Dec 2024

Shareholders **Information**

Gulf Bank Index Landscape

Listed in Boursa Kuwait Under Premier Market

S&P DJI Emerging Market Index since December 2018

MSCI Emerging Market Index since November 2020

FTSE Russell Emerging Markets Index since September 2017

Exchange
Boursa Kuwait

Ticker
GBK

Stock Number
102

ISIN
KW0EQ0100028

Number of Shares Issued
3,802,502,099

Market Cap as of 31 December 2024
KD 1,237 Million

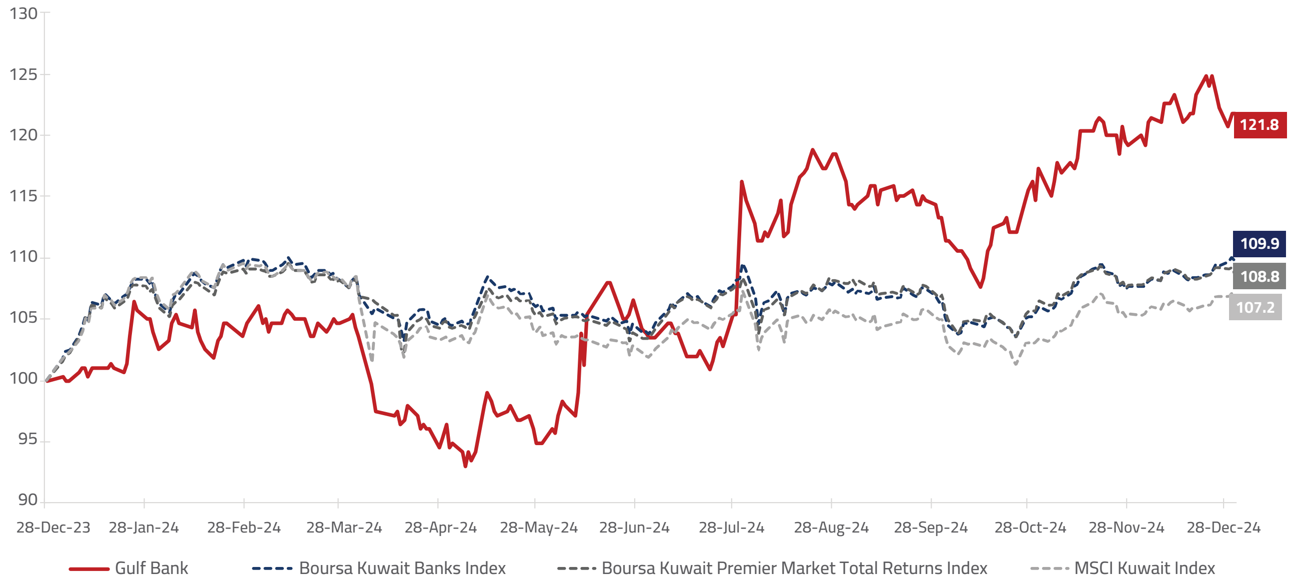
Gulf Bank Weight in Overall Boursa Kuwait Market
2.8%

Gulf Bank Market Trading Activities During 2024

2024	Market Capitalization (KD) (1)	Month Closing Price (KD Fils) (2)	Daily Average Closing Price (KD Fils) (2)	Daily Average Traded Value (KD) (2)	Daily Average Traded Volume (2)	Price to Earnings (3)	Price to Book (3)
January	1,050,214,866	0.290	0.287	2,242,465	7,816,690	14.7	1.3
February	1,068,322,018	0.295	0.292	1,961,382	6,701,215	15.0	1.3
March	1,068,322,018	0.295	0.294	1,394,480	4,731,559	16.0	1.4
April	981,045,542	0.258	0.265	1,483,906	5,621,673	14.7	1.2
May	965,835,533	0.254	0.257	2,258,630	8,772,802	14.5	1.2
June	1,060,898,086	0.279	0.274	5,682,195	20,557,619	16.7	1.3
July	1,182,578,153	0.311	0.279	4,125,540	14,371,055	18.6	1.5
August	1,205,393,165	0.317	0.308	3,898,302	12,707,681	19.0	1.5
September	1,149,385,686	0.303	0.307	2,020,091	6,570,219	20.0	1.4
October	1,191,112,559	0.314	0.300	1,816,165	6,026,352	20.7	1.5
November	1,210,079,320	0.319	0.318	2,263,830	7,091,207	21.0	1.5
December	1,236,632,784	0.326	0.327	2,173,979	6,661,089	21.5	1.5
Average for the year	**1,097,117,828**	**0.293**	**0.293**	**2,590,834**	**8,887,718**	**17.1**	**1.4**

Source: (1) Boursa Kuwait - Market Summary by Company; (2) Boursa Kuwait - Data Services Portal;
(3) Bloomberg - Latest Reported Period (Earnings Trailing 12 Months).

Gulf Bank has outperformed major local indices in 2024



Source: Bloomberg – Prices are rebased to 100 and is adjusted for historical corporate actions.

Investor Relations Calendar During 2024

Date	Earning Calls
13 Feb 2024	YE 2023 Earnings Call
6 May 2024	Q1 2024 Earnings Call
31 Jul 2024	H1 2024 Earnings Call
4 Nov 2024	9M 2024 Earnings Call

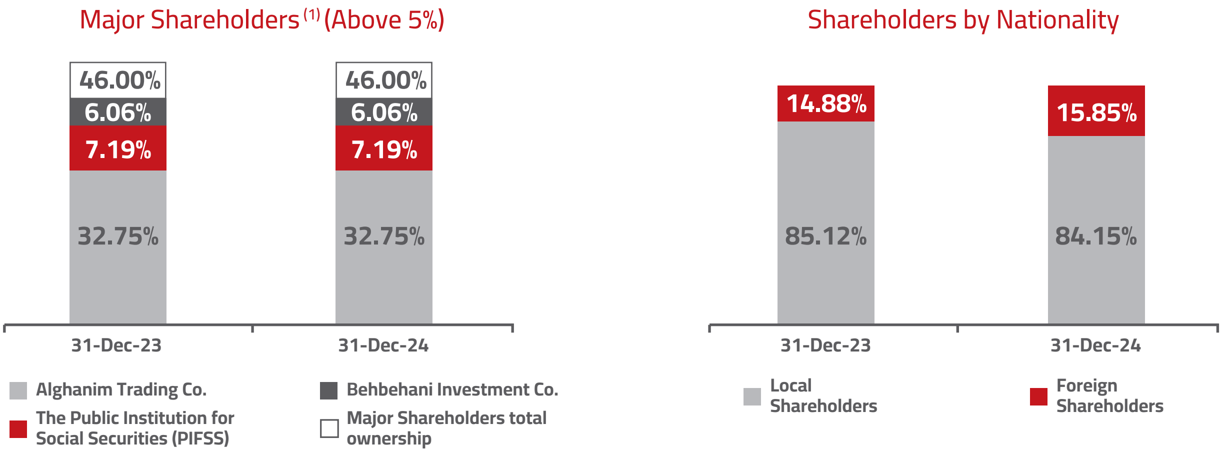
Date	Roadshows	Country
6 Mar to 7 Mar 2024	EFG Hermes 18th Annual One on One Conference	Dubai, UAE
20 May 2024	Jefferies Kuwait Corporate Day in Partnership With Boursa Kuwait	London, UK
27 May 2024	Arqaam Capital MENA Investor Conference	Dubai, UAE
11 Sep 2024	EFG Hermes 10th Annual London Conference	London, UK

Gulf Bank maintaining at least 50% cash dividends payout over the past couple of years and a consistent bonus shares distribution

Gulf Bank Dividends	Year End 2021	Year End 2022	Year End 2023	Year End 2024
Earnings Per Share Basic and Diluted (KD Fils)	13	18	20	16
Dividends Per Share(1) (KD Fils)	7	10	12	10
Payout Ratio(1)	52.5%	54.2%	59.9%	63.1%
Dividends Yield(2)	2.5%	3.2%	4.6%	3.1%
Bonus Shares	5.0%	5.0%	5.0%	5.0%

(1) Payout ratio is based on cash dividends per share over basic and diluted earnings per share.
(2) Dividend Yield is based on cash dividends per share as a percentage of closing share price as on 31 December or last traded day of the relevant financial year.
Note: 2024 Dividends and Bonus Shares are subject to Annual General Meeting Approval to be held in March 2025.

Shareholders Structure



(1) Major shareholders is defined as owning directly and indirectly greater than 5% of the Bank.
Source: Boursa Kuwait – Company Profile and the internal Year End major shareholders report greater than 5%.

Gulf Bank **Strategy 2025**

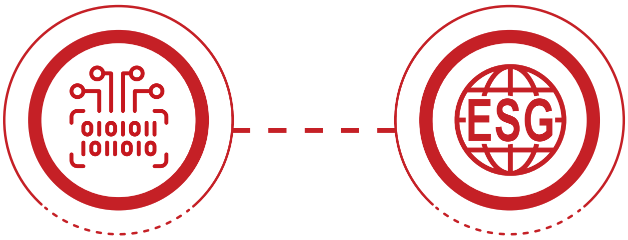
Pioneering Kuwait's Banking Future through Innovation and Simplicity

Gulf Bank is committed to transforming Kuwait's banking experience by delivering innovative and simplified services that enhance customer lives, promote sustainable growth, and advance Gulf Bank as the premier Kuwaiti Bank of the Future. Building upon a robust foundation of digital transformation and excellence, we are aligning closely with Kuwait Vision 2035, aiming to reinforce our role as a key financial partner in the country.

Our strategic approach from 2020 through 2025 emphasizes three foundational pillars: **People, Technology,** and **Risk Management**, which collectively support six core strategic pillars: Digital Banking, Consumer Banking, Corporate Banking, Treasury, Wealth Management, and Inorganic Growth. Together, these form the architecture of Gulf Bank's journey toward future-ready banking, catering to diverse customer needs across digital and traditional channels. Key values of **Ambition, Ownership, Simplicity,** and **People** drive our mission to provide efficient, reliable, and user-friendly banking experiences.

Emerging initiatives

Two Initiatives:



Data & Innovation

ESG & Sustainability

Gulf Bank 2025 Strategy is based on Three Strategic Foundations and Six Strategic Pillars:

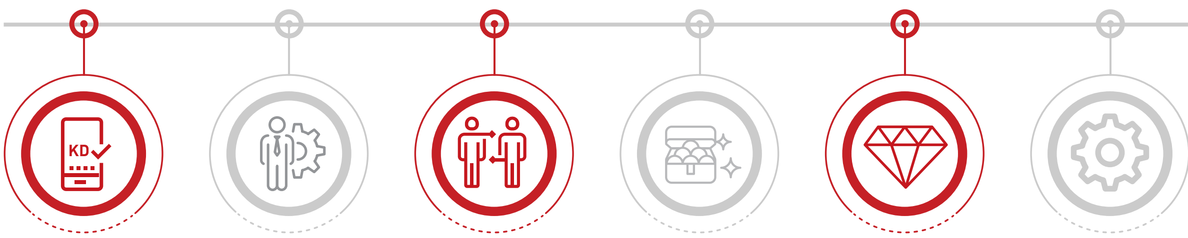
Foundation

People

Risk

Technology

Strategic Pillars



Digital Banking

Corporate Banking

Consumer Banking

Treasury

Wealth

Inorganic Growth

2024 Milestones and Achievements

Accelerating Digital and Consumer-Centric Transformation

2024 marked a year of significant achievements within our five-year strategic roadmap, surpassing **80% completion of foundational initiatives.** This year saw the successful launch of pivotal projects aimed at elevating customer engagement and operational efficiency, reinforcing Gulf Bank's position as a data-driven, digital leader in Kuwait:

- **Launch of InvestGB:** Our new investment arm has broadened our wealth management, corporate finance, and brokerage capabilities, solidifying our leadership in the asset management landscape.
- **Advanced Digital Platform:** We introduced a digitally transformed platform providing a seamless, personalized banking experience with an integrated 360° customer view, enhancing our omnichannel service delivery across both digital and in-branch interactions.
- **Enhanced Core Banking Systems:** We completed Phase 2 of our core banking transformation and introduced a new corporate banking system, streamlining processes and optimizing efficiencies for both corporate and consumer segments.
- **Branch Renovation Progress:** Our ongoing renovation plan has transformed key branches, blending personalized service with advanced digital features, reinforcing Gulf Bank's commitment to a seamless, customer-centric experience.

2025 Strategic Initiatives and Outlook

Empowering Growth through Governance, Innovation, and Customer Focus

Looking ahead to 2025, Gulf Bank remains focused on enhancing governance frameworks, expanding its product and service offerings, and embedding sustainability within its operations. Our strategic initiatives are carefully crafted to meet evolving customer needs, address regulatory dynamics, and cultivate a culture of transparency and accountability.

Exploring Strategic Inorganic Growth Initiatives in Islamic Banking

As part of our ongoing efforts to explore new approaches and prospects for achieving sustainable growth and added value for the Bank, our customers, and investors, Gulf Bank is actively analyzing strategic inorganic growth opportunities in the Islamic banking sector. This includes a feasibility study on the potential conversion of Gulf Bank to a fully Sharia-compliant institution, supported by an international consultant and to be conducted in full compliance with Central Bank of Kuwait (CBK) regulations and directives.

In 2025, Gulf Bank's will continue exploring this inorganic growth opportunity and will provide greater clarity on the potential paths for enhancing market presence and delivering long-term value. Gulf Bank is dedicated to maintaining transparent communication, adhering to regulatory standards, and strategically adapting to align with stakeholder needs and market demands.

Business **Model**

Gulf Bank's business model is anchored in a strong franchise, a talented workforce, and a stable shareholder base, which together form the foundation of our solid financial fundamentals. This strategic approach not only drives robust financial performance but also cultivates lasting relationships with all stakeholders, creating and preserving sustainable wealth for them while ensuring long-term success.

1- Our Strengths

Strong Franchise

Kuwait second largest conventional bank in terms of total loans, and second in terms of branch network.

Aspiring Talent

- Diverse talent pool of +1,700 employees, with Women representing around 42%.

Sound Fundamentals

- KD 5.5 billion in loans and advances
- KD 5.6 billion in total deposits
- KD 60.2 million in net profit

Solid Ratings

- Moody's: A3, Positive Outlook
- Fitch: A, Stable Outlook
- Capital Intelligence: A+, Stable Outlook

The Bank's Shareholder Base

- 32.75% Alghanim Trading Co.
- 7.19% The Public Institution for Social Security
- 6.06% Behbehani investment Co.

2- How we add Value

Leverage on our strength and capabilities

To better support our customers everyday banking needs and create additional value to all our stakeholders. By embracing the Bank vision, mission and core values and striving for execution excellence in our businesses.

Consumer Banking
38%
contribution in total loans

Corporate Banking
62%
contribution in total loans

Treasury and Investment

Vision

To be the leading Kuwaiti bank of the future.

Mission

To provide customers with simple and innovative services, in order to enable sustainable growth.

Core Values

- Be Ambitious
- Empower our People
- Take Ownership
- Strive for Simplicity

3- Our Stakeholders

Customers

Customers centric approach, by providing them with simple and innovative solutions to improve their lives.

Employees

Attract, retain and develop our people that can take ownership and leverage their strengths and excel in their performance.

Shareholders

Deliver superior and sustainable returns to our investors.

Communities

Improve the well being of our communities through encouraging positive change to generate sustainable value for all stakeholders.

Note: All figures are either as of year end 2024 or as on 31 December 2024.

Year 2024 **in Review**

Jan.

- Fitch affirms Gulf Bank LT Issuer Default Rating (IDR) at "A"; Outlook remains Stable.

Feb.

- Gulf Bank FY 2023 Financial Results, Net Profit of KD 71.2 million, up 15.2%.
- Amiri Decree dissolving the National Assembly.

Mar.

- Resignation of Gulf Bank's Chairman Mr. Jassim Mustafa Boodai.
- Reformation of Gulf Bank's Board of Directors and appointment of Mr. Bader Nasser AlKharafi as Chairman of Gulf Bank.
- Gulf Bank held the 65th AGM and 43rd EGM.
- Fitch affirms State of Kuwait Sovereign Credit Rating at "AA-"; Outlook remains Stable.

Apr.

- Gulf Bank distribute FY 2023 cash dividends of 12 fils and bonus shares of 5%.
- Gulf Bank Q1 2024 Financial Results, Net Profit of KD 12.9 million, down 25.6%.
- Kuwait general election for The National Assembly.

May

- Moody's affirms State of Kuwait Sovereign Credit Rating at "A1"; Outlook remains Stable.
- Amiri Decree dissolving the national assembly and suspending some articles of the constitution for no more than four years.

June

- Capital Intelligence affirms Gulf Bank LT Foreign Currency (LT FCR) at "A+"; Outlook remains Stable.
- Gulf Bank announce studying the conversion to a Bank compliant with Islamic Sharia.
- Amiri Decree recommending Sheikh Sabah Al-Khaled Al-Sabah as Crown Prince, subsequently approved by the council of ministers.
- S&P affirms State of Kuwait Sovereign Credit Rating at "A+"; Outlook remains Stable.

Jul.

- Gulf Bank Q2 2024 Financial Results, Net Profit of KD 28.2 million, down 21.3%.
- Gulf Bank announce studying the merger with Boubyan Bank.

- State of Kuwait Closing Accounts for FY 31 March, 2024, reporting a KD 1.6 billion deficit for the year.

Aug.

- Amiri Decree mandating a cabinet reshuffle and appointment of four new ministers.

Sep.

- Gulf Bank announce opening of Board Membership Nomination.
- Gulf Bank signs MoU with Boubyan Bank.

- Fitch affirms State of Kuwait Sovereign Credit Rating at "AA-"; Outlook remains Stable.
- Central Bank of Kuwait cut discount rate by 0.25% from 4.25% to 4.00%, following Federal Reserve cuts interest rate by 0.50%.

Oct.

- Gulf Bank celebrates its 64th years anniversary since it was established.
- Gulf Bank Q3 2024 Financial Results, Net Profit of KD 40.2 million, down 25.3%.

- Amiri Decree formalizing the appointment of two new ministers in Kuwait's government, bringing the total cabinet members to 16.

Nov.

- Gulf Bank foreign ownership reached 16.13%, the highest for the year.

- Federal Reserve cuts interest rate by 0.25%, while Central Bank of Kuwait did not cut its discount rate and kept it at 4.00%.

Dec.

- Fitch affirms Gulf Bank LT Issuer Default Rating (IDR) at "A"; Outlook remains Stable.

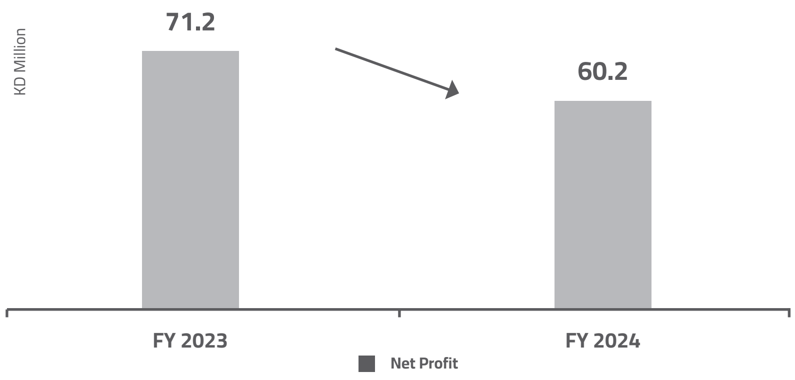
- Federal Reserve cuts interest rate by 0.25%, while Central Bank of Kuwait did not cut its discount rate and kept it at 4.00%.

GULF BANK - MAJOR EVENTS

KUWAIT - MAJOR EVENTS

Key Financial **Highlights 2024**

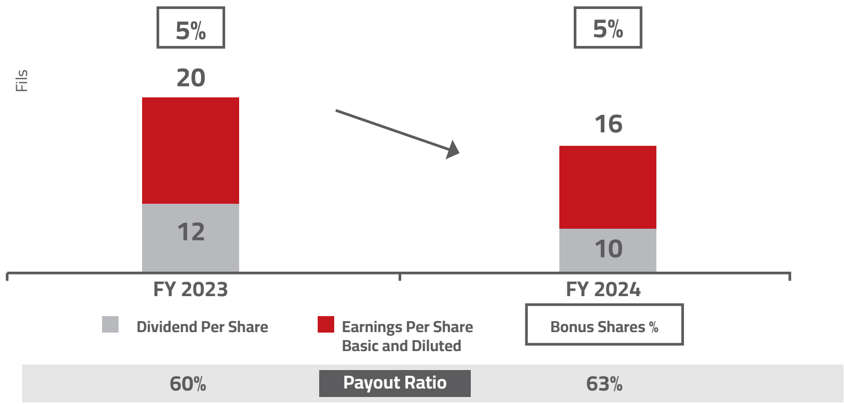
1. Net Profit reached KD 60.2 for year end 2024, a decline of 16% compared to 2023



Net Profit Decline

(16%)

2. Earnings per share reached 16 fils. Recommending a cash dividend of 10 fils per share representing 63% cash payout ratio, and 5% bonus shares

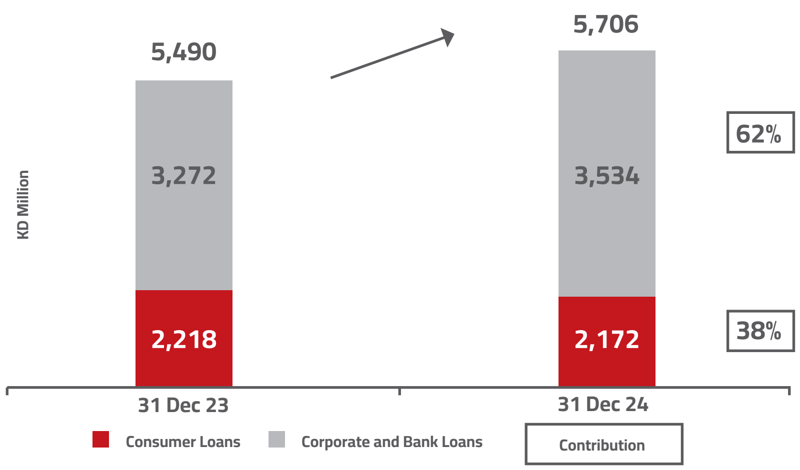


Earnings
Per Share Decline

(21%)

Note: 2024 proposed cash dividends and bonus shares are subject to Annual General Meeting shareholders approval expect to be held in March 2025.

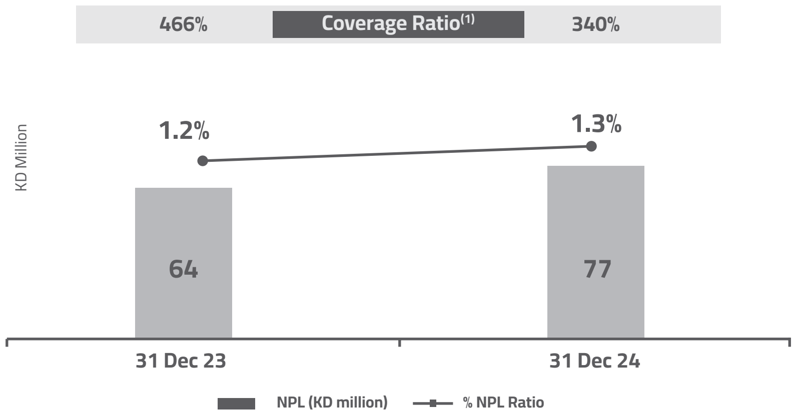
3. Gross loans and advances reached KD 5.7 billion, up KD 215 million or +4% compared to 2023



Gross Loans and
Advances Growth

+4%

4. Asset quality remained resilient, as non-performing loan ratio stood at 1.3% for year-end 2024 with ample coverage



(1) Coverage ratio includes total provisions and collaterals.

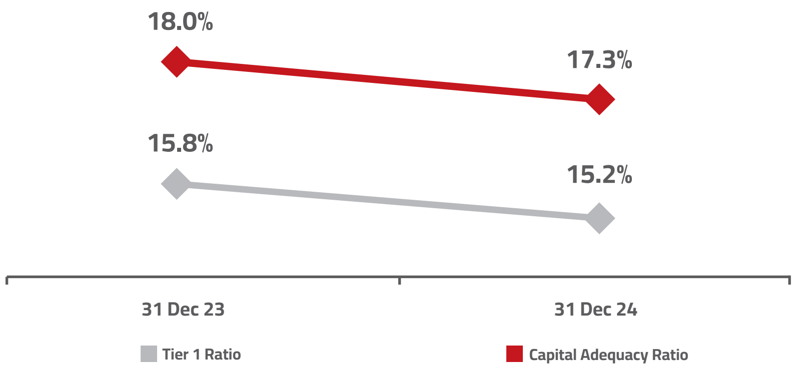
NPL Ratio

1.3%

Coverage Ratio

340%

5. The Bank's regulatory capital ratios remained strong and well above the regulatory minimums



Regulatory Minimums

14.0% CAR Minimums

12.0% Tier 1 Ratio Minimums

CAR Above Regulatory Minimums

335 bps

Tier 1 Ratio Above Regulatory Minimums

323 bps

Note: Tier 1 and Capital Adequacy Ratio (CAR) regulatory minimums include 1% DSIB.

6. The Bank remained an 'A' rated bank by three major credit rating agencies during 2024

Rating Agency	Criteria	Rating
Moody's	Long Term Deposits	A3
	Outlook	Positive
Fitch Ratings	Long-Term Issuer Default Rating	A
	Outlook	Stable
Capital Intelligence	Long-Term Foreign Currency	A+
	Outlook	Stable

Chairman's Statement

Bader Nasser AlKharafi

Dear Shareholders

It is my pleasure to present to you the annual report for Gulf Bank for the year ending December 31, 2024. This year has been marked by significant achievements and challenges, and I am proud of the commitment shown by our team. As we reflect on the past year, it is important to acknowledge the collective efforts that have enabled us to navigate a complex and dynamic environment successfully.

Strategic Overview

In 2024, Gulf Bank continued to strengthen its position as a leading financial institution in Kuwait with strategic initiatives focused on steady growth, innovation, and enhancing customer experience.

Our long-term vision is focused on creating value for our stakeholders through strategic risk management and comprehensive investment planning. Significant progress has been made in our digital transformation journey, which is critical to maintaining a competitive edge in an increasingly digital world. Our strategic investments in technology and innovation aim to enhance operational efficiency, fortify security measures, elevate customer service and experience, and drive overall value. During the year, we have also announced the Bank's intention to transform into a sharia'a compliant bank and obtained the Central bank of kuwait's No Objection to the feasibility study for this transformation.

This year has been marked by significant achievements and challenges, and I am proud of the commitment shown by our team

Additionally, our fully owned investment arm, Invest GB, commenced operations this year. This subsidiary will allow us to offer a comprehensive range of services in wealth and asset management, investment, and advisory services tailored for high-net-worth individuals and institutional investors. Invest GB, aims to leverage its expertise and resources to provide clients with streamlined and sophisticated solutions that address their unique financial goals and aspiration.

Economic Environment

The global economic environment in 2024 has experienced significant volatility, prompting central banks to adjust their monetary policies in response to evolving economic conditions. Locally, the Central Bank of Kuwait mirrored the U.S. Federal Reserve's first interest rate cut, albeit at a more measured level, by announcing a 25-basis point discount rate cut in September 2024. This strategic move aimed at stimulating economic growth and ensuring financial stability. Kuwait's financial system remains robust, bolstered by stable oil prices, the government's renewed commitment to economic diversification through large-scale investments and major fiscal reforms.

Gulf Bank has played a pivotal role in supporting Kuwait's economic development. We have been actively participated in financing major projects aligned with Kuwait Vision 2035, encompassing infrastructure, oil, and construction sectors. Our role extends beyond traditional banking services. We are dedicated to fostering the economic and social development of Kuwait. This dedication includes funding critical infrastructure projects, supporting small and medium-sized enterprises (SMEs), and promoting financial inclusion.

By leveraging our resources and expertise, Gulf Bank is not only contributing to the immediate economic needs but also paving the way for a sustainable and diversified economic future for Kuwait.

Financial performance

Despite facing a challenging operating environment, the Bank successfully recorded robust balance sheet growth. Total assets increased by 4.3%, reaching KD 7.5 billion, driven by a significant growth in loans and advances of 5.2%. Furthermore, the Bank achieved a net profit of KD 60.2 million for the full year 2024. This resulted in an earnings per share of 16 fils for the full year ending 31 December 2024.

Accordingly, the Board of Directors recommends a distribution of a cash dividend of 10 fils per share, representing a 63% cash payout ratio, in addition to 5% bonus shares. These recommendations are subject to shareholders' approval at the Annual General Meeting to be held in March 2025.

Our financial performance exhibits our strategic priorities and disciplined execution. Efforts have been focused on optimizing the cost structure, enhancing revenue generation, and managing risks effectively. Our balanced approach through strategic risk management and comprehensive investment planning, has enabled us to deliver consistent returns to shareholders while maintaining a strong financial position.

> Significant progress has been made in our digital transformation journey, which is critical to maintaining a competitive edge in an increasingly digital world

> Kuwait's financial system remains robust, bolstered by stable oil prices, the government's renewed commitment to economic diversification through large-scale investments and major fiscal reforms

> The Board of Directors recommends a distribution of a cash dividend of 10 fils per share, representing a 63% cash payout ratio, in addition to 5% bonus shares

Chairman's **Statement**

Credit Ratings

Financial strength and stability have been recognized by leading credit rating agencies. Fitch Ratings affirmed Gulf Bank's Long-Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook. Additionally, Moody's rated long-term deposits at 'A3' with a Positive outlook. Similarly, Capital Intelligence Ratings has also affirmed the Long-term Foreign Currency of the Bank rating at 'A+' with a 'Stable' Outlook and has also affirmed the rating of Gulf Bank's KWD50 million Basel III-compliant Tier 2 Subordinated Bonds at 'BBB+'. The Outlook for the Bond is 'Stable' as well. These ratings reflect our strong domestic franchise, stable funding, and robust financial health.

Governance and Leadership

Commitment to robust governance practices remains unwavering. We continue to uphold the highest standards of corporate governance, which is fundamental to long-term success. The governance framework is designed to ensure transparency, accountability, and ethical conduct across all levels of the organization.

The Board has been actively involved in overseeing the implementation of strategic initiatives and ensuring alignment with long-term goals. Risk management practices have been strengthened to better navigate the uncertainties of the current economic landscape. Focus on governance and leadership is not just about compliance; it is about fostering a culture of integrity and excellence that permeates every aspect of operations.

The Board has been actively involved in overseeing the implementation of strategic initiatives and ensuring alignment with long-term goals

Sustainability Initiatives

In 2024, we launched the 2030 Environmental, Social, and Governance (ESG) Sustainability Strategy, which outlines our commitment to achieving a resilient future. This strategy includes initiatives aimed at reducing our environmental footprint, enhancing social responsibility, and ensuring robust governance practices.

Sustainability efforts are guided by the belief that long-term success is built on a foundation of responsible business practices. We are committed to integrating sustainability into core operations and decision-making processes. This includes reducing our carbon footprint, promoting diversity and inclusion, and supporting community development initiatives. The goal is to create a positive impact on society and the environment while delivering long-term value to stakeholders.

In 2024, Gulf Bank launched the 2030 Environmental, Social, and Governance (ESG) Sustainability Strategy, which outlines our commitment to achieving a resilient future

Awards and Recognitions

2024 has been a year of distinction for Gulf Bank, earning 13 global and regional awards. We were recognized among the Top 100 Listed Companies in the Region by Forbes and named one of the Best 100 Arab Banks by The Banker. Achievements in digital transformation, social responsibility, sustainability, and women empowerment were celebrated with awards such as the Best Next-Generation Offering Award at the Private Banker International Global Wealth Awards and the Best Sustainable Workplace Development Award at the Gulf International CSR Conference.

We are proud of these achievements and remain committed to building on this success in the years to come.

Outlook and Future Plans

As we set our sights on the future, we are enthusiastic about the opportunities that await us. Our strategic priorities will continue to be focused on expanding product offerings and enhancing our customer-centric approach. We are committed to maintaining a strong financial position and delivering consistent returns to shareholders.

As we move forward, we will continue to explore the feasibility of transforming Gulf Bank into a Sharia-compliant Bank, aiming to achieve sustainable growth to our stakeholders. We believe that our strategic initiatives, supported by strong governance and risk management, will ensure our continued success.

Acknowledgement

On behalf of the Board of Directors, I would like to express my appreciation to the Central Bank of Kuwait and the Capital Markets Authority for their dedicated efforts in supporting and promoting Kuwait's banking sector.

I would like to extend my gratitude to our shareholders, customers, our Board members, management and employees for their continued support and trust in Gulf Bank. Together, we will continue to build on our successes and navigate the challenges ahead. We are confident in our ability to achieve our strategic objectives and deliver sustainable value to our stakeholders.

Bader Nasser AlKharafi
Chairman

As we move forward, we will continue to pursue with our intention to explore the feasibility of transforming Gulf Bank into a Sharia-compliant Bank, aiming to achieve sustainable growth to our stakeholders

02

BUSINESS OVERVIEW

CEO Statement

Waleed Mandani

As we reflect on the year 2024, I am proud to share the notable progress and achievements of Gulf Bank. This year has been a testament to our resilience, innovation, and unwavering commitment to excellence. Despite the challenges faced, we have continued to strengthen our position in the market, enhance our operational capabilities, and deliver exceptional value to our stakeholders. Our journey this year underscores our dedication to sustainable growth and pivotal role in Kuwait's economic development.

> This year has been a testament to our resilience, innovation, and unwavering commitment to excellence

Operational Performance

In 2024, Gulf Bank made significant strides in enhancing operational efficiency and customer experience. We successfully completed Phase II of our core banking system, a major milestone in our digital transformation journey. This upgrade has enabled us to provide more personalized and seamless banking experiences, enabling us to transform our branches into relationship and experience centers.

Our digital transformation efforts included launching a new mobile banking application, which offers a wide range of services through a user-friendly, secure interface. Additionally, we introduced new digital banking services and products, tailored to meet the diverse needs of our customers. moreover, we have been actively involved in financing major

> We successfully completed Phase II of our core banking system, a major milestone in our digital transformation journey

projects aligned with Kuwait Vision 2035, including infrastructure, oil, and construction projects.

Moreover, Invest GB, our fully owned investment arm, started its operations this year, with a capital of KD 10 million, managing assets exceeding USD 3.2 billion. This strategic move aims to leverage Invest GB expertise's and resources to provide clients with streamlined and sophisticated solutions that address their unique financial goals and aspiration.

Optimization

Additionally, we have achieved a meaningful success in reducing costs and optimizing efficiencies which has contributed to streamlining processes and delivering sustainable results. By embracing a mindset of continuous optimization, we are dedicated to making this principle a lasting part of our organizational culture. Furthermore, we have recently unveiled our newly opened and redesigned branches across Kuwait, thoughtfully designed with sustainability in mind. These eco-friendly branches incorporate energy-efficient technologies and sustainable materials, reflecting our commitment to environmental responsibility. By prioritizing innovation and customer convenience, the new branch design enhances the client experience while contributing to a greener future.

> We have achieved a meaningful success in reducing costs and optimizing efficiencies which has contributed to streamlining processes and delivering sustainable results

New Identity for Private Banking Services

For our private banking services, we have introduced the new identity to redefine the concept of private banking and focus on providing an exceptional experience for our wealth clients.

The new identity is based on three main pillars adopted by Gulf Bank in its wealth planning approach; developing strategies aimed at growing the client's wealth in the long term, protecting assets and ensuring financial security, and facilitating a smooth transfer of wealth in line with the client's personal desire.

Small and Medium Enterprises

Gulf Bank continued to support and finance small and medium enterprises (SMEs) by providing a large package of direct banking services and transactions through the exclusive electronic portal for this sector. This portal allows this segment to apply for many services including credit facilities electronic salary transfers, registering for point-of-sale services, payment gateways, logistics, and advisory services. The Bank also signed a partnership agreement with Omnifintec for financial services and solutions to provide comprehensive consulting and commercial services for our SME clients.

CEO Statement

Financial Performance

Our financial performance remains robust. Our loan book expanded during the year by 5.2% to KD 5.5 billion, reflecting the success of our strategic initiatives in meeting our clients aspirations. Total assets increased by 4.3% to KD 7.5 billion, while our total deposits increased by 4.3% to KD 5.6 billion.

Additionally, the Bank achieved a net profit of KD 60.2 million for the full year 2024. This was achieved as a result of the year-on-year growth of 4.8% in operating income and a growth of 3.2% in operating profit for the full year. The enhancement in operational profitability highlights our focus on growth and financial discipline.

We have also preserved our strong asset quality and capital position by maintaining a non-performing loans (NPL) ratio of 1.3% as of year-end 2024, with ample coverage of 340%, including total provisions and collaterals. Furthermore, we continue to benefit from a robust internal capital generation engine, with our capital levels supporting balance sheet growth while maintaining healthy buffers above regulatory requirements. As of 31 December 2024, the Tier 1 Capital Ratio reached 15.2%, and the Capital Adequacy Ratio (CAR) stood at 17.3%, both well above the minimum regulatory thresholds.

This performance highlights our commitment to revenue expansion and operational efficiency, alongside unwavering financial discipline.

> Our financial performance remains robust. Our loan book expanded during the year by 5.2% to KD 5.5 billion, reflecting the success of our strategic initiatives in meeting our clients' aspirations

Human Capital

At Gulf Bank, investing in our people is a top priority. We provide continuous learning opportunities, encourage innovation, and support career growth including promoting talent from within the organization. Throughout the year, we have implemented a comprehensive suite of initiatives to support the professional development and well-being of our employees. This included leadership development programs, technical training, and initiatives to promote work-life balance. By creating a supportive and inclusive environment, we ensure that our employees are well-equipped to meet the challenges of the future and continue to evolve.

> At Gulf Bank, investing in our people is a top priority. We provide continuous learning opportunities, encourage innovation, and support career growth including promoting talent from within the organization

The Way Forward

As we move into 2025, we remain committed to our strategic goals. We will continue to pursue with our intention to explore the feasibility of transforming Gulf Bank into a Sharia-compliant Bank. Our priorities also include further expanding our product offerings, enhancing our competitive edge, and maintaining our strong financial position. We are confident in our ability to achieve sustainable growth and deliver value to our stakeholders.

At the end, I would like to thank our employees for their hard work and dedication, our customers for their loyalty, and our shareholders for their continued support. Together, we will continue to drive Gulf Bank success story.

As we move into 2025, we remain committed to our strategic goals. We will continue to pursue with our intention to explore the feasibility of transforming Gulf Bank into a Sharia-compliant Bank

Our **People**

Gulf Bank is committed to creating a dynamic and supportive work environment that inspires growth and collaboration. Throughout 2024, the Bank introduced a variety of initiatives designed to go beyond the traditional expectations of the banking industry, emphasizing innovation, employee engagement, and community involvement.

Investing in Human Capital

In 2024, Gulf Bank reached a significant milestone in its human capital transformation by launching the **HR HUB**, a cutting-edge Human Resource Management System designed to streamline processes and enhance the employee experience with modules like Employee Self-Service, Talent Acquisition, and Learning Management. The Bank also reinforced its dedication to developing Kuwaiti talent through the **Ajyal Graduate Development Program,** which welcomed 21 participants in its tenth edition, offering comprehensive training and networking opportunities to prepare future leaders in Kuwait's banking sector.

To support senior management, Gulf Bank introduced **CoachHub**, a platform that pairs executives with expert coaches for personalized development. Additionally, the Bank partnered with Coursera, granting employees access to over 10,000 courses from prestigious institutions, fostering continuous learning.

Gulf Bank further demonstrated its commitment to career development by sponsoring the **"Watheefti" Career Fair**, engaging with job seekers and showcasing its initiatives to support young talent and professional growth.

Gulf Bank introduced CoachHub, a platform that pairs executives with expert coaches for personalized development

Diversity and Inclusion

In 2024, Gulf Bank advanced its commitment to gender diversity and women's empowerment through several key initiatives. The Bank hosted the **'Own Your Career'** podcast featuring Ms. Hedwige Nuyens, Head of the International Banking Federation and Chair of the European Women on Boards in collaboration with the European Union Delegation to Kuwait, discussing leadership, sustainability, and strategies to boost female participation in senior roles.

Continuing its efforts to support female professionals, the Bank held another session of its **'Women of Wisdom' (WOW)** series, offering female employees a platform for networking, experience sharing, and discussions on resilience and professional growth. The sessions also included mindfulness exercises to enhance focus and reduce stress.

Gulf Bank further supported women's empowerment by co-founding the **Kuwait Women's Economic Empowerment Platform (KWEEP),** providing mentorship and resources for career advancement. This event featured distinguished guests, including Her Excellency Anne Koistinen, Ambassador of the European Union Delegation to Kuwait, and Ms. Hedwige Nuyens, Head of the International Banking Federation and Chair of the European Women on Boards. The gathering provided a valuable opportunity for members to share experiences and discuss

Gulf Bank advanced its commitment to gender diversity and women's empowerment through the 'Own Your Career' podcast and ' Women of Wisdom' (WOW) series strategies for fostering inclusive and diverse work environments within Kuwait's private sector.

These initiatives underscore Gulf Bank's leadership in promoting diversity and driving positive change within the financial sector.

Awareness and Wellbeing

In line with its dedication to sustainability and community welfare, Gulf Bank organized a health seminar during **Breast Cancer Awareness Month** in collaboration with Royale Hayat Hospital, featuring doctors and nutritionists to promote early detection and proactive health measures for female employees and customers. For **World Heart Day**, the Bank partnered with the Kuwait Heart Foundation to provide free health screenings for diabetes, cholesterol, and blood pressure. This initiative aimed to promote employee well-being by enabling early detection of potential health concerns.

Building on these efforts, the Bank launched a **Movember campaign** focused on men's health, providing prostate cancer screenings for male employees over two days. This initiative, aligned with the global Movember movement, encouraged regular health checks and emphasized the importance of prioritizing men's well-being.

Social Engagement

Gulf Bank continues to demonstrate its steady commitment to fostering an empowering and collaborative workplace. Through its initiatives in 2024, the Bank has enhanced its focus on human capital, diversity, employee wellbeing, and community engagement. Through these efforts, Gulf Bank not only invests in its people but also strengthens its position as a forward-thinking institution dedicated to innovation, growth, and positive change. Throughout 2024, the Bank held several social events and sports activities to foster social engagement and provide its staff with a sense of belonging and community.

One major event was Gulf Bank's **Annual Gala**, which is a premier event celebrating the Bank's achievements and milestones, recognizing outgoing Ajyal graduates and welcoming new participants. The event connects employees with leadership, fostering engagement and growth.

The **Annual Ghabga** is another awaited social event which Gulf Bank celebrated in Ramadan 2024 at the Grand Hyatt Hotel, promoting team bonding and cultural appreciation. The Bank also held its **Annual Kids Day** at its training center in Crystal Tower, where employees' kids were invited to spend a full day of activities, featuring games and financial literacy workshops to introduce children to banking, emphasizing teamwork and work-life balance. Furthermore, to support wellness and camaraderie, the Bank also holds every year several **sports initiatives** like football, padel, and bowling, encouraging teamwork and healthy competition. In 2024, a major sports initiative was the annual Gulf Bank 642 Marathon marking its 10th anniversary.

Gulf Bank partnered with the Kuwait Heart Foundation to offer free screenings for diabetes, cholesterol, and blood pressure, which ultimately aimed for employee well-being

Gulf Bank not only invests in its people but also strengthens its position as a forward-thinking institution dedicated to innovation, growth, and positive change

CFO Statement

Management Discussion & Analysis

David Challinor

The Bank reported a net profit of KD 60.2 million and earnings per share of 16 fils for the year ending 31 December 2024, compared to a net profit of KD 71.2 million and earnings per share of 20 fils for the year ending 31 December 2023. The Board of Directors is recommending a cash dividend of 10 fils per share and 5% bonus shares for shareholders' approval at the Annual General Meeting for the year 2025.

The increase in operating profit of KD 3.3 million compared with the prior year was driven by higher net interest income of KD 5.8 million and an increase in non-Interest income of KD 3.3 million, off-set by increase in operating expenses of KD 5.7 million. Net Profit reduced by KD 11.0 million mainly due to an increase in credit cost during the year by KD 13.3 million.

Gross Loans and advances increased by KD 215 million or 3.9%. The corporate segment saw a solid growth of KD 262 million or 8%, while the consumer segment saw a reduction of KD 46 million or -2.1%.

The Bank's non-performing loan ratio for the year-end 2024 stood at 1.3%, moving from 1.2% reported for the year-end 2023. Additionally, the Bank continues to have ample provisions, resulting in a strong non-performing loans coverage ratio of 340% including total provisions and collaterals for year-end 2024.

At the end of 2024, total provisions on credit facilities were KD 270 million compared with KD 177 million of provisions required under IFRS 9 accounting. Thus, the Bank held excess provisions of KD 94 million, representing 35% of total provisions.

The Bank's Tier 1 ratio as of 31 December 2024 reached 15.23%, 323 basis points above the regulatory minimum of 12.0%. The Bank's Capital Adequacy Ratio (CAR) was 17.35% as of 31 December 2024, 335 basis points above the regulatory minimum of 14.0%.

As at or for the year ended December 31st (in KD millions, except per share and ratio data)

KEY FINANCIAL METRICS

Income Statement	2024	2023	Better/(Worse) in 2024 vs. 2023
Net interest income	**156**	150	4%
Non-interest income	**43**	40	8%
Operating income	**199**	190	5%
Operating expenses	**93**	87	(7%)
Operating profit before provisions and impairment losses	**107**	103	3%
Provisions / Impairment Losses	**44**	29	(52%)
Net profit	**60**	71	(16%)
Earnings Per Share (fils) - Basic and Diluted	**16**	20	(20%)
Dividends per share – Cash (fils)*	**10**	12	(17%)

*2024 proposed cash dividends are subject to Annual General Meeting shareholders' approval expected to be held in March 2025.

Balance Sheet	2024	2023	Better/(Worse) in 2024 vs. 2023
Gross loans and advances	**5,706**	5,490	4%
Total assets	**7,480**	7,175	4%
Total deposits	**5,601**	5,368	4%
Total equity	**834**	817	2%
Average daily share price (fils)*	**293**	273	7%

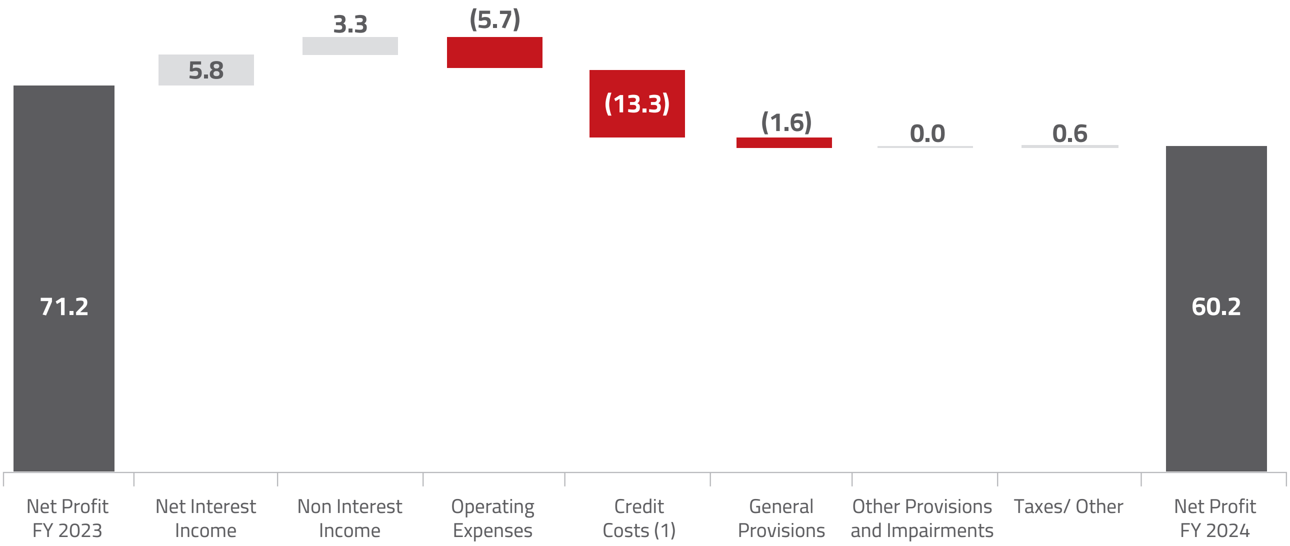
*Source: Boursa Kuwait.

Key Financial Ratios	2024	2023	Better/(Worse) in 2024 vs. 2023
Return on average equity	**7.4%**	9.6%	(220 bps)
Return on average assets	**0.8%**	1.0%	(20 bps)
Net interest margin	**2.1%**	2.2%	(5 bps)
Non-performing loan ratio	**1.3%**	1.2%	(10 bps)
Provisions & Impairments / Average Total Assets	**0.6%**	0.4%	(18 bps)
Tier 1 capital ratio	**15.23%**	15.84%	(61 bps)
Capital adequacy ratio	**17.35%**	18.02%	(67 bps)

CFO **Statement**

Management Discussion & Analysis

Shown below are the major variances in net profit from 2023 to 2024 (KD millions):



(1) Credit costs = Specific Provision Charge + P&L write off on settlements – recoveries – excess general provision release.

IFRS9 IMPLEMENTATION

The IFRS9 accounting standard on credit facilities was implemented by the Central Bank of Kuwait at the end of 2018 and, as of year- end 2024, the Bank's total credit provisions of KD 270 million were greater than the IFRS9 requirements by KD 94 million.

COMPARISON BETWEEN TOTAL PROVISIONS AND IFRS 9 EXPECTED CREDIT LOSSES (ECL) ON CREDIT FACILITIES:	**2024 KD Millions**	2023 KD Millions
Provision on cash facilities	**239**	294
Provision on non-cash facilities	**31**	18
Total provisions on credit facilities (A)	**270**	312
IFRS 9 ECL on credit facilities (B)	**177**	187
Excess of total provisions over IFRS 9 ECL on credit facilities (C = A-B)	**94**	125
Excess provisions as a percentage of total provisions (C/A)	**35%**	40%

ASSET QUALITY

Gross credit costs in 2024, defined as specific provisions plus write-offs, were KD 13.3 million higher (46%) than 2023.

Total provisions and impairment losses of KD 43.5 million were incurred in 2024, which represented 0.59% of average total assets.

PROVISIONS / IMPAIRMENT LOSSES	2024 KD Millions	2023 KD Millions	Change
Specific provisions	**81.2**	40.8	40.4
Write-offs	**17.0**	0.2	16.8
Gross credit costs	**98.2**	41.0	57.2
Recoveries	**(8.3)**	(11.8)	3.5
Impairment losses	**(0.1)**	-	(0.1)
Excess General provisions	**(47.3)**	-	(47.3)
Total credit costs and impairment losses	**42.5**	29.2	13.3
Total credit cost and impairment losses (as a % of average total assets)	**0.58%**	0.42%	
General provisions	**1.0**	(0.6)	1.6
Total provisions and impairment losses	**43.5**	28.6	15.0
Provisions and impairment losses (as a % of average total assets)	**0.59%**	0.41%	
Credit costs	**42.5**	29.2	13.3
Credit costs (as a % of average total assets)	**0.75%**	0.54%	

Operating **Environment**

2024 – Inflation Control, AI Advancements, and Geopolitical Challenges Shape a Transformative Year

Reflecting on 2024, it was a pivotal year, both economically and politically. Central banks managed to rein in inflation, albeit with substantial economic costs. On the political front, the sheer number of elections held in 2024 was remarkable. With over 70 countries going to the polls, including major economies like the UK, the EU, India, and the US, more than half of the world's population was involved in choosing their leaders. This wave of elections not only highlighted the democratic processes in these nations but also underscored the global interconnectedness of political and economic systems. Concurrently, rapid advancements in artificial intelligence continued to revolutionize industries worldwide. Businesses, regulators, and governments raced to keep pace with AI's evolution, understanding that staying ahead was crucial for competitiveness and avoiding obsolescence in a rapidly changing digital economy.

3.2%

IMF expected global real GDP growth in 2024

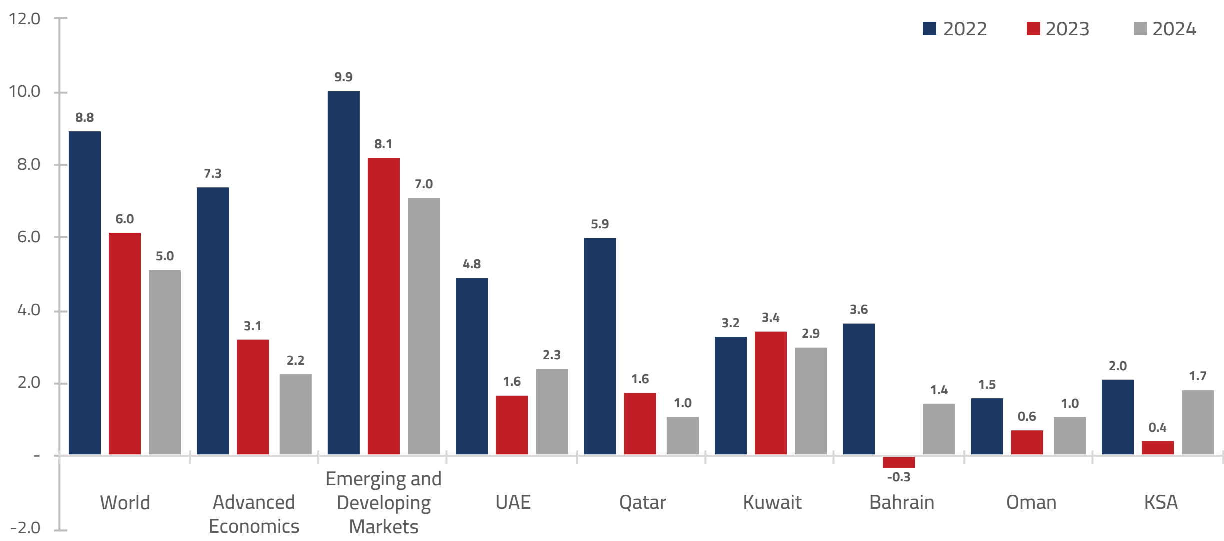
However, this era of progress was not without its challenges. Geopolitical tensions loomed large, casting a long shadow over the global economy. The prolonged Russia-Ukraine conflict, ongoing instability in the Middle East, and the strained relationship between China and the United States all contributed to significant uncertainty. These geopolitical dynamics disrupted trade, supply chains, and global stability, demanding constant vigilance from policymakers and businesses alike.

In an environment marked by political flux, technological innovation, and geopolitical volatility, the global real GDP growth for 2024 is projected to reach 3.2%[(1)]. Although this figure is slightly below the 3.3% growth achieved in 2023, it exceeds the initial expectations for 2024.

Global overview of the year 2024 and its major events

In 2024, the global economy showed resilience, with inflation pressures easing but still persisting in certain regions. The global headline inflation is expected to fall from an annual average of 6.7% in 2023 to 5.8% in 2024 according to the International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2024, reflecting the successful efforts to combat inflation, despite challenges in some low-income countries.

Figure: Annual End of Period Inflation (% Y/Y)

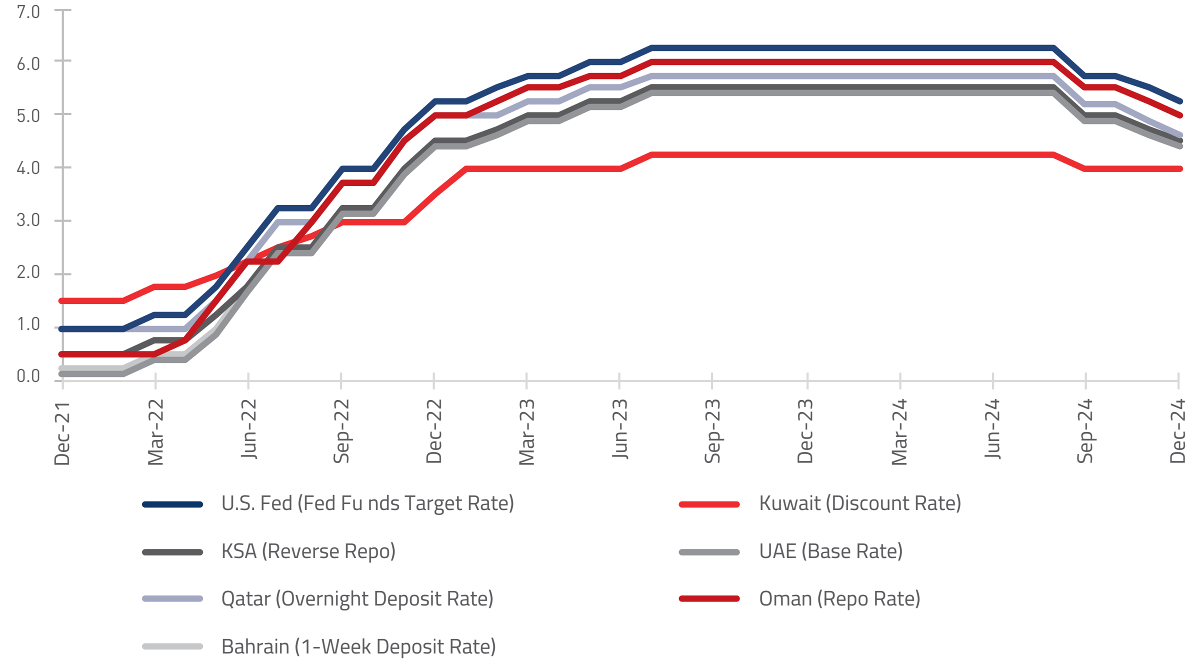


Source: IMF, World Economic Outlook Database, October 2024

(1) International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2024.

Monetary policy has played a critical role in stabilizing inflation expectations, enabling central banks to shift their stance. Since September, central banks in advanced economies have begun lowering interest rates, led by the US Federal Reserve who cut policy rates trice worth 100 basis points, after having kept the federal rate at an elevated 5.25% to 5.50% level since July 2023 to end the year 2024 at 4.25% to 4.50% level. This was followed by major global economies where policy rates have decreased in similar levels or slightly lower which is the case for Kuwait. Kuwait discount rate decreased by 25 basis points in 2024.

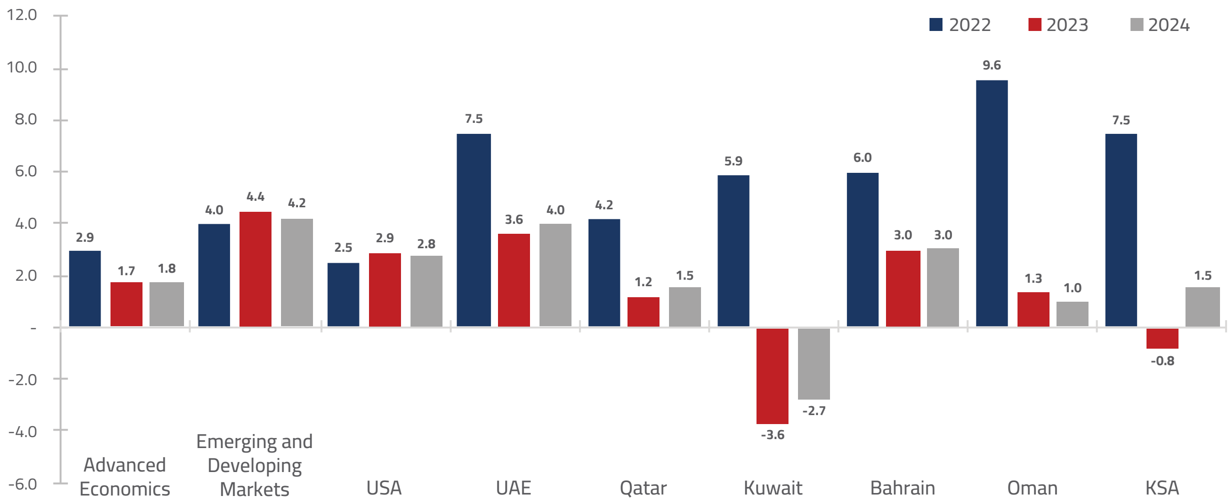
Figure: Policy Rates' Trajectory (%)



Source: Bloomberg

The prolonged tightening of monetary policy has hindered economic growth prospects. Growth remains steady yet underwhelming, falling below historical averages, primarily due to weak productivity and lack of credit growth. The modest medium-term growth, coupled with rising debt trajectories, increases the risk of the global economy becoming trapped in a lower growth environment.

Figure: Gross Domestic Product, Constant Price (% Y/Y)



Source: IMF, World Economic Outlook Database, October 2024

Operating **Environment**

The transition towards a more accommodative monetary policy is likely to rejuvenate credit growth, thereby enhancing economic growth prospects. This positive development will not only support stronger economic performance but also foster an increase in the overall economic productivity and resilient labour market. By creating a favourable environment for sustainable development, this policy adjustment will help unlock new opportunities for prosperity and long-term stability.

Major geopolitical events

In 2024, several major geopolitical events significantly impacted global trade and commodities. The ongoing Ukraine-Russia war continues to disrupt global supply chains, particularly in energy and agricultural markets, causing wheat and oil prices to soar. The heightened tensions in the Middle East, created widespread instability that spilled over into other parts of the region. This instability significantly affected global oil prices and supply chains. One of the critical areas impacted was the Red Sea, a vital maritime route for global trade, due to the increased risks in the Red Sea by targeted vessels passing through this crucial waterway. This situation forced many shipping firms to reroute their vessels around the Cape of Good Hope, increasing shipping distances, fuel consumption, and operational costs, which contributed to higher freight rates and further strained global supply chains.

Additionally, geopolitical tensions between China and Taiwan raised significant concerns about potential disruptions in the semiconductor supply chain. Taiwan, a major producer of semiconductors, faced risks that could lead to shortages and increased prices for these critical components, impacting global technology and manufacturing sectors. These concerns were particularly acute given the advancements in AI chip production. The surge in demand for Artificial Intelligence (AI) applications, driven by generative AI and other technologies, has increased the need for advanced semiconductors. This heightened demand, coupled with potential supply chain disruptions, underscored the fragility of global supply chains and the interconnected nature of modern economies.

Kuwait Economy 2024

The Kuwait Cabinet, which was appointed in June following significant political changes in May, has been actively working on implementing crucial economic and fiscal reforms to stimulate the country's economic growth. These reforms are particularly important given the years of subdued growth the country has experienced.

The heightened tensions in the Middle East, created widespread instability that spilled over into other parts of the region

The Kuwaiti government has introduced various measures aimed at controlling public expenditures and improving the efficiency of the public sector

To achieve this, the Cabinet has focused on several key areas:

1. Fiscal Measures and Public Sector Efficiency: The government has introduced various measures aimed at controlling public expenditures and improving the efficiency of the public sector. This includes enhancing budget processes and public procurement practices to ensure better management of public funds. As well, efforts have been made to streamline processes within government agencies. This is intended to make the public sector more efficient and responsive to the needs of the economy.
2. Key Public Projects: The Cabinet has prioritized the completion of significant public infrastructure projects. These include the construction of a new airport terminal and several road projects. These projects are expected to provide a substantial boost to economic growth by improving infrastructure and creating jobs.
3. Mubarak Al Kabeer Port: The government is also focusing on advancing the Mubarak Al Kabeer Port project. Recently, they have engaged with China to help complete the first phase of the project, which is currently 50% complete. The goal is to get the port operational as soon as possible, which will further enhance the country's economic capabilities.

The Kuwaiti Government engaged with China to help complete the first phase of the Mubarak Al Kabeer Port Project

The new Cabinet's efforts are aimed at creating a more robust and dynamic economy by addressing key fiscal challenges and investing in critical infrastructure projects.

However, the overall economic activity in 2024 remains subdued, amidst elevated interest rates and still weak capital investment expenditure. GDP growth is projected to contract for the second consecutive year, reaching **-2.7%[2]** , primarily due to a further reduction in crude oil production. Credit growth remains in the low single digits, reflecting subdued consumer spending. Private consumption remains below historical averages, influenced by high interest rates. The growth in the system personal facilities as of the end of December 2024 was **3.0%[3]** , this in comparison to an impressive 9.1% growth in 2022 and a lacklustre 1.5% in 2023. Similarly, growth in the value of card transactions has slowed, from 8.6% in 2023 to **4.1% in 2024**. However, there have been signs of recovery in credit growth post-September 2024, driven by monetary easing by Kuwait Central Bank, which could signal a gradual economic recovery in the coming months.

Additionally, oil prices have been subdued in 2024, as Kuwait's oil price per barrel has fallen by **6.7%[4] in 2024 and is 7.9% lower than the 2024 average price**. This can be attributed to several key factors. The increased production from non-OPEC+ countries has counterbalanced the supply cuts from OPEC+. Additionally, sluggish global economic growth has led to reduced demand for oil. Geopolitical tensions, mainly in the Middle East, have not had a lasting impact on prices. High global oil inventories have also contributed to lower prices. Furthermore, a strong U.S. dollar has decreased purchasing power in other currencies, increased production costs for some countries, and shifted investor preferences towards holding dollars over commodities like oil. These combined factors have resulted in a balanced supply and demand situation, preventing significant increases in oil prices.

(2) International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2024.

(3) Central Bank of Kuwait – Monthly Statistical Releases.

(4) Boursa Kuwait – Economic Indicators.

Operating **Environment**

Kuwait Sovereign credit ratings

Kuwait's sovereign credit ratings are higher than many other countries in the region and are comparable to other high-rated sovereigns globally. This strong rating is a testament to Kuwait's robust financial management and significant government financial assets.

Accordingly, Fitch Ratings has affirmed Kuwait's Long-Term Foreign-Currency Issuer Default Rating (LTFC IDR) at 'AA-' with a Stable Outlook. S&P Global Ratings has affirmed Kuwait's Long Term Foreign Currency Sovereign Credit Rating at A+ with a stable outlook, and Moody's Investors Service has also affirmed Kuwait's sovereign credit rating at A1 with a stable outlook.

Fitch Ratings affirmed Kuwait's Long-Term Foreign- Currency Issuer Default Rating at 'AA-' with a Stable Outlook

Kuwait Government Finances and Project Awards

Kuwait closing fiscal accounts for the full year FY23/24, showing a deficit of KD 1.6 billion (3% of GDP), following a surplus of KD 6.4 billion (12% of GDP) in the previous fiscal year. This represents the eighth deficit in the last nine fiscal years.

Total revenues fell 18% year on year to KD 23.6 billion due to a 19% drop in oil income (91% of total revenue), as average crude price realization was US Dollar 84 per barrel, down from US Dollar 97 per barrel in the previous fiscal year. On the other side, total expenditures rose 13% to KD 25.2 billion, driven by notably higher spending on wages 12% and subsidies 34%, which once again comprised a large part (81%) of total expenditure. Capital expenditure fell 9% year on year to KD 1.9 billion, extending a long-run trend of declining capital expenditure and underspending versus the budget allocation (75% of budgeted capital expenditure). The deficit came in better than the initial budget which projected a deficit of KD 6.8 billion thanks mainly to a higher oil price at the closing fiscal accounts from initial budget.

Next year, FY24/25 draft budget could result in a deficit of KD 5.6 billion due to higher capital expenditure than historical average, plus higher contribution from non-oil revenue. Additionally, the FY24/25 budget breakeven average price per barrel is at US Dollar 89.8, which is higher than the closing fiscal accounts breakeven average price per barrel of US Dollar 88.5.

Moving on to project awards continued to gather momentum during 2024, with the value of contracts awarded reaching **KD 2.7 billion in 2024, and increase of 45% when compared to 2023**. The main contracts that were awarded during 2024 are in the Transport sector, Power and Water and Construction. In terms of outlook[5] , Kuwait's projects market is expected to pick in the near term. Recently it has been reported that the Kuwait government has approved 35 projects worth up to US Dollar 51 billion for plans that included the modernization of infrastructure and other facilities. Some of the key projects approved include the US Dollar 3.3 billion development of 9,800 houses, a US Dollar 1.4 billion initiative to construct and develop roads and the construction of 111-kilometer rail line that connects to the six-nation GCC rail-network. Furthermore, the US Dollar 3.2 billion project to develop the Mubarak Al-Kabeer Port was also one of the major projects among the 35 projects.

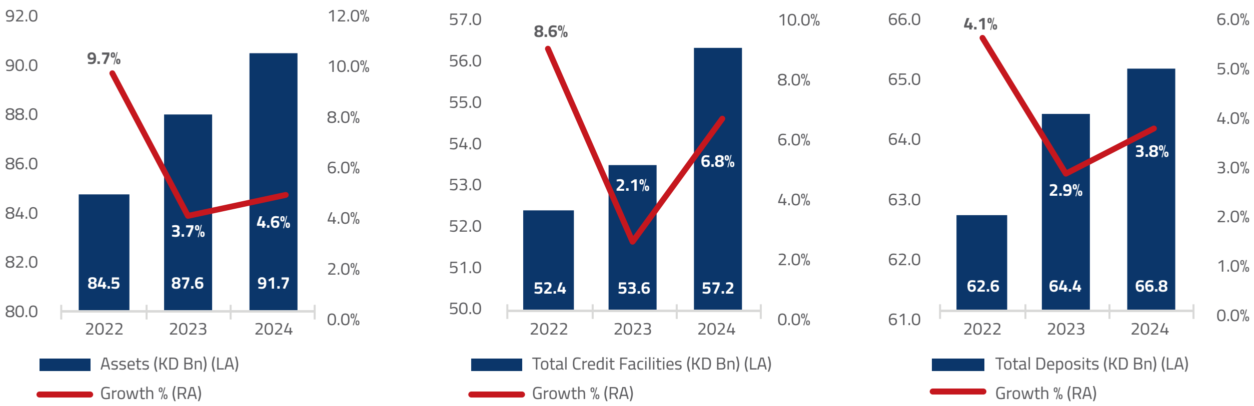
Project awards continued to gather momentum during 2024, with the value of contracts awarded reaching KD 2.7 billion in 2024

(5) Meed Projects and Kamco Invest Research

Kuwait Banking Sector

The Kuwaiti banks loan growth for year end 2024 ended at **6.8%.** A key driver for loan growth this year for Kuwait banks was lending to non-resident which grew by **31.9%** specifically in the corporate segment, as banks have stepped up their participation in regional syndicated loans. Domestic credit growth has improved after a very slow start to 2024 but continues to be subdued, where personal facilities grew by **3.0%** and local corporate segment grew by **5.1%** according to the Central Bank of Kuwait.

Figure: Kuwaiti Banks Financial Position Overview



Source: Central Bank of Kuwait

Kuwait banking sector performance in 2024 remained resilient, where the aggregate net profit for listed banks increased by **4.1% y/y in 9M 2024** on the back of higher net interest income and lower credit cost. Banks continued to remain well capitalised with a capital adequacy ratio of **18.2% in Q3 2024**[(6)]. Gross nonperforming loans to total loans was at **1.7% as of Q3 2024**.

Additionally, Kuwait monetary policy differs from the neighbouring countries in the Gulf Cooperation Council (GCC), in retrospect it has more flexibility in terms of deviating from the Fed's moves in policy rates as a result of its currency being pegged to a basket of currencies that includes U.S Dollar. Thus, Kuwait's Central Bank had mostly chosen to hike or cut rates by a smaller magnitude or in some instances had kept rates unchanged in comparison to the Fed's rate moves, taking into consideration the health of the economy and domestic inflation levels.

Kuwait banking sector performance in 2024 remained resilient, where the aggregate net profit for listed banks increased by 4.1% y/y in 9M 2024

(6) Central Bank of Kuwait.

Operating **Environment**

Stock Market Performance

In 2024, the Kuwait market (All Share Index) recovered all the losses registered in 2023, posting an increase of **8.0% in 2024**[7]. This recovery was supported by a significant rise in overall traded volume and value. The average daily traded volume increased by **69.3% in 2024**, and the average daily traded value rose by **39.3%** over the same period.

And when compared to international market performance, the Kuwait market lagged behind the MSCI World Index[8] which gained **17.0%**, however managed to outperform the MSCI Emerging Markets (EM) Index[8] which gained **5.1%**.

The market capitalization of the Kuwait All Share Index reached **KD 43.6 billion** at the end of December 2024, reflecting an increase of **8.2%** from the previous year. This growth was primarily driven by Kuwaiti banks, which represent **61%** of the total market capitalization, amounting to **KD 26.6 billion**. Throughout the year, Kuwaiti banks played a pivotal role in the market's performance, supported by sound fundamentals and the potential for market consolidation. The Kuwaiti Banks Index gained **9.9%** in 2024, a notable improvement compared to the 8.2% decline in 2023.

Looking Ahead To 2025

Kuwait's economic outlook for 2025 appears promising, with a projected GDP growth of 3.3% in 2025[9] according to the IMF, driven by the potential rollback of OPEC+ oil production cuts, enhanced private consumption due to monetary easing, and the revival of major infrastructure projects. The country's extremely low public debt by international standards further strengthens its economic stability.

However, the economy's heavy reliance on oil revenues continues to pose a risk due to oil price volatility, especially since fiscal revenue diversification is yet to materialize.

For the banking sector, the outlook is positive with expected credit growth fuelled by stronger project mobilization and easing monetary policy. Additionally, asset quality indicators are likely to improve as interest rates drop, leading to higher lending growth and reduced debt burden on borrowers.

While challenges remain, Kuwait is well-positioned to leverage its strengths and navigate the risks, paving the way for a more resilient and diversified economic future.

Kuwait's GDP is expected to grow by 3.3% in 2025 according to IMF

(7) Boursa Kuwait.

(8) Bloomberg.

(9) International Monetary Fund's (IMF) World Economic Outlook Database (WEO) October 2024.

Management **Report**

The global economic landscape in 2024 was transformative, with Central Banks successfully curbing inflation, though at significant economic costs and growth prospects. In the last quarter, Central Banks worldwide began adjusting monetary policies to address persistent financial conditions. In Kuwait, the Central Bank took a cautious approach, following the U.S. Federal Reserve's initial interest rate cut by reducing the discount rate by 25 basis points in September, compared to the U.S. Fed's 50-basis-point cut. This strategic move aimed to stimulate economic growth and strengthen financial stability. Kuwait's financial system remains resilient, supported by stable oil prices, ambitious government initiatives for economic diversification, and a commitment to fiscal reform.

Despite the stagnation of the local operating environment, the Bank managed to grow its gross loans and advances by 5.2% driven mainly by our corporate loan portfolio, which represents 61.9% of total loans, and saw a growth of 8.0%. While our consumer loan book which represents 38.1% of total loans, declined by 2.1% for the year-end 2024.

Corporate Banking

The core-transformation project, launched in 2023, was designed with a clear objective to deliver a seamless, specialized digital banking platform that would elevate customer experience by simplifying banking interactions and optimizing transactional efficiency. This initiative reflected a commitment to meeting the evolving needs of our customers and the transformation enhances our ability to personalize customer experiences, offering tailored financial solutions and seamless interactions across digital channels.

By the second quarter of 2024, the platform was fully implemented and successfully launched. This smooth transition reflected extensive planning and testing, with efforts made to ensure data integrity, continuity of services, and a user-friendly transition for existing customers. The successful completion of the core transformation project not only marks a significant achievement in the Bank's digital strategy but also strengthens our market position by offering a modern, customer-focused banking experience.

The Corporate Banking operating environment during 2024 was shaped by a combination of economic stability, strategic focus on digital transformation to enhance client experiences, ESG priorities and SME development.

The Corporate Banking operating environment during 2024 was shaped by a combination of economic stability, strategic focus on digital transformation to enhance client experiences, ESG priorities and SME development

Focusing on digital transformation, Corporate Banking continued to focus on enhancing its digital capabilities to meet client expectations for faster, more flexible and efficient services. Corporate Banking continued to invest in its digital platforms and automation, enabling real-time transaction processing, and offering tailored solutions to support our clients' growth and operational efficiency.

Gulf Bank's Corporate Banking division has made significant advances in elevating the digital banking services and expanding product offerings to enhance the customer experience and meet clients' evolving business needs. In 2024, a key development has been the streamlined digital issuance of Trade Finance products and services, a strategic enhancement aimed at empowering corporate clients with faster, more reliable access to essential trade financing tools. This digital issuance allows corporate clients to facilitate trade operations more efficiently.

The digital transformation has significantly enhanced our corporate clients' operations by providing faster, more efficient, and tailored financial services. The main focuses for digital transformation was on **1) Improved Efficiency**, allowing faster and more efficient processing of transactions **2) Enhanced Security**, advanced security measures and self-service on-boarding **3) Increased Accessibility** including easy access to accounts instantly and processing of transactions.

Corporate Banking also continued to focus on ESG priorities in 2024, aligning closely with the Central Bank of Kuwait's strategic focus on sustainable development. Corporate Banking has also placed a strong emphasis on supporting the SME development which continued during 2024 by offering specific financial products and advisory services for SMEs.

Additionally, training in ESG and Sustainability in Finance was also introduced, aligning with the Central Bank of Kuwait's strategic focus on sustainable finance. This training was aimed to equip the Corporate Banking teams with the knowledge and skills needed to support clients in understanding and integrating sustainability into their financial and operational strategies.

Gulf Bank is proud to constantly support the SME segment by offering products and services that cater to their requirements. Through tailored financial products, advisory services, merchant solutions, and concierge services, Gulf Bank empowers SMEs to manage their finances more effectively, access capital, and scale their operations. Furthermore, the bank's dedicated SME support team provides guidance on financial management, digital integration, and growth strategies, ensuring these businesses have access to the resources and expertise needed to succeed.

Through this commitment to SMEs, Gulf Bank is continuing to seek collaborations with entities that align with Gulf Bank's objective of supporting SMEs. As such, Gulf Bank is in the process of introducing a new service, **Omnifintec** which will provide comprehensive business advisory services to SME customers to support their business activity and growth.

Corporate Banking continued to focus on ESG priorities in 2024, aligning closely with the Central Bank of Kuwait's strategic focus on sustainable development

Gulf Bank is proud to constantly support the SME segment by offering products and services that cater to their requirements

To further enhance expertise, Gulf Bank also conducted workshops on treasury products, to deepen its team of understanding complex financial instruments and equipping them to advise clients more effectively on cash flow, liquidity, and risk management solutions. This holistic approach to human capital development ensures that Gulf Bank's Corporate Banking team is skilled, knowledgeable, and aligned with the bank's strategic goals, positioning them to provide top-tier service and innovative financial solutions to corporate clients across Kuwait.

Gulf Bank's Corporate Banking division is committed to advancing human capital development through strategic staffing and targeted training programs, ensuring teams are well-prepared to meet the growing needs of corporate clients. This year, training initiatives included comprehensive sessions on the core transformation, which was aimed to equip the Corporate Banking Team with the skills to effectively leverage upgraded digital systems and deliver an enhanced customer experience.

The Corporate Banking division is committed to advancing human capital development through strategic staffing and targeted training programs

Consumer Banking

Gulf Bank's 2024 Consumer Banking Growth Initiatives

In 2024, Gulf Bank launched several strategic initiatives focused on driving growth in consumer banking. A key area of focus was customer-centric innovation, highlighted by the introduction of tailored products like the LuLu Prepaid Cashback Card and the enhanced Rewards Platform. The LuLu Prepaid Cashback Card, a co-branded offering with LuLu Hypermarket that provides up to 5% cashback and year-round discounts. The Rewards Platform was also revamped, introducing broader redemption options such as airline tickets, hotel bookings, and cashback to cater to diverse customer needs.

The Bank also embraced data-driven strategies, using customer analytics to deliver personalized services and boost retention. Expanding access points, Gulf Bank increased ITM locations and strengthened its digital banking platforms to improve customer convenience. Additionally, targeted marketing campaigns played a significant role in promoting new offerings and enhancing brand visibility among key demographics.

Driving Growth Through Digital Transformation

Gulf Bank's digital transformation has been a cornerstone of its consumer banking growth, focusing on delivering seamless and intuitive experiences across online and mobile platforms. This digital evolution enabled the rapid rollout of innovative products and services, fostering quicker adoption by customers. Additionally, enhanced usability and advanced features, such as financial management tools, have significantly improved customer satisfaction.

Gulf Bank's digital transformation has been a cornerstone of its consumer banking growth, focusing on delivering seamless and intuitive experiences across online and mobile platforms

2024 Digital Enhancements and Performance Highlights

Significant upgrades were made to digital banking platforms in 2024, enhancing functionality and user experience at Gulf Bank. Upgrades included faster transaction processing times and a more user-friendly interface, alongside new features such as personalized dashboards and real-time financial recommendations. These enhancements drove impressive growth, with a 360% surge in digital platform logins and a 297% increase in online financial transactions. Customer feedback also reflected this success, as application ratings soared from 1.9 to 4.8 on the **Apple App Store** and from 2.8 to 4.7 on **Google Play Store**, highlighting a notable boost in user satisfaction in 2024.

Enhancing Customer Satisfaction and Service Excellence

Customer satisfaction was prioritized through continuous service quality improvements, leading to fewer complaints and increased positive feedback across social media platforms. The Bank also made significant enhancements to its call center operations, aligning IVR technology with its 2025 strategy to streamline customer interactions. Response times for inquiries and social media messages were further optimized, ensuring a faster and more efficient customer service experience.

Investing in Talent Development and Engagement

A strong emphasis was placed on upskilling the workforce in 2024 through specialized training programs designed to align staff capabilities with the Bank's digital transformation objectives. Employee engagement and retention were also key focus areas, with initiatives centered on professional development and performance recognition. These efforts reflect Gulf Bank's commitment to fostering a motivated and highly skilled workforce, essential for driving long-term success and innovation.

Employee engagement and retention were key focus areas which reflects Gulf Bank's commitment to fostering a motivated and highly skilled workforce, essential for driving long-term success and innovation

Recognized Leadership in Digital Payments

Gulf Bank achieved a significant milestone in 2024 by receiving the "Highest Tokenized Debit Card Portfolio in Kuwait" award from Mastercard. This recognition underscores the Bank's innovation and leadership in digital payment solutions, reflecting its commitment to delivering secure, seamless, and cutting-edge financial services to its customers.

Management Report

Treasury

In 2024, the Treasury environment was marked by significant challenges arising from complex geopolitical landscape and evolving monetary policies that fueled volatility in financial markets. Despite these challenges, our Treasury team demonstrated resilience and adaptability, effectively navigating the uncertainties to ensure the bank's stability and profitability. Through proactive risk management, we maintained a robust liquidity buffers, consistently surpassing the Central Bank of Kuwait's liquidity requirements. Additionally, the Treasury successfully reduced the bank's cost of funds, a strategic achievement that has strengthened our financial position and ability to support sustainable growth. This performance underscores our commitment to prudent Treasury management, reinforming the Bank's position as a trusted financial institution amid global and regional challenges.

Following the successful implementation of Murex as the Bank's primary Treasury management system, the Bank remains steadfast in its commitment to adopting cutting-edge technologies that significantly boost operational efficiency. This commitment ensures that the our clients and Treasury dealers have more time to focus on strategic planning needs. The ongoing partnership with Murex will bolster the Bank's strategic positioning, enhance the competitive edge, and support potential growth trajectory. The advanced capabilities of the Murex platform will enable us to swiftly launch innovative products and services, adeptly catering to the evolving demands of customers. Through this comprehensive digital transformation across the Bank, the Treasury are well-equipped to deliver top-tier solutions, thereby enriching the overall client experience and maintaining industry leadership.

Throughout 2024, the Bank have made significant strides in the development of its human capital, particularly within the Treasury department. Several key initiatives were undertaken such as providing intensive training programs by internationally recognized Treasury instructors from around the globe to expand the knowledge and expertise of the Bank's staff. Additionally, to foster a more holistic understanding of the Bank's operations, the Treasury implemented a comprehensive rotation program its Treasury dealers. This program allowed dealers to gain exposure to various departments across the Bank, enhancing their versatility and broadening their skill sets. This initiative not only enriched their professional experience but also strengthened our internal collaboration.

Invest GB

InvestGB is the investment arm of Gulf Bank, positioned as a fully owned Kuwaiti closed joint-stock company with a paid-up capital of KD 10 million. The Company commenced operations in 2024 and is mandated to manage and grow a base of assets under management (AUM) exceeding KD 1 billion, equivalent to approximately USD 3.2 billion. This robust foundation reflects both the company's ambition and Gulf Bank's commitment to expanding its presence in wealth management, asset management, and advisory services, particularly catering to high-net-worth individuals and institutional investors who require sophisticated and personalized investment solutions.

Through proactive risk management, the Treasury department maintained a robust liquidity buffers, consistently surpassing the Central Bank of Kuwait's liquidity requirements

InvestGB is the investment arm of Gulf Bank, positioned as a fully owned Kuwaiti closed joint-stock company with a paid-up capital of KD 10 million

InvestGB's extensive suite of services is designed to empower clients to navigate and capitalize on financial opportunities while also meeting Gulf Bank's broader objectives of being a trusted and forward-thinking partner in the Kuwaiti financial sector. By offering a range of innovative solutions across Asset Management, Custody and Investments, Brokerage, Wealth Management, and Investment Banking, InvestGB enables clients to manage their portfolios comprehensively, safeguard their assets, and access cutting-edge investment products that enhance their financial growth and resilience.

These services are customized to reflect the unique aspirations, risk tolerances, and market objectives of our clients, ensuring they remain adaptable and well-positioned in a constantly evolving market landscape.

In 2024, InvestGB reached a series of noteworthy milestones. The company successfully obtained all essential regulatory approvals for its establishment, and in August 2024, Hani AlAwadhi was officially appointed as Vice-Chairman and CEO. Demonstrating a strong commitment to inclusivity and local talent development, InvestGB also assembled a skilled team of 39 investment professionals, with 70% being Kuwaiti nationals and 47% women, highlighting the company's dedication to diversity and gender representation. This team's expertise enables InvestGB to address the complex needs of its clients, delivering market insights and investment strategies that keep InvestGB at the forefront of innovation and excellence in the investments sector.

Strategic partnerships form another cornerstone of InvestGB's competitive advantage. This year, InvestGB has entered into a partnership with Investcorp, a prominent global alternative investment manager with assets under management exceeding US $53bn, granting its clients and Gulf Bank's clients access to Investcorp's diversified real estate portfolios, spanning key sectors such as multifamily, industrial, and student housing. This collaboration expands Gulf Bank's and InvestGB's reach in the global real estate market, enriching their portfolio offerings and creating more value for clients seeking stable, long-term returns in high-quality assets. Such partnerships not only diversify clients' investment options but also solidify InvestGB's position as a premier provider of innovative and yielding investment opportunities in the region.

In August 2024, Hani AlAwadhi was officially appointed as Vice-Chairman and CEO of InvestGB

Additionally, InvestGB's collaboration with Avaloq, a global leader in private banking and wealth management technology, marks a significant upgrade in InvestGB's digital wealth management capabilities. The new platform, developed with Avaloq's expertise, enhances its core wealth management systems by streamlining operations with specialized modules for investment consulting, fund management, and portfolio management. For clients, this partnership means a more seamless, sophisticated, and efficient service experience, granting them faster access to essential insights and performance metrics that help guide their investment decisions. This technological advancement strengthens InvestGB's operational efficiency and positions the company for potential growth, providing a foundation to meet future demands and compete effectively in an increasingly digital financial landscape.

In summary, InvestGB stands committed to shaping the future of financial services in Kuwait, creating exceptional value for our clients while reinforcing its competitive edge in a challenging market. By investing in talent, technology, and strategic partnerships, InvestGB is not only enhancing its service offerings but are also preparing to capture potential growth opportunities as the market evolves. InvestGB's focus remains on delivering trustworthy, innovative, and adaptable financial solutions that resonate with its clients' aspirations, ensuring that InvestGB is both a pioneer in the industry and a lasting partner in their financial success.

Financial Institutions and Sovereigns

The Financial Institutions and Sovereigns division facilitates solutions for both Consumer and Corporate clients, allowing for efficient trade finance services as well as global payments. With access to global correspondent banks and long-standing international banking relationships, the division also provides various funding solutions to support the diversity of the Bank's funding sources. FIs and Sovereigns also provides financing to financial institutions and sovereigns, diversifying the Bank's lending book and growing its assets. The division continues to accelerate its business activity through lending, borrowing, correspondent banking, and trade related transactions. In line with the Bank's ESG initiatives, the division participated in multiple ESG linked transactions in 2024 providing incentivized pricing based on ESG performance and KPIs.

Given the recent upgrades in credit ratings and high liquidity in the region with limited deployment options, the unit has witnessed clear tightening in spreads especially toward high-quality assets; however, the unit has managed to grow its asset book through a selection of high-quality assets in line with the banks' risk appetite through participations in syndications both in primary and secondary markets. Today the portfolio is aligned with the Bank's risk appetite, with the best possible returns and under the most efficient capital consumption. The unit has grown its asset book during the year and surpassed the KWD 500 million mark.

The Financial Institutions and Sovereigns division participated in multiple ESG linked transactions in 2024 providing incentived pricing based on ESG performance and KPIs


بنك الخليج
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Sustainability

Following the development of Gulf Bank's ESG Strategy 2030 and in line with our commitment to sustainability, the Bank made significant strides in 2024 reinforcing its position as a forward-thinking financial institution. the Bank managed to establish and launch foundational initiatives that demonstrate its response to ESG risk management, compliance, sustainable finance and its commitment to selecting impactful ESG initiatives.

Gulf Bank reinforced its position as a forward thinking financial institution

P1 – Accountable Governance

P2 – Equitable Workplace

P3 – Empowered Community Engagement

P4 – Responsible Banking

Strategic Topics

P1 – Accountable Governance:
- Board Disclosures and Oversight
- Compliance and Conduct
- ESG Risk Management

P2 – Equitable Workplace:
- Diversity and Inclusion
- Women Empowerment
- Training and Development
- Employee Engagement and Retention

P3 – Empowered Community Engagement:
- Youth Empowerment
- Community Well-being
- Social Engagement and Interactions
- Local Procurement

P4 – Responsible Banking:
- Sustainable Finance
- SME Support
- Customer Experience
- Digital Transformation
- GHG Emissions
- Utilities Management
- Waste Management

Through a series of carefully selected initiatives, the Bank transformed the aspirations of the ESG Strategy 2030 into tangible milestones, marking this year as a pivotal cornerstone in our transformation journey. Each initiative was strategically selected to ensure that rigorous governance mechanisms are in place enabling the Bank to navigate regulatory requirements and sustain its ESG performance disclosure. The progress reflects Gulf Bank's unwavering commitment to creating value for its customers, shareholders, investors and the wider community. As we look ahead, we remain driven by our robust ESG strategy and the impact it has on the communities and markets we serve.

ESG Achievements for the Year

1. Sustainable Finance Framework (P4)

Developed for the purpose of classifying financial products and services according to internationally acknowledged market standards. The framework establishes clear guidelines for the issuance of green, social, and sustainability-linked loans and bonds – and provides clear processes and requirements for issuers, investors and other relevant stakeholders may use to understand the characteristics of Gulf Bank's sustainable finance offerings.

The framework supports the Kuwait Vision 2035 and integrates requirements from the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) through Resolution No. 28 (February and November 2022) and the Circular No, 2/BS (CBK, Circular 2/BS, IBS/500/2022, November 2022) – that address the necessity of integrating sustainable finance aspects to the Bank's financial product offerings, governance and risk management practices.

The Sustainable Finance Framework governs the Bank's capital allocation and use of proceeds by setting strict eligibility criteria defining which projects qualify for sustainable financing, in a manner that provides distinct environmental and/or social benefits and impacts. The latter thereby ensures the transparency and accountability of our investment decisions and solidifies our contribution to global sustainability goals.

2. ESG Risk Management Framework (P1)

Recognizing the importance of identifying, assessing and managing ESG risks, we have developed an ESG Risk Management Framework. This framework integrates ESG and climate related risks into our overall risk assessment and decision-making processes and sets out the basis for quantifying their impact on the Bank's long-term resilience and financial stability.

3. ESG Policy (P1)

This policy formalizes Gulf Bank's commitments to ESG, providing a clear framework that ensures all business units are aligned with the Bank's ESG strategy roadmap. It sets the governance structure, roles, responsibilities and ESG commitments and statements necessary for ensuring ethical ESG conduct across the Bank's operations.

4. ESG Initiatives Screening Criteria (P3)

The screening criteria provides a structured and transparent process for evaluating the Bank's ESG related initiatives in terms of impact and created value, therefore enabling us to make informed decisions in terms of allocating the Bank's resources to projects and initiatives that align with our ESG Strategy 2030 objectives.

5. ESG Strategy 2030 Implementation Roadmap (P1)

Finally, Gulf Bank is proud to have finalized its ESG Strategy 2030 Implementation Roadmap, outlining the Bank's short, medium and long-term ESG goals for the upcoming years. It includes clear target breakdowns, timelines, and performance metrics, for the realization of our 6-years' strategy performance indicators.

Gulf Bank is proud to have finalized its ESG Strategy 2030 Implementation Roadmap, outlining the Bank's short, medium and long-term ESG goals for the upcoming years


بنك الخليج
GULF BANK

03

GOVERNANCE

Board Of **Directors**

Bader Nasser Al-Kharafi

Chairman, Board of Directors*

Chairman, Board Compliance and Governance Committee

Chairman, Board Credit and Investment Committee

Date of Appointment:

- Chairman; March 4, 2024 – January 14,2025.
- Board Member; March 17, 2012 – March 3, 2024.

Academic Qualifications:

- Bachelor's Degree, Mechanical Engineering, Kuwait University, Kuwait.
- Master of Business Administration (MBA), London Business School, London, UK.
- Currently pursuing a Doctorate in Business Administration Program from IE Business School (Instituto de Empresa) in Spain.

Experience:

- Mr. Bader has over 20 years of experience in the financial, banking, industrial, and telecommunication sectors.
- He began his career as an engineer in Kuwait Petroleum Corporation for approximately one year. Thereafter, he joined Al-Kharafi Group in which he held several leadership positions concluding in the position of Executive Director of Al-Kharafi Group.
- Founder and CEO of BNK Holding, Kuwait.
- Mr. Bader is Chairman and member of the Board of Directors in several local, regional and international companies operating in the financial and industrial, and telecommunication sector, which include:
- Vice Chairman & Group CEO of Mobile Telecommunications Company K.S.C (Zain Group), Kuwait.
- Vice Chairman of Mobile Telecommunications Company, Saudi Arabia.
- Vice Chairman of Gulf Cables and Electrical Industries Company, Kuwait.
- Chairman of Injaz Kuwait, Kuwait.
- Board Member of the Middle East Advisory of Suliman S. Olayan School of Business (OSB).
- Board Member in the Middle East Advisory of Coutts & Co. (United Kingdom).
- Vice Chairman of Diamond International Motors Company (Mitsubishi cars), Egypt.
- Board Member at Bahrain Steel B.S.C.C., Bahrain.
- Board Member at Foulath Holding B.S.C., Bahrain.
- Board Member at Kuwait-British Friendship Society.
- Board Member at the United Nations High Commissioner for Refugees (UNHCR) - "Sustainability Board".
- Board Member and the Chairman of the Executive Committee at Boursa Kuwait.
- Vice Chairman of National Investments Company (NIC), Kuwait.
- Vice Chairman of Heavy Engineering Industries & Shipbuilding Co. (HEISCO), Kuwait.
- Board Member at Mentor Arabia, Lebanon.
- In September 2019, BNK Automotive owned by Mr. Bader Al-Kharafi signed the new Volvo agency agreement in Kuwait, making BNK Automotive the new official exclusive importer for Volvo Cars and in 2022 BNK Automotive acquired the franchise rights for Polestar.
- In 2020, BNK Motion, owned by Mr. Bader Al-Kharafi acquired the franchise rights for Piaggio Group and Vanderhall Motor Works.
- Mr. Bader is the official representative of the consortium that successfully won the privatization bid of Boursa Kuwait, taking a 44% equity stake in the local stock exchange.

*Mr. Bader Nasser Al-Kharafi resigned from the Board membership and position as Chairman of Board effective January 14, 2025

Ali Morad Behbehani

Deputy Chairman of Board of Directors

Date of Appointment:

- Deputy Chairman: March 16, 2013 - Present.
- Board Member: April 11, 2009 - March 14, 2013.

Academic Qualifications:

- BA, English Literature, Kuwait University.

Experience:

- Chairman - Kuwait Insurance Company.
- Board Member - National Industries Company.
- President of Morad Yousuf Behbehani Group.
- Board Member - The Kuwaiti Danish Dairy Company (K.D.D.).
- Formerly Board Member of Kuwait National Cinema Company (S.A.K.).
- Formerly Board Member of Kuwait Pipe Industries Company.

Omar Hamad Al-Essa

Board Member

Deputy Chairman, Board Nomination and Remuneration Committee

Deputy Chairman, Board Credit and Investment Committee

Date of Appointment:

- April 11, 2009

Academic Qualifications:

- BA in law, Faculty of Law, Kuwait University, Kuwait.

Experience:

- Owner of The Law Office of Al-Essa & Partners.
- Formerly Chairman of the Kuwait Bar Association.
- Formerly President of the Admission Committee of the Kuwait Bar Association.
- Formerly President of the Arbitration Center of the Kuwait Bar Association.
- Formerly President of the Development and Training Committee of the Kuwait Bar Association.
- Formerly Head of the Kuwaitization Group at the Manpower and Government Restructuring Program.
- Formerly Chairman of Kuwaiti Touristic Enterprises Company, Egypt.
- Formerly Appointed adviser to the Public Authority compensation for Iraqi invasion.
- Formerly Member of the board of Kuwaiti Association for Learning Differences (from 2015 to 2021).
- Founder Member of Kuwait transparency Society.
- Founder Member of Kuwaiti Association for Protecting Public Funds.

Abdullah Sayer Al-Sayer

Board Member

Deputy Chairman of Board Audit Committee

Date of Appointment:

- March 27, 2021

Academic Qualifications:

- Bachelor of Science in Business Administration with Finance Emphasis, Barry University, Miami, Florida, USA.
- Master of Business Administration with Finance Concentration, Summa Cum Laude (With Highest Honors) from Barry University, Miami, Florida, USA.

Experience:

- Board Member in Al-Sayer Group (2022 to date).
- Board Member in Al-Razzi Holding Co. (2021 to date).
- Board Member in Bayan Dental (2019 to date).
- Board Member in Credit One (2018 to date).
- Formerly Senior Manager, Al Sayer Group – Al Dhow Holding Co., Kuwait (2015 to the end of 2022).
- Formerly Financial Analyst in Injazzat Real Estate Dev. Co (2013 – 2015).
- Formerly, Analyst in Bader Al Abduljader & Partners (Russell Bedford International), Kuwait (2012 – 2013).
- Formerly Associate in Qunsult International Ltd, Kuwait (2012).
- With over 12 years of experience, largely in the finance and investment sectors, Mr. Abdullah has played a vital role in diversification of AlSayer Group into the Education, Healthcare, and Banking sectors. He has been significant in introducing new technologies as part of the digitization process at AlSayer Group.

Dr. Fawaz Mohammad Al-Awadhi

Board Member

Member of Board Nomination and Remuneration Committee

Member of Board Credit and Investment Committee

Date of Appointment:

- August 7, 2019

Academic Qualifications:

- Bachelor of Laws (LL.B.) - Kuwait University (June 2007).
- High Diploma - Boston University (May 2015).
- Master of Laws (LL.M.) - University of California, Berkeley (May 2016).
- Doctor of the Science of Law (J.S.D.) - Washington University in St. Louis (May 2021).

Experience:

- Chief Legal Officer – Alghanim Industries Group (July 2020 – Present).
- Legal Affairs Director in The Public Authority for Applied Education and Training (August 2023 – Present).
- Faculty Member – Legal Department – College of Business Studies (June 2016- Present).
- Vice-Chairman in the Board of Members of Takhzeen Warehousing Co. SAK(C) (August 2021 – August 2024).
- Vice-Chairman in the Board of Members of Ejari Real Estate Co. SAK(C) (November 2021- Present).
- Vice-Chairman in the Board of Members of Alamana Industries Co. SAK(C), (Jan 2021- Present).
- Vice-Chairman in the Board of Members of Alghanim Industries Group Holding Co. SAK(C) (Formerly/ Alamana Kuwait Holding Co. SAK(C)) (Jan 2021- Present).
- Vice-Chairman in the Board of Members of X-cite General Trading Co. SAK(C) (March 2022 – July 2023).
- Manager in the Board of Managers of Alghanim International Food Co. LLC, Saudi Arabia (November 2021- Present).
- Manager in the Board of Managers of Kirby Contracting Co. LLC, Saudi Arabia (November 2021- Present).
- Manager in the Board of Managers of Al Qimma Universal for Real Estate Development Co. LLC, Saudi Arabia (November 2021- Present).
- Manager in the Board of Managers of Atara Investment Co. LLC – UAE (2020 – Present).
- Secretary General of the Kuwaiti Association for Protecting Public Funds, Kuwait (2018 – Present).
- Manager in the Board of Managers of Saudi Pipes Insulation Manufacturing Factory Co SPC LLC, Saudi Arabia (2019 – Present).
- Manager in the Board of Managers of Kutayba Yusuf Alghanim & Partner for Trading Co. SPC LLC, Saudi Arabia (2018 – Present).
- Manager in the Board of Managers of Saudi First Company for Manufacturing Insulation Materials & Steel Buildings LLC, Saudi Arabia (2018 – Present).
- Manager in the Board of Managers of Pasture Trading Co. LLC, United Arab Emirates (2018 – Present).
- Council Member & Authorized Signatory of Kutayba Alghanim Foundation, DIFC, United Arab Emirates (April 2022 – Present).
- Board Director & Authorized Signatory of KAG Holding Limited, DIFC, United Arab Emirates (Sept 2022 – Present).
- Board Director & Authorized Signatory of KAG Holding 1 Limited, DIFC, United Arab Emirates (March 2024- Present).
- Board Director & Authorized Signatory of KAG Holding 2 Limited, DIFC, United Arab Emirates (March 2024 – Present).

Abdullateef Abdulazeez Al-Sharikh

Board Member

Deputy Chairman of Board Risk Committee

Date of Appointment:

- March 4, 2024 – Present
- October 31, 2020 –March 27, 2021

Academic Qualifications:

- Bachelor's Degree in Management and Finance, Bentley University, USA.
- Master of Business Administration (MBA), London Business School, London, England.

Experience:

- Vice President – Transformation and Corporate Communications, Alghanim Industries (August 2024 – Present).
- Board Member, First Investment Company (September 2016 – May 2023).
- Board Manager, EV Global for Sale & Purchase of Automotive Vehicles Co. SPC (June 2024 – Present).
- Board Member, Alghanim Industries Group Holding Co. K.S.C.C (April 2023 – Present).
- Board Manager, X-cite General Trading Co. SPC (May 2023 – Present).
- Board Director, Atara Investment Co. LLC (UAE) (November 2022 – Present).
- Board Manager, Alamana Holding Co. SPC (November 2021 – Present).
- Board Manager, Yusuf Ahmed Alghanim & Sons Co. WLL (December 2019 – Present).
- Board Manager, Alghanim Wilhelmsen Shipping Co. WLL (December 2019 – Present).
- Board Manager, Washingtonia Agricultural Co. SPC (December 2019 – Present).
- Board Manager, Alghanim Engineering for General Trading & Contracting Co. SPC (December 2019 – Present).
- Board Manager, Atlas Alghanim for Air Shipping Co. SPC (December 2019 – Present).

Barrak Abdulmohsen Al-Asfour

Board Member

Member of Board Risk Committee

Date of Appointment:

- October 31, 2020

Academic Qualifications:

- Bachelor's Degree - Business Administration (Major: Finance), Faculty of Commerce, Economics and Political Science. Kuwait University, Kuwait.

Experience:

- Mr. Barrak has long experience in Banking, and the international commerce and investments.
- Branch Manager then gradually moving to the position of Manager-Credit Facilities Department at the Bank of Kuwait and the Middle East (BKME), Kuwait (1985 – 1989).
- Moved to the private sector since 1990.
- Board Member (1993) then Deputy Chairman (from 2004 to present) of Kuwait Gypsum Manufacturing & Trading Company.
- Managing Director and Partner of Bridgestone Tire Distribution Company W.L.L., from 1992 to present.
- Chairman of the Board of Directors of Al-Futooh International Group for General Trading and Contracting since 1995 to present.

Ahmad Mohammed Al-Bahar

Chairman, Board of Directors (Independent)*

Chairman, Board Compliance and Governance Committee*

Chairman, Board Credit and Investment Committee*

Date of Appointment:

- Chairman (Independent): January 15, 2025 – Present.
- Board Member (Independent): October 31, 2020 – January 14, 2025.

Academic Qualifications:

- Bachelor's Degree of Science in Business Administration, from Southern Oregon State University, USA.

Experience:

- Formerly Chief Executive Officer of Gulf Custody Company (Kuwait).
- Formerly Chairman of Gulf Custody Company (Bahrain & Oman).
- Formerly, Partner in Charge – Settlement Group of The International Investor.
- Formerly, Senior Manager – Settlement Department of Kuwait Foreign Trading Con., & Investment Co. (KFTCIC).
- Formerly, Manager – Consumer Loans Department of Arab European Financial Management (AREF).
- Formerly, Chairman of First Bahrain Co.
- Formerly, Board Member of National Cleaning Co.

*Appointment of Mr. Ahmad Mohammed Al Bahar as the Chairman of Gulf Bank, Chairman of Compliance and Governance Committee, Chairman of Credit and Investment Committee, effective January 14, 2025.

Board Of **Directors**

Dr. Abdulrahman Mohammad Al-Taweel

Independent Board Member

Chairman, Board Risk Committee

Deputy Chairman, Board Compliance and Governance Committee

Date of Appointment:

- March 27, 2021

Academic Qualifications:

- Bachelor of Science in Chemical Engineering, University of Colorado, Boulder, USA.
- Master of Business Administration (MBA), University of Colorado, Boulder, USA.
- Doctor of Philosophy in Business Administration (PhD) - Finance, University of Colorado, Boulder, USA.

Experience:

- Assistant Professor, Finance and Financial Institutions Department, College of Business Administration, Kuwait University.
- Dr. Abdulrahman has been very active in the academic and teaching professions for over ten years, conducting a variety of professional seminars, workshops and development programs during his career.
- He has many intellectual contributions relating to corporate finance and corporate governance in upcoming working papers.
- Formerly an advisor to the Director General of the State Bureau of Financial Controllers (2019 -2022).

Talal Ali Al-Sayegh

Independent Board Member

Chairman, Board Audit Committee

Date of Appointment:

- September 12, 2021

Academic Qualifications:

- Bachelor of Arts in Accounting and Auditing, Kuwait University, Kuwait.
- Executive MBA in Business Administration, American University Beirut, Lebanon.

Experience:

- Formerly Advisor in Al Ahli Bank of Kuwait on AML/CFT and Financial Crime issues.
- Formerly president of Kuwait Financial Intelligence Unit, Kuwait.
- Formerly Deputy Manager On-Site Supervision, Central Bank of Kuwait.
- Formerly Senior Credit Analyst in Gulf Bank, Kuwait.

Reem Abdullah Al-Saleh

Independent Board Member

Chairman, Board Nomination and Remuneration Committee*

Member of Board Audit Committee

Member of Board Compliance and Governance Committee

Date of Appointment:

- June 25, 2022

Academic Qualifications:

- Bachelor of Accounting in Faculty of Commerce, Economics and Political sciences, Kuwait University, Kuwait.

Experience:

- Eissa Al Saleh Trading Group Company in 1996 as Assistant General Manager.
- Al Fath Real Estate since 1997 as Board Member.
- Chief Executive Officer and Board Member, Gulf Inspection International Co., K.S.C. Kuwait.
- Joined Gulf Inspection International Company K.S.C. in 2003 as Director of Business Development. Re-established and developed the Company's various activities and departments with main responsibility. In 2015, prompted as Chief Executive Officer of Gulf Inspection International Company K.S.C. In 2022 Board Member of Gulf Inspection International Company K.S.C.
- A Consultant to Musaed Al-Saleh Group since 2015.
- Kuwait Computer Services Company as Vice Chairman and recently Board Member.
- In 2022 - Independent Board Member of Injazzat Real Estate Development Company K.S.C.
- General Manager – In Royal Service Co. for General Trading & Contracting W.L.L.
- Formerly Chairman of Kayan International Construction Company.
- Member of Kuwait Accountants and Auditors Association, Kuwaiti Economics Society, GCC Accounting & Auditing Organization, Member of ACI Kuwait Chapter (Membership No. OR 014), Arbitrator & Expert for Kuwait Capital Markets Authority.

* Appointment of Mrs. Reem Abdullah Al-Saleh as the Chairman of Board Nomination and Remuneration Committee, effective January 14, 2025.

Executive **Management**

Waleed Mandani

Acting Chief Executive Officer

Date of Joining Gulf Bank:

- September 5, 2021

Academic Qualifications:

- BSc in Business Administration from University of Arizona, USA - 1992.
- Executive Program in Project Management and Leadership from Cornell University, USA – 2011.
- Specialized training course in Decision Making Strategies at Harvard Business School, USA - 2015.
- Executive Program in Leading Change and Organizational Renewal at Harvard Business School, USA - 2018.

Experience:

- More than 30 years of experience in leadership positions covering Treasury, Investments, Private Banking, Retail and Wealth Management in Kuwait Finance House, BNP Paribas in Kuwait, Ahli United Bank Bahrain and NBK.
- Board Member in KFH Capital, and Member of Board Risk Committee 2017 until 2021.
- Board Member in KNET, and chairman of Board Audit Committee 2022 to date.
- Vice Chairman of Turk Capital Holding and Board Member 2015 until 2021.

Sami Mahfouz

Deputy Chief Executive Officer - Customer Service Delivery

Date of Joining Gulf Bank:

- March 6, 2018

Academic Qualifications:

- Master's degree in Business Management, from the Holy Spirit University, Lebanon.
- Completed extensive leadership and technical programs.

Experience:

- More than 30 years of banking experience in the region at leading international banks.
- Previously worked at Standard Chartered Bank for 18 years, with his last role as Head of MENA Public Sector Coverage Group, and earlier undertook a variety of Financial Markets roles in UAE, Bahrain and Lebanon. Started his career at HSBC Lebanon.

David Challinor

Chief Financial Officer

Date of Joining Gulf Bank:

- April 14, 2021

Academic Qualifications:

- Honors Degree in Economics from the University of Newcastle, UK.
- A Fellow of the Institute of Chartered Accountants in England and Wales.
- Qualified Chartered Accountant with Price Waterhouse in London.

Experience:

- More than 25 years of experience in Financial Service Industry.
- Previously worked as Chief Financial Officer of Doha Bank, Qatar for 12 years.
- Experience in large financial institutions in Australia.
- Member of The Australian Institute of Company Directors.

Abdulrahman Al-Saddah

Chief Risk Officer

Date of Joining Gulf Bank:

- September 21, 2003

Academic Qualification:

- BSc in Accounting, Kuwait University.
- Program for Leadership Development, Harvard Business School.
- Advanced Risk Management Program, Wharton & Risk Management Association.

Experience:

- More than 21 years of experience in Banking and Financial Services.
- Previously Deputy Chief Risk Officer at Gulf Bank.
- Previously Deputy GM of Structured Workout and Remedial in Corporate Banking at Gulf Bank.
- Presently Board Member in Gulf Capital Investment Company, Chair of BRC, and a member of BAC.
- Served as Board Member in Kuwait Finance and Investment Company (KFIC), a member in both BRC and BAC.
- Led and Co-Led several debt restructuring and M&A transactions.

Executive **Management**

Ali Al-Faras

Chief Internal Auditor

Date of Joining Gulf Bank:

- September 20, 2003

Academic Qualifications:

- Bachelor's degree in English, from Kuwait University, Kuwait.
- General Management Program (GMP27), from Harvard Business School at Boston, USA.
- Emerging Leaders Program at London Business School, UK.
- Certified Risk Based Auditor (CRBA).
- Certified Compliance Officer (CCO).

Experience:

- An experienced banking professional with over 21 years of experience in the banking sector, mainly at Gulf Bank. Possesses extensive expertise in Internal Audit, Internal Controls, Risk Management and Compliance. Managing the Internal Audit Group and overseeing subsidiaries in accordance with leading audit frameworks and methodologies, to ensure comprehensive risk assessment and effectiveness of internal controls. Committed to align the Audit Function with the direction of the Board Audit Committee and adhering to the Internal Audit Standards, while implementing best practices to enhance audit processes and efficiency.

Faisal Al-Adsani

General Manager – Corporate Banking

Date of Joining Gulf Bank:

- April 18, 2004

Academic Qualification:

- Bachelor's degree in finance from University of Denver, USA.
- Executive management courses from Harvard Business School, INSEAD and University of Berkeley California.

Experience:

- Family Conglomerates Division which caters to trading/commercial/industrial and services.
- Previously Deputy General Manager overlooking Multinational Corporations and Oil & Gas Department.
- Previously Assistant General Manager heading Shares & Real Estate Unit part of the Specialized Lending Division.
- Previously Assistant Relationship Manager of the Financial Markets Division.

Bader Al-Ali

Acting General Manager - Consumer Banking

*Mr. Bader Al-Ali resumed his role as Acting General Manager – Consumer Banking as of 8th September 2024 pursuant to Mr. Mohammad AlQattan's resignation on 5th September 2024.

Date of Joining Gulf Bank:

- May 1 ,2011

Academic Qualifications:

- Bachelor's degree from The University of Bahrain having majored in Computer Science, Computer Engineering and Business Information in a unique compact graduate program.
- Mini MBA Program for Banking Industry, from United Kingdom (MCE).
- Advance Professional Diploma in Islamic Financial, from General Council for Islamic Banks and Financial Institutions.
- Executive management courses from London Business School, INSEAD, and Harvard Business School.

Experience:

- Mr. Bader has over 18 years' experience across various financial operations and services including Retail Banking, Digital Banking, Audit, Branch Sales and Operations, Internal Control and Compliance.

Lamia Karam

General Manager - Treasury

Date of Joining Gulf Bank:

- July 2, 2017

Academic Qualifications:

- Bachelor's degree in economics from Kuwait University, 1987
- Completed various courses with certification in Management and Leadership from MIT Sloan School of Management, USA.

Experience:

- Over 30 years of extensive experience in Treasury, specializing in Money Markets, Foreign Exchange, and Sales.
- Lamia's career began in 1987 at Al Ahli Bank, where she worked for four years before moving to Burgan Bank.
- At Burgan Bank, she held several positions over 23 years, culminating as the Treasurer for the Kuwait office. During her tenure, Lamia developed deep expertise in trading deposits, FX swaps, and was recognized as a market maker in the KWD local market. She was among the pioneers in dealing Islamic transactions, with Sharia-compliant institutions. Additionally, she chaired the Treasurers Meetings of the KBA committee for two consecutive years.
- In 2017, Lamia joined Gulf Bank as Deputy Manager of Treasury. Throughout her experience, she succeeded in building a strong reputation in the Kuwait and GCC markets. In August 2023, she was appointed as General Manager of Treasury, where she now oversees all Treasury activities and represents the bank in its best interests across various business lines.

Executive **Management**

Mona Mansour

General Manager - Customer Service Delivery

Date of Joining Gulf Bank:

- August 15, 2004

Academic Qualifications:

- BSc in Business Administration, Kuwait University, Kuwait.
- Emerging Leaders Program certificate from London Business School, UK.

Experience:

- More than 30 years of Banking experience.
- Previously worked at NBK for 20 years with diversified experience in IT, cards, customer services & operations.
- Joined Gulf Bank in 2004 Managed (Branch Operations, Complaints unit, Retail Credit , Trade Finance, Treasury Operations , Corporate & Retail Loans , Consumer Operations And Central Operations).

Salma Al-Hajjaj

Chief Human Resources Officer

Date of Joining Gulf Bank:

- February 1, 2013

Academic Qualifications:

- BSc in Mathematics, Kuwait University, Kuwait.
- MA in Organizational Management from the University of Phoenix in Arizona, USA.

Experience:

- More than 30 years of Human Resources experience.
- Previously worked at various key HR positions in the oil sector in both KPC and KPI as well as in Gulf Investment Corporation.
- Previously a Member of the Arabian Society for Human Resources (ASHRM) board of trustees.
- Member of the Board of INJAZ: a nonprofit organization for the development of the youth.
- Lifetime member of the International Society of Female Professionals.
- A Senior Certified Professional Coach from both the International Coaching Federation and the Coach Transformation Academy.

Dari Al-Bader, CFA

General Manager – Corporate Affairs & Board Secretary

Date of Joining Gulf Bank:

- October 21, 2019

Academic Qualifications:

- BSc in Management Science and Mechanical Engineering from Massachusetts Institute of Technology, Cambridge, MA, USA.
- MBA from Columbia Business School, NY, USA.
- Chartered Financial Analyst.

Experience:

- More than 20 years of experience in business and banking.
- Previously President of Group Corporate Affairs at Alghanim Industries.
- Previously worked with a number of international and regional organizations such as JP Morgan, Citi Group, Dubai Capital Group, and the National Bank of Kuwait.
- Chairman of Asiya Capital Investments Company.
- Member of the Board of INJAZ a non-profit organization for the development of the youth.
- Board Member of Gulf Capital Investment Company KSC(C).

Shahzad Anjum

Chief Information Officer

Date of Joining Gulf Bank:

- August 1, 2019

Academic Qualifications:

- Master of Business Administration (MBA) from London Business School, UK.
- Bachelor of Science in Computer Science from Newport's Institute, Pakistan.

Experience:

- Over 23 years of IT experience, including 16+ years in financial services, he has been pivotal in driving IT strategies for various major companies, such as Gulf Bank, Alghanim Industries, Alamana Finance, and Enaya Insurance.
- Prior to his role at Gulf Bank, Shahzad served as Group CIO at Alghanim Industries, one of the largest privately owned multinational companies in the Gulf region, with operations in 40 countries and more than 30 business units.
- At Gulf Bank, since joining Gulf Bank in 2019, Shahzad has led the bank's Information Technology strategy, focusing on digital transformation and enhancing the bank's technological infrastructure.

Corporate **Governance**

Introduction

A robust and efficient Corporate Governance framework serves as a central pillar in elevating overall economic performance, with a particular resonance within the Banking industry. Gulf Bank, a leading financial institution in Kuwait, along with its fully owned subsidiary, Gulf Capital Investment Company KSC(C) - recognized as "InvestGB", stands resolute in its commitment to upholding exemplary standards of corporate governance, ethical conduct, and professionalism. Established in 2023 with a KD10 million authorized, issued, and fully paid-up capital, InvestGB operates as an integral part of the Group, under the aegis of the Bank. The Bank and its subsidiary are collectively referred to as (the "Group"). The Group's Board-Approved Corporate Governance Framework adheres rigorously to the directives laid down by the Central Bank of Kuwait ("CBK"), the Capital Markets Authority ("CMA"), and other regulatory bodies, in alignment with the Basel Framework.

Corporate Governance principles are deeply embedded in the Group's operations and exist at all organizational levels. To set a benchmark for comprehensive Corporate Governance practices, the Bank ensures strict compliance with existing laws and CBK directives. The Group's governance structure highlights the active involvement of the Board of Directors in overseeing Executive Management performance and overall Group activities. The Board is tasked with fostering trust in the Group's management, safeguarding customer and stakeholder interests, ensuring financial stability, and balancing risk considerations to optimize revenues and profits. The structure underscores the separation of responsibilities between the Board and Executive Management, holding steadfast to stringent checks and balances mechanisms.

Gulf Bank remains committed to serving the best interests of its stakeholders - shareholders, customers, employees, and the public - through transparent and precise disclosures. Operating in full compliance with regulatory mandates, the Bank actively engages with the community in which it operates.

Marking a significant stride in its digital transformation odyssey, the Bank places heightened focus on fortifying data privacy and cyber security protocols to shore up operational resilience and elevate consumer protection. Acknowledging its pivotal role in society, the Bank embraces its capacity to wield positive impact as a critical institution in the societal landscape. The Board of Directors steadfastly advocates for the integration of a robust Environmental, Social, and Governance ("ESG") framework into the Bank's strategic vision.

Corporate Governance Compliance with CBK Instructions

According to Central Bank of Kuwait (CBK) Corporate Governance regulations and its amendments, the CBK Corporate Governance regulations set out nine pillars for a sound Corporate Governance:

1. Board of Directors;
2. Corporate values, conflict of interests and Group structure;
3. Executive Management;
4. Risk Management and Internal Controls;
5. Remuneration System and Policy;
6. Disclosure and Transparency;
7. Complex Corporate Structures;
8. Protection of Shareholders Rights; and
9. Protection of Stakeholders Rights.

The Bank has put in place all relevant policies, manuals and guidelines aimed at being fully compliant with the nine pillars. The Bank has, under the leadership of the Chairman and the Board, established a sound and strong Corporate Governance structure as well as stringent and transparent processes of governance.

In carrying out the above, the Bank ensures a continuous compliance with all applicable laws and CBK regulations pertaining to Corporate Governance. In addition, the Corporate Governance principles are promoted among the various stakeholders, including regulators, shareholders, and business community.

Stakeholder Definition

In line with best practice, a stakeholder is a party that has an interest in a company and can either affect or be affected by the business. The following entities/ persons are deemed Group's key stakeholders:

1. Customers and depositors
2. Shareholders
3. Regulators
4. Board of Directors and Executive Management
5. Employees
6. Suppliers and service providers
7. Local and correspondent Banks
8. Community where the Group operates

Corporate Governance - Policies and Procedures

The Group has a comprehensive framework of Corporate Governance aimed at properly balancing between its ambitious objectives, on the one hand, and adherence to the local and international governance and compliance systems, on the other hand. Both Board and Executive Management strongly believe that governance should always be the object of concurrent critique aimed at continuously improving the standards in place.

The Bank implements a set of clear and user-friendly policies and procedures that establish and reinforce good governance. They include, inter alia:

1. Corporate Governance Manual
2. Disclosure and Notification Manual
3. Risk Appetite Document
4. Whistleblowing Policy and Procedure Manual
5. Conflict of Interest Policy
6. Related Party Transactions Policy
7. Customer Complaints Handling Policy and Procedures
8. Internal Audit Charter
9. Human Resources Manual
10. Policy and Procedure Standards
11. Compliance Manual
12. Confidentiality Policy
13. Shareholders and Stakeholders Rights Policy
14. Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) Procedure Manual
15. HR Non – Discrimination and Harassment Policy

Corporate Governance

Gulf Bank Corporate Governance Manual – Roles and Responsibilities

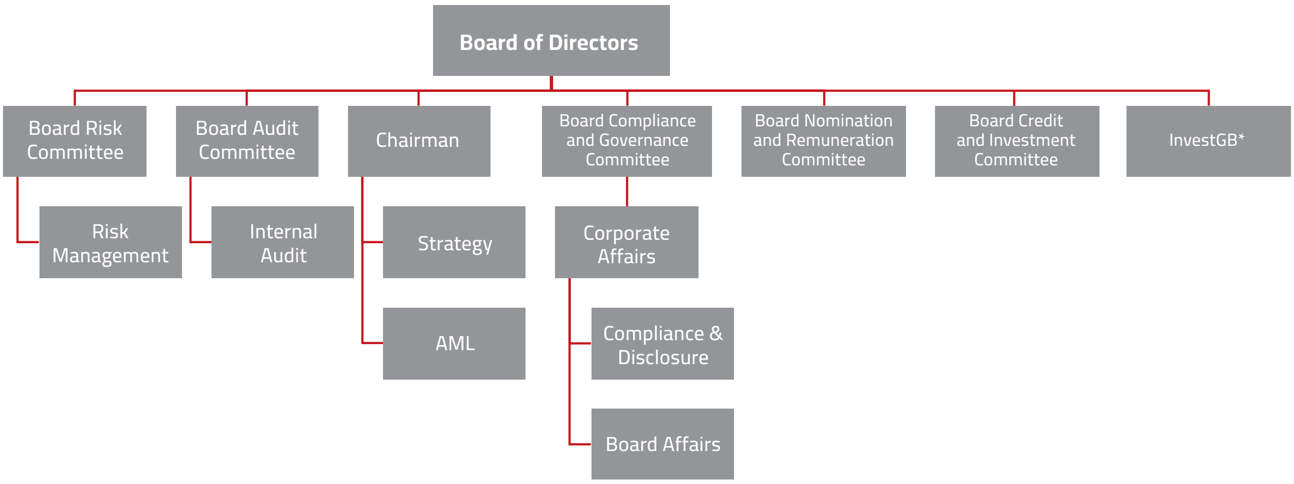
The Corporate Governance Manual clearly defines the roles of the Board and Executive Management, ensuring the integrity and transparency of the bank's activities. The manual identifies the Board of Directors' responsibilities explicitly, as well as those of the Chairman, Chief Executive Officer (CEO), Chief Risk Officer (CRO), General Manager-Corporate Affairs & Board Secretary, Chief Internal Auditor (CIA) and Chief Financial Officer (CFO). The manual ensures the independence of key executive roles by clearly defining reporting lines, promoting accountability and effective decision-making. The Board oversees these key executive positions in the Bank, with additional assurances and monitoring provided by CBK to ensure their autonomy and improve governance procedures.

Governance Structure

In line with best practices and industry standards, the Bank has built a thorough governance framework throughout the organization. This framework emphasizes well-defined reporting structures, clear separation of roles, and the development of decision-making independence in important functions such as Anti-Money Laundering, legal, compliance, internal auditing, and risk management. The governance framework is intended to instill a culture of ethics and accountability throughout the Bank, and it closely follows the CBK's regulatory guidelines to ensure regulatory compliance.

The governance structure is organized in three tiers: the Board Level, the Board Committees Level, and the Executive Management Level, each backed by a number of specialized Committees to promote effective oversight, rigorous risk management, and strategic decision-making processes.

The Board - Governance Organization



* In 2023, InvestGB, a 100% owned subsidiary, was established.

Gulf Bank's Board of Directors is comprised of highly experienced, highly skilled, and well-respected individuals from a variety of professional and academic backgrounds. The Board members are fully committed to the Bank's long-term sustainability. The Directors are familiar with the Bank's business structure and operational procedures, allowing them to stay abreast of significant changes and act quickly to protect the Bank's long-term interests when necessary.

Gulf Bank's Board of Directors meets at least six times a year. In compliance with the latest amended CBK Corporate Governance regulations, The Board currently consists of eleven members. Among these, four members are independent. There are five Board Committees.

The Board of Directors is intended to accomplish the Group's aspirations while always keeping shareholders' interests in mind. In accordance with the Corporate Governance Principles, the Board approves and oversees the implementation of the Bank's overall strategy, and it reviews the Bank's Corporate Governance framework on a regular basis to ensure its relevance in light of changes in the Bank's business strategy, scope of activities, and regulatory requirements. Along with Senior Management, the Board is also responsible for determining the Bank's risk appetite, considering the Bank's risk exposure and long-term objectives.

The Board members are properly and continuously trained to tackle the challenges that faces the Bank. Directors also receive comprehensive guidance from the Board Secretary on the Bank's governance framework and associated policies.

Performance Evaluation

In 2024, an external company conducted a thorough assessment of both the collective performance of the Board and the individual performance of its members. This evaluation adhered to professional standards and covered a wide array of areas. Key areas assessed included the performance, skills, and experience of board members, succession planning, strategic development for the Bank, and the effectiveness of the Chief Executive Officer and Board Secretary. The outcome of the assessment in an overall rating of "Outstanding".

Additionally, the Board of Directors participated professional development seminars on crucial topics such as the Shift Towards Islamic Banking, Cybersecurity and Threats and trends in Information Technology.

Board Overall Responsibilities

The Board of Directors assumes a comprehensive range of responsibilities for overseeing the Bank's operations, which includes setting, overseeing, and monitoring the implementation of the Bank's strategic objectives, risk strategy and corporate governance. Additionally, the Board oversees the performance of the Executive Management team.

The core responsibilities of the Board include:

- Setting the Group's strategic objectives and oversee the performance of the Executive Management;
- Ensuring that the Bank builds and sustains a healthy corporate culture;
- Monitoring the Group's business operations, financial soundness, and compliance with regulatory and legal requirements;
- Safeguarding the interests of shareholders, depositors, creditors, employees, and other stakeholders;
- Approving and ensuring the proper implementation of the internal control framework;
- Ensure that transactions with related parties are properly reviewed and vetted prior to being carried out;
- Ensure that the Bank has adequate policies and processes in place for all areas of its activity;
- Disclose reliable and timely information to the shareholders with regard to the Group's performance and forecasts;
- Set criteria for the evaluation, compensation, and succession for key management roles and
- Regularly reviewing Corporate Governance practices to ensure effectiveness.

The Board members take part in a series of training and continuing education programs. In addition to a formal induction program, the Board members receive regular bulletins designed to keep them abreast of industry progress relating to their duties and responsibilities.

The Chairman of the Board of Directors plays a key role in the proper functioning of the Board and maintenance of mutual trust among its members. He carries out the following:

- Ensure that Board decisions are made on a sound and well-informed basis;
- Oversee the implementation of the Whistle Blowing Policy and Program;
- Build a constructive relationship between the Board and Executive Management;
- Ensure a high level of corporate governance in the Group and
- Create a culture during Board meetings promoting constructive critique in case of divergent views and encourage discussion and voting in such cases.

Corporate **Governance**

Organization of the Board's Business

The Chairman, in consultation with Executive Management, proposes the items to be included to the agenda of the Board meeting.

The Board Secretary organizes the Board's business. The responsibility of the Board Secretary is to provide all stakeholders with confidence and comfort that the Bank is run openly. He also ensures that the Board members are provided with sufficient information and details well before the Board/ Board Committees meetings, enabling them to make enlightened decisions in respect of the matters to be discussed. Also, the Board Secretariat maintains a conflict of interest and related parties register, which is updated on a regular basis.

The Board meets at least 6 times annually and at least once every quarter. The Board Secretary takes note of the Board's deliberations and resolutions. The Board Secretary, under the Chairman's supervision, is responsible for the follow- up on the implementation of Board resolutions.

Board Composition

The Board consists of seven non-independent members and four independent members. In March 2024, Mr. Jassim Boodai resigned from the Board of Directors and his position as Chairman, and Mr. Bader Al-Kharafi was named by acclamation as his replacement, and Mr. Abdullateef AlSharikh – a Non-Independent Reserve Member – was called to the Board of Directors. The election of Board of Directors for the new tenor, which was due to take place at the Ordinary General Assembly Meeting in March 2024, has been postponed, with the current Board continuing to carry out its responsibilities until the Board is elected.

Board Meetings and Attendance

The Board of Directors met regularly, and Directors received information between meetings about the Bank's activities and the activity of the Management Committees. In 2024, 9 Board meetings and 41 Board Committees meetings were held as detailed below:

	Board Meeting	Audit Committee	Risk Committee	Compliance and Governance Committee	Nomination and Remuneration Committee	Credit and Investment Committee
Number of meetings in 2024	**9**	**5**	**5**	**3**	**4**	**24**
Jassim Mustafa Boodai**	1	*	*	2	*	5
Bader Nasser AlKharafi***	9	*	1	1	*	19
Ali Morad Behbehani	7	*	*	*	*	*
Omar Hamad Al Essa	9	*	*	*	4	24
Fawaz Mohammad AlAwadhi	7	*	*	*	3	20
Barrak Abdulmohsen AlAsfour	6	*	5	*	*	*
Abdullah Sayer Al Sayer	6	4	*	*	*	*
Ahmad Mohammad AlBahar	9	*	*	*	4	*
Abdulrahman M. Al Taweel	9	*	5	3	*	*
Talal Ali Al Sayegh	9	5	*	*	*	*
Reem Abdullah Al Saleh	8	5	*	3	*	*
Abdullateef Abdulaziz AlSharikh****	8	*	3	*	*	*

* Not a member of the committee

** Left the Board in March 2024

***Chaired the Board in March 2024

**** Joined the Board in March 2024

The minutes of each meeting are part of the Bank's records.

All Board Committees have submitted quarterly updates to the Board about their respective activity.

Board Remuneration

The Board Nomination and Remuneration Committee recommended to the Board of Directors, subject to the approval of the shareholders at the Annual General Assembly Meeting, that the total remuneration of the Board of Directors for 2024 be equal to **KD 240,000** (2023: KD 295,000).

Board Committees' Structure

In line with the Governance regulations issued by the CBK, the Bank has in place five committees that assemble regularly to govern the Bank's activities. The committees are as following:

Board Committees

The Board has established five committees: the Audit Committee, the Risk Committee, the Compliance and Governance Committee, the Nomination and Remuneration Committee and the Credit and Investment Committee (the "Committees"). Each Committee has a written bylaw. The Board expects to accomplish a substantial amount of its work through the Committees. Each Committee shall report regularly to the Board, summarizing the Committee's actions and any significant issues considered by the Committee. Such reporting shall not be required if all committee members are present at the Committee meeting at which such actions or issues are considered. If any of the committee members is not present at the Committee meetings, they will be informed with respect to such actions or issues as appropriate. Each Committee shall be composed of no fewer than three members. Each Committee member must satisfy the membership and governance requirements set forth in the relevant Committee bylaw. A committee member may serve on more than one Committee.

I. Board Compliance and Governance Committee

a. Committee's Scope of Activity

The Board Compliance and Governance Committee (BCGC) is in charge of overseeing the overall structure of Corporate Governance in the Bank and ensuring compliance with relevant CBK Corporate Governance instructions. By implementing and monitoring processes to report any conflict of interest and related party transactions, the Committee ensures that depositors' and shareholders' interests are protected, and shareholders' obligations are met, while also taking into account the interests of other stakeholders.

b. Composition of the Committee

- Mr. Bader AlKharafi — Committee Chairman
- Dr. Abdulrahman Al Taweel, — Committee Deputy Chairman
- Mrs. Reem Al Saleh, — Committee Member
- Mr. Dari Al Bader, — Committee Secretary

c. Committee Meetings

The Board Compliance and Governance Committee convenes not less than twice per year. Consist of three non-executive members (including Independent Member) selected by Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2024

- Assisted the Board oversee the implementation of the Group's Corporate Governance.
- Monitored the implementation of governance-related the policies and procedures.
- Reviewed and approved the Annual Compliance Testing Plan for Y2024.
- Reviewed the approved the Annual Corporate Governance Report.
- Reviewed the monitoring and reporting process under the Whistleblowing policy.
- Reviewed and approved the GM-Corporate Affairs Balanced Scorecard for Y2025 & evaluated his annual performance for Y2024.
- Followed up on the Central Bank of Kuwait's instructions and directives regarding Sustainable Financing, ensuring that the Bank complied.
- Reviewed and approved the Environmental, Social and Governance (ESG) Policy, ESG Structure and ESG 2030 Strategy, and made recommendations to the Board for approval.

e. Changes during the year

Subsequent to the resignation of Mr. Jassim Boodai (Chairman of the Board & Committee Chairman) in March 2024, Mr. Bader AlKharafi was appointed as Committee Chairman.

II. Board Audit Committee

a. Committee's Scope of Activity

The Board Audit Committee (BAC) carries out its duties within the framework of governance principles and practices established by the Board of Directors. The Audit Committee's role is to assist the Board of Directors in fulfilling its oversight responsibilities. To this effect, the Board Audit Committee has been authorized to provide oversight and reasonable assurance on the financial reporting process and review accounting issues of material impact on the financial statements, the integrity and adequacy of the Bank's internal control and risk management system, effectiveness of internal and external audit processes, the Bank's process for monitoring compliance with laws, regulations and code of conduct and, the performance of the Internal Audit function. The Board Audit Committee appraises the performance of the General manager/Chief Internal Auditor and recommends to the Board of Directors the nomination, termination, appointment, and remuneration of the external auditors. Since its effectiveness is directly linked to that of the Board of Directors, the Board Audit Committee works closely with Executive Management to obtain any information required to enhance the performance of the Board.

b. Composition of the Committee

- Mr. Talal Al Sayegh, Committee Chairman
- Mr. Abdullah Al Sayer, Committee Deputy Chairman
- Mrs. Reem AlSaleh, Committee Member
- Mr. Dari Al Bader, Committee Secretary

c. Committee Meetings

The Board Audit Committee convenes once every three months or as needed, or at the request of its Chairman or its two members. Chaired by an Independent Director – selected by Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2024

- Monitored the activities of the Internal Audit Division, including review and approval of its plans, strategies, department key performance indicators, follow-up action points, organizational structure, Internal Audit manual and procedure, Balanced Scorecard of the General Manager of Internal Audit and staffing budgets.
- Approved the three-year risk-based Internal Audit plan and related updates, as well as reviewed the observations, action plans and recommendations set forth in the Internal Audit reports.
- Held private meetings with the GM-Internal Audit, External Auditors and the Bank's Compliance and Disclosure Officer without the presence of Executive Management as per the regulatory requirements.
- Reviewed the scope and approach of the External Auditor's audit plan.
- Reviewed and recommended the annual and quarterly financial statements to the Board of Directors.
- Reviewed observations, action plans and recommendations set forth in the CBK mandated Internal Control Report.

e. Changes during the year

No changes in the composition of the Committee and its scope of activity took place in 2024.

f. Auditors' Fees:

The Ordinary General Assembly Meeting held on March 23, 2024 approved the appointment of the Bank's external auditors for 2024. Below are the total fees paid to the Auditors:

	2024 (KD'000)	2023 (KD'000)
Audit of Group financials statments	**166**	166
Other assurance and non-assurance services to the Group	**230**	488
Total	**396**	654

III. Board Risk Committee

a. Committee's Scope of Activity

The Board Risk Committee's (BRC) main duties are to provide oversight of the Bank's Risk Management, ensure autonomy of the Risk Management function and enhance the effectiveness of the Board of Directors monitoring of risk issues facing the Bank. The Committee reviews significant risk exposures and provides the Board with an update on the Bank's current and future risk strategy and appetite and oversees the Executive Management's implementation of the strategy. The Committee evaluates the risk exposure, concentration and tolerance limits and has authority to approve the aggregate transactional and trading limits for extraordinary or new risks. Furthermore, the Committee reviews, on a quarterly basis, a summary of the Top-25 credit clients and Top-20 credit risks rated 6 or worse. In addition, the Committee reviews any specific transaction or risk position and the impact analysis of any potential risks or changes in external environment that it deems relevant for the management of the risks facing the Bank and instructs actions to be taken to mitigate and manage risks to ensure conformity to the Bank's risk appetite. The committee on an ongoing basis reviews material Information & Cyber Security initiatives, activities and events, receives updates on the current threats the Bank is facing and the mitigants, and provides the Board with insight on the current status of the security programme's initiatives and activities.

b. Composition of the Committee

- Dr. Abdulrahman Al Taweel — Committee Chairman
- Mr. Abdullateef AlSharikh — Committee Deputy Chairman
- Mr. Barrak AlAsfour — Committee Member
- Mr. Dari Al Bader — Committee Secretary

c. Committee Meetings

The Board Risk Committee convenes not less than four times a year. Chaired by an Independent Director – selected by Board of Directors. The presence of two members is required to hold a meeting.

d. Key Achievements in 2024

- Convened 5 meetings and an additional meeting jointly with Board Audit Committee
- Reviewed the periodic risk management reports and risk dashboards and presented quarterly reports to the BoD.
- Reviewed and recommended the risk management, information and cyber security policies and risk committee bylaws for approval and ratification by the Board.
- Reviewed and recommended amendments of Risk Appetite for BoD approval
- Approved updates to the Information & Cyber Security Strategy Roadmap.
- Reviewed and approved assumptions and methodologies for Climate risk assessment and capital computation for ICAAP.
- Reviewed and approved the Implementation plan for ESG Risk and Sustainability Finance Framework
- Reviewed and jointly approved along with the Board Audit Committee, a common risk taxonomy for the Bank's Risk Management and Internal Audit Groups
- Reviewed summary of all credit approvals given by Credit Committees.
- Held meetings with the Chief Risk Officer without the presence of the Bank's Executive Management.
- Periodically reviewed the status and provided guidance on significant projects including the ones related to enhancement of Internal Control and Cyber security of the Bank.

e. Changes during the year

Subsequent to the resignation of Mr. Jassim Boodai (Chairman of the Board) and the appointment of Mr. Bader AlKharafi (Committee Deputy Chairman) as Chairman of the Board in March 2024, Mr. Abdullateef AlSharikh was appointed as Committee Deputy Chairman.

IV. Board Nomination and Remuneration Committee

a. Committee's Scope of Activity

The Board Nomination and Remuneration Committee (BNRC) is responsible for ensuring that all components of the granting financial remuneration framework serve the purpose of enhancing the effectiveness and management of the Group's risk management. BNRC also submits recommendations to the BOD on the nomination of Board members. In line with the nomination committee's role, reviews are conducted of the nominated members' skills, capabilities and qualifications in accordance with the Group's approved policies and standards; this takes place in adherence with the CBK instructions. BNRC conducts an annual review of the Board of Directors structure and draws recommendations on the changes that can be made in line with the best interest of the Group. Furthermore, BNRC ensures that the Board members are consistently knowledgeable of the latest banking updates and are fully capable of vetting the soundness of the principles and practices upon which remuneration is granted.

BNRC, with the Board Risk Committee, reviews the compensation and benefits of members of the Executive Management (as specified by CBK), including the principles and criteria used to assess their annual performance. This also includes an evaluation of the authority of the Board members and their leadership characteristics. In conducting its role, the BNRC annually prepares and reviews the Remuneration Granting Policy to the Board.

b. Composition of the Committee

- Mr. Ahmad AlBahar, Committee Chairman
- Mr. Omar Al-Essa, Committee Deputy Chairman
- Dr. Fawaz Al Awadhi, Committee Member
- Mr. Dari Al Bader, Committee Secretary

c. Committee Meetings

BNRC convenes at least twice a year. Chaired by an Independent Director – selected by BOD. The presence of two members is required to achieve quorum and hold a meeting.

d. Key Achievements in 2024

- Endorsed and monitored the Kuwaitization plan for the Bank, ensuring compliance with the CBK mandate.
- Reviewed and refined leadership succession plans in alignment with CBK recommendations, submitting proposals to the Board for approval.
- Recommended and approved executive compensation packages, presenting resolutions to the Board.
- Introduced and reviewed the Long-Term Incentive Plan for senior executives, aligning it with regulatory requirements and strategic goals.
- Submitted recommendations for salary increments and bonus payouts to Board for approval.
- Evaluated the adequacy and effectiveness of the Bank's Remuneration Policy.
- Oversaw and completed a third-party audit of executive compensation practices.
- Approved and implemented the Board Effectiveness Assessment plan.
- Participated in specialized training on Islamic Banking principles and practices.

e. Changes during the year

No changes in the composition of the Committee and its scope of activity took place in 2024.

V. Board Credit and Investment Committee

a. Committee's Scope of Activity

The BCIC is constituted of 3 board members and is chaired by the Chairman of the BoD. The overall purpose and scope of the Board Credit and Investment Committee (BCIC) that was formed in March 2018 are to review, approve, reject or modify or conditionally approve credit proposals exceeding the authority delegated to the Executive Credit Committee and up to the legal lending limit of the Bank, except credit facilities extended to the Bank's Board members as per CBK guidelines. BCIC is also empowered to approve all investments or divestments above the delegated authority of lower-level committees and discounts for settlements and write-offs for abandonment and discounts exceeding the authority delegated to the Executive Credit Committee. BCIC has also the authority to grant a credit delegation to the Executive Credit Committee.

b. Composition of the Committee

- Mr. Bader AlKharafi Committee Chairman
- Mr. Omar Al Essa Committee Deputy Chairman
- Dr. Fawaz Al Awadhi Committee Member
- Mr. Dari Al Bader Committee Secretary

c. Committee Meetings

The Committee normally meets once in every two weeks or as and when required. At least 2 voting members are required to hold a meeting. Out of the two voting members, one must be the Chairman or the Deputy Chairman of the BCIC.

d. Key Achievements in 2024

- The approval of credit and investment proposals at the Board level has strengthened the Corporate Governance in line with the instructions and directives of the Central Bank of Kuwait and enhanced the efficiency and transparency of credit approval process.
- Approved large credit proposals that constitute the major portion of Bank's credit portfolio, including bank limits and country limits.
- Approved settlement/recovery of large remedial credits.
- Approved Treasury limits in line with the Risk Appetite approved by the Board of Directors of the Bank and amendments in liquidity ratios based on Central Bank of Kuwait instructions.
- Recommended to Board for review and approval of all Board related credit facilities.
- Reviewed Investment Portfolio of the Bank as per Central Bank guidelines and Gulf Bank Investment Policy.
- Approved ECC Bylaw amendments consequent to change in the voting members and amended the delegation authority matrix.

e. Changes during the year

Subsequent to the resignation of Mr. Jassim Boodai (Chairman of the Board & Committee Chairman) in March 2024, Mr. Bader AlKharafi was appointed as Committee Chairman.

Executive Management Governance Structure

The modus operandi of Executive Governance is reflected in the committees operating at the Executive level. These include credit committees, risk committees and several other committees set out in the chart below:

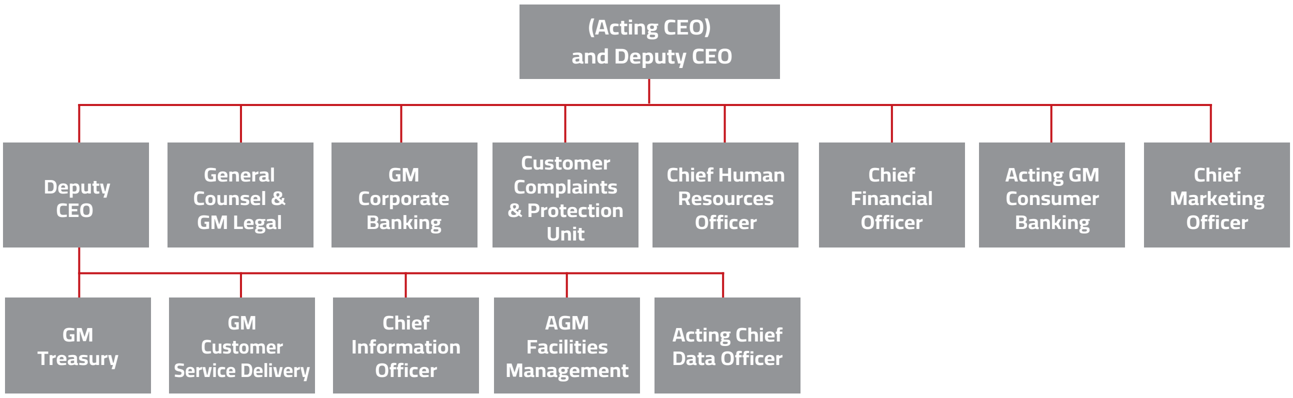
Credit Committees

- Executive Credit Committee
- Management Credit Committee
- Remedial Credit Committee
- Classification & Provisions Committee
- Consumer Credit Committee
- Wealth Management Credit Committee

Management Committees

- Executive Risk Committee
- Asset & Liability Committee
- Internal Controls Governance Committee (ICGC)
- Technology Risk & Information Security (Sub-committee of ICGC)
- IT Steering Committee
- Policy and Procedure Committee
- Wealth Management Governance Committee
- Executive Product Committee
- Fraudulent Cases Review Committee
- Tender Committee
- Project Governance Committee
- Suspicious Transaction Reports Review Committee

Executive Management Organization



Succession Planning

The Board's Nomination and Remuneration Committee vetted the bank's succession planning process for senior management to ensure transparency and satisfactory alignment with Bank Strategy.

The succession plan is reviewed and approved by the Board of Directors with the purpose of identifying critical roles across the organization, which if not filled in a timely fashion would potentially place the organization at risk. Succession planning identifies a minimum of one successor for each key role.

Remuneration Policy

The Group's Executive Remuneration is designed to attract, motivate and retain leadership responsible for strategic growth of the Group while ensuring sustained shareholder value. Executive remuneration is intended to be based on a philosophy of 'Distinction to establish an ethos of 'Meritocracy', create a strong alignment between business performance and executive payout as well as compliance with Central Bank of Kuwait (CBK) and Capital Markets Authority (CMA) guidelines.

These fixed and variable rewards are an integral part of the Group's total reward framework that:

- Is fully integrated with the Group's strategic objectives and supports the core values;
- Enables the attraction of the desired profile of potential employees, retention of key talent, and internal mobility and differentiation based on performance; and
- Is fair and equitable – ensures the mix of fixed and variable rewards that are relevant at the different levels of seniority.

The Group shall in general have a variable compensation based on 'At-Risk' approach for the senior executives whereby enough incentives are built-in to encourage outstanding performance notwithstanding that the variable remuneration pool encourages strengthening the capital base of the Group yet prevents undue and excessive risks.

The Remuneration policy is based on ensuring that the disclosure of payouts is clear, comprehensive, and timely to facilitate constructive engagement of all stakeholders and allow them to assess performance against clear targets, achievement of the Group's strategy and risk posture.

Salary Structure

The Group seeks to recruit and retain employees in a manner that is externally competitive and internally adequate. The Group's remuneration policy is applied consistently across all grades. The Group's salary structure is designed to ensure internal and external salary equity, whilst providing flexibility to acknowledge different degrees of individual performance and acknowledge levels of responsibility.

Annual Merit Increment

The Group shall review the performance of all employees on an annual basis and may award eligible employees a merit increment as agreed by the Management, effective 1st January of each calendar year.

Korn Ferry - Hay Bank Job Evaluation

The Group utilizes the Korn Ferry Hay Group Job Evaluation methodology which helps establish the relative value of jobs in the Group to ensure a fair and equitable remuneration to incumbents holding various jobs in the organization based on a structured methodology of evaluating those jobs.

Promotion

The Group promotes competent and experienced employees when a position becomes available, and the incumbent meets the set criteria. The promotion will warrant an increase in the employee's basic salary and a change to allowances and benefits applicable to the new position. Such promotions foster the culture of meritocracy.

The Remuneration Policy is fully compliant with regulatory requirements including application of "claw back" regulations that will allow the Group to withhold payout of a part of the deferred compensation of key executives due to certain performance conditions not being met including misconduct, negligence, misstatement, exceeding credit approval and/or risk limits, and any other dubious business practices.

Employee Benefits

The Group provides a range of employment related benefits. An employee may be eligible to certain benefits according to the eligibility criteria and job conditions; these include both Group products/services at preferential terms, and non-banking benefits in line with business needs and market practices. The Group introduced equal benefits pay for all employees eliminating any gender bias in its policies.

Total Remuneration paid to senior management, material risk takers, risk management and financial & control functions: (2024/2023)

Total value of remuneration awards for the current fiscal year	**2024** *(Remuneration Amount KD Thousand)*		2023 *(Remuneration Amount KD Thousand)*	
	Unrestricted	**Deferred**	Unrestricted	Deferred
Fixed remuneration				
- Cash – based	**3,334**	-	3,292	-
- Shares and share-linked instruments	-	-	-	-
-Other	-	-	-	-
Variable remuneration				
- Cash – based	**1,520**	-	1,679	-
- Shares and share-linked instruments	-	-	-	-
- Other	**1,563**	-	1,011	-

	2024 *(Remuneration Amount KD Thousand)*		2023 *(Remuneration Amount KD Thousand)*	
Employee Categories	**Number of employees in the category**	**Total remuneration paid**	Number of employees in the category	Total remuneration paid
Senior Management*	**16**	**4,579**	18	4,313
Material risk takers	**4**	**568**	4	474
Financial & Control functions	**10**	**1,270**	10	1,195

* The compensation of the senior management has been disclosed in note 23 to the consolidated financial statements.

All personnel included in each of the above categories form part of the management team at the Group. The management team encompasses all key decision makers and their assistants.

The senior management category includes Acting Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Acting Chief Risk Officer and other business heads. Material risk takers are defined as executives whose activities have a material impact on the risk profile of the Group.

The total remuneration paid to the top **five** senior executives was **KD1,961** thousand (2023: KD 1,783 thousand).

The total remuneration paid to the Acting Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Acting Chief Risk Officer and Chief Internal Auditor was **KD1,641** thousand (2023: KD 1,739 thousand).

Compliance and Disclosure Unit

Due to the special nature of non-compliance risks, the Unit monitors the process of compliance with the laws, regulations, and instructions issued by CBK, CMA, Boursa Kuwait and the Ministry of Commerce and Industry, in addition to compliance with the resolutions and directives issued by the Board. The Unit advises the Board at first-hand on the degree of conformity of its resolutions with the regulatory authorities' instructions, and keeps them continuously updated on the latest developments, regulatory requirements, legislations, instructions and controls related to the Group's activities.

The Unit also enhances the Bank's compliance at all times with the organizational and legal/regulatory requirements related to disclosure and transparency, and ensures that all shareholders, investors and stakeholders are provided, in an accurate and timely manner, with all material information related to the Group, including its financial position, performance, business results, any changes in the ownership or management of the Bank and any other matters as required under the rules and regulations issued in this regard, mainly under CBK Instructions on Corporate Governance related to Disclosure and Transparency, in addition to Resolution No. 72 of 2015 and the Executive Bylaw related to Law No. 7 of 2010 regarding the Establishment of Capital Markets Authority and the Regulation of Securities Activity, as amended.

The Bank ensures that consistent disclosure practices are applied and that the business community, including individual investors, have prompt and simultaneous access to the disclosed information.

Accordingly, the Bank has adopted a Disclosure and Notification Manual setting forth the details of disclosure requirements and corporate responsibilities in that respect.

Insider Information

In accordance with regulatory authorities' instructions, the Bank set up clear board-approved policies and procedures for dealing with insider information, which prohibit employees, Executive Management, and members of the Board from using such information for personal gain or to trade or engage in any form of market manipulation or market abuse.

Code of Ethics

Gulf Bank's code of ethics is an integral component of the corporate governance framework. It is adhered to by the Board of Directors and Executive Management in their daily interactions with employees, customers, and other stakeholders.

Money Laundering

Money laundering is the process of which proceeds from a criminal activity are disguised to conceal their illicit origin.

Criminal activities such as drug trafficking, smuggling, human trafficking, corruption, and others, tend to generate large amounts of profits for the individuals or groups involved in the criminal act, and therefore, they must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

Financing Terrorism

Financing terrorism is the financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism. Terrorist groups obtain funds from illegal activity such as kidnapping, extortion, fraud, counterfeiting and drug trafficking. However, terrorist funding also comes from apparently legitimate sources such as the sale of pamphlets, DVDs, books etc., and the solicitation of money from wealthy individuals and whole communities. Individuals may buy such materials or donate to seemingly legitimate charities in good faith, unaware that the funds are later illegally diverted to support terrorism and terrorist groups.

Gulf Bank is strongly committed to preventing the use of its products and services for Money Laundering and/or Terrorist Financing. Accordingly, the Bank complies with all applicable laws and regulations in the State of Kuwait designed to combat money laundering and terrorist financing. In addition. The Bank is fully committed to cooperate with the appropriate authorities in this regard. It has established all necessary procedures, processes, and controls to ensure freezing/confiscation of all economic assets owned by the suspected person(s)/entities completely or jointly owned and/or held directly or indirectly in their names, without delay or prior warning.

The Bank has established an independent and full time (AML & CFT Unit) headed by the Bank's designated Money Laundering Reporting Officer (MLRO), who reports independently to the Chairman. It is the Bank's policy to provide the AML/CFT Unit with adequate human and technological resources to allow it to check and report on the extent of the Bank's compliance with Laws, Ministerial Resolutions, Regulatory Instructions, and the Bank's own policies, processes, systems, controls, and procedures concerning the combating of money laundering.

The primary function of the Unit is to ensure that the Bank complies with AML/CFT legal and regulatory requirements applicable to banks in Kuwait as issued from time to time by the Central Bank of Kuwait (CBK), Capital Market Authority (CMA) and other governmental agencies.

The AML/CFT Unit follows the below listed legal & regulatory provisions:

- Law No. 106 of 2013 & Article (25) of the same law.
- CBK Instructions No. 2/BS/IBS/432/2019.
- The Ministerial Resolution No.5/2014 & Article (3) & (5) of the same & Resolution No. (35) of 2019 issued on 04/08/2019. Resolution No. (35) of 2019 has been replaced with below resolution; however, the same implication and mechanism will be implied as instructed by CBK circular dated 10/07/2023.
- Resolution issued under No. (141) of 2023 on 18 June 2023 and published in the official gazette in its issue 1641 dated 25 June 2023 concerning the executive bylaw pertaining to implementation of the Security Council's Resolutions issued under Chapter VII of the Charter of the United Nations regarding Counter - Terrorism & Proliferation of Weapons of Mass Destruction Financing.
- UN Charter Chapter VII.
- CBK Amended Instructions No. 2/105/1759/2023.

Conflict of Interest

The Bank seeks to ensure that a conflict of interest does not adversely affect the interests of clients, the Bank, its shareholders or other stakeholders through the identification, prevention or management of any conflict of interest.

The Board ensures that executive management exercise high integrity and avoid conflict of interests. Also, the Board adopts controls to manage the transfer of information within various departments, to prevent using such information for personal gain. for that, the Bank adopted a conflict-of-interest policy to ensure that all transactions are carried out at arms -length and transparently.

Confidentiality

In accordance with the rules and regulations issued by the Central Bank of Kuwait and other regulatory bodies; the Board of Directors, Executive Management and employees are committed to preserve the information security and the confidentiality of the data and information of the Bank, its customers, as well as data and information of other Banks' customers and other stakeholders as per regulations.

The Bank implements the necessary controls to ensure confidentiality of information as per the policies approved by the Board of Directors.

Whistle Blowing Policy

In compliance with CBK instructions, and further to the Bank's commitment towards the shareholders and third parties, and in pursuance of the highest ethics standards and business integrity requirements, the Bank established a "Whistle Blowing Policy" and a direct reporting channel to the Chairman. The policy aims at detecting any practices that fall out of the scope of laws, regulations, and sound professional conduct, so as to be remedied in a timely manner.

It is the employees' responsibility to speak up and report actual or potential suspicious and dishonest activities directly to Chairman of the Board of Directors, either via email, intranet or by letter.

Employees must report any suspected or presumed incidents of serious misconduct or behavior that violates the Bank's Code of Ethics and Conduct, policies, procedures, or any action by a Bank employee or any third party that is or could be harmful to the Bank's interests or reputation.

Those who report illegal or suspicious activities will be adequately protected, and their identities will be kept anonymous. They can express their concerns in complete confidentiality, and their names will not be revealed without their express permission.

Board Affairs Unit

The Board Affairs Unit oversees handling and managing all matters pertaining to the Board of Directors and its committees. The unit is in charge of creating agendas, scheduling meetings, and compiling minutes for the Board of Directors and its committees, as well as the Annual General Meeting of Shareholders. It also handles all issues pertaining to the Central Bank of Kuwait's Corporate Governance regulations.

The unit serves as a liaison and coordinator between the Board of Directors and Executive Management in matters pertaining to the implementation of the Board's policies and resolutions.

The Board Affairs unit also cooperates with the Disclosure and Compliance Unit to ensure that the relevant instructions issued by the CBK, Capital Market Authority, Boursa Kuwait, and Ministry of Commerce and Industry are followed.

Investor Relations Unit

The Investor Relations (IR) Unit is dedicated to serving the Bank's shareholders, credit rating agencies, analyst, and investors, locally and internationally. It is the main focal communication point and is responsible for the strategic management of prompting sustainable economic growth and establishing investor confidence in an effective two-way transparent communication between the Bank, the financial community, and other constituencies. The efforts and commitment of our IR team significantly contributes to Gulf Bank's securities achieving fair evaluation and strong credit ratings.

The Bank frequently engages with its stakeholders, through the quarterly investor earnings call, attending investor conferences and conduct one-to-one meetings with existing and potentials investors, managing the credit rating process of the Bank and producing the Annual Report.

Customer Complaints & Protection Unit

The Bank is eager to find appropriate solutions to customer complaints (individuals). To meet this goal, the Bank established an independent unit specializing in customer service complaints in 2011, reporting directly to the CEO. The Unit has its own policies and procedures, as well as the necessary mechanisms to handle customer complaints in accordance with CBK instructions. The unit is also in charge of overseeing the implementation of the Customers Protection Manual, which ensures good performance and transparency in the Bank's banking services provided to its customers.

The supervision over the implementation process of the Customer Protection Manual (CPM) alongside the activities of this unit enabled the Bank to successfully enhance satisfaction, protection, loyalty and trust of customers.

Related Party Transactions

Certain related parties (Major Shareholders, Board Members, and Officers of the Bank, as well as their families and companies in which they are the primary owners) are customers of the Bank in the ordinary course of business.

The Bank has in place robust processes for identifying, assessing, monitoring, and reporting the Bank's exposures to related parties. These transactions are concluded at arm's length and on substantially the same terms as comparable transactions with unrelated parties.

The Board of Directors is provided with details of all transactions in which a Director and/or related parties may have actual or potential conflicts. Where a Director is interested, he or she does not participate in the discussion or vote on such issues. The Bank's policy is, to the greatest extent possible, to conduct transactions with related parties on arm's length terms and in accordance with applicable laws and regulations.

The details of such transactions are provided in Note 23 of the Financial Statements.

Major Shareholders

Gulf Bank is listed in Boursa Kuwait, under Premier Market. Please refer to Gulf Bank's page at the official website of Boursa Kuwait (https://www.boursakuwait.com.kw/en/stock/profile#102) for the list of major shareholder(s) who own or have control over 5% of the Bank's share capital.

Annual General Meetings:

Gulf Bank held its 65th Annual General Assembly Meeting (AGM) and 43rd Extraordinary Meeting (EGM) in March 2024. Shareholders exercised all their rights in attending and participating in the meetings, representing 79.166% of the total free shares.

These decisions of these meetings, as well as the ratified minutes, are disclosed to Boursa Kuwait and sent to the Central Bank of Kuwait and the Capital Markets Authority. The outcomes and decision of the meetings are published on the Bank's website. For more information, please visit: https://www.e-gulfbank.com/en/investors/announcements/disclosures

Adequacy of Internal Control Systems

The Board of Directors, further to CBK rules and instructions issued in June 2012, November 2016 and revised guidelines issued in September 2019, declares and certifies that it has reviewed the internal control systems in place and confirmed their effectiveness and adequacy.

Internal controls form an integral part of the Bank's processes in its conduct of business. The Board of Directors has the overall responsibility to maintain sound internal controls and provides a broad oversight in this respect to the Executive Management. The Executive Management is responsible for the establishment and maintenance of the Internal Control Systems. The Executive management is also responsible for the ongoing improvements to the Internal Controls, through constant evaluations to meet the emerging needs and activities of the Bank and to ensure that the Bank is in compliance with applicable regulations and policies.

The key elements, which ensure the adequacy of Internal Control systems in the Bank, include the following:

- Existence of appropriate Board approved policies and Executive Management approved procedures, which are subject to regular reviews and updates, to validate applicability and sufficiency.
- Existence of several Board level and Management Level Committees which monitor all significant areas and activity.
- Existence of specialized control functions such as Compliance, Risk Management and Internal Audit. Processes consistent with the "Three lines of Defense" principle are in place to ensure weaknesses are identified and reported to Executive Management and the Board.
- Existence of an independent review process by Internal Audit, which assesses the Bank's internal controls as per its mandate including independent assurance and evaluation of the appropriateness of design & operating effectiveness of governance, systems controls, risk management and internal controls to monitor, manage and mitigate the Bank's key risks and its related processes, as per the approved annual risk-based Audit plan. Internal Audit focuses on the areas of significant risks, verifies and assesses the adequacy and effectiveness of the internal control system and reports significant issues and control gaps with the Management agreed actions, to the Board Audit Committee and to the Board of Directors (through the Board Audit Committee).
- Existence of independent control reviews on financial accounting records and statements by External Auditors as per the requirement of local laws and regulations and submission of such audit reports in the form of Management letters to Board of Directors and CBK.
- Existence of a comprehensive independent Internal Control Review process, performed annually through an international audit firm (other than the external auditors), as per the requirement of CBK, which identifies and reports any internal control deficiencies along with a Management action plan, to address such issues. A summary of the ICR report for the year ended 31st December 2023 was presented to the Board Audit Committee and Board of Directors during 2024 and was reviewed and approved by the latter. The latest report was issued in June 2024 (Annexure-A). The external audit firm has conducted a follow-up review as at 30/09/2024 and 31/12/2024 to ascertain corrective actions to its findings as per CBK requirements.
- The Board Audit Committee provides an oversight and strengthens the independence of Internal and External auditors. The Committee reviews the Internal Audit reports, Central Bank audit reports, Management Letters, Internal Control Review reports and monitors periodically the status of such issues through a sound follow-up process to ensure appropriate implementation of controls to address identified issues.

BDO

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June 24, 2024
Board of Directors
Gulf Bank K.S.C.P
State of Kuwait

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 19 March 2024, we have examined the accounting records and other records and internal control systems of Gulf Bank K.S.C.P ('the Bank') for the year ended 31 December 2023.

We covered the following areas of the Bank:

- Corporate Governance
- Anti Money Laundering
- Corporate Affairs
- Corporate Banking
- Customer Service Delivery
- Facilities Management
- Finance
- Human Resources
- Consumer Banking
- Preservation of Confidentiality of Customer Information and Data
- Fraud Prevention and Control
- Customer Complaints & Protection Unit
- Investment
- Information Technology
- Risk Management
- Internal Audit
- Treasury
- Financial Institutions & Sovereigns
- Legal Affairs
- Digital Transformation and Innovation
- Corporate Strategy
- Bank's Subsidiaries

Our examination has been carried out as per the requirements of the Central Bank of Kuwait (CBK) contained in the Manual of General Directives issued by the CBK on 14 November 1996, IV of corporate governance instructions in respect of risk management and internal controls issued by the CBK on 20 June 2012 and its amendments on 10 September 2019, instructions dated 16 February 2023 concerning Anti-money laundering and combating financing of terrorism, instructions dated 9 February 2012 regarding confidentiality of customer's information, financial securities activities and instructions regarding internal controls with respect to prevention and reporting of fraud and embezzlement cases.

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

The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.

Because of inherent limitations in internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

Having regard to the nature and volumes of the bank's operations, during the year ended 31st December 2023, and the materiality and risk rating of our findings, and the exception of matters set out in the report submitted to the Bank, in our opinion:

a) The accounting and other records and internal control systems of the bank were established and maintained in accordance with the requirements of the Manual of General Directives issued by the CBK on 14th November 1996 and all other subsequent instructions and circulars issued by CBK in this regard,

b) The findings raised in the examination and assessment of the internal controls do not have a material impact on the fair presentation of the financial statements of the bank for the year ended 31st December 2023, and

c) The actions taken by the bank to address the findings referred in the report, including previous years' findings, are satisfactory.

Yours faithfully,

Qais M. Al Nisf

License No. 38 "A"

BDO Al Nisf & Partners

Capital Management
And Allocation

Capital Structure

In accordance with the Central Bank of Kuwait (CBK) guidelines (CBK circular No.2/RB,RBA/336/2014), Kuwaiti banks must maintain a minimum Capital Adequacy Ratio (CAR) of 13% and minimum Tier 1 ratio of 11% . Tier 1 capital comprises of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital.

For Gulf Bank K.S.C.P. (the "Bank") and its subsidiary (collectively the "Group"), CET1 comprises of paid up share capital, share premium and reserves including property revaluation reserve and fair valuation reserve less treasury shares. The Group's Tier 2 comprises of allowed portion of general provisions (1.25% of the credit risk weighted assets) and subordinated Tier 2 bonds. The Bank has been identified as a Domestic Systemically Important bank (D-SIB) and is required to hold additional Common Equity Tier 1 capital (CET1) of 1% (2023: 1%).

The table below details the regulatory capital for the Group as at 31 December 2024 and 31 December 2023:

(KD Million)

Composition of Capital	31-Dec-24	31-Dec-23	Variance
Common Equity Tier 1 Capital: instruments and reserves			
Directly issued qualifying common share capital plus stock surplus	**586.2**	567.2	19.01
Retained earnings	**163.2**	182.3	(19.1)
Accumulated other comprehensive income (and other reserves)	**86.6**	77.8	8.8
Common Equity Tier 1 capital before regulatory adjustments	**836.0**	827.3	8.7
Common Equity Tier 1 Capital: regulatory adjustments	**-**	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**(2.4)**	-	(2.4)
Total regulatory adjustments to Common equity Tier 1	**(2.4)**	-	(2.4)
Common Equity Tier 1 capital (CET1)	**833.6**	827.3	6.3
Additional Tier 1 capital: instruments	**-**	-	-
Additional Tier 1 capital: regulatory adjustments	**-**	-	-
Additional Tier 1 capital (AT1)	**-**	-	-
Tier 1 capital (T1=CET1+AT1)	**833.6**	827.3	6.3

(KD Million)

Composition of Capital	31-Dec-24	31-Dec-23	Variance
Tier 2 capital : instruments and provisions			
Directly issued qualifying Tier 2 instruments plus related stock surplus	**50.0**	50.0	-
General provisions included in Tier 2 capital	**66.0**	63.8	2.2
Tier 2 capital before regulatory adjustments	**116.0**	113.8	2.2
Tier 2 capital: regulatory adjustments	**-**	-	-
Tier 2 capital	**116.0**	113.8	2.2
Total capital (TC= T1+T2)	**949.6**	941.1	8.6
Total risk weighted assets	**5,474.8**	5,223.8	251.0

Capital ratios and buffers	31-Dec-24	31-Dec-23	Variance
Common Equity Tier 1 (as a percentage of risk weighted assets)	**15.2%**	15.8%	(0.6%)
Tier 1 (as a percentage of risk weighted assets)	**15.2%**	15.8%	(0.6%)
Total capital (as a percentage of risk weighted assets)	**17.4%**	18.0%	(0.7%)
Institution specific buffer requirement(minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	**10.5%**	10.5%	0.0%
of which : capital conservation buffer requirement	**2.5%**	2.5%	0.0%
of which : bank specific countercyclical buffer requirement	**-**	-	-
of which : D-SIB buffer requirement	**1.0%**	1.0%	0.0%
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**8.2%**	8.8%	(0.6%)
National minima (Excluding D-SIB buffer)	**-**	-	-
National Common Equity Tier 1 minimum ratio	**9.5%**	9.5%	0.0%
National Tier 1 minimum ratio	**11.0%**	11.0%	0.0%
National total capital minimum ratio excluding CCY and DSIB buffers	**13.0%**	13.0%	0.0%
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**220.7**	266.9	(46.3)
Cap on inclusion of provisions in Tier 2 under standardized approach	**66.0**	63.8	2.2

(KD Million)

Reconciliation requirements	31-Dec-24	31-Dec-23
Total equity in published consolidated financial statements	**833.6**	816.8
Common Equity Tier 1 capital	**833.6**	827.4
Reconcilation item*	**0.0**	(10.6)

* Reconciliation items 2020-Consumer and instalment loans deferral

Capital Management And Allocation

During the year 2020 in response to Kuwait Banking Association's Board Resolution, the Bank announced postponement of payment of consumer and instalment loans as well as payment due on credit cards for a period of six months effective from 1 April 2020, waiving also the interest and any other fees resulting from such postponement. The instalment deferrals are considered as short-term liquidity support to address individual borrower's potential cash-flow issues. The loan deferral scheme resulted in a modification day 1 loss of KD 42.2 million arising from the modification of contractual cash-flows. The modification loss is charged to retained earnings in 2020 instead of income statement as required by IFRS 9 Financial Instruments in accordance with the CBK Circular No. 2/BS/IBS/461/2020.

As per the Circular, for the purpose of Capital Base, this loss will be included in retained earnings over the period of four years starting from the year 2021 until 2024. Accordingly as at 31 December 2024 the Group has fully recognized the modification day 1 loss arising from loan deferral scheme from retained earnings.

Capital Management

The Group's capital management policy is to ensure and maintain an adequate capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of loan growth expectations for each business group, expected growth in other balance sheet items, off-balance-sheet facilities and trading (i.e. market risk) activities, and the Group's future dividend policy. The Group seeks to maintain a prudent balance between the different components of its capital, particularly the relative mix of Tier 1 and Tier 2 capital.

The following table below details the risk-weighted exposures, regulatory capital requirements and regulatory capital ratios for the Group as at 31 December 2024 and 31 December 2023:

(KD Million)

Credit Risk Exposures	**31-Dec-24**	31-Dec-23	Variance
Credit risk weighted assets	**5,282.0**	5,103.1	178.9
Less: Excess general provision	**(154.6)**	(203.1)	48.5
Net credit risk weighted exposures	**5,127.4**	4,900.0	227.4
Market risk weighted assets	**1.8**	1.7	0.1
Operational risk weighted exposures	**345.6**	322.1	23.4
Total Risk Weighted exposures	**5,474.8**	5,223.8	251.0

Regulatory Capital requirement at 13.00% (2023 13%)

(KD Million)

Credit Risk	31-Dec-24	31-Dec-23	Variance
Cash items	-	-	-
Claims on sovereigns	**1.0**	5.3	(4.3)
Claims on public sector entities (PSEs)	**11.0**	16.2	(5.3)
Claims on Multi Development Banks (MDBs)	**5.3**	5.9	(0.6)
Claims on banks	**37.2**	38.9	(1.7)
Claims on corporates	**345.9**	303.8	42.0
Regulatory retail exposures	**233.8**	242.3	(8.5)
Past due exposures	**6.3**	5.7	0.6
Other exposures	**46.3**	45.3	1.0
Capital requirement for credit risk	**686.6**	663.4	23.3
Less: Excess general provision	**(20.1)**	(26.4)	6.3
Capital requirement for net Credit Risk	**666.5**	637.0	29.6

(KD Million)

Market Risk	31-Dec-24	31-Dec-23	Variance
Interest rate position risk	-	-	-
Foreign exchange risk	**0.2**	0.2	0.0
Capital requirement for market risk	**0.2**	0.2	0.0
Capital requirement for operational risk	**44.9**	41.9	3.0
Additional capital requirement (DSIB @ 1%)	**54.7**	52.2	2.5
TOTAL CAPITAL REQUIREMENT	**766.4**	731.3	35.1

Capital adequacy ratios (per cent)	31-Dec-24	31-Dec-23	Variance
Tier 1 ratio	**15.2%**	15.8%	(0.6%)
Total capital adequacy ratio	**17.4%**	18.0%	(0.7%)

The total risk-weighted exposure as at 31 December 2024 is **KD 5,474.8 million** (2023: KD 5,223.8 million), requiring a total capital at **14.0%** (2023: 14%) including 1% DSIB, of **KD 766.4 million** (2023: KD 731.3 million).

The Group's regulatory capital as at 31 December 2024 is **KD 949.6 million** (2023: KD 941.1 million), translating to a capital adequacy ratio of **17.4%** (2023: 18.0%).

Risk **Management**

Organization of Governance and Risk Management

The Risk Management policies and risk appetite, approved by the Board provides the necessary framework on risk management approach, objectives, management and organization structure. The risk management policies and procedures are periodically reviewed and where necessary, modified and enhanced to reflect changes in products and the market.

The Group has constituted a Board Risk Committee (BRC) for enhancing the effectiveness of the Board's monitoring of risk issues facing the Group and to submit periodic reports to the Board of Directors as appropriate. The BRC provides oversight of the Group's Risk Management on a holistic basis and ensures the autonomy and independence of the Risk function of the Group. The BRC reviews and recommends all risk management policies and risk appetite for the Board of Directors (BOD) approval. BRC reviews all high risk, large and any exposures which do not meet normal lending criteria. The Risk Management Department is headed by the Chief Risk Officer (CRO) who reports to the Board Risk Committee. The Group has also constituted an Executive Risk Committee (ERC), chaired by the Chief Risk Officer CRO, which is the apex committee for Risk Governance at the Senior Management level. The Risk Management Department of the Group provides regular reports to the BRC and ERC so that the committee members are well informed of all risk exposures of the Group.

The organisation of risk management, roles and responsibilities of the various committees are included in Note 24 of the consolidated financial statements.

Corporate Governance

Gulf Bank Group under the leadership of its Chairman and Board of Directors has implemented the new rules on Corporate Governance 2012 and its subsequent amendments in September 2019 as announced by the CBK. The Group also endeavors to adopt global best practices which are vital to its financial and communal well-being. The Group has constituted four major committees - Board Risk Committee, Board Audit Committee, Board Corporate Governance Committee and Board Nomination & Remuneration Committee for implementation of Corporate Governance of the Group.

Risk Appetite and Portfolio Strategy

The Group maintains a strong risk management culture and manages the risk/reward relationship within and across each of the Group's lines of business. The Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to material asset valuation and earnings volatility.

The Group has a Risk Appetite document, which enables close monitoring of various risks on an ongoing basis against the internally set thresholds. On a quarterly basis, the risk dashboard is presented and discussed with the Executive Risk Committee and Board Risk Committee. The Risk Appetite document is periodically reviewed and amended in line with market and economic factors. The Group has a detailed credit policy approved by the Board and periodically revised in response to changes in risk and market conditions.

The Credit Policy Manual sets out the guiding principles and credit risk standards governing extension of credit to provide a structure around which the banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country risk exposure. The individual country limits are approved and reviewed by the Board Credit and Investment Committee (BCIC) which is the highest credit approving committee delegated by the Board of Directors within CBK guidelines.

The Group classifies its exposure as per North American Industry Classification System (NAICS) Code. Such classification is in addition to the classification based on purpose codes as defined by CBK. This allows the Group to classify its portfolio into various sub-segments so as to facilitate analysis and improve management of concentrations, if any. The Group uses a credit rating model to rate corporate credit facilities to facilitate credit decisions and credit monitoring. In addition, the Group computes a weighted average Portfolio Risk Rating through which the overall portfolio quality is assessed at regular intervals and deliberated upon in the ERC as well as in the BRC.

RAROC (Risk Adjusted Return on Capital) Model is in use in the Group to assess the net value created in the account after taking into account the cost of capital. The Model helps to make right credit decisions and create shareholder value.

The Internal Capital Adequacy Assessment Process ('ICAAP')

The Internal Capital Adequacy Assessment Process ('ICAAP') identifies, measures, aggregates and monitors the Group's risks and enables the Group to maintain an appropriate level of internal capital in relation to the Group's overall risk profile and business plan. The Group carries out an assessment of material risks such as Credit, Market, Operational, Credit Concentration (sector and name concentration) risk, Interest Rate risk, Liquidity risk, Legal risk, Reputational risk, Climate risk etc., as part of the ICAAP process. The Group also runs a Stress Testing analysis to measure the impact on the value of collateral, income streams, downgrades of lending portfolio etc. over a one year horizon for three plausible stress scenarios (mild, medium and severe).

The capital allocation for each of the risks and stress testing results are reviewed and discussed at ERC and BRC meetings to ensure sufficient capital is allocated for each risk, keeping in view both macro and micro economic factors.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance and treasury activities. The Group has comprehensive policies and procedures to control and monitor all such risks. The BOD has delegated all authority (except credit facilities to Board members and related names) for credit decisions to Board Credit and Investment Committee ("BCIC") who in turn can delegate its authority to Executive Credit Committee ("ECC") as stipulated by the Board of Directors within the CBK guidelines. Note 24 (A) to the consolidated financial statements explains credit risk in detail and also outlines Group's policy and framework to manage it.

Market Risk

Market risk is the potential losses to the group's income or to the value of the Group's portfolio because of change in market determined variables such as currency rates, interest rates,investment prices, credit spreads and so on.

The Group is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis, as well as its holdings of financial assets and liabilities. The Treasury group manages the Group's foreign exchange, interest rate risk and liquidity risks. The Treasury and Investments groups monitor the risk in the investment portfolio. Limits are set to ensure that the Group's market risk is managed within the overall CBK regulatory guidelines and internal limits set by the Group's Risk Appetite . Interest rate, currency and liquidity mismatches are monitored constantly by the Treasury group and regularly reviewed by ALCO.

The Group's primary treasury business involves foreign exchange transactions on behalf of corporate customers. Customer transactions are mostly undertaken on a back-to-back basis. The Treasury group undertakes a limited amount of proprietary foreign exchange trading, predominantly in the G7 currencies in addition to regional and other minor currencies. The risks are limited since the open foreign exchange positions are very small, compared to the bank's balance sheet size. Further, such positions are managed with internal limits and the group's risk appetite as well as within the regulatory limits set by CBK. The Group does not trade in fixed income or equity securities.

Money Market activities are restricted to meeting the funding requirements of the Group's domestic and international foreign currency assets and investing any surpluses. As a matter of general policy, these positions do not contain material interest rate risk.

Group's treasury also maintains a portfolio of Kuwait Government treasury bonds and CBK bonds to meet the CBK statutory liquidity requirements as well as a portfolio of mostly GCC sovereign bonds & OECD denominated in USD to manage surplus liquidity.

The Kuwaiti Dinar is the Group's functional currency and almost all of the Group's assets and liabilities are denominated in either KD or USD and are match funded in the same currency. As a result, there is limited structural cross currency foreign exchange exposure.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Note 24 (C) to the consolidated financial statements explains currency risk in detail.

Interest Rate Risk (Banking Book)

Interest rate risk for the Group arises from the possibility that changes in the interest rates will affect the fair value or future cash flows of the financial instruments. The Group monitors the impacts on the net interest income for a 12 month period as well as the change in economic value of the assets and liabilities under various interest rate scenarios. Note 24 (B) to the consolidated financial statements outlines the sensitivity of the Group's net interest income to interest rate changes.

Equity Risk (Banking Book)

The Investments group is responsible for managing the investment securities portfolio in the Banking (i.e. non-trading) book. The Group complies with all Investment related limits mandated by CBK.

Equity investments are classified as 'Fair value through other comprehensive income' ('FVOCI'). The accounting classifications and fair value measurements are disclosed in the significant accounting policies note to the consolidated financial statements. The types and accounting classifications of investments are disclosed in Note 13 of the consolidated financial statements.

Liquidity Risk

Liquidity risk is the risk arising from the inability of the Group to meet its financial obligations on time without incurring significant costs. Liquidity risk arises in the general funding of a group's activities. The Group has maintained a balance in liquid assets over and above the CBK's minimum requirements. Note 24 (D) to the consolidated financial statements explains liquidity risk in detail and also outlines Group's policy and framework to manage it.

Operational Risk

Operational risk is the risk of loss arising out of the failure of people, processes or technology or the impact of external events. It includes fraud, unauthorised activities, errors, systems failures and external events.

The Group's Operational Risk Management framework is intended to identify, assess, monitor, mitigate and control operational risk effectively in the Group in a consistent manner.

The Group's Operational Risk Management framework encompasses Risk and Control Self Assessment (RCSA) and Key Risk Indicators (KRI's). The Group has an Incident reporting mechanism, whereby control failures are internally reported, the root causes identified and appropriate remedial measures are implemented in a timely manner. The Group collates internal operational loss information and the data facilitates the Group to put in place appropriate controls to prevent incidence of such losses in future. Note 24 (E) to the consolidated financial statements provides additional information on the Group's operational risk management framework.

Credit Risk Exposure

The Group uses the Moody's Risk Rating system for risk rating its credit exposures. Note 24 (A) to the consolidated financial statements explain Group's internal grading process in detail.

Gross Credit Risk Exposure

The summary of the Group's gross credit risk exposure (before credit risk mitigation) as of 31 December 2024 and 31 December 2023 are shown below. The unfunded (i.e. off-balance-sheet) amounts represent the gross credit risk exposure before the credit conversion factor ('CCF') adjustments, since the gross amounts reflect the Group's ultimate credit risk in the event of default by the counterparties.

(KD Million)

Gross Credit Risk Exposure	31-Dec-24	31-Dec-23	Variance
Funded Gross Credit Exposure	**7,691.9**	7,435.1	256.8
Unfunded Gross Credit Exposure	**1,786.6**	1,727.1	59.5
Total Gross Credit Risk Exposure	**9,478.5**	9,162.2	316.3

Funded gross credit risk exposure as of 31 December 2024 is **81.2%** (2023: 81.1%) of the total gross credit risk exposure.

Gross credit risk exposure divided between funded and unfunded on the basis of standard portfolio is detailed in the credit risk exposure section.

Average Credit Risk Exposure

Average credit risk exposure as at 31 December 2024 and 31 December 2023 are detailed below:

Funded and Unfunded credit facilities (Average) as at 31 December

(KD Thousands)

	2024			2023		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
Cash items	**65,267**	**-**	**65,267**	65,982	-	65,982
Claims on sovereigns	**1,370,184**	**-**	**1,370,184**	1,257,731	27,514	1,285,245
Claims on PSEs	**375,923**	**101,035**	**476,958**	348,984	22,312	371,297
Claims on MDBs	**82,759**	**-**	**82,759**	29,563	-	29,563
Claims on banks	**675,363**	**331,654**	**1,007,016**	642,404	246,679	889,083
Claims on corporates	**2,651,256**	**1,323,595**	**3,974,851**	2,409,993	1,263,278	3,673,271
Retail exposures	**1,975,920**	**2,915**	**1,978,835**	1,989,243	1,249	1,990,492
Past due exposures	**49,778**	**5,432**	**55,210**	37,913	5,259	43,172
Other exposures	**383,427**	**258**	**383,685**	378,549	262	378,811
Total	**7,629,877**	**1,764,890**	**9,394,766**	7,160,361	1,566,553	8,726,915

Average funded gross credit risk exposure for 2024 is **81.21%** (2023: 82.05%) of the total average gross credit risk exposure. The full year average amounts are calculated using a 13-point average of the month end figures from 31 December 2023 to 31 December 2024 inclusive.

Geographical Distribution of Gross Credit Risk Exposures

The geographical distribution of the total gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio as at 31 December 2024 and 31 December 2023 are shown below. The geographical distribution is based on the primary purpose of the credit facilities.

Total gross credit risk exposures as at 31 December 2024 - Region wise

(KD Thousands)

	Kuwait	Other Middle East	Western Europe	USA & Canada	Asia Pacific	Rest of World	Total
Cash items	44,986	-	-	-	-	-	44,986
Claims on sovereigns	1,524,423	52,622	-	115,246	-	-	1,692,291
Claims on PSEs	119,448	281,003	-	-	-	-	400,451
Claims on MDBs	-	7,728	-	-	15,405	48,049	71,182
Claims on banks	98,405	148,992	225,855	27,578	160,372	128,528	789,730
Claims on corporates	3,207,807	584,363	127,825	25,223	125,183	59,048	4,129,448
Retail exposures	1,930,731	-	-	-	-	-	1,930,731
Past due exposures	60,351	-	-	-	-	-	60,351
Other exposures	344,675	10,079	1,203	-	728	2,659	359,344
Total	7,330,826	1,084,786	354,883	168,047	301,688	238,284	9,478,514
Percentage of gross credit risk exposure by geographical region	77.3%	11.4%	3.7%	1.8%	3.2%	2.6%	100.0%

Total gross credit risk exposures as at 31 December 2023 - Region wise

(KD Thousands)

	Kuwait	Other Middle East	Western Europe	USA & Canada	Asia Pa-cific	Rest of World	Total
Cash items	74,539	-	-	-	-	-	74,539
Claims on sovereigns	1,162,926	105,329	-	79,825	-	-	1,348,080
Claims on PSEs	166,428	338,294	-	-	-	-	504,722
Claims on MDBs	-	31,202	-	-	-	39,842	71,044
Claims on banks	230,662	297,771	230,716	18,600	160,285	61,354	999,389
Claims on corporates	3,117,120	389,624	91,874	9,752	119,007	1,604	3,728,982
Retail exposures	2,005,354	-	-	-	-	-	2,005,354
Past due exposures	50,677	-	-	-	-	-	50,677
Other exposures	368,448	9,215	668	68	-	1,057	379,456
Total	7,176,154	1,171,435	323,259	108,246	279,292	103,857	9,162,243
Percentage of gross credit risk exposure by geographical region	78.4%	12.8%	3.5%	1.2%	3.0%	1.1%	100.0%

The majority of the Group's credit exposure is in Kuwait which comprises **KD 7.33 billion** (77.3% of total gross credit exposure) at 31 December 2024, compared with KD 7.18 billion (78.4% of total gross credit exposure) at 31 December 2023.

Industry Segment Distribution of Gross Credit Risk Exposures

The industry segment split of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2024 and 31 December 2023 are shown below:

Total gross credit risk exposures as at 31 December 2024- Industry wise

(KD Thousands)

	Personal	Financial	Trade and com-merce	Crude oil and gas	Construc-tion	Manufac-turing	Real Estate	Other Services	Total
Cash items	-	-	-	-	-	-	-	44,986	44,986
Claims on sovereigns	-	836,563	-	-	-	-	-	855,728	1,692,291
Claims on PSEs	-	243,032	-	147,386	-	636	-	9,397	400,451
Claims on MDBs	-	71,182	-	-	-	-	-	-	71,182
Claims on banks	-	708,660	-	-	2,179	-	73,359	5,531	789,730
Claims on corporate	280,912	314,501	829,139	290,669	697,614	213,148	751,165	752,301	4,129,448
Regulatory retail exposures	1,928,189	-	-	-	-	-	-	2,542	1,930,731
Past due exposures	41,010	1,615	398	49	11,224	66	3,258	2,731	60,351
Other exposures	48,947	8,214	-	1,394	653	35	142,804	157,297	359,344
Total	2,299,058	2,183,767	829,537	439,499	711,670	213,885	970,586	1,830,513	9,478,514
Percentage of gross credit risk exposure by industry segment	24.3%	23.0%	8.8%	4.6%	7.5%	2.3%	10.2%	19.3%	100.0%

Industry Segment Distribution of Gross Credit Risk Exposures (continued)

Total gross credit risk exposures as at 31 December 2023- Industry wise

(KD Thousands)

	Personal	Financial	Trade and commerce	Crude oil and gas	Construction	Manufacturing	Real Estate	Other Services	Total
Cash items	-	-	-	-	-	-	-	74,539	74,539
Claims on sovereigns	-	513,160	-	-	-	-	-	834,920	1,348,080
Claims on PSEs	-	239,783	-	214,236	-	-	-	50,703	504,722
Claims on MDBs	-	71,044	-	-	-	-	-	-	71,044
Claims on banks	-	980,937	6	-	2,478	-	8,495	7,473	999,389
Claims on corporate	226,129	266,542	814,553	216,948	664,416	306,312	732,399	501,682	3,728,982
Regulatory retail exposures	2,002,159	-	-	-	-	-	-	3,195	2,005,354
Past due exposures	29,767	40	17	49	10,984	5	9,572	243	50,677
Other exposures	47,380	-	-	-	-	-	143,382	188,694	379,456
Total	2,305,435	2,071,506	814,576	431,233	677,878	306,317	893,848	1,661,450	9,162,243
Percentage of gross credit risk exposure by industry segment	25.2%	22.6%	8.9%	4.7%	7.4%	3.3%	9.8%	18.1%	100.0%

Residual Maturity Distribution of Gross Credit Risk Exposures

The residual maturity of the gross credit risk exposure (after specific provisions), broken down by standard credit risk portfolio, as at 31 December 2024 and 31 December 2023 are shown below:

Total gross credit risk exposures as at 31 December 2024

(KD Thousands)

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Cash items	44,986	-	-	-	-	-	44,986
Claims on sovereigns	1,325,270	208,783	129,761	8,953	19,524	-	1,692,291
Claims on PSEs	6,701	2,182	61	110,982	133,138	147,387	400,451
Claims on MDBs	-	-	-	7,087	63,454	641	71,182
Claims on banks	68,327	106,676	104,489	162,927	272,622	74,689	789,730
Claims on corporates	477,266	544,377	369,589	629,439	885,848	1,222,929	4,129,448
Regulatory retail exposures	30,213	50,414	77,802	155,902	494,030	1,122,369	1,930,731
Past due exposures	-	-	-	-	32,286	28,065	60,351
Other exposures	160,859	80,403	14,589	73,001	332	30,160	359,344
Total	2,113,622	992,835	696,291	1,148,291	1,901,234	2,626,240	9,478,514
Percentage of gross credit risk exposure by residual maturity	22.3%	10.5%	7.3%	12.1%	20.1%	27.7%	100.0%

Residual Maturity Distribution of Gross Credit Risk Exposures (continued)

Total gross credit risk exposures as at 31 December 2023

(KD Thousands)

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Cash items	74,539	-	-	-	-	-	74,539
Claims on sovereigns	654,208	348,609	250,437	87,982	3,109	3,735	1,348,080
Claims on PSEs	5,427	392	1,894	102,345	110,913	283,751	504,722
Claims on MDBs	-	-	-	23,466	46,901	677	71,044
Claims on banks	422,533	51,024	90,831	127,422	228,071	79,508	999,389
Claims on corporates	492,359	407,469	445,467	604,095	660,569	1,119,023	3,728,982
Regulatory retail exposures	73,870	-	1,970	9,704	137,538	1,782,272	2,005,354
Past due exposures	-	-	-	-	21,784	28,893	50,677
Other exposures	171,954	132,443	9,806	27,915	2,001	35,337	379,456
Total	1,894,890	939,937	800,405	982,929	1,210,886	3,333,196	9,162,243
Percentage of gross credit risk exposure by residual maturity	20.7%	10.3%	8.7%	10.7%	13.2%	36.4%	100.0%

Impaired Loans and Provisions

Impaired Loans and Provisions by Industry Segments

Impairment on credit facilities shall be recognised in the statement of financial position at an amount equal to the higher of Expected Credit Losses under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. The accounting and measurements of impaired loans and provisions are disclosed in the significant accounting policies note and in Note 12 and Note 24 to the consolidated financial statements.

The industry segments split of impaired loans (past due portion and balance outstanding) and the associated provisions (specific and general) as at 31 December 2024 and 31 December 2023 are shown below:

Impaired loans and provisions (by industry segment) as at 31 December 2024

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision	Specific Provision
	Past due portion	Balance outstanding	Cash	Cover
Personal	41,010	63,434	22,424	35.4%
Financial	600	600	-	0.0%
Trade and commerce	265	633	368	58.2%
Crude oil and gas	49	49	-	0.0%
Construction	6,231	6,343	112	1.8%
Manufacturing	56	111	56	0.0%
Real estate	3,258	3,677	419	11.4%
Others	1,768	1,795	26	1.4%
Total	53,237	76,642	23,404	30.5%

Impaired loans and provisions (by industry segment) as at 31 December 2023

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision	Specific Provision
	Past due portion	Balance outstanding	Cash	Cover
Personal	29,767	46,732	16,965	36.3%
Financial	-	-	-	0.0%
Trade and commerce	-	102	102	99.7%
Crude oil and gas	49	49	-	0.0%
Construction	5,804	5,804	-	0.0%
Manufacturing	-	-	-	0.0%
Real estate	9,572	11,192	1,620	14.5%
Others	232	238	6	2.7%
Total	45,424	64,117	18,693	29.2%

Provision Charge by Industry Segments

The industry segments split of the provision charges and write-offs are shown below:

Provision Charges during 2024 (by Industry Segments)

(KD Thousands)

	Charge/(Release) for impairment provision		
	Specific Charge	**General Charge**	**Total Charge**
Personal	**42,363**	**(224)**	**42,139**
Financial	**23**	**292**	**315**
Trade and commerce	**2,322**	**249**	**2,571**
Crude oil and gas	**-**	**119**	**119**
Construction	**17,299**	**(32)**	**17,267**
Manufacturing	**30,683**	**(13,546)**	**17,137**
Real estate	**(1,201)**	**355**	**(846)**
Others	**2,861**	**(46,650)**	**(43,789)**
Total	**94,350**	**(59,437)**	**34,913**

Provision Charges during 2023 (by Industry Segments)

(KD Thousands)

	Charge/(Release) for impairment provision		
	Specific Charge	General Charge	Total Charge
Personal	35,689	617	36,306
Financial	-	691	691
Trade and commerce	302	83	385
Crude oil and gas	-	(83)	(83)
Construction	(864)	21	(843)
Manufacturing	35	4,573	4,608
Real estate	-	(1,457)	(1,457)
Others	1,094	(508)	586
Total	36,256	3,937	40,193

Specific charge mentioned above excludes **KD 76.6 million** (2023: KD 41.7 million) amounts written off during the year.

Impaired Loans and Provisions by Geographical Segments

The geographical split of impaired (i.e. non-performing) loans and the associated provisions cover as at 31 December 2024 and 31 December 2023 are shown below:

Impaired loans and provisions (by Geographical Region) as at 31 December 2024

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision	Specific Provision
	Past due portion	Balance outstanding	Cash	Cover
Kuwait	53,237	76,642	23,404	30.5%
Other Middle East	-	-	-	0.0%
Western Europe	-	-	-	0.0%
USA & Canada	-	-	-	0.0%
Asia Pacific	-	-	-	0.0%
Rest of World	-	-	-	0.0%
Total	**53,237**	**76,642**	**23,404**	**30.5%**

Impaired loans and provisions (by Geographical Region) as at 31 December 2023

(KD Thousands)

	Impaired Loans (NPLs)		Specific Provision	Specific Provision
	Past due portion	Balance outstanding	Cash	Cover
Kuwait	45,423	64,116	18,693	29.2%
Other Middle East	-	-	-	0.0%
Western Europe	-	-	-	0.0%
USA & Canada	-	-	-	0.0%
Asia Pacific	-	-	-	0.0%
Rest of World	-	-	-	0.0%
Total	45,423	64,116	18,693	29.2%

Impaired Loans and Provisions by Geographical Segments (continued)

The total credit exposure after applying the relevant Basel III standardised approach credit conversion factor ('CCF') but before CRM as at 31 December 2024 and 31 December 2023, broken down by standard credit risk portfolio, are shown below:

Gross credit risk exposure before CRM as at 31 December 2024

(KD Thousands)

	Gross credit exposure			Credit exposure before CRM			
	Funded	Unfunded	Total	Funded Credit Exposure	Unfunded Credit After CCF	FX Contracts After CCF	Total Before CRM
Cash items	44,986	-	44,986	44,986	-	-	44,986
Claims on sovereigns	1,692,291	-	1,692,291	1,692,291	-	63	1,692,354
Claims on PSEs	346,712	53,739	400,451	346,712	26,710	-	373,422
Claims on MDBs	71,182	-	71,182	71,182	-	-	71,182
Claims on banks	444,630	345,100	789,730	444,630	169,564	2,094	616,288
Claims on corporates	2,752,034	1,377,414	4,129,448	2,752,034	595,226	37	3,347,297
Retail exposures	1,927,776	2,955	1,930,731	1,927,776	1,477	-	1,929,253
Past due exposures	53,237	7,114	60,351	53,237	3,557	-	56,794
Other exposures	359,087	257	359,344	359,087	128	-	359,215
Total	7,691,935	1,786,579	9,478,514	7,691,935	796,662	2,194	8,490,791

Gross credit risk exposure before CRM as at 31 December 2023

(KD Thousands)

	Gross credit exposure			Credit exposure before CRM			
	Funded	Unfunded	Total	Funded Credit Exposure	Unfunded Credit After CCF	FX Contracts After CCF	Total Before CRM
Cash items	74,539	-	74,539	74,539	-	-	74,539
Claims on sovereigns	1,348,080	-	1,348,080	1,348,080	-	94	1,348,174
Claims on PSEs	387,488	117,234	504,722	387,488	58,617	-	446,105
Claims on MDBs	71,044	-	71,044	71,044	-	-	71,044
Claims on banks	709,594	289,795	999,389	709,594	144,518	454	854,566
Claims on corporates	2,417,038	1,311,944	3,728,982	2,417,038	559,665	111	2,976,814
Retail exposures	2,002,736	2,618	2,005,354	2,002,736	1,309	-	2,004,045
Past due exposures	45,423	5,254	50,677	45,423	2,627	-	48,050
Other exposures	379,190	266	379,456	379,190	133	-	379,323
Total	7,435,132	1,727,111	9,162,243	7,435,132	766,869	659	8,202,660

Credit Risk Mitigation and Credit Risk-Weighted Assets

Under the Basel III standardized approach for credit risk, CRM techniques are used to reduce the risk-weighted amount of credit risk exposures for capital adequacy purposes. Note 24 (A) to the consolidated financial statements explains credit risk in detail and also outlines Group's policy and framework to manage it. As per Basel III CBK guidelines, real estate is not considered as an eligible CRM for capital computation purposes.

As per Credit Policy of the Group, collateral requirement, coverage and top up, if any, will be decided upon by the Credit Committee who approves the credit facilities based on various factors including financial strength of the borrower, cash flows sources for repayment, track record, group support, volatility, etc. Wherever the share collateral is the main source of repayment , a top up clause must be maintained. When the value of the collateral held in respect of a particular loan falls below the initial prescribed collateral coverage ratio and reaches the top up ratio threshold, the customer is requested to provide additional collateral or partially settle exposure to increase the coverage. Quoted shares are valued daily by using Boursa Kuwait prices and recognised stock exchange. In certain cases, personal/corporate guarantees from high net worth individuals or companies are also used to help secure credit facilities. The CRM treatment of these guarantees for capital computation is strictly as stipulated under Basel guidelines.

Consumer loans are generally not secured, but the credit risk is minimised by the 'assignment of salary' condition that requires the customer's employer to pay their salary directly to their Gulf Bank Group account. Collateral or security, normally in the form of a blocked customer deposit with the Group, or a personal guarantee or standing orders, is taken on some occasions when consumer loans are granted without an assignment of salary.

Total Credit Exposure after Credit Risk Mitigation and Resulting Credit Risk Weighted Assets

The exposure after CRM, as at 31 December 2024 and 31 December 2023 and the resulting credit risk-weighted assets are further divided into rated and unrated exposures as given below:

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2024

(KD Thousands)

	Credit exposure before CRM	CRM		Credit exposure after CRM	Risk - Weighted Assets		
		Eligible Financial Collateral	Eligible Guara-ntees		Rated	Unrated	Total
Cash items	44,986	-	-	44,986	-	-	-
Claims on sovereigns	1,692,354	261,250	-	1,431,104	7,417	-	7,417
Claims on PSEs	373,422	61,536	-	311,886	84,369	-	84,369
Claims on MDBs	71,182	-	-	71,182	40,643	-	40,643
Claims on banks	616,288	34,460	-	581,828	285,673	335	286,008
Claims on corporates	3,347,297	580,053	-	2,767,244	219,825	2,441,029	2,660,854
Retail exposures	1,929,253	129,792	-	1,799,461	-	1,798,532	1,798,532
Past due exposures	56,794	4,223	-	52,571	-	48,343	48,343
Other exposures	359,215	62,763	-	296,452	-	355,878	355,878
Total	8,490,791	1,134,077	-	7,356,714	637,927	4,644,117	5,282,044

Total Credit Exposure after Credit Risk Mitigation and Resulting Credit Risk Weighted Assets (continued)

Credit Risk Exposure after CRM; risk-weighted assets ('RWAs) as at 31 December 2023

(KD Thousands)

	Credit exposure before CRM	CRM		Credit exposure after CRM	Risk - Weighted Assets		
		Eligible Financial Collateral	Eligible Guara-ntees		Rated	Unrated	Total
Cash items	74,539	-	-	74,539	-	-	-
Claims on sovereigns	1,348,174	306,233	-	1,041,941	40,448	-	40,448
Claims on PSEs	446,105	2,388	-	443,717	124,854	-	124,854
Claims on MDBs	71,044	-	-	71,044	45,270	-	45,270
Claims on banks	854,566	20,492	-	834,074	299,026	2	299,028
Claims on corporates	2,976,814	591,441	-	2,385,373	97,902	2,239,652	2,337,554
Retail exposures	2,004,045	139,232	-	1,864,813	-	1,863,583	1,863,583
Past due exposures	48,050	663	-	47,387	-	43,867	43,867
Other exposures	379,323	84,070	-	295,253	-	348,532	348,532
Total	8,202,660	1,144,519	-	7,058,141	607,500	4,495,636	5,103,136

Most of the CRM takes the form of eligible financial collateral, mainly equities listed on the Kuwait stock exchange and cash deposits.

Trading Portfolio

Trading portfolio is limited to a modest amount of open currency position in the course of facilitating customer needs, trading and the Group's Balance Sheet management.

The Group uses standardised approach for determining the capital required for market risk. The trading book is marked to market on a daily basis and the Group uses a structure of limits to manage and control the market risk exposures from trading activities. The Group also uses trading Value at Risk (VAR) to track and observe foreign exchange risks. As per Basel III, total market risk weighted assets is determined by multiplying the market risk capital charge by 12.5.

The details of the market risk capital charge for the Group as at 31 December 2024 and 31 December 2023 are shown in the following table:

(KD thousands)

Market Risk	**31-Dec-24**	31-Dec-23	Variance
Interest rate position risk	**-**	-	-
Foreign exchange risk	**145**	134	11
Total market risk capital charge	**145**	134	11
Market risk - weighted assets	**1,813**	1,675	138
Total market risk capital requirement at 13.0% (2023 13.0%)	**236**	218	18

On 31 December 2024, total market risk weighted assets were **KD 1.81 million** (2023: KD 1.68 million) and total capital requirement was **KD 236 thousand** (2023: KD 218 thousand).

Operational Risk

The Group's business activities are mapped into the following three business lines: trading and sales, commercial Banking and retail Banking. The Group's internal funds transfer pricing methodology is used to allocate interest income and interest expense between the above business lines.

The details of the operational risk capital charge for the Group as at 31 December 2024 and 31 December 2023 are shown in the following table:

Operational Risk as at 31 December 2024

(KD Thousands)

	3 year average gross income	Beta factor	Operational risk capital charge
Trading and sales	**50,031**	**18%**	**9,006**
Commercial banking	**60,582**	**15%**	**9,087**
Retail banking	**79,603**	**12%**	**9,552**
Total	**190,216**		**27,645**
Total operational risk weighted exposure			**345,563**
Total operational risk capital requirement (at 13.0%)			**44,923**

Operational Risk as at 31 December 2023

(KD Thousands)

	3 year average gross income	Beta factor	Operational risk capital charge
Trading and sales	37,608	18%	6,769
Commercial banking	61,969	15%	9,295
Retail banking	80,882	12%	9,706
Total	180,460		25,770
Total operational risk weighted exposure			322,125
Total operational risk capital requirement (at 13.0%)			41,876

As per Basel III, the total operational risk capital charge is calculated by multiplying the three year average gross income of the business lines by a pre-defined beta factor. The total operational risk weighted exposure is determined by multiplying the operational risk capital charge by 12.5. Gross income includes net interest income and net non-interest income. At 31 December 2024 operational risk-weighted exposure was **KD 345.6 million** (2023: KD 322.1 million) and total operational risk capital requirement was **KD 45 million** (2023: KD 42 million).

Equity Risk in the Banking Book

The Group does not trade in equities. All of the Bank's equity investments are held in the Banking (i.e. non-trading) book and are classified as FVOCI, i.e. they represent assets acquired to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Fair value gains and losses are recognised in Other comprehensive income (OCI) and are not subsequently reclassified to income statement, including on disposal. Upon disposal cumulative gains or losses are reclassified from fair valuation reserve to retained earnings in the statement of changes in equity. The fair values of quoted instruments are based on the quoted closing bid prices or by using the current market rate for the instrument. The fair values of unquoted instruments estimated by using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price/net asset values. The Group uses external valuation services when necessary.

The fair value of the investment securities-equity held at 31 December 2024 and 31 December 2023 are shown below, along with the cumulative unrealised gains in the fair valuation reserve in equity and the regulatory capital implications.

Information related to Group's equity position in the Banking book as at 31 December 2024

(KD Thousands)

	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities	**13,932**	**21,391**	**35,323**
Unrealised gains in equity securities (part of CET1)	**1,792**	**328**	**2,120**
Regulatory capital details			
Regulatory capital requirement	**1,950**	**2,995**	**4,945**
Disposal details			
Realised gain on equity securities at FVOCI			**-**

Information related to Group's equity position in the Banking book as at 31 December 2023

(KD Thousands)

	Publicly traded	Privately traded	Total investment securities
Total fair value of equity securities	11,013	21,412	32,425
Unrealised gains in equity securities (part of CET1)	860	(1,576)	(716)
Regulatory capital details			
Regulatory capital requirement	1,542	2,998	4,540
Disposal details			
Realised gain on equity securities at FVOCI			274

Interest Rate Risk in the Banking Book

Future net interest income is affected by movements in interest rates and a principal part of the Group's management of market risk in the banking (i.e. non-trading) book is to manage the sensitivity of the Group's net interest income to changes in market interest rates. The sensitivity of net interest income to interest rate changes is provided in note 24 (B) to the consolidated financial statements.

Counter Party Credit Risk

The Group has put in place risk policies and processes to identify, measure, monitor and report on counter party credit risk. These policies are integrated into credit risk management and have been applied in determining the internal limits for maximum exposures based on the counterparty's credit rating. High grade counter parties will attract higher limits exposures while low credit grade customers will be restricted lower level exposures. These limits have been determined based on the probability of default associated with each risk grade of borrowers. Based on the probability of default the Bank seeks to minimize the unexpected losses.

For foreign exchange contracts the limits structure have been set up are based on the tenor of the contract and the risks which are the function of the volatility of the underlying. Counterparty limits structures are in place, by product, including limits for settlement risk.

Remuneration Policy

For details refer to the Annual Report - Corporate Governance section.

Leverage ratio common disclosure template

In accordance with the CBK guidelines (CBK circular No.2/BS/342/2015), Kuwait banks must maintain minimum leverage ratio of 3%. Leverage ratio is calculated as a ratio of Tier 1 capital as per Basel III to the total exposure. Total exposure is the sum of on balance sheet exposures and off balance sheet exposures after adjusting the credit conversion factor.

Leverage ratio common disclosure template (continued)

(KD thousands)

		31-Dec-24	31-Dec-23	Variance
On-balance sheet exposures				
1.	On-balance sheet items (excluding derivatives and SFTs, but including collaterals)	**7,480,148**	7,174,632	305,516
2.	(Asset amounts deducted in determining Basel III Tier 1 capital)	**-**	-	-
3.	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**7,480,148**	7,174,632	305,516
Derivative exposures				
4.	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**-**	-	-
5.	Add-on amounts for PFE associated with all derivatives transactions	**-**	-	-
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	-	-
7.	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**-**	-	-
8.	(Exempted CCP leg of client-cleared trade exposures)	**-**	-	-
9.	Adjusted effective notional amount of written credit derivatives	**-**	-	-
10.	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**-**	-	-
11.	**Total derivative exposures (sum of lines 4 to 10)**	**-**	-	-
Securities financing transaction exposures				-
12.	Gross SFT assets (with no recognition of netting)	**-**	-	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	-	-
14.	CCR exposure for SFT assets	**-**	-	-
15.	Agent transaction exposures	**-**	-	-
16.	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	-	-
Other off-balance sheet exposures				
17.	Off-balance sheet exposure (before implementation of CCF)	**3,053,332**	2,975,881	77,451
18.	(Adjustments for conversion to credit equivalent amounts)	**(1,992,643)**	(2,035,495)	42,852
19.	**Off-balance sheet items (sum of lines 17 and 18)**	**1,060,690**	940,386	120,303
Capital and total exposures				
20.	Tier 1 capital	**833,603**	827,353	6,250
21.	Total exposures (sum of lines 3, 11, 16 and 19)	**8,540,838**	8,115,018	425,819
Leverage ratio				
22.	**Basel III leverage ratio (Tier 1 capital (20) /Total exposures (21))**	**9.76%**	10.20%	(0.44%)

Following is the reconciliation of on balance sheet assets as per the published consolidated financial statements along with the total exposure amount in the leverage ratio measure.

Leverage ratio common disclosure template (continued)

SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

(KD thousands)

		31-Dec-24	31-Dec-23	Variance
1.	Total consolidated assets as per published financial statements	**7,480,148**	7,174,632	305,516
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**-**	-	-
3.	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	-	-
4.	Adjustments for derivative financial instruments	**-**	-	-
5.	Adjustment for securities financing transactions (i.e. repo and similar secured lending)	**-**	-	-
6.	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off balance sheet exposures)	**1,060,690**	940,386	120,303
7.	Other adjustments	**-**	-	-
8.	**Leverage ratio exposure**	**8,540,838**	8,115,018	425,819

04 Consolidated Financial Statements

Independent Auditors' **Report**

To The Shareholders Of Gulf Bank K.S.C.P.

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Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf 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 income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 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 the 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.

Credit losses on loans and advances

The recognition of credit losses on loans and advances ("credit facilities") to customers and banks is the higher of the 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 notes 2 and 12 to the consolidated financial statements.

Credit losses on loans and advances (continued)

The recognition 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 increases 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.

The 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 increases in credit risk and classification of credit facilities into various stages, and adjustments to ECL models, where applicable, 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 the adequacy of credit losses.

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 assessed 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, where applicable, considered by management, in order to determine ECL taking into consideration the 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 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, where applicable, 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 reperformed the resultant provision calculations.

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. The other information comprises of the information included in the Group's 2024 Annual Report, 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 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.

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 the 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

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/BS/342/2014 dated 21 October 2014, and its amendments respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, 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, 2/BS/342/2014 dated 21 October 2014 and its amendments respectively, the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, 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 AL SAMDAN

LICENCE NO. 208 A

EY

AL-AIBAN, AL-OSAIMI & PARTNER

10 February 2025

Kuwait

ALI B. Al-WAZZAN

LICENCE NO. 246 A

DELOITTE & TOUCHE

AL-WAZZAN & CO.

Consolidated Income **Statement**

Year Ended 31 December 2024

	NOTES	**2024 KD 000's**	2023 KD 000's
Interest income	4	**403,476**	369,967
Interest expense	5	**(247,228)**	(219,530)
Net interest income		**156,248**	150,437
Net fees and commissions	6	**25,617**	26,268
Net gains from dealing in foreign currencies and derivatives		**10,567**	10,332
Dividend income		**1,001**	1,010
Other income		**5,895**	2,214
Operating income		**199,328**	190,261
Staff expenses		**53,489**	53,871
Occupancy costs		**2,779**	2,989
Depreciation		**8,116**	7,169
Other expenses		**28,202**	22,818
Operating expenses		**92,586**	86,847
OPERATING PROFIT BEFORE PROVISIONS/ IMPAIRMENT LOSSES		**106,742**	103,414
Charge (release) of provisions:			
- Specific	7	**81,188**	40,777
- General	12,18	**(46,275)**	(584)
Loan recoveries, net of write-off	12	**8,651**	(11,601)
Net provision on other financial assets	9,13	**(62)**	(103)
Impairment loss on other assets	14	**-**	68
		43,502	28,557
OPERATING PROFIT		**63,240**	74,857
Directors' remuneration	22	**240**	295
Contribution to Kuwait Foundation for the Advancement of Sciences		**633**	749
National Labour Support Tax		**1,572**	1,853
Zakat		**623**	749
PROFIT FOR THE YEAR		**60,172**	71,211
EARNINGS PER SHARE			
Basic and diluted per share (Fils)	8	**16**	20

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of **Comprehensive Income**

Year Ended 31 December 2024

	2024 KD 000's	2023 KD 000's
Profit for the year	**60,172**	71,211
Other comprehensive income		
Items that will not to be reclassified subsequently to the consolidated income statement:		
Net changes in fair value of investment securities-equity	**2,836**	(1,991)
Revaluation of premises and equipment	**(371)**	(180)
Other comprehensive income (loss) for the year	**2,465**	(2,171)
Total comprehensive income for the year	**62,637**	69,040

The attached notes 1 to 30 form part of these consolidated financial statements

Consolidated Statement of **Financial Position**

As at 31 December 2024

	NOTES	**2024 KD 000's**	2023 KD 000's
ASSETS			
Cash and cash equivalents	9	**1,387,876**	1,093,757
Kuwait Government treasury bonds	10	**2,500**	16,500
Central Bank of Kuwait bonds	11	**140,031**	337,715
Deposits with banks and other financial institutions	9	**135,468**	180,981
Loans and advances	12	**5,466,938**	5,196,622
Investment securities	13	**204,625**	191,420
Other assets	14	**101,762**	118,154
Premises and equipment		**40,948**	39,483
TOTAL ASSETS		**7,480,148**	7,174,632
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	15	**365,430**	256,354
Deposits from financial institutions	15	**944,513**	1,148,583
Customer deposits	16	**4,656,680**	4,219,259
Other borrowed funds	17	**519,824**	570,062
Other liabilities	18	**160,098**	163,574
TOTAL LIABILITIES		**6,646,545**	6,357,832
EQUITY			
Share capital	19	**380,250**	362,143
Proposed bonus shares	22	**19,013**	18,107
Statutory reserve	20	**66,862**	60,538
Share premium	20	**186,937**	186,937
Property revaluation reserve	20	**17,603**	17,974
Fair valuation reserve		**2,120**	(716)
Retained earnings		**163,195**	171,817
		835,980	816,800
Treasury shares	**21**	**(2,377)**	-
TOTAL EQUITY		**833,603**	816,800
TOTAL LIABILITIES AND EQUITY		**7,480,148**	7,174,632

Bader Nasser Al Kharafi
(Chairman)

Waleed Mandani
(Acting Chief Executive Officer)

The attached notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of **Cash Flows**

Year Ended 31 December 2024

	NOTES	2024 KD 000's	2023 KD 000's
OPERATING ACTIVITIES			
Profit for the year before directors' remuneration and taxation		**63,240**	74,857
Adjustments:			
Dividend income		**(1,001)**	(1,010)
Depreciation		**8,116**	7,169
Loan loss provisions	7,12,18	**34,913**	40,193
Net provision on other financial assets	9,13	**(62)**	(103)
Impairment loss on other assets	14	**-**	68
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**105,206**	121,174
Decrease/(increase) in operating assets:			
Kuwait Government treasury bonds		**14,000**	5,500
Central Bank of Kuwait bonds		**197,684**	(12)
Deposits with banks and other financial institutions		**45,514**	(49,724)
Loans and advances		**(291,824)**	(109,434)
Other assets		**10,754**	14,708
Increase/(decrease) in operating liabilities:			
Due to banks		**109,076**	(233,297)
Deposits from financial institutions		**(204,070)**	373,972
Customer deposits		**437,421**	(27,578)
Other liabilities		**(16,609)**	37,665
Taxes paid		**(3,340)**	(2,870)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**403,812**	130,104
INVESTING ACTIVITIES			
Purchase of investment securities		**(285,517)**	(191,626)
Proceeds from sale/maturity of investment securities		**280,847**	128,680
Purchase of premises and equipment		**(9,952)**	(8,172)
Dividend income received		**1,001**	1,010
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(13,621)**	(70,108)
FINANCING ACTIVITIES			
Proceeds from issuance of rights shares	19	**-**	60,000
Rights shares issuance cost		**-**	(264)
Net proceeds in other borrowed funds	17	**(50,238)**	76,136
Dividend paid	22	**(43,457)**	(32,005)
Purchase of treasury shares	21	**(2,377)**	-
Proceeds from sale of treasury shares		**-**	6
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(96,072)**	103,873
NET INCREASE IN CASH AND CASH EQUIVALENTS		**294,119**	163,869
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,093,757**	929,888
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**1,387,876**	1,093,757
Additional cash flows information			
Interest received		**405,595**	362,934
Interest paid		**250,149**	192,070

The attached notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of **Changes in Equity**

Year Ended 31 December 2024

	Share capital KD 000's	Proposed bonus shares KD 000's	RESERVES Statutory reserve KD 000's	Share premium KD 000's	Property revaluation reserve KD 000's	Fair valuation reserve KD 000's	Retained earnings KD 000's	Sub-total reserves KD 000's	Treasury shares KD 000's	Total KD 000's
At 1 January 2023	320,053	16,003	53,052	153,024	18,154	1,549	158,188	383,967	-	720,023
Profit for the year	-	-	-	-	-	-	71,211	71,211	-	71,211
Other comprehensive loss for the year	-	-	-	-	(180)	(1,991)	-	(2,171)	-	(2,171)
Total comprehensive (loss) income for the year	-	-	-	-	(180)	(1,991)	71,211	69,040	-	69,040
Rights shares issued (Note 19)	26,087	-	-	33,913	-	-	-	33,913	-	60,000
Rights shares issuance cost	-	-	-	-	-	-	(264)	(264)	-	(264)
Dividend paid (Note 22)	-	-	-	-	-	-	(32,005)	(32,005)	-	(32,005)
Issue of bonus shares (Note 22)	16,003	(16,003)	-	-	-	-	-	-	-	-
Realised gain on equity securities at FVOCI	-	-	-	-	-	(274)	274	-	-	-
Profit on sale of treasury shares	-	-	-	-	-	-	6	6	-	6
Transfer to reserve	-	-	7,486	-	-	-	(7,486)	-	-	-
Proposed bonus shares (Note 22)	-	18,107	-	-	-	-	(18,107)	(18,107)	-	-
At 31 December 2023	362,143	18,107	60,538	186,937	17,974	(716)	171,817	436,550	-	816,800
At 1 January 2024	**362,143**	**18,107**	**60,538**	**186,937**	**17,974**	**(716)**	**171,817**	**436,550**	**-**	**816,800**
Profit for the year	-	.	-	-	-	-	60,172	60,172	-	60,172
Other comprehensive (loss) income for the year	-	-	-	-	(371)	2,836	-	2,465	-	2,465
Total comprehensive (loss) income for the year	-	-	-	-	(371)	2,836	60,172	62,637	-	62,637
Dividend paid (Note 22)	-	-	-	-	-	-	(43,457)	(43,457)	-	(43,457)
Issue of bonus shares (Note 22)	18,107	(18,107)	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(2,377)	(2,377)
Transfer to reserve	-	-	6,324	-	-	-	(6,324)	-	-	-
Proposed bonus shares (Note 22)	-	19,013	-	-	-	-	(19,013)	(19,013)	-	-
At 31 December 2024	**380,250**	**19,013**	**66,862**	**186,937**	**17,603**	**2,120**	**163,195**	**436,717**	**(2,377)**	**833,603**

The attached notes 1 to 30 form part of these consolidated financial statements.

Notes to the Consolidated **Financial Statements**

1. INCORPORATION AND REGISTRATION

Gulf Bank K.S.C.P. (the "Bank") is a public shareholding company incorporated in Kuwait on 29 October 1960 and is registered as a bank with the Central Bank of Kuwait. The Bank's shares are listed on Boursa Kuwait. Its registered office is at Mubarak Al Kabir Street, P.O. Box 3200, 13032 Safat, Kuwait City.

During the year 2023, a 100% owned subsidiary, Gulf Capital Investment Company KSCC was incorporated with an authorized, issued and fully paid up capital of **KD 10,000 thousand** for engaging in securities activities.

The Bank and its subsidiary are together referred to as (the "Group") in this consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 14 January 2025. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The principal activities of the Group are described in Note 27.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for investment securities at fair value through other comprehensive income, derivative financial instruments, freehold land and buildings that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Group's functional currency, rounded off to the nearest thousand (KD 000), except when otherwise indicated.

2.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards ("IFRS Accounting Standards") with an amendment for measuring the expected credit loss ("ECL") on credit facilities at the higher of ECL computed under IFRS 9 – 'Financial Instruments' in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.

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

2.3 Presentation of consolidated financial statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement is presented in note 24(D).

2.4 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those used in previous year. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2024:

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

None of these amendments will have an impact on the Group's consolidated financial statements at 31 December 2024.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December each year.

Subsidiaries are those entities controlled by the Bank. 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 Bank 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. The financial statements of subsidiaries are included in these consolidated financial statements on a line-by-line basis, from the date on which the control is transferred to the Group until the date that such control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on the financial information of the subsidiaries. Intra-group balances, transactions, income and expenses are eliminated in full. Profits and losses resulting from intra-group transactions are also eliminated in full.

2.6 Summary of material accounting policies

a. Financial instruments

Classification of financial instruments

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively), and fair value through profit or loss ("FVTPL"). The Group determines the classification of financial assets based on the business model in which assets are managed and their contractual cash flow characteristics.

Business model assessment

The business model reflects how the Group manages the financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility in contractual cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Recognition/de-recognition

A financial asset or a financial liability is recognised at fair value when the Group becomes a party to the contractual provisions of the instrument. Transaction costs are added to, or subtracted from, only for those financial instruments that are not measured at fair value through consolidated income statement.

All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date that the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement, or in consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset (in whole or in part) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Recognition/de-recognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability and the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement.

Measurement of financial instruments

All financial instruments are initially recognised 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 classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Cash and cash equivalents, Kuwait Government treasury bonds, Central Bank of Kuwait bonds, deposits with banks and other financial institutions, loans and advances, certain investment debt securities and certain other assets are classified as financial assets carried at amortised cost using the Effective Interest rate (EIR) method and are presented net of expected credit losses. Interest income from these financial assets is included in 'Interest income' using the EIR method.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Debt instruments at FVOCI

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

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

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in consolidated income statement. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in 'Realised gains from disposal of investment securities'. Interest income from these financial assets is included in 'Interest income' using the EIR method.

All other financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on debt instruments that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in consolidated income statement and presented in the consolidated income statement within 'Net trading income' in the period in which it arises.

Equity instruments at FVOCI

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. the Group subsequently measures all equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to consolidated income statement, including on disposal. Such classification is determined on an instrument by instrument basis. Equity instruments at FVOCI are not subject to impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair valuation reserve to retained earnings in the consolidated statement of changes in equity. Dividends, when representing a return on such investments, to be recognised in consolidated income statement as 'Dividend income' when the Group's right to receive payments is established.

Financial asset at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a fnancial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or signifcantly reduces an accounting mismatch that would otherwise arise.

Included in this classification are derivatives that are not designated as hedging instruments in a hedge relationship, that have been acquired principally for the purpose of selling or repurchasing in the near term. Income recognised from these financial assets is included in 'Net gains from dealing in foreign currencies'.

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2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Financial liabilities carried at amortised cost

Due to banks, deposits from financial institutions, customer deposits, Subordinated Tier 2 bonds and medium term borrowings are classified as financial liabilities. These financial liabilities are initial recognised at their fair value being the issue proceeds net of transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Impairment on 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:

- loans and advances including commitments;
- letters of credit, acceptances and financial guarantee contracts including commitments;
- investment in debt securities measured at amortised cost or FVOCI; and
- balances and deposits with banks and other financial institutions.

The Group considers impairment on financial assets mainly in two following categories:

Impairment on credit facilities

Credit facilities include loans and advances, guarantees, letter of credit and acceptances and undrawn commitments. Impairment on credit 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.

Impairment on other financial assets (other than credit facilities)

The Group recognises ECL on investment in debt securities measured at amortised cost or FVOCI and on balances and deposits with banks and other financial institutions. Equity investments are not subject to ECL.

Balances with the Central Bank of Kuwait, Kuwait Government treasury bonds and Central Bank of Kuwait bonds are considered to be low risk and fully recoverable and hence no ECL is recognised.

The Group recognises a 12-month ECL on current accounts with banks and other financial institutions, placements with banks and other financial institutions and debt securities carried at amortised cost that are determined to have low credit risk at the initial recognition date.

Expected Credit Losses

The ECL provision is based on the credit losses expected to arise over the life of the asset ("the Life Time Expected Credit Loss" or "LT ECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss ("12m ECL").

The 12m ECL is the portion of LT ECLs that represent the ECLs that result from default events on a credit facility that are possible within the 12 months after the reporting date. Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of Credit Facilities.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Impairment on financial assets (continued)

Stage 1: 12 months ECL

For exposures where there has not been a signifcant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a signifcant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Credit facilities, considered as credit-impaired, are those facilities where any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan and credit rating downgrades. For Stage 3, ECL for credit impaired financial asset shall be calculated at 100% of the net default balance after excluding eligible collateral value.

Determining the significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and back stop indicators and analysis based on the Group's historical experience, internal credit rating and expert credit risk assessment, including forward-looking information for triggering a significant increase in credit risk for credit facility. Regardless of the change in credit grades, if contractual payments are more than 30 days past due for credit facilities, the credit risk is deemed to have increased significantly since initial recognition. All financial assets, where there has been a significant increase in credit risk since initial recognition are migrated to Stage 2.

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers facilities as credit impaired when there is objective evidence of impairment including whether any payment of principal or interest is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan and credit rating downgrades. All credit impaired financial assets are classified as Stage 3 for ECL measurement purposes. Evidence that a fnancial asset is credit-impaired includes the following observable data:

- Signifcant fnancial diffculty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other fnancial reorganisation; or
- The disappearance of an active market for a security because of fnancial diffculties.

Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition and are taken to Stage 3.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Measurement of ECLs

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money. The 12-months ECL is equal to the discounted sum over the next 12-months PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of PD over the full remaining life multiplied by LGD and EAD.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and;
- other nancial instruments on which credit risk has not increased signifcantly since their initial recognition.

Lifetime ECL are recorded on financial assets that exhibit significant increase in credit risk since inception or are credit- impaired.

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. If the amount to be written off is greater than the impairment provision, the difference is first treated as an addition to the provision that is then applied against the gross carrying amount. 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.

Commitments

When estimating LT ECLs for undrawn commitments, the Group estimates the expected portion of the commitment that will be drawn down over its expected life. The EAD is calculated after applying credit conversion factor as prescribed by the CBK. ECLs for undrawn commitments is calculated based on same methodology followed for other drawn credit facilities.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Modification of loans and advances

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the loan remains past due. If the modifications are substantial, such a facility is derecognised and a new facility is recognised with substantially different terms and conditions. The facility will have a loss allowance measured based on 12 month ECL except in rare occasions where the new facility is considered to be originated credit-impaired. When loans and advances have been modified but not derecognised, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest/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 but not impaired 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 up to 90 days	-
Substandard	Irregular for a period of 91 to 180 days	20%
Doubtful	Irregular for a period of 181 to 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

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 credit facilities, net of certain categories of collateral, to which the Instructions are applicable and not subject to specific provision. Provision on cash facilities are presented as a deduction from the gross carrying amount of the financial assets carried at amortised cost. Provision on non-cash facilities are recognised in other liabilities.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

a. Financial instruments (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair values of quoted instruments are based on quoted closing bid prices. The fair value of investments in managed funds are based on latest published net asset values.

Fair values of unquoted instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price/net asset values.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future cash flows at the current rates for similar financial instruments.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective yield method.

Assets purchased with a corresponding commitment to resell at a specified future date at an agreed price (reverse repos) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements are treated as interest earning assets and the difference between the purchase and resale price is treated as interest income using the effective yield method.

Offsetting

Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

b. Derivative financial instruments and hedging

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. Derivatives with positive fair values (unrealised gains) are included in 'Other assets' and derivatives with negative fair values (unrealised losses) are included in 'Other liabilities' in the consolidated statement of financial position.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through the consolidated income statement. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated income statement.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. Any changes in the fair value of derivatives that are held for trading are taken directly to the consolidated income statement and are disclosed under operating income. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting described below.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction.

Hedge effectiveness requirements

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- 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.

At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in 'Other assets' or 'Other liabilities' and the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in the consolidated statement of comprehensive income and the ineffective portion is recognised in the consolidated income statement. For cash flow hedges affecting future transactions that subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses which are recognised in the consolidated statement of comprehensive income are re-classified into the consolidated income statement in the same period or periods during which the financial asset or financial liability affects the consolidated income statement.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

b. Derivative financial instruments and hedging (continued)

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for hedge accounting or the forecast transaction is no longer expected to occur or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept there until the forecast transaction occurs. In cases where the forecast transaction is no longer expected to occur or the designation is revoked, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement. In the case of fair value hedges of interest-bearing financial instruments, any adjustment to its carrying value relating to the discontinued hedge is amortized over the remaining term to maturity.

c. Repossessed collaterals

The Group occasionally acquires certain assets, which are given as collaterals, in settlement of those related loans and advances. Such asset is stated at the lower of the carrying value of the related loans and advances or the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated income statement.

The Group reviews its repossessed collaterals classified as 'other assets' at each reporting date and ensures that those are valued as per accounting policy applicable to the same class of investments.

d. Provisions

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

e. End of service indemnity

The Group is liable under the Kuwait Labor Law and specific employee contracts, if any, to make payment under end of service benefits to employees at cessation of employment. The entitlement to these benefits is usually based upon employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. 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, turnovers and retirement age. These assumptions are reviewed at each reporting date.

Defined contribution plan

The Group makes fixed contribution to state plans under a defined contribution plan and has no further payment obligations once the contributions have been paid. The contributions are recognized as 'staff expenses' in the consolidated income statement when they are due.

f. Treasury shares

Treasury shares consist of the Group's own issued shares that have been reacquired by the Group and not yet reissued or cancelled, including directly attributable cost. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are sold, gains are credited to a separate account in equity, (the "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 to statutory reserve and other reserves. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

g. Premises and equipment

Land and buildings are initially recognised at cost. After initial recognition land is carried at revalued amount, which is the fair value at the date of revaluation. The revaluation is carried out periodically by professional property valuers. The resultant revaluation surplus or deficit is recognised in the consolidated statement of comprehensive income to the extent the deficit does not exceed the previously recognised surplus. The portion of the revaluation deficit that exceeds a previously recognised revaluation surplus is recognised in the consolidated income statement. To the extent that a revaluation surplus reverses a revaluation loss previously recognised in the consolidated income statement, the increase is recognised in the consolidated income statement. Upon disposal, the revaluation reserve relating to land sold is transferred directly to retained earnings.

Equipment are stated at cost, less accumulated depreciation and impairment losses if any. Land is not depreciated. Depreciation of buildings and equipment is provided on a straight-line basis over their estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	5 to 10 years
Equipment	3 to 5 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

h. Impairment of non-financial assets

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

i. 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.

Other fees and commission income are recognised as the services are provided. Dividend income is recognised when the right to receive payment is established.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

j. Interest income and expenses

Interest income and expense are recognised in the consolidated income statement for all interest bearing instruments using the effective interest rate method. The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts are considered, but not future credit losses. Once a financial asset categorised as loans and advances is impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. When a financial asset becomes credit-impaired, the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit- impaired, the Group reverts to calculating interest income on a gross basis.

k. Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat ("Taxation")

KFAS, NLST and Zakat are provided for in accordance with the fiscal regulations in Kuwait.

l. Leases

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. Those lease payments are recognized as an operating expense in the consolidated income statement on a straight line basis over the lease term.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The Group recognises right-of-use assets in 'property and equipment' in the consolidated statement of financial position.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments. The Group recognises lease liabilities in 'other liabilities' in the consolidated statement of financial position.

m. Fiduciary assets

Assets held or managed in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position. Income from fiduciary activities is included in 'Net fees and commissions'.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

n. Foreign currencies

Foreign currency transactions are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the reporting date. Forward exchange contracts are valued at the forward rates ruling at the statement of reporting date. Any resultant gains or losses are taken to the consolidated income statement.

In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised directly in the consolidated income statement, foreign exchange differences are recognised in the consolidated income statement.

o. Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and deposits with banks and other financial institutions (including Central Bank of Kuwait) having original maturities not exceeding thirty days from the date of deposit.

p. Segment reporting

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

q. 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 in the consolidated financial statements at fair value, being the premium received, in 'Other liabilities'. The premium received is recognized in the consolidated income statement in 'net fees and commission' on a straight-line basis over the life of the guarantee. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

2.7 Standards issued but not effective

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2025 have not been early adopted in the preparation of the Group's consolidated financial statements. The Group intends to adopt those standards, if applicable, when they become effective.

Amendment 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:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Standards issued but not effective (continued)

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 Group is currently not intending to early adopt the Amendments.

IFRS 18 Presentation and Disclosure in Financial Statements

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgements and estimates are as follows:

Significant accounting judgements

Classification of financial instruments

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and whether the changes in fair value of instruments are reported in the consolidated income statement or consolidated statement of comprehensive income. Refer Note 2.6.a classification of financial instruments for more information.

Significant estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on financial instruments

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. A number of significant judgements are also 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 the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

The Group estimates expected credit loss for debt instruments at amortised cost and FVOCI excluding loans and advances for which the Group apply impairment requirements under CBK regulations. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.6.a impairment of financial instruments for more information.

Valuation of unquoted financial instruments

Valuation of unquoted financial instruments is normally based on one of the following:

- Recent arm's length market transactions;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Current fair value of another instrument that is substantially the same; or
- Valuation models.

The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

These values are computed based on significant assumptions including foreign exchange rates, interest rates and volatilities etc. The extent of changes to these rates and volatilities are dependent on market movements, which cannot be predicted with certainty.

4. INTEREST INCOME

	2024 KD 000's	2023 KD 000's
Kuwait Government treasury bonds and CBK Bonds	**13,236**	15,182
Debt investment securities	**7,081**	3,344
Placements with banks	**47,675**	43,070
Loans and advances	**335,484**	308,371
	403,476	369,967

5. INTEREST EXPENSE

	2024 KD 000's	2023 KD 000's
Sight and savings accounts	**5,030**	5,149
Time deposits	**195,802**	172,025
Bank borrowings	**13,910**	13,512
Other borrowed funds	**32,486**	28,844
	247,228	219,530

6. NET FEES AND COMMISSIONS

	2024 KD 000's	2023 KD 000's
Total fees and commission income	**40,734**	40,825
Total fees and commission expense	**(15,117)**	(14,557)
	25,617	26,268

Total fees and commission income includes **KD 655 thousand** (2023: KD 664 thousand) from fiduciary activities (Note 30).

7. SPECIFIC PROVISIONS

	2024 KD 000's	2023 KD 000's
– Cash facilities (Note 12)	**68,105**	41,746
– Non-cash facilities (Note 18)	**13,083**	(969)
	81,188	40,777

8. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year attributable to 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 conversion of all the dilutive potential shares into shares. The Bank does not have outstanding dilutive potential shares as at 31 December 2024.

	2024 KD 000's	2023 KD 000's
Profit for the year	**60,172**	71,211
	Shares	Shares
Weighted average number of shares outstanding during the year, net of treasury shares	**3,797,265,749**	3,553,679,425
	Fils	Fils
Basic and diluted earnings per share	**16**	20

Earnings per share calculations for the year ended 31 December 2024 and 31 December 2023 have been adjusted to the account for the bonus shares issued on 14 April 2024 (Note 22). Earnings per share for the year ended 31 December 2023 was 21 fils per share before retroactive adjustment to account for the bonus shares and rights shares.

9. CASH AND CASH EQUIVALENTS

	2024 KD 000's	2023 KD 000's
Balances with the Central Bank of Kuwait	**543,118**	289,853
Cash in hand and in current accounts with other banks and other financial institutions	**76,333**	106,794
Deposits with banks and other financial institutions maturing within 30 days	**768,436**	697,118
	1,387,887	1,093,765
Less: Provision for ECL	**(11)**	(8)
	1,387,876	1,093,757

At 31 December 2024, deposits with banks and other financial institutions maturing more than 30 days amounted to **KD 135,469 thousand** (2023: KD 180,983 thousand) adjusted by ECL provision amount of **KD 1 thousand** (2023: KD 2 thousand).

At 31 December 2024 and 2023, cash and equivalents and deposits with banks and other financial institutions are classified as Stage 1. During the year, there were no movement between stages.

10. KUWAIT GOVERNMENT TREASURY BONDS

The Central Bank of Kuwait, on behalf of the Ministry of Finance, issues these financial instruments.

	2024 KD 000's	2023 KD 000's
Maturing within one year	**-**	14,000
Maturing after one year	**2,500**	2,500
	2,500	16,500

At 31 December 2024 and 2023, Kuwait Government treasury bonds are considered low risk and classified as Stage 1. During the year, there were no movement between stages.

11. CENTRAL BANK OF KUWAIT BONDS

These financial instruments are issued by the Central Bank of Kuwait. They mature within a period not exceeding one year from the date of issuance.

	2024 KD 000's	2023 KD 000's
Central Bank of Kuwait Bonds	**140,031**	337,715

At 31 December 2024 and 2023, Central Bank of Kuwait bonds are considered low risk and classified as Stage 1. During the year, there were no movement between stages.

Notes to the Consolidated **Financial Statements**

12. LOANS AND ADVANCES

Loan and advances represent amount advanced to corporate, institutional customers, banks, SMEs and retail customers. The Group's assessment of the credit risk concentration, based on the primary purpose of the loans and advances given, is provided below.

At 31 December 2024:

	Kuwait KD 000's	Other Middle East KD 000's	Western Europe KD 000's	Asia Pacific KD 000's	Rest of World KD 000's	Total KD 000's
Personal	**2,321,758**	**-**	**-**	**-**	**1,587**	**2,323,345**
Financial	**214,146**	**358,626**	**67,978**	**32,042**	**111,869**	**784,661**
Trade and commerce	**453,035**	**11,192**	**14,843**	**-**	**-**	**479,070**
Crude oil and gas	**189,481**	**129,325**	**38,512**	**-**	**-**	**357,318**
Construction	**146,029**	**17**	**-**	**15,405**	**-**	**161,451**
Manufacturing	**174,093**	**2,025**	**-**	**-**	**-**	**176,118**
Real estate	**866,029**	**32,245**	**-**	**-**	**64,700**	**962,974**
Others	**175,476**	**227,940**	**-**	**-**	**57,344**	**460,760**
Gross loans and advances	**4,540,047**	**761,370**	**121,333**	**47,447**	**235,500**	**5,705,697**
Less: Provision for impairment						**(238,759)**
						5,466,938

At 31 December 2023:

	Kuwait KD 000's	Other Middle East KD 000's	Western Europe KD 000's	Asia Pacific KD 000's	Rest of World KD 000's	Total KD 000's
Personal	2,322,764	-	-	-	1,587	2,324,351
Financial	185,129	394,055	19,297	5,828	101,191	705,500
Trade and commerce	426,064	12,270	15,648	-	-	453,982
Crude oil and gas	236,272	118,583	-	-	-	354,855
Construction	151,299	9,863	-	-	-	161,162
Manufacturing	283,816	-	-	-	-	283,816
Real estate	823,366	34,828	-	-	-	858,194
Others	151,831	196,738	-	-	-	348,569
Gross loans and advances	4,580,541	766,337	34,945	5,828	102,778	5,490,429
Less: Provision for impairment						(293,807)
						5,196,622

12. LOANS AND ADVANCES (continued)

Movement in provision for impairment

	2024 KD 000's			2023 KD 000's		
	Specific	**General**	**Total**	Specific	General	Total
At 1 January	**31,855**	**261,952**	**293,807**	31,835	262,206	294,041
Amounts written-off	**(76,556)**	**-**	**(76,556)**	(41,726)	-	(41,726)
Charge (release) to consolidated income statement	**68,105**	**(46,597)**	**21,508**	41,746	(254)	41,492
At 31 December	**23,404**	**215,355**	**238,759**	31,855	261,952	293,807

The specific and general provisions are based on the requirements of the CBK instructions and IFRS 9 according to CBK guidelines. Refer Note 2.6.a impairment of financial instruments for more information.

Loan recoveries, net of write-off amounting to **KD 8,651 thousand** (2023: KD 11,601 thousand) represent the net difference between loans written off during the year of **KD 16,960 thousand** (2023: KD 217 thousand) and recoveries of **KD 8,309 thousand** (2023: KD 11,818 thousand).

	2024 KD 000's			2023 KD 000's		
Movement in provisions for impairment of loans and advances by class is as follows:	**Corporate and bank lending**	**Consumer lending**	**Total**	Corporate and bank lending	Consumer lending	Total
At 1 January	**255,232**	**38,575**	**293,807**	261,510	32,531	294,041
Amounts written-off	**(39,652)**	**(36,904)**	**(76,556)**	(11,489)	(30,237)	(41,726)
(Release) charge to consolidated income statement	**(20,230)**	**41,738**	**21,508**	5,211	36,281	41,492
At 31 December	**195,350**	**43,409**	**238,759**	255,232	38,575	293,807

Refer note 24A for financial assets by class individually impaired.

Provision for non-cash facilities of **KD 31,486 thousand** (2023: KD 18,081 thousand) is included under other liabilities (Note 18).

Comparison between total provisions and IFRS 9 ECL on credit facilities:

	2024 KD 000's	2023 KD 000's
Provision on cash facilities	**238,759**	293,807
Provision on non-cash facilities	**31,486**	18,081
Total provisions on credit facilities	**270,245**	311,888
IFRS 9 ECL on credit facilities	**176,737**	186,682
Excess of total provisions over IFRS 9 ECL on credit facilities	**93,508**	125,206
Excess provisions as a percentage of total provisions	**35%**	40%

13. INVESTMENT SECURITIES

	2024			2023		
	Amortised cost KD 000's	FVOCI KD 000's	Total KD 000's	Amortised cost KD 000's	FVOCI KD 000's	Total KD 000's
Quoted investments						
Sovereign bonds/sukuk	168,681	-	168,681	158,095	-	158,095
Other bonds	642	-	642	984	-	984
Equity securities	-	13,932	13,932	-	11,014	11,014
	169,323	13,932	183,255	159,079	11,014	170,093
Unquoted investments						
Equity securities/others	-	21,391	21,391	-	21,412	21,412
Less: Provision for ECL	(21)	-	(21)	(85)	-	(85)
At 31 December	169,302	35,323	204,625	158,994	32,426	191,420

At 31 December 2024 and 2023, all the debt investment securities are classified as Stage 1. During the year, there were no movement between stages.

14. OTHER ASSETS

	2024 KD 000's	2023 KD 000's
Accrued interest receivable	30,903	33,022
Sundry debtors and others	14,733	17,287
Less: impairment loss on other receivables	(819)	(819)
Repossessed collaterals (refer movement below)	56,945	68,664
	101,762	118,154

Movement in repossessed collaterals:

	2024 KD 000's	2023 KD 000's
At 1 January	68,664	68,664
Disposals	(11,719)	-
At 31 December	56,945	68,664

The fair value of the real estate properties was determined by approved valuers based on the market comparable approach (Level 3); and not materially different from their carrying values.

15. DUE TO BANKS AND DEPOSITS FROM FINANCIAL INSTITUTIONS

	2024 KD 000's	2023 KD 000's
Due to banks		
Current accounts and demand deposits	**40,412**	14,209
Time deposits	**325,018**	242,145
	365,430	256,354
Deposits from financial institutions		
Current accounts and demand deposits	**53,696**	49,821
Time deposits	**890,817**	1,098,762
	944,513	1,148,583

16. CUSTOMER DEPOSITS

	2024 KD 000's	2023 KD 000's
Current/savings accounts	**1,499,673**	1,545,401
Time deposits	**3,157,007**	2,673,858
	4,656,680	4,219,259

Customer deposits include **KD 12,162 thousand** (2023: KD 14,555 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees (refer to Note 26).

17. OTHER BORROWED FUNDS

	Effective interest rate	2024 KD 000's	2023 KD 000's
Subordinated Tier 2 bonds- KWD 2031 (Fixed tranche)	**4.00%**	**25,000**	25,000
Subordinated Tier 2 bonds-KWD 2031 (Floating tranche capped at 5%)	**CBK+2.25%**	**25,000**	25,000
Medium term borrowings-Floating- (2025-2027)	**4.85% to 5.75%**	**469,824**	520,062
		519,824	570,062

18. OTHER LIABILITIES

	2024 KD 000's	2023 KD 000's
Accrued interest payable	**56,599**	59,520
Deferred income	**11,468**	8,904
Provisions for non-cash facilities (refer movement below)	**31,486**	18,081
Staff related provisions	**31,548**	28,731
Lease liabilities	**4,124**	3,385
Others	**24,873**	44,953
	160,098	163,574

Movement in provisions for non-cash facilities:

	2024 KD 000's	2023 KD 000's
At 1 January	**18,081**	19,380
Charge/(release) to the consolidated income statement	**13,405**	(1,299)
At 31 December	**31,486**	18,081

19. SHARE CAPITAL

	2024 KD 000's	2023 KD 000's
Issued and fully paid 3,802,502,099 (2023: 3,621,430,571) shares of 100 fils each	**380,250**	362,143

The authorised share capital of the Bank comprises **4,860,561,006 shares** (31 December 2023: 4,860,561,006 shares) of 100 fils each. The Extraordinary General Assembly meeting of the Bank's shareholders held on 13 May 2023 approved to increase the Bank's authorised share capital from KD 336,056 thousand to KD 486,056 thousand and authorised the Board of Directors to decide on the amount and methods of issued share capital increase. Accordingly, after obtaining necessary approvals, the Bank increased its issued share capital through a rights issue of 260,869,565 shares, each with a nominal value of 100 fils per share and a share premium of 130 fils per share.

20. RESERVES

a) Statutory reserve

In accordance with the Companies Law and the Bank's Articles of Association, 10 percent of the profit for the year before directors' remuneration, contribution to KFAS, NLST and Zakat has been transferred to statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50 percent of paid up share capital.

Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5 percent of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

b) Share premium

The balance in the share premium account is not available for distribution but can be utilised for capital restructuring to offset the accumulated losses.

c) Property revaluation reserve

The property revaluation reserve represents the surplus of market value over carrying value of the land owned by the Group.

The balance in this reserve is non distributable and is taken directly to retained earnings when the underlying assets are disposed off.

21. TREASURY SHARES

	2024	2023
Number of treasury shares	**9,150,000**	-
Percentage of treasury shares	**0.24%**	0.00%
Cost of treasury shares (KD 000's)	**2,377**	-
Weighted average market value of treasury shares as at 31 December (KD 000's)	**2,681**	-

Movement in treasury shares was as follows:

	No. of shares	
	2024	2023
Balance as at 1 January	**-**	-
Purchase	**9,150,000**	-
Balance as at 31 December	**9,150,000**	-

22. PROPOSED DIVIDEND AND DIRECTORS' REMUNERATION

The Board of Directors have recommended distribution of a cash dividend of **10 fils** per share (2023: 12 fils per share) and bonus shares of **5%** amounting to **KD 19,013 thousand** (2023: KD 18,107 thousand) on the outstanding issued share capital as at 31 December 2024 which is subject to approval of shareholders at the Annual General Meeting. The cash dividend and proposed bonus shares, if approved by Annual General Meeting, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

During the year, the shareholders at the Annual General Meeting held on 23 March 2024 approved a cash dividend of **12 fils per share** (2022: 10 fils per share) and bonus shares of 5% amounting to **KD 18,107 thousand** (2022: KD 16,003 thousand) for the year ended 31 December 2023. The cash dividend amounting to **KD 43,457 thousand** was recorded and paid subsequently. The bonus shares were distributed on 14 April 2024.

Directors' remuneration of **KD 240 thousand** (2023: KD 295 thousand) is in accordance with local regulations and is subject to approval of the shareholders at the Annual General Meeting.

23. RELATED PARTY TRANSACTIONS

Certain related parties (major shareholders, Board members and executive management of the Group, their families and companies of which they are the principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions were approved as per the Group's policies.

The transaction and balances included in the consolidated income statement and consolidated statement of financial position are as follows:

	Number of Board Members or executive management		Number of related parties			
	2024	2023	**2024**	2023	**2024 KD 000's**	2023 KD 000's
Board members:						
Balances						
Loans and advances	**1**	1	**30**	19	**187,648**	195,690
Credit cards	**1**	3	**5**	6	**32**	8
Deposits	**7**	8	**91**	93	**825,947**	863,223
Commitments						
Guarantees /letters of credit	**-**	-	**23**	24	**70,724**	68,824
Transactions						
Interest income	**1**	1	**55**	29	**11,101**	8,914
Interest expense	**5**	4	**23**	21	**50,944**	13,589
Net fees and commissions	**-**	-	**89**	24	**473**	267
Other expenses	**-**	-	**17**	10	**3,896**	1,719
Purchase of equipment	**-**	-	**4**	2	**434**	317
Executive management:						
Balances						
Loans and advances	**9**	7	**-**	-	**782**	883
Credit cards	**11**	11	**-**	-	**42**	19
Deposits	**17**	14	**-**	-	**1,967**	2,612
Transactions						
Interest income	**10**	9	**-**	-	**44**	48
Interest expense	**18**	19	**-**	-	**131**	138

The loans issued to Board members and executive management are repayable within CBK regulatory limits and have interest rates of **4.75% to 6.75%** (2023: 5% to 6.75%) per annum. Some of the loans advanced to Board members and their related parties are collateralised. The fair value of these collaterals as of 31 December 2024 was **KD 48,031 thousand** (2023: KD 71,076 thousand).

23. RELATED PARTY TRANSACTIONS (continued)

Compensation for key management, including executive management, comprises the following:

	2024 KD 000's	2023 KD 000's
Salaries and other short-term benefits	**4,345**	3,789
End of service/termination benefits	**234**	524
	4,579	4,313

24. FINANCIAL INSTRUMENTS

Strategy in using financial instruments

As a commercial bank, the Group's activities are principally related to the use of financial instruments including derivatives. It accepts deposits from customers at both fixed and floating rates for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. It also seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

With the exception of specific hedging and liquidity management arrangements, foreign exchange and interest rate exposures associated with these instruments are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Risk management

The use of financial instruments also brings with it the associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risk forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major lines of business. the Group continuously reviews its risk management policies and practices to ensure that the Group is not subject to large asset valuation volatility and earnings volatility.

The Group has constituted a Board Risk Committee (BRC) for enhancing the effectiveness of the Board's monitoring of risk issues facing the Group and to submit periodic reports to the Board of Directors as appropriate. The BRC provides oversight of the Group's Risk Management on a holistic basis and ensure the autonomy and independence of Risk function of the Group. The BRC reviews and recommends all risk management policies and risk appetite for Board of Directors (BOD) approval. BRC reviews all high risk, large and any exposure which do not meet the normal lending criteria. The Risk Management Department is headed by the Chief Risk Officer (CRO) who reports to the Board Risk Committee. The Group has also constituted an Executive Risk Committee (ERC), chaired by the Chief Risk Officer (CRO), which is the apex committee for Risk Governance at the Senior Management level. The Risk Management Department of the Group provides regular reports to the BRC and ERC so that the committee members are well informed of all risk exposures of the Group.

The following sections describe the different risks inherent in the banking process, their nature and how they are managed.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK

Credit risk is the potential for financial loss due to failure of debtors or counterparties to meet obligations to pay the Group in accordance with agreed terms. It arises principally from lending, trade finance and treasury activities.

Concentrations of credit risk arise when there is a potential for aggravation of losses owing to correlated exposures, for example, when a number of counterparties have common ownership, or are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry, geographic location or ownership.

The Group has comprehensive policies and procedures to control and monitor all such risks. Credit risk is minimized by setting limits for transactions with individual counterparties and counterparties under common ownership, monitoring credit exposures against these limits and continually assessing collateral coverage/quality and the creditworthiness of counterparties.

Individual customer and customer groups, industry segment and country limits are used to diversify lending and avoid undue concentrations. Credit exposure relating to trading activities is controlled by the use of strict counterparty limits, master netting agreements and collateral arrangements (where appropriate), and by limiting the duration of exposures.

Independent Credit Departments covering wholesale and consumer risk, reporting to CRO, is responsible for providing centralised management of credit risk. The responsibilities of the teams include: monitoring adherence to credit policies and procedures; establishing and maintaining large credit exposure policies covering the maximum exposure to customers, groups and other risk concentrations; undertaking independent and objective credit reviews to assess the credit risk for both new facilities and renewals; controlling exposures to banks and other financial institutions; controlling cross-border exposures; controlling exposures to specific industry groups; maintaining and developing the Group's obligor rating process in order to rank order risk and categorize exposures into meaningful segments; and preparing regular reports to senior management on areas such as customer/industry risk concentrations, country limits and cross-border exposures and non-performing accounts and provisions.

The Group also has detailed credit approval criteria for each of its retail loan products. The eligibility criteria vary according to the specific loan product, but include items such as minimum length of employment, minimum salary, etc. Applicants must also provide a reference from their employer, specifying salary and length of service, and in most cases, a commitment from the employer to pay their salary directly to their current account with the Group. In accordance with CBK regulations, the applicant's total monthly debt repayment to income ratio must not exceed the limits stipulated.

Other than BRC, the Group has – seven credit committees: Board Credit and Investment Committee (BCIC), Executive Credit Committee ('ECC'), Management Credit Committee ('MCC'), Consumer Credit Committee ('CCC'), Remedial Credit Committee ('RCC'), Wealth Management Credit Committee ('WMCC') and Classification and Provisions Committee ('CPC').

The Board of Directors has delegated all authority (except credit facilities to Board members and related names) for credit decisions to the BCIC within the CBK guidelines. The responsibilities of the BCIC are to review and approve, reject, modify or conditionally approve credit proposals up to the legal lending limit of the Group in compliance with the credit policies of the Group. BCIC is also vested the authority to grant credit delegation to ECC as stipulated by the Board of Directors.

The ECC has the authority to approve, sanction and amend credit facilities within the approved delegated authority. ECC can also approve credit criteria, credit programs and treasury limits within the approved risk appetite of the Group. ECC has the authority to form new or amend existing Credit Committees within the limits of ECC's overall delegated authority. A summary of all credit approvals are reported to the BRC.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

The MCC with lower delegated authority meets regularly to approve, reject or modify credit applications submitted to it. Applications that fall outside the delegated authority limits of the MCC are referred to the ECC and BCIC based on respective delegation. All MCC decisions are periodically reviewed by the CRO.

The CCC meets as required and has the authority to review the performance of consumer credit portfolio periodically, approve/amend Consumer Credit Criteria subject to the approved Risk Appetite of the Bank and to approve/amend Consumer credit delegation for individual authorities.

RCC reviews all remedial management credits and/or approves or recommends for MCC's or ECC's approval. All proposals to settle, restructure, reschedule, abandon recovery efforts or write-off debts applications that fall outside the delegated authority limits of the Remedial Credit Committee are referred to the relevant Credit Committee.

WMCC has authority to approve, reject or modify credit applications from Wealth Management clients submitted to it within its delegated authority levels. Applications that fall outside the delegated authority limits of the WMCC are referred to the ECC and BCIC based on respective delegation.

CPC operates within the principles of CBK's rules and regulations and the Group's Credit Policy guidelines for credit facilities classification, computation of their provisions and accounting of income generated therefrom and govern the classification of the credit portfolios of the Group and provisioning decisions. The CPC is responsible for making provisions as per IFRS 9 models and methodologies adopted by the Group in line with the guidelines issued by CBK.

Depending on the amount and risk profile of the client, credit applications for corporate and international lending may be reviewed by the Board of Directors, BCIC, ECC, MCC and Remedial Credit Committee and typically include the following information: executive summary, customer profile, summary of limits, amounts outstanding; risk rating and credit memorandum; customer profitability analysis; financial and cash flow analysis; details of purpose of loan, collateral, repayment source and details of guarantors, if applicable; and audited financial statements and/or personal net worth statements, as appropriate.

The Group has legal lending limits, country limits and industry sector limits that must be adhered to when approval is being considered in respect of relevant credit applications or participations.

The Group has a detailed credit policy approved by the Board and this is periodically revised. The Credit Policy Manual sets out the guiding principles and credit risk standards governing extension of credit, provide a structure around which banking business must be based and ensure a consistent approach to all its lending activities. It also defines the policy on acceptable country credit risk exposure. The individual country limits are approved and reviewed by the BCIC. This approval is based on the country analysis and assessment of business requirements undertaken by the Group's Financial Institutions division and recommended by the MCC and ECC.

The Financial Institutions division regularly reviews the Group's overall country limits and exposures. The review focuses on the spread of country risk and recommendations to alter individual country risk limits are made where necessary.

Risk appetite document approved by Board provides a consistent framework for understanding risk through the organization and provides a means to ensure that risk considerations are ingrained in the day-to-day operation of the Group. The risk appetite set by the Group is monitored and mitigation, if any, carried out at the appropriate time. The risk appetite threshold at a macro level is defined for Corporate, International, Treasury and Consumer Banking. Risk appetite is further drilled down into industry segments which are important for Bank's business.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

ECL methodology

The Group is equipped with an internal credit rating system and has developed models to arrive at the ECL based on the requirements of IFRS 9. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Refer to note 2.6.a impairment of financial instruments for more information related to stage classification.

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 guidelines.

ECL is arrived at on the basis of Probability of Default (PD) for the corresponding rating grade of the facility, Loss Given Default (LGD) and Exposure at Default (EAD). Further details are provided in the ensuing paragraphs of the Section on ECL Methodology. The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc. The ECL methodology is summarised below:

- Stage 1: The 12 months ECL is calculated as the loss that result from default events on a Credit Facility that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL provision based on the expectation of a default occurring in the 12 months following the reporting date.
- Stage 2: When a Credit Facility has shown a significant increase in credit risk since origination due to quantitative and qualitative factors, the Group records an allowance for the LT ECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For Credit Facility considered credit-impaired i.e, having objective evidence of default, 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 guidelines.

Significant increase in credit risk

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally accepted definition of 'investment grade'. Credit facilities (other than consumer/ installment facilities) are classified under Stage 2 when there has been a downgrade in the obligor risk rating by 2 grades for the credit facilities with investment grade and by 1 grade for those with non-investment grade.

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 current rating at reporting date, the account conduct and past dues, to determine the stage in which the facilities to be classified. In addition, the Group considers all restructured credit facilities which are not credit impaired as stage 2.

The Group considers expected maturity period of 7 years for credit facilities to corporate customers classified in stage 2 unless these facilities have non-extendable contractual maturity date and periodic schedule of repayments with final repayment amount not exceeding 50% of the original credit facilities. The expected maturity period of minimum of 5 years is considered for consumer financing and credit cards and 15 years for housing loans and financing.

The Group considers all facilities which are in default and rated 8 to 10 as Stage 3 accounts.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Staging review

A key indicator of changes in the credit quality of loan portfolio is how much of it has been moved between stages, as this indicates whether the loan portfolio has undergone a significant increase in credit risk.

The Group considers a financial asset as 'cured' (i.e. no longer be impaired) and therefore reclassified out of Stage 3, when it no longer meets any of the credit impaired criteria. In respect of impaired facilities which are classified in Stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in Stage 2/Stage 1. The Group also considers related CBK guidelines before any credit facility is reclassified between stages. One year curing period is not applicable for consumer and instalment facilities.

ECL on loans and advances is the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Probability of default

The Group's policy is to assess the credit risk in Commercial banking through a risk rating process. The process is based on international best practices, and provides transparency and consistency to enable comparison between obligors. The Group uses Moody's Risk Rating tool for rating its corporate borrowers. Under the Moody's Risk rating framework all the borrowers are rated based on financial and business assessments. Financial assessment takes into account operational performance, liquidity, capital structure and debt coverage while business assessment is based on industry risk, management quality and company standing.

The framework adopted by the Group for calculating the PD is based upon obligor risk rating, internal default and macro- economic data. Under macro-economic data, three scenarios (a base case, upside case, and a downside case) has been considered. 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 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 structure using appropriate models and techniques.

For Consumer banking, the payment behaviour of the borrower is monitored on a periodic basis. Consumer loans are generally not secured, but the credit risk is minimized by the 'assignment of salary' condition that requires the customer's employer to pay their salary directly to their Gulf Bank's salary account. If salaries are not credited and there are no funds available in accounts, the related exposures get delinquent. The days past due is used to determine the credit risk of the retail customers. Loan applications are subject to an evaluation process involving 'Score Card' based decisioning which is revalidated periodically. In addition, all consumer credit applications are subject to a credit check by the industry-owned Credit Information Network ('Ci-Net') credit reference agency to assess the creditworthiness and indebtedness of the applicant. PD used for retail credit facilities has been segmented into pools that share similar risk characteristics.

For financial instruments in Treasury, Investment securities, money market instruments and other assets portfolios, external rating agency credit grades are used. These published grades are continuously monitored and updated.

The Group applies minimum thresholds for 12 months PD at 1% for non-investment grade credit facilities and 0.75% for investment grade credit facilities. However, these minimum thresholds are not applicable for consumer and housing loans and financing and also to credit facilities to governments and banks with external credit rating of investment grade.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

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. For secured facilities, the Group applies a minimum haircut to its collateral values as prescribed by CBK guidelines. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt as prescribed by CBK guidelines.

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 in accordance with credit conversion factor prescribed by CBK guidelines.

Incorporation of forward looking information

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

Collateral and other credit enhancements

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

The Group's credit facilities are secured by collateral, wherever required, consisting primarily of: equities listed on the Kuwait Stock Exchange; unquoted equities, real estate (land and buildings); fixed term deposits and cash balances with the Group that are blocked and legally pledged in its favor; and direct, explicit, irrevocable and unconditional bank guarantees.

As of 31 December 2024, **25%** (2023: 24%) of the total outstanding loans and advances were partially or fully secured by collaterals.

The Group has procedures to ensure that there is no excessive concentration of any particular asset class within the collaterals.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk net of provision for the components of the consolidated statement of financial position, including positive fair value of derivatives without taking into account any collateral and other credit enhancements. Maximum concentration of credit risk to a single or group of related counterparties is limited to 15 per cent of the Group's comprehensive capital as determined by the regulatory guidelines.

BY CLASS OF FINANCIAL ASSETS	**Maximum exposure 2024 KD 000's**	Maximum exposure 2023 KD 000's
Cash and cash equivalents (excluding cash in hand)	**1,342,890**	1,019,218
Kuwait Government treasury bonds	**2,500**	16,500
Central Bank of Kuwait bonds	**140,031**	337,715
Deposits with banks and other financial institutions	**135,468**	180,981
Loans and advances:		
- Corporate and bank lending	**3,338,632**	3,017,012
- Consumer lending	**2,128,306**	2,179,610
Debt investment securities (Note 13)	**169,302**	158,994
Other assets	**44,817**	49,490
Total	**7,301,946**	6,959,520
Contingent liabilities and commitments	**2,926,907**	2,934,941
Foreign exchange contracts (including spot contracts)	**152,614**	54,045
Total	**3,079,521**	2,988,986
Total credit risk exposure	**10,381,467**	9,948,506

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 gross loan exposures outstanding as a percentage of total credit risk exposures as at 31 December 2024 is **13%** (2023: 12.3%).

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

Geographic region:	2024		2023	
	Assets KD 000's	Off balance sheet items KD 000's	Assets KD 000's	Off balance sheet items KD 000's
Domestic (Kuwait)	5,862,090	2,074,580	5,623,301	2,151,684
Other Middle East	889,115	456,809	962,028	342,765
Europe	123,320	248,401	141,017	219,415
USA and Canada	128,355	39,692	104,000	21,421
Asia Pacific	61,716	239,652	25,550	253,683
Rest of world	237,350	20,387	103,624	18
	7,301,946	3,079,521	6,959,520	2,988,986

Industry sector:	2024		2023	
	Assets KD 000's	Off balance sheet items KD 000's	Assets KD 000's	Off balance sheet items KD 000's
Personal	2,281,263	90,649	2,288,179	47,289
Financial	1,724,846	698,209	1,618,847	576,959
Trade and Commerce	473,981	636,147	450,416	686,599
Crude Oil and Gas	276,576	195,459	154,875	149,065
Construction	160,503	698,408	160,408	672,707
Government	984,763	12	1,071,271	58,369
Manufacturing	174,359	158,600	270,801	167,490
Real Estate	960,928	171,285	856,199	249,096
Others	264,727	430,752	88,524	381,412
	7,301,946	3,079,521	6,959,520	2,988,986

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Internal credit quality rating

The Group's policy is to assess the credit risk in Commercial banking through a risk rating process. The process is based on international best practices, and provides transparency and consistency to enable comparison between obligors.

The Group uses Moody's CreditLens tool for rating its corporate borrowers. Under the Moody's Risk rating framework all the borrowers are rated based on financial and business assessments. Financial assessment takes into operational performance, liquidity, capital structure and debt coverage while business assessment is based on industry risk, management quality and company standing.

The Risk Rating Process derives the Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs). The rating methodology focuses on factors such as: operating performance, liquidity, debt service and capital structure. The ratio analysis includes assessment of each ratio's trend across multiple periods, both in terms of rate change and the volatility of the trend. It also compares the value of the ratio for the most recent period with the values of the comparable peer group. Qualitative assessment of the operations, liquidity and capital structure are also included in the assessment.

For new ventures or project finance transactions, Obligor Risk Ratings are generated through the use of projections covering the period of the loan.

Obligor Risk Rating (ORR) reflects the probability of default for an obligor (irrespective of facility type or collateral) over the next 12 months for a senior unsecured facility.

The Obligor Risk Ratings of performing assets are broadly classified into 3 categories, viz, 'High', 'Standard' and 'Acceptable 'quality. 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. Credit exposures classified as 'Standard' quality comprise facilities whose financial condition, and risk indicators and repayment capacity are satisfactory. Credit exposures classified as 'Acceptable' quality are performing accounts, and payment performance is fully compliant with contractual conditions. The ultimate risk of financial loss on 'Acceptable' quality is assessed to be higher than that for the exposures classified within 'High' and 'Standard' quality range.

Facility Risk Rating

The Group also has an approved framework for Facility Risk Ratings (FRR). While Obligor Risk Rating does not take into consideration factors like availability of collateral and support, FRR is a measure of the quality of the credit exposure based on the expected loss in the event of default after considering collateral and support. The availability of eligible collateral or support substantially reduces the extent of the loss in the event of default and such risk mitigating factors are reflected in FRR.

North American Industry Classification System (NAICS) Code:

The Group classifies the Group's exposure as per NAICS Code. Such classifications are in addition to the classification based on purpose codes as defined by the CBK.

The Group classifies its loans and advances mainly into two categories; corporate and bank lending and consumer lending. Corporate and bank lending includes credit facilities, trade finance products to its corporate, institutional customers and banks. Consumer lending includes consumer and instalment facilities, credit cards and other credit facilities to high net worth individuals and SMEs. This allows the Group to classify its portfolio into various sub-segments so as to facilitate analysis and improve management of concentrations, if any.

Portfolio Risk Rating

The Group computes a weighted average Risk Rating through which the overall portfolio quality is assessed at regular intervals and deliberated upon in the ERC as well as in the BRC.

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

RAROC Model

RAROC (Risk Adjusted Return on Capital) model is in use in the Group to assess the net value created in the account after taking into account the cost of capital. The Models help to make right credit decisions and create shareholder value.

Credit Infrastructure:

The Group has a specialized unit with core objective of supporting the development, approval and monitoring of credit products, manage credit risk infrastructure and MIS Reporting. The unit supports management of credit/risk systems, Credit Application System, Risk Rating Models, RAROC Model and credit related policies of the Group. The Group has a Credit Application system for dissemination of credit packages to credit committee members thereby improving the efficiency of credit approval process.

The table below shows the credit quality by class of financial assets for consolidated statement of financial position lines, based on the Group's credit rating system.

2024	Neither past due nor impaired			Past due but not impaired	
	High KD 000's	Standard KD 000's	Acceptable KD 000's	KD 000's	Total KD 000's
Cash and cash equivalents (excluding cash in hand)	1,342,692	209	-	-	1,342,901
Kuwait Government treasury bonds	2,500	-	-	-	2,500
Central Bank of Kuwait bonds	140,031	-	-	-	140,031
Deposits with banks and other financial institutions	135,468	-	-	-	135,468
Loans and advances:					
- Corporate and bank lending	3,027,169	448,452	22,908	18,195	3,516,724
- Consumer lending	1,970,513	23,530	65,466	52,822	2,112,331
Debt investment securities (Note 13)	163,751	5,551	-	-	169,302
Other assets	44,817	-	-	-	44,817
	6,826,941	477,742	88,374	71,017	7,464,074

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

2023	Neither past due nor impaired			Past due but not impaired	
	High KD 000's	Standard KD 000's	Acceptable KD 000's	KD 000's	Total KD 000's
Cash and cash equivalents (excluding cash in hand)	1,018,898	328	-	-	1,019,226
Kuwait Government treasury bonds	16,500	-	-	-	16,500
Central Bank of Kuwait bonds	337,715	-	-	-	337,715
Deposits with banks and other financial institutions	180,983	-	-	-	180,983
Loans and advances:					
- Corporate and bank lending	2,645,335	501,699	81,138	30,354	3,258,526
- Consumer lending	2,097,110	26,246	290	44,140	2,167,786
Debt investment securities (Note 13)	146,714	12,365	-	-	159,079
Other assets	49,490	-	-	-	49,490
	6,492,745	540,638	81,428	74,494	7,189,305

75% (2023: 79%) of the past due but not impaired category is below 60 days and **25%** (2023: 21%) is between 60-90 days.

Financial assets by class individually impaired

2024	**Gross exposure KD 000's**	**Impairment provision KD 000's**	**Fair value of collateral KD 000's**
Loans and advances:			
- Corporate and bank lending	**17,258**	**877**	**15,587**
- Consumer lending	**59,384**	**22,527**	**6,058**
	76,642	**23,404**	**21,645**

2023	Gross exposure KD 000's	Impairment provision KD 000's	Fair value of collateral KD 000's
Loans and advances:			
- Corporate and bank lending	13,718	1,626	12,067
- Consumer lending	50,399	17,067	6,069
	64,117	18,693	18,136

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

Contingent liabilities and commitments are financial instruments with contractual amounts representing credit risk

The primary purpose of these instruments is to ensure that funds are available to a customer as required. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. These instruments are disclosed in Note 26.

Derivative financial instruments with contractual or notional amounts that are subject to credit risk

These derivative financial instruments comprise of foreign exchange contracts. Foreign exchange contracts allow the Group and its customers to transfer, modify or reduce their foreign exchange risk. Foreign exchange contracts are subject to credit risk and are limited to the current replacement value of instruments that are favorable to the Group, which is only a fraction of the contractual or notional amounts used to express the volumes outstanding.

These instruments are disclosed in Note 28. This credit risk exposure was managed as part of the overall borrowing limits granted to customers.

An analysis of the carrying amounts of Credit Facilities (cash facilities: loans and advances, and non-cash facilities: contingent liabilities and commitments), and the corresponding ECL based on the staging criteria under IFRS 9 in accordance to the CBK guidelines is as follows:

At 31 December 2024:	**Stage 1 KD 000's**	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
Loans and advances				
- High	**4,980,040**	**17,642**	**-**	**4,997,682**
- Standard	**401,224**	**70,758**	**-**	**471,982**
- Acceptable	**65,466**	**22,908**	**-**	**88,374**
- Past due but not impaired	**18,738**	**47,861**	**-**	**66,599**
- Impaired	**-**	**-**	**81,060**	**81,060**
	5,465,468	**159,169**	**81,060**	**5,705,697**

At 31 December 2023:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Loans and advances				
- High	4,715,662	26,783	-	4,742,445
- Standard	433,710	94,235	-	527,945
- Acceptable	290	81,138	-	81,428
- Past due but not impaired	18,075	52,627	-	70,702
- Impaired	-	-	67,909	67,909
	5,167,737	254,783	67,909	5,490,429

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

At 31 December 2024:	**Stage 1 KD 000's**	**Stage 2 KD 000's**	**Stage 3 KD 000's**	**Total KD 000's**
Contingent liabilities and commitments				
- High	**2,485,848**	**34,791**	**-**	**2,520,639**
- Standard	**309,811**	**49,495**	**-**	**359,306**
- Acceptable	**47**	**12,452**	**-**	**12,499**
- Impaired	**-**	**-**	**34,463**	**34,463**
	2,795,706	**96,738**	**34,463**	**2,926,907**

At 31 December 2023:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Contingent liabilities and commitments				
- High	2,420,715	24,490	-	2,445,205
- Standard	359,272	88,172	-	447,444
- Acceptable	46	22,720	-	22,766
- Impaired	-	-	19,526	19,526
	2,780,033	135,382	19,526	2,934,941

24. FINANCIAL INSTRUMENTS (continued)

A. CREDIT RISK (continued)

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

At 31 December 2024:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL balance as at 1 January 2024	36,635	75,216	74,831	186,682
Impact due to transfer between stages:				
- Transfer to Stage 1	19,449	(3,113)	(16,336)	-
- Transfer to Stage 2	(974)	7,623	(6,649)	-
- Transfer to Stage 3	(199)	(25,648)	25,847	-
ECL (release)/charge for the year	(8,860)	(21,519)	96,990	66,611
ECL release on written off facilities	-	-	(76,556)	(76,556)
ECL balance as at 31 December 2024	46,051	32,559	98,127	176,737

At 31 December 2023:	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
ECL balance as at 1 January 2023	38,179	78,970	72,599	189,748
Impact due to transfer between stages:				
- Transfer to Stage 1	14,760	(2,785)	(11,975)	-
- Transfer to Stage 2	(3,244)	9,376	(6,132)	-
- Transfer to Stage 3	(221)	(1,214)	1,435	-
ECL (release)/charge for the year	(12,839)	(9,131)	60,630	38,660
ECL release on written off facilities	-	-	(41,726)	(41,726)
ECL balance as at 31 December 2023	36,635	75,216	74,831	186,682

ECL's sensitivity

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process. Further, the Group carries an excess of **35%** (2023: 40%) total provisions over ECL on credit facilities (Note 12) for any increase in ECL resulting due to sensitivity.

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. In general, the banking business is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance-sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies. A majority of the interest bearing assets and liabilities reprice within one year. Accordingly, there is a limited exposure to interest rate risk.

24. FINANCIAL INSTRUMENTS (continued)

B. INTEREST RATE RISK (continued)

The interest rate sensitivity of the consolidated income statement measures the effect of assumed changes in interest rates on the net interest income for the next one year, based on the interest bearing financial assets and liabilities held at year end. The interest rate sensitivity on equity (comprehensive income) is the impact of changes in interest rates on the fair value of FVOCI fixed/floating rate bonds held at year end.

The following table reflects the effects of 25 basis points change in interest rates on the consolidated income statement and consolidated statement of comprehensive income, with all other variables held constant:

	2024			2023		
Currency	**Change in basis points**	**Effect on profit KD 000's**	**Effect on equity KD 000's**	Change in basis points	Effect on profit KD 000's	Effect on equity KD 000's
KWD	(+) 25	**1,449**	**-**	(+) 25	1,405	-
USD	(+) 25	**1,114**	**-**	(+) 25	696	-
SAR	(+) 25	**-**	**-**	(+) 25	107	-

C. CURRENCY RISK

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views itself as a Kuwaiti entity with Kuwaiti Dinars as its functional currency. Open currency positions are monitored daily against the regulatory limits and Board approved internal limits to ensure compliance.

Based on the Group's financial assets and liabilities held at the consolidated statement of financial position date, for a given change in currency movements, with all other variables held constant, the effect on the Group's consolidated income statement and consolidated statement of comprehensive income is as follows:

	2024			2023		
Currency	**Change in currency rate in %**	**Effect on profit KD 000's**	**Effect on equity KD 000's**	Change in currency rate in %	Effect on profit KD 000's	Effect on equity KD 000's
USD	+5	**(134)**	**88**	+5	(100)	80

The Group's investments are held in a well diversified portfolio of equity, debt instruments and funds which invest in a variety of securities and products which are denominated in different currencies whose performance cannot necessarily be measured with relation to movement in any particular currency rate. Only the impact on the carrying amount of these securities has been considered in the sensitivity analysis.

D. LIQUIDITY RISK

Liquidity risk is the risk arising from potential inability of the Group to meet its payment obligations on time when they become due or being able to meet such obligations at excessive costs. Liquidity risk is a sequential risk that may be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, the Group has diversified funding sources and maintains high quality assets that includes cash, cash equivalents and readily marketable securities.

Liquidity risk arises from the general funding of the Group's activities. Under the guidance of the Asset Liability Committee (ALCO), the Treasury group manages the liquidity and funding of the Group to ensure that sufficient funds are available to meet the Bank's current and prospective funding requirements. At all times, the Group holds what it considers to be adequate levels of liquidity to meet lending and repayment requirements, even under stressed conditions.

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

The Group measures and monitors Basel III short term and long term liquidity ratios of LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). The objective of LCR is to improve the short-term liquidity profile of the Group by ensuring that the Group has sufficient stock of High Quality Liquid Assets to cover a 30 day period of stressed cash outflows. Similarly, NSFR aims to improve the long-term liquidity profile by ensuring that the Group has stable funding sources to cover funding requirements over the short and long term period. In addition, Liquidity risk is further monitored by adhering to the CBK maturity ladder mismatch limits and the Loan to Deposit Ratio.

The liquidity and funding management process includes: projecting cash flows by major currency; monitoring financial position, maintain liquidity ratios against internal and regulatory requirements; maintaining a diverse range of funding sources; monitoring depositor concentration to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and managing debt financing needs. The Group maintains a diversified and stable funding base of core retail and corporate deposits, and the treasury group maintains liquidity and funding contingency plans to cope with potential liquidity stress that may arise from local or regional markets or geopolitical events.

The table below summarizes the maturity profile of the assets and liabilities at the yearend based on residual contractual repayment arrangements (assets and liabilities without a contractual maturity are based on management expectation):

At 31 December 2024:	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	1,387,876	-	-	-	-	-	1,387,876
Kuwait Government treasury bonds	-	-	-	-	2,500	-	2,500
Central Bank of Kuwait bonds	18,972	93,378	27,681	-	-	-	140,031
Deposits with banks and other financial institutions	-	130,468	-	-	5,000	-	135,468
Loans and advances	322,886	532,793	222,443	757,429	1,053,024	2,578,363	5,466,938
Investment securities	-	41,306	101,549	8,953	16,852	35,965	204,625
Other assets	36,970	1,482	2,376	2,069	57,418	1,447	101,762
Premises and equipment	-	-	-	-	-	40,948	40,948
Total assets	1,766,704	799,427	354,049	768,451	1,134,794	2,656,723	7,480,148
Liabilities:							
Due to banks	190,925	49,444	69,842	55,219	-	-	365,430
Deposits from financial institutions	410,277	254,439	121,133	156,515	2,149	-	944,513
Customer deposits	1,845,548	954,138	1,110,348	721,116	25,530	-	4,656,680
Other borrowed funds	-	-	-	70,810	449,014	-	519,824
Other liabilities	29,468	56,669	21,309	20,540	32,112	-	160,098
Total liabilities	2,476,218	1,314,690	1,322,632	1,024,200	508,805	-	6,646,545

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

At 31 December 2023:	Up to 1 month KD 000's	1 to 3 months KD 000's	3 to 6 months KD 000's	6 to 12 months KD 000's	1 to 3 years KD 000's	Over 3 years KD 000's	Total KD 000's
Assets:							
Cash and cash equivalents	1,093,757	-	-	-	-	-	1,093,757
Kuwait Government treasury bonds	-	-	7,000	7,000	-	2,500	16,500
Central Bank of Kuwait bonds	31,441	160,167	144,182	1,925	-	-	337,715
Deposits with banks and other financial institutions	-	141,103	39,878	-	-	-	180,981
Loans and advances	247,131	396,703	419,350	584,085	863,477	2,685,876	5,196,622
Investment securities	-	65,902	57,059	31,109	3,023	34,327	191,420
Other assets	37,834	5,589	1,860	2,896	69,574	401	118,154
Premises and equipment	-	-	-	-	-	39,483	39,483
Total assets	1,410,163	769,464	669,329	627,015	936,074	2,762,587	7,174,632
Liabilities:							
Due to banks	63,995	53,667	25,000	113,692	-	-	256,354
Deposits from financial institutions	439,115	283,005	367,637	58,826	-	-	1,148,583
Customer deposits	2,206,264	655,808	831,201	515,412	10,574	-	4,219,259
Other borrowed funds	-	-	-	115,000	405,062	50,000	570,062
Other liabilities	65,579	43,608	7,818	22,099	24,470	-	163,574
Total liabilities	2,774,953	1,036,088	1,231,656	825,029	440,106	50,000	6,357,832

The tables below summarize the maturity profile of the Group's financial liabilities and contingent liabilities, commitments and non-derivative financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

At 31 December 2024: Financial liabilities:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Due to banks	145,079	39,108	143,201	46,545	-	373,933
Deposits from financial institutions	93,803	290,241	493,885	85,845	-	963,774
Customer deposits	1,577,678	334,744	2,494,616	341,656	-	4,748,694
Other borrowed funds	2,214	4,297	89,872	470,754		567,137
Other liabilities	29,468	56,669	41,849	32,112	-	160,098
Total undiscounted liabilities	1,848,242	725,059	3,263,423	976,912	-	6,813,636

At 31 December 2023: Financial liabilities:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Due to banks	19,211	634	118,683	130,350	-	268,878
Deposits from financial institutions	91,865	453,904	591,666	35,790	-	1,173,225
Customer deposits	1,634,621	312,343	2,014,635	341,830	-	4,303,429
Other borrowed funds	2,635	5,156	21,564	599,320	-	628,675
Other liabilities	65,579	43,608	29,917	24,470	-	163,574
Total undiscounted liabilities	1,813,911	815,645	2,776,465	1,131,760	-	6,537,781

24. FINANCIAL INSTRUMENTS (continued)

D. LIQUIDITY RISK (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities:

At 31 December 2024:	**Less than 1 month KD 000's**	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**1 to 5 years KD 000's**	**Over 5 years KD 000's**	**Total KD 000's**
Contingent liabilities	**3,224**	**53,935**	**373,494**	**592,273**	**735,357**	**1,758,283**
Commitments	**4,577**	**21,432**	**61,272**	**413,062**	**668,281**	**1,168,624**
	7,801	**75,367**	**434,766**	**1,005,335**	**1,403,638**	**2,926,907**

At 31 December 2023:	Less than 1 month KD 000's	1 to 3 months KD 000's	3 to 12 months KD 000's	1 to 5 years KD 000's	Over 5 years KD 000's	Total KD 000's
Contingent liabilities	20,873	51,068	379,150	527,722	606,425	1,585,238
Commitments	6,495	8,144	108,254	593,025	633,785	1,349,703
	27,368	59,212	487,404	1,120,747	1,240,210	2,934,941

The table below shows the contractual expiry by maturity of the Group's forward foreign exchange contracts positions:

Derivatives	**Less than 1 month KD 000's**	**1 to 3 months KD 000's**	**3 to 12 months KD 000's**	**Total KD 000's**
At 31 December 2024:				
Forward foreign exchange	**99,353**	**-**	**-**	**99,353**
At 31 December 2023:				
Forward foreign exchange	34,074	126	280	34,480

24. FINANCIAL INSTRUMENTS (continued)

E. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal controls, human error, systems failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group.

The operational risks are primarily monitored through the Operational Risk Management Unit in the Risk Management Department. The department has specialized units focusing on Fraud, Technology, Policy & Procedures, Business Continuity, Information and Cyber Security. The department ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall risk management. The Operational Risk Management Unit function is in line with the Central Bank of Kuwait instructions dated 14 November 1996, concerning the general guidelines for internal controls and the instructions dated 13 October 2003, regarding the sound practices for managing and supervising operational risks in banks.

F. EQUITY PRICE RISK

This is a risk that the value of equity investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group manages this risk through diversification of investments.

A portion of the Group's investments are held in well diversified portfolio of managed funds which invest in a variety of securities whose performance cannot necessarily be measured in relation to movement in any specific equity index.

The effect on equity (as a result of change in the fair value of equity instruments held as FVOCI) at the yearend due to an assumed 5% change in the market indices (assuming that listed equity investment securities are changing in line with their equity markets), with all other variables held constant, is as follows:

Market indices	% Change in equity price	**2024 Effect on equity KD 000's**	2023 Effect on equity KD 000's
Kuwait Stock Exchange	+5%	**697**	551

G. PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate loans when interest rates fall.

Majority of the Group's interest bearing financial assets are at floating rates. In addition, majority of the interest bearing financial liabilities where the repayment option is with the Group, have a maturity of less than one year and accordingly, the Group is not exposed to significant prepayment risk.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amounts approximates their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2024:	**Level 1 KD 000's**	**Level 2 KD 000's**	**Level 3 KD 000's**	**Total KD 000's**
Financial assets at FVOCI:				
Equity securities	**13,932**	**116**	**21,275**	**35,323**

At 31 December 2023:	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Financial assets at FVOCI:				
Equity securities	11,014	118	21,294	32,426

The following table analyses the movement in level 3 of financial assets:

Financial assets at FVOCI:	**At 1 January KD 000's**	**Change in fair value KD 000's**	**Additions/ disposals KD 000's**	**Exchange rate movements KD 000's**	**At 31 December KD 000's**
Equity securities					
2024	**21,294**	**(20)**	**-**	**1**	**21,275**
2023	22,232	151	(1,099)	10	21,294

The fair value of the above investment securities classified under Level 1, Level 2 and Level 3 is categorised as per the policy on fair value measurement in Note 2. During the year, there were no transfers between any of the fair value hierarchy levels.

The positive and negative fair values of forward foreign exchange contracts are valued using significant inputs of observable market data (Level 2). Refer Note 28.

The amortized cost and fair value of investment securities at amortised cost as at 31 December 2024 were **KD 169,302 thousand** (2023: KD 158,994 thousand) and **KD 169,201 thousand** (Level 1) (2023: KD 158,831 thousand) respectively.

The fair values of other financial assets and liabilities which are carried at amortised cost are estimated using the valuation models that incorporate a range of input assumptions. These assumptions may include estimates using credit spreads, forward looking discounted cash flow models using the assumptions which the management believes are consistent with those which would be used by market participants in valuing such financial assets and liabilities. The Group has also performed a sensitivity analysis by varying these assumptions to a reasonable margin and there is no material impact.

The fair values of these financial assets and liabilities are not materially different from their carrying values at the reporting date. The interest rates on these financial assets and liabilities are repriced immediately based on market movements. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

Notes to the Consolidated **Financial Statements**

26. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group enters into various contingent liabilities and irrevocable commitments. Even though these obligations may not be reflected in the consolidated statement of financial position, they do contain credit risk and therefore form part of the overall risk of the Group.

The total outstanding contingent liabilities and commitments are as follows:

	2024 KD 000's	2023 KD 000's
Guarantees	**1,363,359**	1,192,776
Letters of credit and acceptances	**394,924**	392,462
Undrawn irrevocable commitments	**54,485**	154,978
Undrawn revocable commitments	**1,114,139**	1,194,725
	2,926,907	2,934,941

The contractual terms entitle the Group to withdraw undrawn revocable facilities at any time.

27. SEGMENTAL ANALYSIS

a. By Business Unit

Commercial Banking — Acceptance of deposits from individuals, corporate and institutional customers and providing consumer loans, overdrafts, credit card facilities and funds transfer facilities to individuals; and other credit facilities to corporate, institutional customers and banks.

Treasury & Investments — Providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Kuwait Government treasury bonds, government securities, placements and acceptances with other banks. The proprietary investments of the Bank are managed by the Investments unit.

Segmental information for the year ended 31 December is as follows:

	Commercial Banking		Treasury & Investments		Total	
	2024 KD 000's	2023 KD 000's	2024 KD 000's	2023 KD 000's	2024 KD 000's	2023 KD 000's
Operating income	**135,469**	138,674	**15,650**	6,219	**151,119**	144,893
Segment result	**56,039**	74,562	**12,458**	4,307	**68,497**	78,869
Unallocated income					**48,209**	45,368
Unallocated expense					**(56,534)**	(53,026)
Profit for the year					**60,172**	71,211
Segment assets	**5,573,953**	5,334,453	**1,832,148**	1,751,205	**7,406,101**	7,085,658
Unallocated assets					**74,047**	88,974
Total Assets					**7,480,148**	7,174,632
Segment liabilities	**3,261,131**	2,950,868	**3,191,679**	3,198,641	**6,452,810**	6,149,509
Unallocated liabilities and equity					**1,027,338**	1,025,123
Total Liabilities and Equity					**7,480,148**	7,174,632

b. Geographic segment information relating to location of assets, liabilities and off balance sheet are given in Note 24A.

Revenue from transactions with a single external customer or counter party did not result in 10% or more of the Group's total revenue in 2024 or 2023.

28. DERIVATIVES

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. 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.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

				Notional amounts by term to maturity	
At 31 December 2024:	**Positive fair value KD 000's**	**Negative fair value KD 000's**	**Notional amount total KD 000's**	**Within 3 months KD 000's**	**3-12 months KD 000's**
Derivatives instruments held as:					
Trading (and non qualifying hedges) Forward foreign exchange contracts	**308**	**(7)**	**99,353**	**99,353**	**-**

				Notional amounts by term to maturity	
At 31 December 2023:	Positive fair value KD 000's	Negative fair value KD 000's	Notional amount total KD 000's	Within 3 months KD 000's	3-12 months KD 000's
Derivatives instruments held as:					
Trading (and non qualifying hedges) Forward foreign exchange contracts	3	(1)	34,480	34,200	280

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28. DERIVATIVES (continued)

Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount or to transfer third party credit risk based on an agreed principal and related outstanding interest.

For currency swaps, fixed or floating interest payments as well as notional amounts are exchanged in different currencies.

Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and expected risks. Positioning involves managing positions with the expectation of reducing the market risk. Arbitrage involves identifying and profiting from price differentials between markets or products.

29. CAPITAL ADEQUACY & CAPITAL MANAGEMENT

Capital Management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements, maintains a strong and healthy capital ratio in order to support its operations 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 disclosures relating to the Capital Adequacy Regulations issued by CBK as stipulated in its Circular number 2/RB,RBA/336/2014 and its amendments are included under the 'Capital Management and Allocation' section of the annual report. Below ratios are calculated without proposed cash dividend impact.

The Group's regulatory capital and capital adequacy ratios for the year ended 31 December 2024 and 31 December 2023 are calculated in accordance with CBK circular number 2/RB,RBA/336/2014 dated 24 June 2014 and its amendments are shown below:

	2024 **KD 000's**	2023 KD 000's
Risk weighted assets	**5,474,792**	5,223,798
Capital required	**766,471**	731,332
Capital available		
Tier 1 capital	**833,603**	827,353
Tier 2 capital	**116,026**	113,789
Total capital	**949,629**	941,142
Tier 1 capital adequacy ratio	**15.23%**	15.84%
Total capital adequacy ratio	**17.35%**	18.02%

29. CAPITAL ADEQUACY & CAPITAL MANAGEMENT (continued)

Financial leverage ratio

The Group's financial leverage ratio for the year ended 31 December 2024 and 31 December 2023 calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014 are shown below:

	2024 KD 000's	2023 KD 000's
Tier 1 capital	**833,603**	827,353
Total Exposure	**8,540,838**	8,115,018
Financial leverage ratio	**9.76%**	10.20%

The disclosures relating to the capital adequacy regulations issued by CBK as stipulated in CBK circular number 2/RB, RBA/336/2014 dated 24 June 2014 and its amendments and disclosures related to financial leverage ratio as stipulated in CBK circular number 2/BS/ 342/2014 dated 21 October 2014 for the year ended 31 December 2024 and 31 December 2023 are included under the 'Risk Management' section of the annual report.

30. FIDUCIARY ASSETS

At 31 December 2024, the aggregate value of assets held or managed in fiduciary capacity by the Group amounted to **KD 924,742 thousand** (2023: KD 852,820 thousand) and the income related to this activity amounted to **KD 655 thousand** (2023: KD 664 thousand) included in net fees and commissions (Note 6).


بنك الخليج
GULF BANK

BRANCH NETWORK

1885588

CAPITAL

Abdullah Al-Salem ITM
Ext.: 6030 / 6034

Audiliya
Ext.: 6020 / 6029

Crystal Tower ITM
Ext.: 6840 / 6841

Daiya
Ext.: 6370 / 6378

Fahad Al-Salem Street
Ext.: 6279 / 6827

Ghazali
Ext.: 6420 / 6422

Jaber Al-Ahmad
Ext.: 6740 / 6744

Mansouriya
Ext.: 6120 / 6126

Ministry Complex
Ext.: 6170 / 6176

Head Office - Mubarak Al Kabeer Street ITM
Ext.: 2002 / 2717

Nuzha
Ext.: 6360 / 6369

Sharq - Ahmed Al-Jaber Street ITM
Ext.: 6680 / 6687

Surra
Ext.: 6100 / 6101

Qairawan
Ext.: 6730 / 6737

Sulabikhat
Ext.: 6470 / 6479

Shuwaikh
Ext.: 6290 / 6293

Shuwaikh Port
Ext.: 6080 / 6083

AHMADI

Ahmadi
Ext.: 6240 / 6249

Sabah Al-Ahmed
Ext.: 6870 / 6871

Al-Khiran Mall ITM
(self service branch)

Fahaheel Xcite ITM
Ext.: 6040 / 6049

Fahaheel - Al-Dabous Street
Ext.: 6040 / 6049

Hadiya
Ext.: 6140 / 6148

Mina Al-Zoor
Ext.: 6110 / 6119

Fahad Al-Ahmad
Ext.: 6430 / 6438

Sabahiya
Ext.: 6660 / 6668

FARWANIYAH

The Avenues Mall
Tel.: +965 22 200 901

Farwaniya
Ext.: 6600 / 6609

Firdous
Ext.: 6390 / 6395

Jleeb Al-Shuyoukh
Ext.: 6060 / 6068

Khaitan
Ext.: 6320 / 6329

Kuwait International Airport (T1) ITM
Ext.: 6861 / 6869

Sabah Al-Naser
Ext.: 6610 / 6619

JAHRAA

West Jahra
Ext.: 6350 / 6354

Jahra Co-op
Ext.: 6150 / 6154

Al-Oyoun
Ext.: 6630 / 6638

Saad Al-Abdullah
Ext.: 6785 / 6780

HAWALLI

Hawalli ITM
Ext.: 6280 / 6289

Midan Hawally
Ext.: 6700 / 6709

Jabriya ITM
Ext.: 6400 / 6409

Rumaithiya
Ext.: 6190 / 6195

Zahra
Ext.: 6690 / 6699

Al-Fanar Mall ITM
Ext.: 6300 / 6309

Shaab ITM
Ext.: 6070 / 6078

Salmiya (Co-op)
Ext.: 6050 / 6051

Al-Salam ITM
Ext.: 6410 / 6419

Mishref ITM
Ext.: 6200 / 6209

Bayan
Ext.: 6180 / 6181

MUBARAK AL-KABEER

Adan ITM
Ext.: 6090 / 6099

Sabah Al-Salem
Ext.: 6670 / 6679

Sabhan
Ext.: 6340 / 6349

NOTES

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