# **Driving innovation** for an inclusive and sustainable financial future

**Annual Report**
2024

HH Sheikh

**Mishal Al-Ahmad Al-Jaber Al-Sabah**

Emir of the State of Kuwait

HH Sheikh

**Sabah Khaled Al-Hamad AL-Sabah**

Crown Prince of the State of Kuwait

# NBK at a Glance

Guided by our legacy of trust and a deep sense of responsibility to our stakeholders, NBK has consistently strived to drive innovation across all facets of its business to deliver sustainable value for all. In 2024, NBK made significant strides, marked by a steadfast dedication to fostering a more inclusive and sustainable financial future. Our unwavering commitment to excellence and forward-thinking strategies has enabled us to navigate challenges and seize opportunities, ensuring that we remain at the forefront of the banking industry.

Our commitment to a more inclusive and sustainable financial future is evident in our innovative initiatives and solid financial performance in 2024. We have focused on empowering the next generation of customers, cultivating leadership, pioneering sustainable finance, leading in environmental transparency, fueling economic growth, building a thriving workforce, and investing in our communities. Our efforts reflect our dedication to creating a positive impact and driving progress for an inclusive and sustainable financial future.

## Operational Performance and Profitability

**4**
Continents

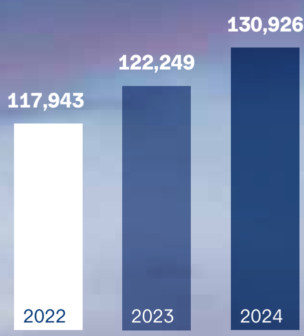
**8,294**
Global Employees

**1.34%**
NPL Ratio

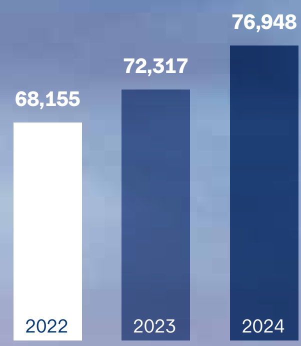
**15.1%**
Return on Average Equity

**130.9**
USD Billion Total Assets

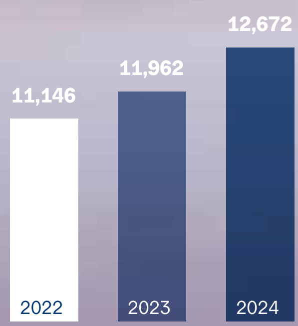
**17.3%**
Capital Adequacy Ratio



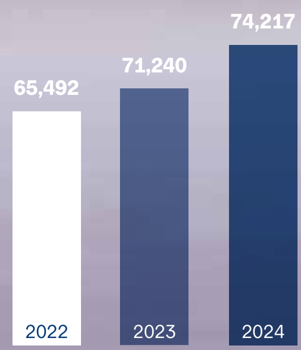

**Total Assets** (USD million)



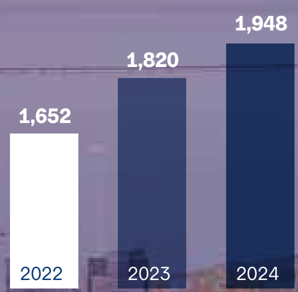

**Loans, Advances and Islamic Financing** (USD million)




**Total Equity** (USD million)




**Customer Deposits** (USD million)




**Net Profit Attributable to Shareholders** (USD million)


**Net Operating Income** (USD million)

# About NBK

Founded in 1952 by a visionary group of Kuwaiti merchants with a bold mission to drive their nation's economic growth, NBK has become a cornerstone of Kuwait's financial landscape, significantly contributing its economic prosperity. NBK was the first national bank in Kuwait and the Arabian Gulf region. Today, NBK is Kuwait's leading conventional banking group in terms of assets, customer deposits, and customer loans and advances. As the first shareholding company in Kuwait and the Arabian Gulf region, NBK has pioneered the region's financial development.

NBK's enduring success is built upon a foundation of stability and strength. The Bank has retained its core shareholder base since inception. NBK's shares have been listed on the Kuwait Stock Exchange since 1984, with a single shareholder, the Public Institution for Social Security, owning more than 5% of the share capital (6.17% as of December 2024). NBK's market capitalization as of 31 December 2024 was USD 24.2 billion.

Over its 70-year legacy of trust, NBK has transformed into a global financial institution, with a strong presence across 4 continents and 13 countries, employing more than 8,000 dedicated professionals. NBK's enduring success is underpinned by its strong financial performance, robust balance sheet, and experienced management team.

NBK boasts a strong brand reputation as a leading financial institution in the MENA region, with robust business model. Its commitment to innovation and digital transformation has enabled seamless banking experiences for its customers across its global network. Furthermore, NBK's focus on sustainability and corporate social responsibility has solidified its position as a responsible corporate citizen.

## Vision

We aim to be the trusted bank of choice, building on our core values, people and expertise.

## Mission

- To deliver world class products and the highest service quality to our customers
- To attract, develop and retain the best banking talent in the region
- To support the communities in which we operate
- To adhere to our core values of passion, integrity, conservatism and knowledge
- By doing so, we believe that we will be able to achieve consistently superior returns to our shareholders

## Values

- Passion
- Integrity
- Conservatism
- Knowledge

## Main Business Segments

- Consumer Banking
- Corporate Banking
- NBK Wealth
- Islamic Banking (through subsidiary Boubyan Bank)

# Contents

## 1 Strategic Review



## 2 Governance



## 3 Financial Statements

# Strategic Review

At the heart of NBK's strategic vision lies a business model that thrives on trust and the creation of exceptional and sustainable value for all our stakeholders. We are harnessing the unique synergy of a leading digitally innovative customer base franchise, a skilled value-driven workforce, a proactive sustainability focus, and a disciplined compliance and dynamic risk management approach.

# Driving Innovation for an Inclusive and Sustainable Financial Future

Innovation is a cornerstone of NBK's success, permeating every aspect of its operations. From pioneering digital solutions and developing innovative financial products to launching forward-thinking initiatives, NBK is constantly striving for excellence. In 2024, NBK proactively drove innovation to foster a more inclusive and sustainable financial future for all stakeholders, demonstrating agility and resilience in navigating the evolving economic landscape and capitalizing on emerging opportunities. This section highlights the Bank's key initiatives in 2024, demonstrating its pursuit of an inclusive and sustainable financial future.

NBK's initiatives focused on maximizing client value through tailored products and enhanced digital experiences, expanding global reach into key markets to provide clients with diverse financial opportunities, securing a future customer base for the Bank by investing in youth segments, and driving sustainable growth through its sustainable finance products and initiatives. NBK's commitment to an inclusive and sustainable financial future is further reinforced by its focus on its workforce and the community, recognizing that a thriving team is essential to its success, and a thriving community is integral to a thriving nation and a sustainable financial future for all.

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Maximizing Client Value**

NBK is dedicated to maximizing client value by redefining the banking experience through innovative products and digital solutions. This commitment is evident in the comprehensive range of new products and strategic initiatives implemented across NBK's various business divisions in 2024.

Consumer Banking significantly enhanced customers' digital experience, launching its new NBK Mobile Banking App with over 65 new features and optimizing the Weyay platform with intuitive interfaces and youth-focused financial management tools. Likewise, the newly established Retention Hub reinforced client relationships through proactive engagement and personalized support.

NBK Wealth expanded its suite of offerings and diversified client portfolios in 2024, broadening access to Global Equities and Fixed Income and launching new funds tailored for HNWI and institutional clients. It launched a new Discretionary Portfolio Management (DPM) solution to optimize capital deployment, and established a strategic partnership with JP Morgan Asset Management to broaden access to selective investment products. NBK Wealth also introduced the NBK Wealth App and enhanced its client engagement through initiatives like NBK Wealth House View and Insights.

Corporate Banking supported corporate clients' growth and financial stability by delivering customized solutions for managing cash flow locally and internationally through NBK's network. It provided a comprehensive suite of services addressing the evolving needs of corporate clients, including dedicated support for high-potential mid-sized corporate businesses. It also upgraded the Corporate Banking online platform, enhancing efficiency and client experience. These combined efforts across all business divisions have resulted in increased client satisfaction and strengthened loyalty, driving sustainable growth for the Bank.

+ Learn more about NBK's Operations on pages 26-28

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Expanding Global Reach**

Building on its commitment to client value, NBK is also expanding its global footprint to unlock new opportunities for its clients while driving further growth for the Bank and its shareholders. The International Banking Group (IBG) is central to NBK's expansion strategy, leveraging NBK's Singapore branch as an Asian hub and its French subsidiary for EU market coverage.

Complementing this broader market reach, NBK delivered tailored solutions to diverse client segments across its network in 2024. IBG launched targeted consumer banking propositions, such as "Beyond" for upper-affluent customers in Egypt and "Privilege Banking" for affluent clients in Bahrain, demonstrating a commitment to serving diverse client needs. IBG also supported corporate and CRE activity across NBK's network, facilitating cross-border transactions through its UAE-based Centralized Syndications Desk. Furthermore, IBG collaborated with NBK Wealth to launch new funds for HNWIs and institutional clients in Kuwait and KSA and initiated Private Banking activities in KSA.

+ Learn more about NBK's IBG on page 28

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Securing a Future Customer Base**

Beyond its global expansion efforts, NBK is committed to building a strong foundation for future growth by focusing on youth segments. While NBK is dedicated to delivering innovative and inclusive financial solutions for today's clients, it is also strategically investing in youth segments to secure its future growth. Weyay Bank's growth since its launch in 2021, exceeding projections fourfold, highlights the demand for innovative digital banking among tech-savvy youth. In 2024, Weyay catered to the needs of youth segments by introducing innovative products, including the Jeel Card, the SELECT Digital Prepaid Card for students, and the Saving Pot "Pro" promoting a savings culture among youth.

Jeel, Weyay's digital banking platform designed for young individuals aged 8-14, exemplifies the Bank's commitment to investing in youth segments. With an engaging, user-friendly interface, vibrant graphics, and interactive features, Jeel empowered young clients to manage their finances independently. The Jeel Card, designed for this age group, includes innovative features like "Quick Pay Request" and "Request Payment via Link", fostering digital financial independence. Complementing these initiatives, NBK expanded its Bankee financial literacy program, which aims to equip students with essential financial skills, reaching 61 schools, 32,235 students, and 7,335 teachers in 2024. NBK's youth-focused products and initiatives are driving financial inclusion as well as cultivating a loyal customer base for the future.

+ Learn more about NBK's Consumer Banking on pages 26-27

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Driving Sustainable Growth**

NBK's commitment to future customers is mirrored by its commitment to a sustainable financial future, demonstrated through responsible financial practices that benefit stakeholders and drives long-term growth. The remarkable success of NBK's USD 500 million inaugural Green Bond, oversubscribed three times, demonstrates this powerful synergy, championing sustainable practices while simultaneously opening new avenues for growth with diversified funding and improved liquidity. The successful bond issuance, with its proceeds allocated to environmentally friendly projects, also underscores investor confidence in NBK's creditworthiness and its commitment to a sustainable financial future.

Throughout 2024, NBK led the way in sustainable finance, establishing new standards with impactful initiatives. The Bank's ESG Scorecard provided a structured framework for evaluating climate change and ESG risks, enhancing transparency and supporting clients' sustainability journeys. Furthermore, NBK's leadership was further underscored by being the first bank in Kuwait and sixth in MENA to join the Partnership for Carbon Accounting Financials (PCAF) in 2024, enabling the Bank to proactively manage risks and contribute to a sustainable financial future.

+ Learn more about NBK's Sustainable Finance and ESG Initiatives on pages 42-46

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Cultivating a Culture of Excellence**

NBK recognizes that sustainable growth is driven by its people, its greatest asset. NBK is dedicated to cultivating a culture of excellence by fostering a diverse, equitable, and inclusive workplace where everyone can thrive and contribute effectively to the Bank's strategic goals. Reflecting this commitment, the 2024 NBK Rise second cohort equipped 25 high-potential women from NBK and partner organizations with essential leadership skills, empowering them for future roles. Additionally, NBK Tech Academy provided recent graduates with essential technical and professional skills, successfully placing all participants within the Bank's data and digital divisions.

NBK supports employee well-being, creating an environment where its people can thrive both personally and professionally. In 2024, NBK implemented several initiatives to enhance employee well-being. The November Health Campaign included specialized screenings, consultations with health experts, and a heart health seminar at NBK's headquarters. Furthermore, NBK prioritized work-life balance, implementing reduced working hours on Thursdays. The innovative Well-Being Leave program was also introduced, empowering employees to prioritize their mental, physical, and social health.

+ Learn more about NBK's HR Initiatives on pages 38-40

*Driving Innovation for an Inclusive and Sustainable Financial Future by...*

**Investing in Our Communities and Our Future**

The culture of excellence that NBK fosters within its organization extends its reach to the communities it serves, recognizing that their well-being is integral to the Bank's success. NBK believes that thriving communities contribute to a thriving Kuwait, forming the foundation for an inclusive and sustainable financial future for the Bank and its stakeholders. This belief is reflected in NBK's dedication to making a positive impact on society through its robust Corporate Social Responsibility (CSR) initiatives. In 2024, NBK's community investments reached around KD 30 million (USD 97 million), a 9% increase from 2023. These funds supported diverse programs focused on youth development, healthcare, and environmental conservation.

NBK's dedication to a thriving Kuwait is demonstrated by the Bank's active contribution in financing transformative mega-projects as well as developing local talent through programs such as the Tamakan Training Program, which equips recent graduates with valuable professional skills. Furthermore, NBK is committed to the Kuwaitization strategy, in alignment with Kuwait Vision 2035. In 2024, Kuwaiti nationals comprised 78.0% of the workforce and 92.3% of new hires in 2024, demonstrating NBK's dedication to empowering national talent. By investing in its communities and supporting the realization of Kuwait Vision 2035, NBK is actively contributing to a more inclusive and sustainable financial future.

+ Learn more about NBK's CSR Initiatives on pages 42-46

# Chairman's Statement

Hamad Mohamed Al-Bahar
**Chairman**

Our collective efforts have yielded remarkable results, reinforcing our position as a leader in the financial sector.

NBK continued to expand its digital offerings, introducing a range of innovative products and services that cater to the evolving needs of its customers.

**Dear Shareholders, Investors and Partners,**
It is with great pride that I present to you, on behalf of the Board of Directors, the National Bank of Kuwait's 2024 Annual Report and audited financial statements. This year's report highlights how NBK is "Driving Innovation for an Inclusive and Sustainable Financial Future" through strategic initiatives, reflecting our unwavering commitment to excellence, innovation and sustainability.

As we review the accomplishments of the past year, the Board is immensely proud of NBK's achievements, prioritizing strong corporate governance and delivering sustainable value to all stakeholders. Our collective efforts have yielded remarkable results, reinforcing our position as a leader in the financial sector.

2024 was a year of significant milestones for NBK, with the issuance of NBK's debut Green Bond, the successful expansion of Weyay, the introduction of innovative and sustainable financial solutions, the enhanced accessibility and inclusivity for a broader customer base, and the capitalization on growth opportunities in key markets and market segments.

**Building an Inclusive and Sustainable Financial Future**

NBK is committed to leveraging technology to enhance customer experiences, drive operational efficiency, and contribute to a more inclusive and sustainable financial ecosystem. In 2024, NBK continued to redefine banking by digitizing existing products and diversifying digital offerings to enhance customer experience while improving operational efficiency. Leveraging technology, NBK provided innovative tailored services that met the evolving needs of its customers.

NBK continued to expand its digital offerings, introducing a range of innovative products and services that cater to the evolving needs of its customers, solidifying its position as a leader in digital banking in Kuwait and potentially expanding into other markets. The introduction of Jeel, a youth-centric banking solution under the umbrella of Weyay, has enabled young individuals to access essential financial solutions, empowering the next generation and fostering a more inclusive financial future.

**Cultivating a Sustainable Future for All Stakeholders**

NBK recognizes that a thriving future for our organization and our communities is inextricably linked to a sustainable future for the planet. Guided by our commitment to "Driving Innovation for an Inclusive and Sustainable Financial Future," we have embarked on a transformative ESG journey. A key highlight of 2024 was the development and approval of NBK's Group-level ESG Policy, providing a comprehensive framework for integrating sustainability across all aspects of our business.

We have also solidified our leadership in sustainable finance through the issuance of our inaugural USD 500 million Green Bond. This landmark achievement, funding projects focused on climate change mitigation such as green buildings, renewable energy, and clean transportation, demonstrates NBK's dedication to a greener future and our role in fostering a more sustainable world.

NBK set a new benchmark by becoming the first bank in Kuwait and the sixth in the MENA region to join the Partnership for Carbon Accounting Financials (PCAF). By participating in PCAF, we will enhance our ability to measure and manage our environmental impact, aligning our operations with global best practices in sustainability reporting and environmental disclosures. This commitment to transparency and accountability is crucial as we strive to build a more sustainable future for all stakeholders.

NBK is in the final stages of crafting an Environmental and Social Risk Management (ESRM) Framework, integrating ESG considerations into the Bank's risk management framework. We are committed to setting new standards in sustainable finance for the banking industry, contributing to a better world for future generations. We aspire to be trendsetters in fostering sustainable banking, not only in Kuwait but across all of our markets, demonstrating leadership in every initiative we undertake.

**Upholding Sound Governance Principles**

NBK is deeply committed to upholding the highest ethical standards and sound governance principles. Our dynamic and proactive governance framework fosters transparency, accountability, and ethical conduct across all levels. The Board of Directors, in collaboration with the dedicated executive management team, prioritizes aligning strategic decisions with the Bank's core values to effectively serve the interests of its shareholders.

**35%**

Total recommended cash dividends to be distributed to shareholders in 2024

We have solidified our leadership in sustainable finance through the issuance of our inaugural USD 500 million Green Bond.

The Ordinary General Assembly Meeting on March 23rd, 2024, reaffirmed our commitment to excellence. A key decision was approving the Board of Directors' recommendation to distribute 25% cash dividends to shareholders for the second half of the financial year (25 fils per share), bringing total cash dividends for the year to 35 fils per share. The AGM also approved the issuance of 5% bonus shares (five shares for every one hundred shares), a testament to the Bank's strong financial performance and a gesture of appreciation to its loyal shareholders.

Moreover, the Board of Directors recommended the distribution of 25 fils per share for the second half of 2024, bringing the total cash dividend distribution for the year 2024 to 35 fils per share, in addition to 5% bonus shares. That brings the cash payout ratio for the year to around 50% of the profits attributable.

**Investing in Our People's Well-Being and Development**

NBK recognizes that our employees are our most valuable asset. We foster a high-performing and inclusive culture where our people can thrive. In 2024, we also invested in their professional development through robust training programs, equipping them with the skills to navigate the evolving financial landscape.

We have prioritized employee well-being with initiatives like reduced working hours on Thursdays and the introduction of a Well-being Leave. We have also launched a comprehensive Diversity, Equity, and Inclusion (DE&I) Strategy in December 2024, fostering equal opportunities across all levels of the Bank

Our strategic vision focuses on fostering sustainable growth through innovation, financial inclusion, and robust risk management.

and promoting safe and secure working environments for all employees. Our commitment to employee well-being has been recognized with the Gold Award for "Excellence in Health and Wellbeing" from the prestigious Society for Human Resource Management (SHRM) at the SHRM MENA STAR Awards.

**Driving Prosperity in Kuwait and Beyond**

NBK has been a cornerstone of economic prosperity in Kuwait and the the markets we operate within. By strategically financing key infrastructure projects, supporting entrepreneurship, and fostering financial inclusion, we contribute significantly to the economic growth and development of Kuwait, aligning with the goals of Kuwait's Vision 2035.

Likewise, through strategic expansion and a focus on customer needs, we are building a robust international presence that facilitates trade, investment, and broader economic growth across our network. This commitment to fostering economic progress reflects NBK's dedication to creating a more prosperous future for all stakeholders.

**Going Forward with a Collective Sense of Purpose**

As we look towards 2025 and beyond, I am confident in our unwavering commitment to serving the interests of our stakeholders and ensuring the long-term success of our institution. Our strategic vision focuses on fostering sustainable growth through innovation, financial inclusion, and robust risk management. We will also work on enhancing our digital capabilities and leveraging technology and data analytics to ensure exceptional service and operational efficiency.

Aligned with Kuwait's Vision 2035, NBK will continue financing transformative projects and nurturing strong relationships with regulators. We will maintain competitiveness domestically while pursuing international growth, expanding our wealth management services across the GCC and capitalizing on our strategic advantage in offering Islamic products and services through Boubyan Bank.

Our dedication to sustainability will be underscored by strong initiatives in sustainable finance and investments in environmentally responsible projects. As we navigate future challenges and opportunities, NBK is well-positioned to maintain its leadership in the financial sector, deliver value to our shareholders, and contribute to the broader community's prosperity.

As we move forward, our shared values and collective sense of purpose will guide us. I look forward to another year of remarkable achievements and strategic advancements, built on the solid foundation of our strong partnership and your unwavering trust.

## Acknowledgments

On behalf of the Board, I extend our deepest gratitude to all our stakeholders for their continued support. I acknowledge the invaluable contributions of my fellow directors and the exemplary leadership of our executive management team. A heartfelt thanks to our dedicated employees, whose hard work is the backbone of our success.

We are profoundly grateful to our esteemed customers for their unwavering trust and confidence in NBK, and our shareholders, whose support and investment drive our continuous growth and innovation. Finally, we express sincere thanks to the Central Bank of Kuwait and the Capital Markets Authority for their guidance and support. NBK's achievements are a testament to the collective efforts and unwavering dedication of all those who have contributed to our journey.

# Year in Review

## January

- NBK Hosts a Media Awareness Workshop on Sustainability and Climate Change
- NBK Hosts a Series of Workshops for the Employees of Kuwait Fund for Arab Economic Development (KFAED)

## February

- NBK Hosts First Annual Meetup for “Tableau” Data Analytics and Visualization Software
- NBK and Zain Sign MOU with KFAS to Launch a Digital Program for the Kuwaiti Youth
- NBK Supports LOYAC Agricultural Trips to Promote Sustainable Agriculture
- NBK Unveils ‘NBK Wealth’ for Premium Wealth Management Solution

## March

- NBK Ranks Among the Top-Rated GCC Financial Institutions for Climate Actions by CDP
- NBK Increases Al-Jawhara Account Total Prizes to KD 5 Million

## April

- NBK Celebrates the Graduation of the First Wave of “NBK Tech Academy”
- NBK Launches “NBK 247 Cashback Visa Platinum Prepaid Card ” with up to 24% Cashback

## May

- NBK is the First Bank in Kuwait to Join the Partnership for Carbon Accounting Financials (PCAF)
- NBK Becomes the First Bank In Kuwait to Adopt “DHL GoGreen Plus” Service
- NBK Pledges KD 8 million to Boost Sharq Area with New Park and Parking Facility
- NBK Announces its Strategic Partnership with the Future Investment Initiative (FII) Institute in KSA

## June

- NBK Pioneers Sustainable Finance with USD500 Million Debut Green Bonds
- NBK Launches Kuwait’s First International Mortgages Center
- NBK Signs Exclusive Collaboration Agreement with IE University - Spain
- NBK Introduces “WAMD” Instant Payment Service on Its Mobile Banking App

## July

- NBK Signs MoU with Kuwait Clearing Company
- NBK First Bank to Implement Super IPaaS Solution in the Region

## August

- NBK Unveils Payment Verification Service on Its Mobile Banking App
- NBK Launches Enhanced Al-Shabab Package

## September

- NBK Leads The Banker’s 2024 List of Top 100 Arab Banks in Kuwait
- NBK Honors Kuwait’s Champions in the 2024 Paralympic Games

## October

- NBK Launches Tech Majors’ Workshop in Collaboration with Kuwait University
- NBK Participates in “Watheefti”, Kuwait’s Largest Career Fair
- NBK Signs Four Strategic Agreements Valued at $1.6 billion at the FII 8th Edition

## November

- NBK the Only Kuwaiti Bank in Global Finance’s List of the World’s 100 Safest Banks for 2024
- NBK Launches the “NBK Pioneers Program” for High Potential Employees in the Sales Channels
- NBK Joins COP29 Discussions to Advance Sustainable Financing and Bridge the Climate Investment Gap

## December

- NBK acquires 51% of the Capital of the leading payment service provider, UPayments.
- NBK Introduces AFAQ-GCC’s Unified Payment System on Mobile Banking

# Institutional Strength

## Credit Ratings

NBK is a robust financial institution, as demonstrated by the trust that its customers and shareholders have placed in it, as well as its long-term credit ratings.

| Rating Agency | Long-term Rating | Standalone Rating | Outlook |
|---|---|---|---|
| MOODY'S RATINGS | A1 | a3 | Stable |
| S&P Global | A | a- | Stable |
| FitchRatings | A+ | a- | Stable |

## Awards and Accolades

GLOBAL FINANCE

**Global:**

- Best in Innovation -Global 2024

**Regional:**

- Best Online Product Offerings in the Middle East 2024
- Best in Innovation in the Middle East 2024
- Best Bank for ESG-Related Loans in the Middle East 2024

**Country:**

- Best Online Product Offerings in Kuwait 2024
- Best in Innovation in Kuwait 2024
- Best Bill Payment and Presentment in Kuwait 2024
- Best Mobile Banking App in Kuwait 2024
- Best in Lending in Kuwait 2024
- Best SME Bank in Kuwait 2024
- Best Foreign Exchange in Kuwait 2024
- Best Trade Finance in Kuwait 2024
- Best Bank in Kuwait 2024
- Best Cash Management Bank in Kuwait 2024
- Most Improved App for Digital Payments for Digital Payment Innovations in the New NBK Mobile Banking Application 2024

- Best Bank for Diversity and Inclusion in Kuwait 2024 (Euromoney)
- Best Bank for SME in Kuwait 2024 (Euromoney)
- Best Real Estate Bank in Kuwait (Euromoney)
- Best Retail Bank in Kuwait 2024 (MEED)
- Best Innovation Programme 2024 (MEED)
- Excellence in Sustainable Investment 2024 (MEED)
- MENA Fund Manager of the Year 2024- NBK Wealth (MEED)
- Best Trade Finance Bank in Kuwait 2024 (GTR)
- Best Bank for employee health and wellbeing - Gold (SHRM)

MSCI ESG RATINGS BBB

NBK's rating at 'BBB' per the MSCI audit

FTSE4Good

Constituent of the FTSE4Good Index Series

Brand Finance®

Number 1 Banking Brand in Kuwait

CDP

"C" Score for 2024 for both the Climate Change and Forests Categories

# Vice Chairman & Group CEO's Statement

Isam J. Al-Sager

**Vice Chairman &**
**Group Chief Executive Officer**

Our diversification strategy, encompassing products, services, and geographies, played a crucial role in driving our continued progress.

**Dear Shareholders, Investors and Partners,**

It is with great pleasure that I share with you that 2024 was a year marked by resilience, growth, and a steadfast commitment to our long-term vision. Navigating a dynamic global landscape, NBK demonstrated its strength and adaptability, achieving strong financial performance while "Driving Innovation for an Inclusive and Sustainable Financial Future".

In a dynamic and evolving landscape, characterized by global economic uncertainty, supply chain disruptions, and a complex geopolitical environment, NBK demonstrated its adaptability and resilience. We successfully pursued diversification strategies and harnessed technological innovation, expanding our global footprint and seizing emerging opportunities. Our diversification strategy, encompassing products, services, and geographies, played a crucial role in driving our continued progress.

A higher interest rate regime and a stable operating environment in Kuwait further bolstered our financial performance. Our financial success enabled the Board to reward shareholders with a 10 fils per share semi-annual dividend in addition to recommending the distribution of 25 fils per share for the second half of the year; demonstrating resilience and affirming the Bank's strong financial performance despite a challenging operating environment.

**Delivering Financial Growth**

By December 31, 2024, NBK's total assets reached KD 40.3 billion, marking a 7.1% year-on-year growth, driven by robust performance across our business lines. Attributable shareholders'

NBK delivered exceptional results, enhancing revenue streams and benefiting from prudent policies that ensured solid asset quality and strong capitalization

NBK's core business segments significantly contributed to our growth in 2024, through both our conventional, and our Islamic banking solutions

equity stood at KD 3.9 billion, with profits attributable growing by 7.0% year-on-year to reach to KD 600.1 million. NBK's Return on Average Assets (ROAA) remained strong at 1.55% in 2024, up from 1.53% in 2023. The payout ratio was stable at around 50% of net profits, resulting in total cash dividends of 35 fils per share, showcasing confidence in NBK's healthy capitalization and commitment to maximizing shareholders' value. Customer deposits grew to KD 22.9 billion, a 4.2% increase over 2023, while our net loan portfolio expanded by 6.4% to KD 23.7 billion.

By the end of 2024, our Non-Performing Loans (NPL) to gross loans ratio was 1.34%, with an NPL coverage ratio of 263%, reflecting NBK's effective risk management. Leveraging geographical diversification, digital advancements, and a strong financial position, NBK delivered exceptional results, enhancing revenue streams and benefiting from prudent policies that ensured solid asset quality and strong capitalization. As of December 31, 2024, NBK's market capitalization stood at KD 7.5 billion.

**Innovating for Sustainable Value Creation**

NBK is committed to delivering exceptional value to its clients by introducing innovative products and services tailored to their diverse needs across all of our business segments. In 2024, we established strategic partnerships with leading institutions, such as JP Morgan Asset Management and Intervest, expanding our investment solutions.

We have also prioritized enhancing the customer experience through technological innovation, including the introduction of several fully digital prepaid cards and the improvement of our banking application, to ensure a seamless customer experience and efficient service delivery. Our mobile banking app, with more than 65 new features, earned several prestigious awards, including recognition for the "Most Improved App for Digital Payments", "Best in Innovation - Global", and "Best Mobile Banking App in Kuwait".

**Ensuring a Solid Operational Performance**

NBK's journey this year was marked by a strong operational performance across the group, underscoring its continued business growth. NBK's core business segments significantly contributed to our growth in 2024, through both our conventional, and our Islamic banking solutions - which are provided by our Islamic banking arm, Boubyan Bank.

NBK Wealth strengthened its wealth management offerings, increasing Assets Under Management (AUMs), and fostering deeper client relationships through initiatives like NBK Wealth House View and NBK Wealth Insights. It diversified its investment portfolio across asset classes, expanded its product offerings, and successfully attracted new clients, further solidifying its position as a leading wealth management provider.

Corporate Banking maintained its leadership through continued support to client growth by providing customized solutions, including financial advisory services, to manage cash flow and meet evolving needs across local and international markets. It diversified its client base by focusing on high-growth companies and strengthening credit risk management to ensure portfolio health and high asset quality.

Consumer Banking expanded its customer base by targeting new segments, including First Jobbers, while introducing innovative products such as digital prepaid cards, a fixed saving plan, and the JEEL account for young clients through our digital bank Weyay. It also fostered stronger customer relationships through initiatives like the Retention Hub, providing personalized support.

NBK's International Banking Group maintained a high-quality portfolio while expanding its geographic reach, including the establishment of a Centralized Syndications Desk in the UAE. It also diversified its operations across international markets, launching new consumer banking propositions in Egypt and Bahrain while exploring new market opportunities.

NBK's International Banking Group maintained a high-quality portfolio while expanding its geographic reach.

Group Treasury successfully managed liquidity by optimizing funding sources, shortening deposit durations, and diversifying the Group's funding base. These Treasury initiatives contributed to lower funding costs while maintaining a robust liquidity position, despite regional geopolitical events.

**Prioritizing Robust Risk Management**

In 2024, we prioritized a robust and prudent approach to risk management, emphasizing a strong risk culture across the Group. This approach, underpinned by a robust governance framework and strong leadership from the Board and the Board Risk and Compliance Committee (BRCC), ensured comprehensive risk monitoring and effective controls.

By fostering a culture of accountability and adherence to the highest regulatory standards, we maintained a strong risk profile and positioned the Bank for sustainable growth while upholding our commitment to stakeholder expectations and operational excellence.

**Fostering the Well-Being of Our People**

NBK is a firm believer in a holistic approach to employee well-being, not only ensuring the mental, physical, and financial wellbeing of its employees, but also fostering a thriving, motivated, and loyal workforce. We are deeply committed to workforce diversity, equity, and inclusion, fostering a workplace that ensures fair treatment for all. In December 2024, we launched our comprehensive Diversity, Equity, and Inclusion (DE&I) strategy, dedicated to fostering an inclusive environment, driving innovation, and better serving our communities and stakeholders. This strategy addresses systemic barriers, ensures equal opportunities for all, and aligns with the United Nations Sustainable Development Goals (UN SDGs).

We have prioritized attracting and developing top talent, through rigorous selection, in alignment with our values, transparent evaluations, and a merit-based culture. We have also implemented a robust suite of mentoring and training programs in 2024 to equip our workforce with the necessary skills for a rapidly evolving industry. Our training initiatives have garnered multiple prestigious awards, including the 2024 MERIT's Special Recognition for Developing Women Leaders for our NBK Rise Program, highlighting their significant impact. Our workforce is vital to our success, fueled by unwavering dedication and loyalty that drive us towards our shared goals.

**Building a Sustainable Future**

Guided by our commitment to building a sustainable future for all stakeholders, the Board approved the Group's ESG Policy in 2024, underscoring our dedication to environmental, social, and governance principles. We have also launched our debut USD 500 million Green Bond, demonstrating our steadfast commitment to a sustainable financial future.

We have set a new benchmark by becoming the first bank in Kuwait and the sixth in the MENA region to join the Partnership for Carbon Accounting Financials (PCAF), enhancing our decision-making, and enabling monitoring the Bank's progress in implementing its ESG Strategy and its progress towards its 2060 carbon neutrality commitment.

Our commitment to positive societal impact was also evident through our robust CSR initiatives. In 2024, NBK's community investments reached around KD 30 million (USD 97 million), marking a 9% increase from 2023. These efforts highlights our dedication to driving meaningful change and supporting the communities we serve.

NBK will continue to play a pivotal role in the Kuwaiti economy, leveraging financing opportunities emerging from the National Development Plan and its pipeline of mega-projects

**Moving Ahead with a Steadfast Commitment to Excellence**

NBK will continue to play a pivotal role in the Kuwaiti economy, leveraging financing opportunities emerging from the National Development Plan and its pipeline of mega-projects. We are committed to expanding our leadership beyond the Kuwaiti market through strategic growth in key international markets. We will continue to prioritize innovation and leverage technology to preserve our leadership and foster sustainability, in alignment with our commitment to “Driving Innovation for an Inclusive and Sustainable Financial Future”.

While navigating the evolving geopolitical landscape, we remain optimistic about capitalizing on emerging opportunities. The Group will fortify its future by balancing robust risk management with a forward-looking approach to sustainable growth and innovation. NBK is charting a path toward a sustainable future as it continues to innovate and adapt to the evolving landscape of sustainable finance, playing a pivotal role in shaping the future of the region.

In 2025, we will prioritize business diversification through digital disruption, building our digital business using modern technology and agile models, and expanding the customer base of Weyay with innovative digital products. We will focus on growth in key markets and continue advancing on our digital and sustainability agendas.

As we set our sights on the more distant future, I am filled with confidence that our dedicated team, strategic vision, and steadfast commitment to excellence will elevate NBK to new heights. We will continue to deliver sustained value to our stakeholders and strengthen our position as a leader in the financial sector.

**Acknowledgements**

On behalf of the executive team, I extend our heartfelt gratitude to all stakeholders for their invaluable contributions to the bank’s success. Your support and collaboration have been instrumental in our achievements. Looking ahead, we reaffirm our unwavering commitment to safeguarding your interests and nurturing our collective ambitions.

NBK pledges to remain your trusted partner, continually prioritizing innovation, sustainability and excellence in all our endeavors. Together, we will chart a course toward a future of sustained value creation, ensuring that our legacy of trust endures for generations to come.

We will continue to deliver sustained value to our stakeholders and strengthen our position as a leader in the financial sector.

# Market Outlook

**3.2%**
Global GDP growth estimated for 2024 (IMF)

**USD 80**
Average Oil Price in 2024 (ICE Brent/bbl)

### Global Growth Steady in 2024, But Trump's Re-Election Injects Policy Uncertainty

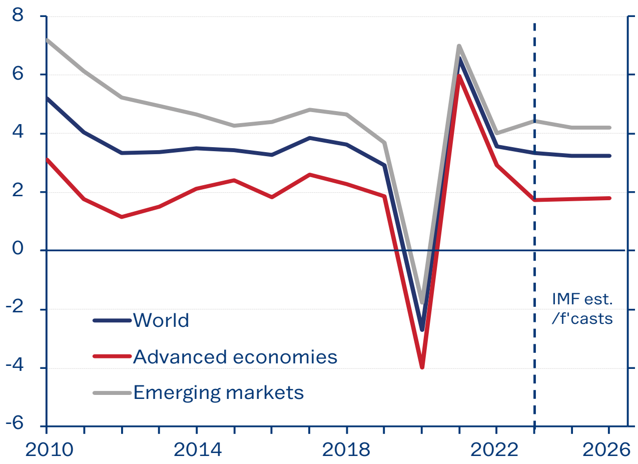
The year 2024 was pivotal, with key central banks across the world embarking on much-awaited monetary policy easing driven by falling inflation and in combination with a faltering economic landscape in some regions, especially Europe. Economic growth among major developed economies remained uneven, with the US continuing to outperform, recording above-trend growth and defying slowdown predictions, supported by a robust but easing job market and solid consumer spending. Conversely, Europe, including the UK, recorded lackluster growth amid a less vibrant corporate sector, a less resilient consumer sector, shaky external demand, and domestic political headwinds in key economies. Meanwhile, the post-Covid rebound in China continued to be uninspiring, with the authorities seeking to support the ailing property sector and boost domestic demand through a series of stimulus measures that have so far proved to be insufficient.

Looking ahead, while global GDP growth for 2025 is forecast by the International Monetary Fund (IMF) to be only slightly higher than in 2023-24 at 3.3%, the world economy is at a crossroads, given the re-election of Donald Trump as US president in November 2024. That election has shifted the US interest rate outlook and already led to an increase in policy uncertainty across the globe. In all cases, the US economy looks set to continue outperforming most G7 peers, while the likelihood of sizable fiscal policy support in China has increased given the higher uncertainty surrounding the outlook. Overall, a cautious outlook for the global economy in 2025 is warranted, with prospects dependent on policy moves, both economic and geopolitical, by the new US administration.

### Oil Prices Broadly Softer Amid Demand Worries, Emerging Supply Overhang

Oil prices started 2024 brightly on another round of OPEC+ voluntary cuts, elevated geopolitical risk and expectations of aggressive central bank interest rate cuts supporting economic growth; but prices ended the year under pressure amid worries over a flatlining Chinese economy and a developing supply overhang. With prices plummeting in the third quarter by 17%, key

**World Real GDP (% y/y)**




Source: IMF World Economic Outlook Update (January 2025)

**International Oil Price (ICE Brent USD/bbl)**


Source: Haver

OPEC+ members repeatedly delayed the unwinding of their 2.2 mb/d of voluntary production cuts. In December, after another supply cut rollover, OPEC+ announced an extended, 18-month supply cut taper starting April 2025. By 2024's close, Brent had dropped 3.1% y/y to $74.6/bbl, posting a second consecutive year of declines and an annual average of $80.0/bbl. Market fundamentals point to further price softness in 2025. However, there are considerable uncertainties related to OPEC+ supply management, US president Trump's energy policies, including his potential tightening of sanctions on Iranian oil flows, and Chinese economic growth.

**Strong Non-Oil Growth in Saudi and the UAE Helped the GCC Withstand External Headwinds**

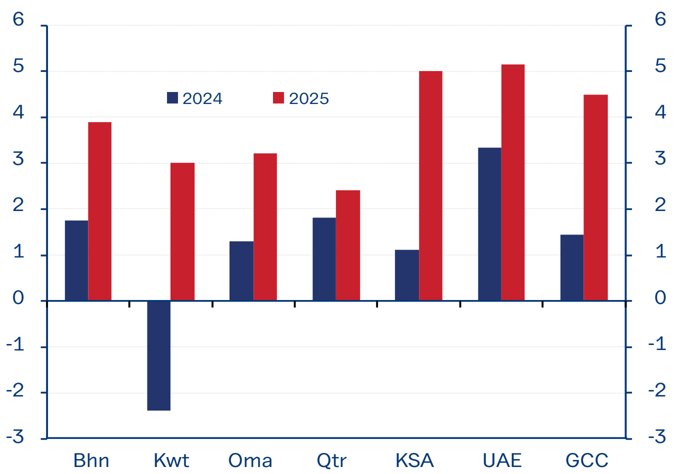
The GCC economy fared well in 2024, despite international headwinds including elevated interest rates, geopolitical tensions, falling oil prices, and oil output constrained by OPEC+ policy. Aggregate GDP growth is estimated at 1.4%, up from 0.4% in 2023, but more impressive is the ongoing expansion in non-oil activity, led by Saudi Arabia and the UAE. Through a combination of business-friendly structural reforms, increased trade and tourism flows and high domestic investment rates, robust non-oil growth of 3.5-4.5% is estimated in both countries. Fiscal balances, however, deteriorated across the region due to lower oil receipts. Among the smaller GCC economies, Oman earned plaudits for its prudent fiscal management and Vision 2040 reform efforts, which have led to a decline in public debt and a first investment grade sovereign rating in seven years. Notwithstanding the risk of a weaker global operating environment, the outlook for the GCC in 2025 is broadly positive, underpinned by continued strong government investment and expectations of further monetary loosening.

**Kuwait's Gdp Could Rebound in 2025 After Subpar 2024 Led by Oil Sector Cuts**

Economic activity in Kuwait was subpar in 2024, with non-oil output expanding by a below trend rate amid subdued consumer spending growth, relatively high interest rates, contractionary fiscal policy, and oil output lower due to OPEC+ mandated production cuts. Crude production averaged 2.41 mb/d in 2024, down almost 7% on 2023's level, but in line with the country's OPEC+ quota. 2025 should see some volumes return as OPEC+ starts unwinding members' voluntary cuts. Meanwhile, official provisional data showed non-oil GDP growth at 1.0% y/y in Q1-Q3 2024, and overall growth at -3.2% thanks to declining oil output.

Monthly gauges of economic activity revealed a mixed picture in 2024, with consumer spending growth easing to low single digit rates (+4%) on the one hand and credit, real estate and projects activity strengthening on the other. By December's close, domestic credit growth had risen to 3.7% y/y, more than double 2023's rate, on gains in both business and household credit

**GCC Real GDP (% y/y)**




Source: NBK estimates/forecasts

**Kuwait Crude Oil Production (mb/d)**


Source: Haver

that were also supported by the commencement of the interest rate-cutting cycle. Real estate sales, meanwhile, were up 23% for the year as a whole amid improving market sentiment and lower residential sector valuations. For the projects market, 2024 was its best year since 2017, up 45% on 2023 with KD2.7 billion worth of awards; mainly housing, water and power sector awards. These improving metrics provide a reasonable foundation for slightly stronger non-oil activity in 2025.

Consumer price inflation, meanwhile, trended lower in 2024, as cost pressures, especially in the food and clothing categories, eased amid unwinding supply chain bottlenecks and softer consumer demand. Inflation averaged 2.9% in 2024, slowing from 3.6% in 2023 and could ease further in 2025.

Monetary policy loosened in 2024, as the Central Bank of Kuwait in September followed the US Federal Reserve in cutting benchmark interest rates. By 2024's close, the key discount rate had been reduced by 25 bps to 4.0% compared to 100 bps of cumulative cuts by the Fed, with the authorities continuing on a more gradualist rate setting path.

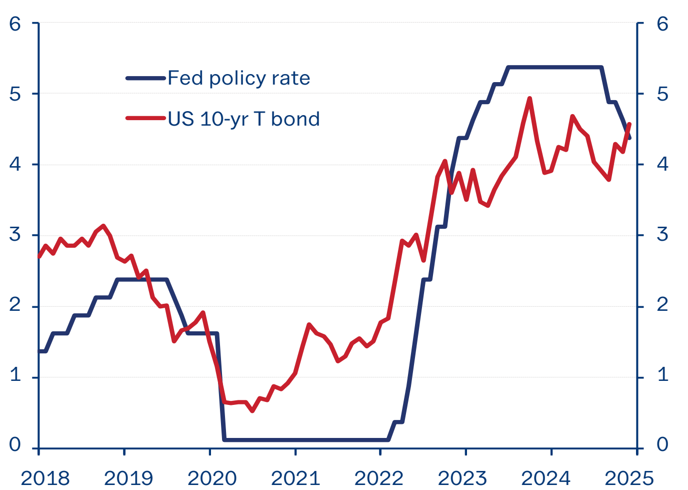
The government of HRH Sheikh Ahmad Al-Abdullah Al-Sabah, the Prime Minister, which was appointed in May in the wake of HRH the Emir's decision to suspend parliament for up to four years, adopted a moderately contractionary budget for the year, as it looked to restrain spending and control a fiscal deficit that was expected to widen to 4.5% of GDP amid lower oil revenues. Further deficits are expected in the medium term, with the IMF urging the government to adopt a medium-term plan of gradual fiscal consolidation and broader structural reforms. The new government's multi-year economic plan due in early 2025, should contain measures in that regard. The draft budget for fiscal year 2025-26 points to modest spending rationalization alongside a solid rise in non-oil revenues (through higher administrative fees and the new 15% corporate tax on multinationals), with the latter's share of overall revenues rising to 16% from 14% previously. Capex is budgeted slightly lower, but we expect actual investment to trend up from recent weak levels to meet development plan objectives.

In the banking sector, Kuwaiti banks continued to post solid results in 2024. Most recorded positive growth in net profits and profitability metrics (return on equity, return on assets) over the first nine months of the year, a continuation of the trend seen since 2021. Asset quality remained generally good, with the cost of risk under control and mostly lower than historical levels. Capital adequacy continued to be solid, standing at 18.2% as of September 2024, well above the minimum requirement of 13%.

### Egypt Undergoes Major Economic Reforms and Attracts Large Investment Flows

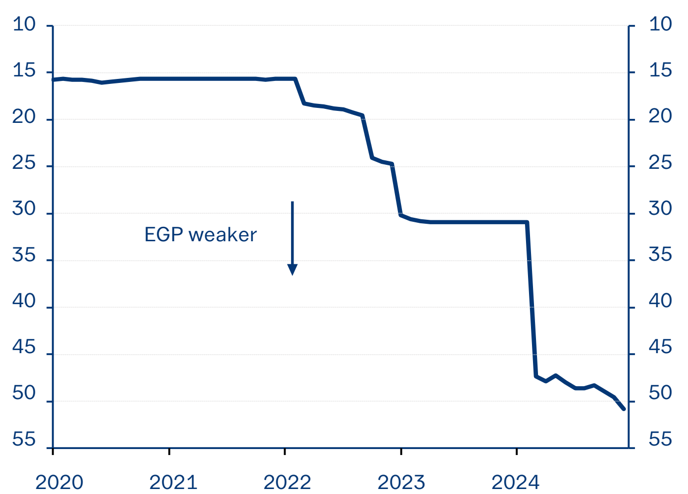
It was an important year for the Egyptian economy, with the authorities embarking on an ambitious, transformative macro-fiscal agenda amid significant local and external challenges, not least rapid inflation, energy rationing and a conflict in Gaza that was carrying with it human, geopolitical and economic costs. In February 2024, the state inked a landmark deal worth USD 35 billion with the UAE to develop the Ras El-Hekma region. This and the authorities' bold decision to devalue the currency and introduce a more flexible exchange rate unlocked billions more in financing from international organizations including the IMF. The government followed up with cuts to energy subsidies and the privatization of some state assets. By 2024's close, fiscal and external buffers had strengthened, the currency had stabilized, and inflation was trending down. In Q3, Egypt's GDP expanded at its fastest rate since Q1 2023, at 3.5% y/y. Capping the major turnaround was a first sovereign credit rating upgrade by Fitch since 2019 (to 'B' from 'B-').

**US Interest Rates (%)**




Source: Haver

**Egyptian Pound Exchange Rate (EGP/USD)**




Source: LSEG

# Our Business Model

## We use our key strength...

**Stable and Growing Base Franchise,** catering to customers across 4 continents.

**Dynamic Appetite for Challenge,** driving our growth.

**Digital Leadership,** fueling our innovation.

**Commitment to Disciplined Compliance,** ensuring proactive risk management.

**Committed and Value-Driven Workforce,** forming the backbone of our business.

# Leveraging Our Strengths to Deliver Sustainable Value

## Creating Value

## For our stakeholders...

**Our Client Base:** Delivering innovative financial products and services, and personalized banking solutions.

**Our People:** Fostering a culture of innovation and transforming our workforce into highly valued assets.

**Our Shareholders:** Delivering consistent returns and ensuring long-term value creation through sustained growth strategies.

**Our Regulators and Governments:** Upholding responsible practices with a commitment to robust governance practices and full compliance with regulatory requirements.

At the heart of NBK's strategic vision lies a business model that thrives on trust and the creation of exceptional and sustainable value for all our stakeholders. We are harnessing the unique synergy of a leading digitally innovative customer base franchise, a skilled value-driven workforce, a proactive sustainability focus, and a disciplined compliance and dynamic risk management approach, to redefine the future of banking. As we forge ahead, we are committed to setting new benchmarks and creating sustainable value for all of our stakeholders, building a legacy of financial excellence.

**Proactive Sustainability Focus,** securing a better future.

**Redefining the banking experience for all our clients,** retail, corporate, and high-net-worth individuals, through a strategic commitment to digital transformation.

**Establishing a strong global footprint,** cultivating a regional and international clientele within the dynamic agile banking industry.

**Shaping the future of global capital and trade flows,** bridging capital and trade flows between the MENA region and the rest of the world.

**Building a leading wealth management franchise,** providing tailored financial solutions to a diverse global clientele.

**Our Communities:** Enabling positive change within our communities through initiatives that support social and sustainable economic development.

# Strategy

## Digital Transformation

### Defend and Grow Leadership Position in Kuwait

- Corporate Banking
- Consumer Banking
- Build Regional Powerhouse in Wealth Management

### Geographical, Product and Service Diversification

- Expand Regional Presence
- Expand Islamic Franchise

# ESG Transition

The Bank aims to (i) remain the primary banker for the leading local companies whilst continuing to be active in the mid-market sector;(ii) remain the bank of choice for foreign companies and continuing to serve at least 75% of those companies and (iii) maintain its current market share in trade finance (over 30%).

To achieve the above, NBK will expand its coverage and broaden the range of products and services offered.

NBK intends to maintain its focus on the profitable affluent and mass affluent segments while continuing to build a future-safe franchise by investing in youth segments (such as first jobbers and Shabab).

Through the above, the Bank aims to maintain its leadership position, maintain its focus on delivery of superior customer service experience and achieve the lowest cost of funds among Kuwaiti banks.

NBK aims to continue to provide a unique proposition to high net worth clients by bringing its frontline and asset management arm together as one team and complementing its superior customer service with an increasingly wider range of investment products.

Leveraging its strong trustworthy brand and geographic reach, the Bank aims to bridge capital flows between Kuwait and the rest of the world.

NBK aims to replicate its success in wealth management in Kuwait in other GCC markets and build a pan-regional franchise with regional origination and international asset allocation capabilities.

The Bank's geographic diversification strategy is to leverage its fundamental strengths and capabilities, including its international reach and strong regional relationships, to build a regional platform and support growth in key markets.

NBK focuses on markets with long-term potential through a combination of high growth economies, sound demographic trends and opportunities aligned with the Bank's competitive advantages.

The Bank's strategy, in relation to its Islamic subsidiary, is to differentiate it from other domestic Islamic banks through a clear focus on high net worth and affluent clients and large and mid-market corporate customers.

# Redefining Banking Experiences Through Digital Innovation

NBK continues to redefine banking by digitizing existing products and diversifying digital offerings to enhance customer experience and efficiency. Leveraging modern technology and digital disruption, NBK provides tailored services that meet the evolving needs of its customers, solidifying its position as a leader in digital banking.

GLOBAL FINANCE

- Best Mobile Banking App - Kuwait
- Best Online Product Offerings -Kuwait & Middle East
- Market Leader in Digital Payment Acceptance

## 2024 Highlights

**65+ New Features for a Seamless Mobile Banking Experience**
Since the end of 2023, NBK has continuously enhanced the NBK Mobile Banking App, adding and improving over 90 features to provide a more efficient and seamless digital banking experience. These updates reflect NBK's commitment to leveraging cutting-edge technology and customer-centric solutions to meet the evolving needs of its users. The NBK Mobile Banking App updates in 2024 included;

- **Improved User Experience:** Adding features to improve users' experience, enabling them to access transfer receipts immediately after completing local or international transfers, to view and customize monthly statements directly from the app, and to access key transaction features from the main page, such as quick payment, bill splitting, loading accounts, and quick send.
- **Enhanced 3D Secure Payment Service:** Providing an extra layer of protection against fraud when using Bank cards for online transactions and authenticating purchases through the NBK Mobile App.
- **Access to WAMD Services:** Enabling seamless, easy, and convenient money transfers using only the recipient's mobile number, in collaboration with the automated banking company "Knet" and under the supervision of the Central Bank of Kuwait.
- **New Digital Products:** Providing Innovative products, such as Al Jawhara Saver Account, with the ability to obtain a credit card linked to Al Jawahra account allowing customers to benefit from exclusive offers, and to win valuable prizes.
- **Relationship Manager Access:** Enabling customers to view their relationship manager's name and contact details, and to schedule appointments directly through the app.
- **Access to NBK FlexiPay:** Enabling customers to pay for purchases in installments of up to 12 months through the NBK Mobile Banking App.
- **Streamlined eKYC Form:** Minimizing data required from customers, enhancing convenience and speed of the service, as well as simplifying the Civil ID renewal process through seamless integration with the Public Authority for Civil Information.

**Cutting-Edge Digital Prepaid Solutions**
NBK is making significant strides in digital banking with the launch of several fully-digital prepaid cards. The 247 Cashback Visa Platinum Prepaid Card, introduced in late 2023, offers up to 24% cashback on daily purchases; and the ability to easily redeem points through the NBK Mobile App. The NBK Internet Visa Prepaid Card, released in early 2024, provides a secure online shopping experience. Additionally, the SELECT Digital Prepaid Card, launched through Weyay in mid-2024, offers exclusive benefits for allowance students, including cashback and instant discounts.

These innovative products align with NBK's commitment to providing cutting-edge digital solutions, reinforcing its dedication to innovation and enhancement of customer experience. Most importantly, these end-to-end digital products allow customers to effortlessly conduct their daily banking activities. By offering these fully digital cards, NBK ensures that customers enjoy a more convenient and rewarding banking experience, highlighting the Bank's role in pioneering digital banking solutions in Kuwait.

**On the Path to NBK's Digital Future**
Looking ahead, NBK is focused on enhancing customer experience through cutting-edge technology and data-driven strategies. NBK's future plans include revamping user journeys in mobile and online banking, enhancing call center technology, and expanding social media engagement. NBK is also exploring AI solutions to add value for both customers and the Bank, ensuring continuous innovation and adapting to the evolving digital landscape.

Internally, NBK will continue to leverage Agile Methodologies to deliver world-class products and services. NBK has expanded its cross-functional teams to augment development efforts, ultimately resulting in impeccable digital solutions that customers truly deserve.

Moreover, NBK's commitment to providing top-tier banking solutions is demonstrated by its focus on collecting and utilizing customer feedback to make informed decisions. By leveraging tools like CleverTap, NBK will continue to gather extensive data to support improving customer experience, engagement, satisfaction, and retention. This user-centric approach will ensure staying ahead of market trends and meeting our customers' evolving needs, especially with respect to digital-only propositions. Thus, NBK will maintain its digital leadership through embracing innovative and efficient technological solutions.

## Weyay Driving Digital Banking Innovation

Since its successful launch in 2021, Weyay Bank has experienced significant growth, surpassing initial expectations by four times. This surge in demand underscores the growing appetite for digital banking solutions. In 2024, Weyay continued to innovate, introducing a range of products and services that cater to the evolving needs of its customers, solidifying its position as a leader in digital banking.

Weyay's innovative products and services, introduced in 2024, include:

- **SELECT Digital Prepaid Card:** Tailored specifically for students, offering exclusive membership benefits, cashback offers, and immediate discounts with top brands and popular delivery apps in Kuwait.
- **Jeel Card:** Designed for young individuals aged 8 to 14, incorporating innovative features such as "Quick Pay Request" and "Request Payment via Link" services, fostering digital financial independence for young customers.
- **Multi-Currency Prepaid Card:** Provides customers with a seamless experience for both travel purchases and online transactions in multiple currencies, offering competitive exchange rates, and maximum transparency regarding fees and transaction details.
- **Saving Pot "Pro":** Promotes a culture of savings among all societal segments, particularly the youth, offering an attractive annual interest and helping customers boost their savings with a simple, user-friendly platform.

**Weyay 2024 Awards**

| MEED | Global Finance | Mastercard |
| --- | --- | --- |
| • Best Digital Bank in Kuwait | • Best Digital Bank in Information Security and Fraud Management in Kuwait<br>• Most Innovative App for Young People | • Highest Growth in Prepaid and Debit in Kuwait |

## Weyay Jeel: Empowering Tomorrow's Customers Today

Jeel was born out of a deep understanding of the evolving needs of young people in today's digital age. Recognizing the gap in the market for a youth-centric banking solution, Weyay embarked on a journey to create a digital product that would not only meet the financial needs of young individuals, aged 8-14, but also empower them to make informed financial decisions.

**From Vision to Reality**

Developing Jeel involved a rigorous process of research, design, and testing. Through in-depth research and user testing, Weyay identified the specific needs and preferences of young people. A user-friendly interface was designed, prioritizing simplicity and security. Rigorous testing ensured the product's reliability and performance. This iterative approach led to the successful launch of Jeel in February 2024.

**Unveiling the Power of Jeel**

With an impressive user satisfaction rate of 95%, Jeel provides a comprehensive suite of features designed to cater to the unique needs of its young users. It offers an engaging and personalized banking experience through a user-friendly platform, with vibrant graphics and interactive navigation, allowing users to manage their finances independently. The platform promotes financial literacy by enabling youth to manage their spending. Security is enhanced with real-time notifications to parents via the Weyay app. Additionally, Jeel motivates young users to adopt healthy financial habits.

**Driving Impact and Shaping the Future**

By offering a fun and engaging banking experience, Jeel is not only attracting a new generation of customers but also fostering financial literacy among young people, in alignment with NBK's commitment to social responsibility, financial inclusion, and its vision of empowering individuals. As Jeel continues to evolve, it has the potential to revolutionize the way young people interact with finance.

# Operational Review

**Driving Growth Through Operational Excellence**
NBK has solidified its position as a leading financial institution in 2024 through unwavering adherence to regulatory frameworks and responsible business practices as well as a relentless pursuit of innovation, customer-centricity, and operational excellence. This section delves into the key achievements and strategic initiatives of NBK's various divisions as well as their future priorities, enabling NBK to shape the future of banking. By optimizing operational efficiency and leveraging technology, NBK is well-positioned to drive sustainable growth and deliver exceptional value to its stakeholders.

## Corporate Banking Group

NBK's Corporate Banking Group successfully navigated a complex operating environment in 2024, marked by economic uncertainties and political tensions. The division demonstrated resilience and innovation, effectively executing its strategic priorities.

*Key Initiatives in 2024*
**Customizing Solutions**
Corporate Banking continued to support corporate clients' growth and financial stability by providing customized solutions to manage cash flow locally and internationally through NBK's network. It strengthened client relationships through the provision of tailored financial solutions to meet their evolving needs, including financial advisory services.

**Diversifying the Client Base**
Corporate Banking continued to diversify its portfolio with a focus on attracting and onboarding new clients with high growth potential, offering a wide range of services to meet evolving needs. It supported mid-sized corporate businesses through a dedicated team, monitoring their growth and performance. Additionally, it prioritized credit risk management and asset quality, leveraging customer and market insights to ensure portfolio health and maintain high asset quality.

**Driving Digital Innovation**
Corporate Banking implemented internal technological enhancements, and continued to upgrade the Corporate Banking online platform, improving efficiency and customer experience. It also invested in developing the workforce, equipping employees with the skills and knowledge to navigate the changing landscape.

*Priorities for 2025*
With mega-government projects expected to resume, the corporate banking landscape is poised to improve. The Corporate Banking Group will continue to focus on identifying and capturing growth opportunities, while enhancing its service offerings and operational efficiency through strategic initiatives. The division will adopt a proactive, customer-centric approach, with a focus on improving the customer journey for the WOLC services (Corporate Online Banking).

### Corporate Banking Group Awards

- **Best Trade Finance Bank in Kuwait (Global Finance)**

## Consumer Banking Group

In 2024, NBK Consumer Banking Group advanced significantly in offering digital products and services tailored to client needs. By expanding cross-functional teams and improving process efficiency in strategy and governance, NBK Consumer Banking enhanced its ability to respond to client needs more effectively.

*Key Initiatives in 2024*
**Expanding the Customer Base**
Consumer Banking expanded its customer base by targeting new segments, including First Jobbers, through the newly launched Plus segment. It also extended its reach to the younger generation with the JEEL account under the umbrella of Weyay; a financial solution for children aged 8 to 14, addressing parental concerns about security, spending, and control. To foster stronger customer relationships, the Retention Hub was established, proactively engaging with customers to understand their needs, address concerns, and provide personalized support.

**Offering Innovative Products**
To meet the evolving needs of its customers, Consumer Banking introduced a range of innovative products. Several fully digital prepaid cards were launched, such as the NBK Internet Visa Prepaid Card, the first fully digital prepaid card in Kuwait, and the SELECT Digital Prepaid Card offered through Weyay. It also partnered with major airlines like Qatar Airways and British Airways to offer co-branded cards. Additionally, a fixed saving plan, with a recurring deposits account, was also introduced to cater to long-term saving goals.

**Driving Digital Innovation**
Consumer Banking embraced digital innovation to provide a seamless and efficient banking experience, ensuring customer satisfaction. The new NBK Mobile Banking App featured over 65 new features to provide a more efficient and seamless digital banking experience. Weyay customer experience was also enhanced by implementing intuitive digital interfaces, streamlining onboarding and introducing tailored financial management tools appealing to the youth. Security was also enhanced for online purchases by introducing biometric authentication, eliminating the need for OTPs and reducing the risk of fraud.

*Priorities for 2025*
In 2025, Consumer Banking will aim to foster a forward-thinking culture, shifting from traditional sales to a customer advisory role. The Group will focus on self-service channels and target various client segments with new digital products, including affluent clients, youth, first jobbers, and retirees. By improving digital offerings including having a smoother and highly secure mobile banking experience, Consumer Banking aims to reduce costs, shorten branch queues, and boost customer satisfaction.

### Consumer Banking Group Awards

- **Best Retail Bank in Kuwait (Meed)**
- **Best Digital Bank in Kuwait - Weyay (Meed)**
- **Best Mobile Banking App - Kuwait (Global Finance)**

## NBK Wealth

NBK Wealth Management committed to deliver exceptional client experiences and innovative solutions in 2024. By adopting a holistic approach, leveraging technology, NBK Wealth empowered clients to achieve their financial goals.

*Key Initiatives in 2024*
**Enhancing Services**
NBK Wealth continued to strengthen its wealth management and investment services. It increased the number of invested accounts and new-to-bank accounts, fostering deeper client relationships through initiatives like NBK Wealth House View and NBK Wealth Insights. It effectively managed portfolios, mitigating risks and generating attractive returns across multiple booking centers. It also introduced a Discretionary Portfolio Management (DPM) solution focused on the Leasing and Finance Program (LFP), optimizing capital deployment.

**Diversifying and Expanding**
NBK Wealth broadened its offering and diversified client exposure across asset classes and capital structures by expanding its active Global Equities and Fixed Income offerings. It launched NBK's largest-ever leasing fund and its largest-ever RE fund. It also successfully launched new funds for HNW and institutional clients in Kuwait and KSA, including three liquid funds, and launched private banking activities in KSA in collaboration with NBK's International Banking Group. Additionally, NBK Wealth partnered with JP Morgan Asset Management to offer selective investment products.

**Driving Digital Innovation**
NBK Wealth embraced digital innovation to enhance client experience and operational efficiency. It launched the NBK Wealth App and enhanced the e-banking platform in Switzerland. NBK Wealth streamlined processes and achieved significant productivity gains by introducing new technological innovations and enhancing existing capabilities.

*Priorities for 2025*
NBK Wealth plans to address evolving client preferences by offering holistic wealth management solutions, focusing on digital delivery for payments, trading, and reporting. NBK Wealth aims to broaden its advisory and investment offerings, expand its regional presence, and enhance its collaboration initiatives. By embracing innovation and continuously investing in human capital, NBK Wealth will meet the growing demand for alternative investments and ensure an exceptional client experience.

### NBK Wealth Awards

- **Best Private Bank in Kuwait 2025 (Global Finance)**
- **Best Private Bank for Sustainable Investing in the Middle East 2025 (Global Finance)**
- **MENA Fund Manager of the Year award (MEED Magazine)**

## Group Treasury

NBK's Group Treasury played a crucial role in navigating the dynamic interest rate environment in 2024 and maintaining a solid liquidity position. By effectively managing liquidity, mitigating interest rate risk, and optimizing funding costs, Group Treasury contributed to the Bank's overall financial performance. Additionally, Group Treasury continued structuring creative hedging solutions and investment products, meeting its different clients' needs.

*Key Initiatives in 2024*
**Leading Strategic Initiatives**
The Group Treasury led efforts to revamp the Return on Capital and Risk-Adjusted Return on Capital computations to improve the assessment of new transactions. It also led the implementation of a new Funds Transfer Pricing (FTP) Policy to enhance the management of the balance sheet and the pricing of interest rate and liquidity risks. Moreover, it successfully issued the Bank's USD 500 million debut Green Bond, demonstrating a commitment to sustainable finance.

### Optimizing Funding Sources

The Group Treasury effectively managed liquidity by optimizing the funding duration and diversifying funding sources, which contributed to lowering funding costs while maintaining a robust liquidity position. It maintained sufficient holdings of high-quality liquid assets (HQLA), including local treasuries, sovereign debt of operating markets, and high-grade international bonds, all within regulatory requirements and internal risk appetite. Despite regional geopolitical events, the Bank demonstrated resilience in securing funding at competitive costs.

**Driving Digital Innovation**
After successfully implementing the Murex booking system few years ago, the Group Treasury continued looking into ways to enhance operational efficiency and cater to new products while carrying on with its efforts to roll out the Murex system into other NBK branches and subsidiaries. Furthermore, it enhanced NBK FXT Platform, onboarded new clients, and continued improving client experience and product offerings. Additionally, it continued improving the Rate Publisher platform, a system used to streamline the publishing of foreign exchange rates and interest rates across the different channels.

*Priorities for 2025*
The Group Treasury's main goal is to support the Bank's growth plans in an efficient and cost-effective way, amid volatile interest rate and liquidity environments. The Group Treasury will continue with its efforts to leverage new technologies into its operating model to further enhance client experience, improve operating efficiencies, and reduce risks. Special attention will be paid to the debt capital markets, in line with the Bank's expected funding and capital ratios needs. Efforts to broaden product offerings and services for clients in Kuwait and overseas will continue, including the expansion of the Bank's hedging solutions and investment product offerings. The Group Treasury will continue exploring opportunities for sustainability-linked liability products and ESG derivatives, in alignment with NBK's ESG commitment.

### Group Treasury Awards

- **Best Foreign Exchange Bank in Kuwait 2025 (Global Finance)**

## International Banking Group

In 2024, the International Banking Group (IBG) successfully navigated a challenging operating environment characterized by global economic uncertainties and currency fluctuations. By leveraging its strong franchise, experienced team, and innovative approach, IBG achieved significant milestones and reinforced its position as a leading international banking group.

*Key Initiatives in 2024*
**Elevating Services**
NBK's IBG maintained a high-quality portfolio across all locations, contributing significantly to the Group's sustainable assets. It also established a Syndications Desk in the UAE to support corporate and CRE transactions across NBK's network. Additionally, IBG expanded its Non-Resident Mortgage Proposition to several European countries.

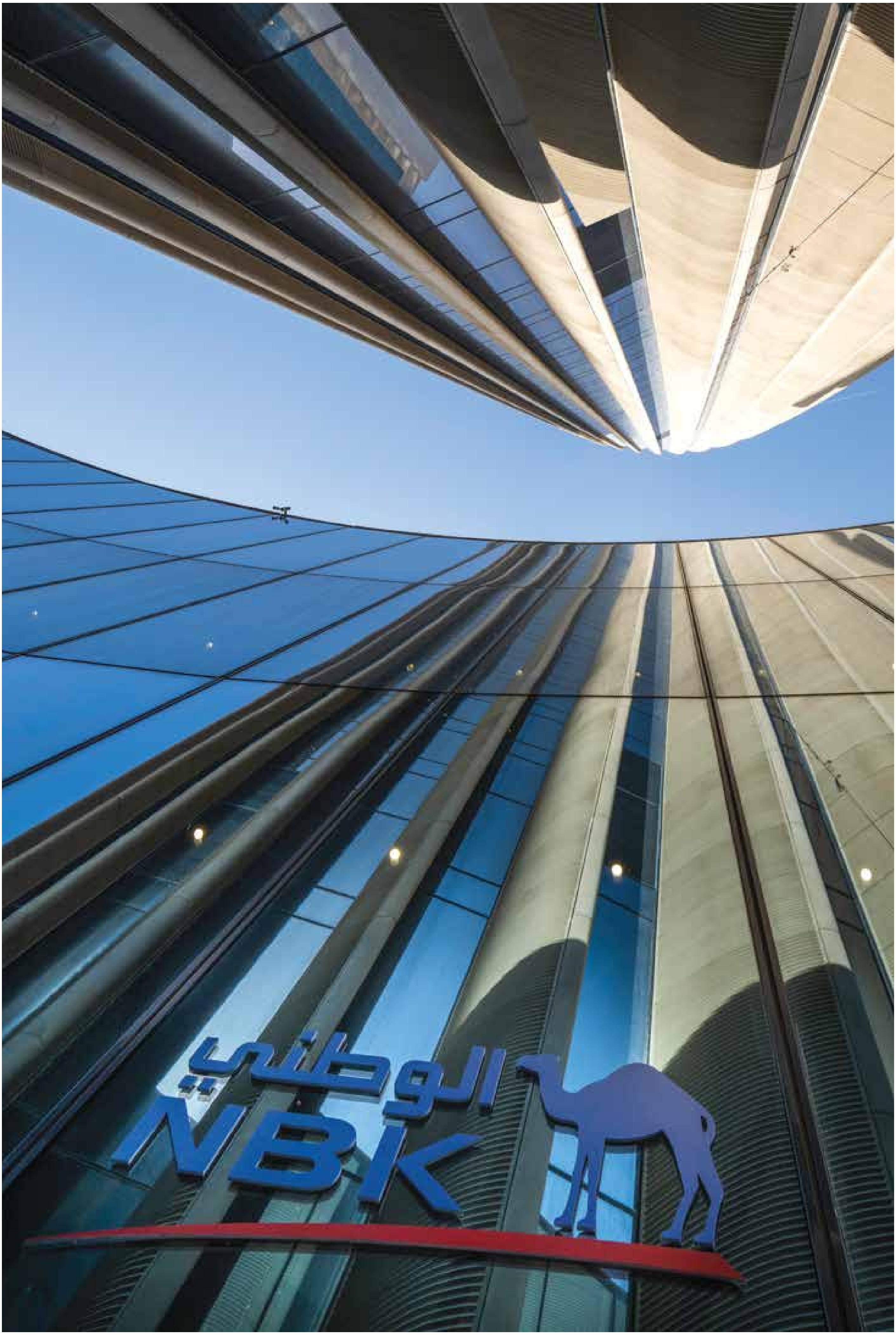
**Diversifying and Expanding**
IBG focused on diversification efforts across international markets, leveraging the Singapore branch as a hub for Asia and the subsidiary in France to cover European Union countries. IBG also launched new consumer banking propositions in Egypt and Bahrain, namely "Beyond" for upper-affluent customers in Egypt and "Privilege Banking" for affluent clients in Bahrain.

**Driving Digital Innovation**
IBG is investing in digitization and automation, empowering customers through self-service capabilities and reducing turnaround times. Additionally, in collaboration with Group Operations and IT, IBG is revamping digital channels across all locations, with the first launch in France and plans to roll out enhanced digital channels to several locations in the next few years.

*Priorities for 2025*
IBG is well-positioned to capitalize on future growth opportunities. Key priorities for the coming year include expanding its footprint in Europe and Asia. IBG will also focus on strengthening its risk management practices, optimizing costs, and leveraging technology to enhance operational efficiency. Additionally, IBG will continue to prioritize sustainability, aligning its operations with global ESG trends and exploring opportunities in sustainable finance.

### IBG Highlights

| | | |
|---|---|---|
| **USD 57.4 billion**<br>Total Assets<br>9.8% YoY Growth | **USD 978.0 million**<br>Total Income<br>8.7% YoY Growth | **USD 480.5 million**<br>Net Profit<br>8.1% YoY Growth |


الوطني
NBK

# Group CFO Review

**Reflecting on the past year, I am pleased to report that 2024 was another remarkable year for the Group. Despite significant headwinds in the global economic landscape, sluggish demand and increased geopolitical tensions, NBK demonstrated remarkable resilience and strategic foresight. We successfully navigated the turbulent environment to deliver a robust performance. While the GCC region saw positive economic developments, particularly strong non-oil growth, the impact of geopolitical instability and oil price volatility remained significant. Nevertheless, our commitment to excellence and prudent policies enabled us to overcome these challenges and achieve outstanding results.**

**KD 600.1**
million Net Profit in 2024

**17.3%**
Capital Adequacy Ratio as of 31 December 2024

### A Resilient Strategy

NBK has successfully navigated a dynamic and evolving financial landscape, leveraging its resilient business model, diversification and expansion strategy, conservative risk management practices, and strong capitalization. The Group's success reflects its resilience and adaptability in the face of shifting market dynamics. We have focused on innovation and customer centricity, fortifying our prospects for future growth. Our prudent approach to risk management has enabled us to maintain a healthy balance sheet and achieve strong financial performance.

### A Strong Financial Performance

The Group achieved a strong financial performance in 2024, with net profits reaching KD 600.1 million (USD 1.9 billion), representing a 7% year-on-year growth. These results stem from a strong operating performance by the capital and demonstrate the continued growth in our diversified business model.

Net operating income increased by 7.2% year-on-year to reach KD 1.3 billion in 2024. This was largely driven by higher net interest income which increased by 8.3% year-on-year to reach KD 980.1 million in 2024 benefitting from growth in loans and investment securities and higher average interest rates compared to 2023. Non-interest income remained strong at KD 271.1 million, contributing 22% of the Group's net operating income, driven by solid fees and fx income across different lines of business and operating locations.

International Banking contributed 24% of the Group's net operating income in 2024, while NBK Wealth contributed 9% . Consumer Banking and Corporate Banking contributed 21% and 13% respectively to the Group's net operating income. The Group's Islamic banking operations contributed 20% of the Group's net operating income, reflecting a strong growth in operating surplus and lower provisions for credit losses.

The Group's operating expenses increased by 9.7% year-on-year to KD 468 million, reflecting NBK's commitment to expanding activity levels across the Group's network and making strategic investments in key business lines and processes, digital technologies, and human capital. The Group's cost to income ratio was 37.4%, reflecting NBK's commitment to operational efficiency. Our operating surplus reached KD 783.2 million, representing a 5.8% year-on-year growth.

The Group remained committed to its conservative approach in managing credit exposures and its practice of setting aside precautionary general provisions. Total credit provisions and impairment losses decreased from KD 103.1 million in 2023 to KD 86.5 million in 2024.

### A Healthy Balance Sheet

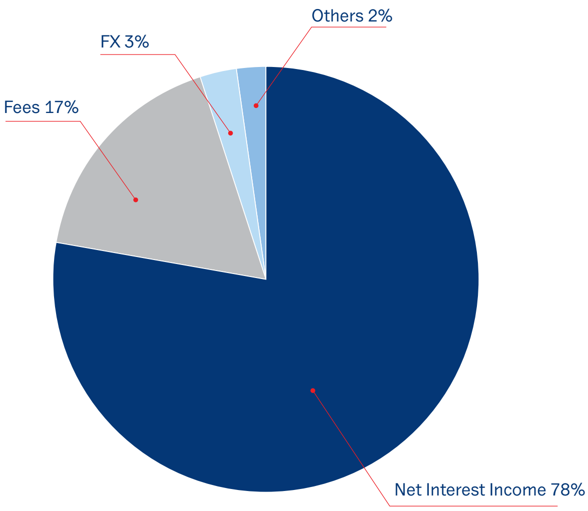
The Group's Balance Sheet remained healthy, maintaining stable credit quality. As of end of December 2024, total assets grew by 7.1% year-on-year to KD 40.3 billion, while loans and advances reached KD 23.7 billion, up by 6.4% year-on-year with loan growth in both conventional and Islamic banking in Kuwait as well as overseas. Investment securities also demonstrated strong growth, increasing by 10.8% year-on-year to reach KD 7.6 billion.

Customer deposits, at KD 22.9 billion, reflected a year-on-year growth of 4.2%, with the overall funding mix being stable and favorable for the Group. The growth in our business volumes across various segments reflects the trust and confidence our customers place in the NBK brand. Credit quality remained strong with our NPL to gross loans ratio reaching 1.34% and our NPL coverage ratio being 263% by the end of 2024, underscoring NBK's proactive and conservative risk management approach.

## Future Outlook

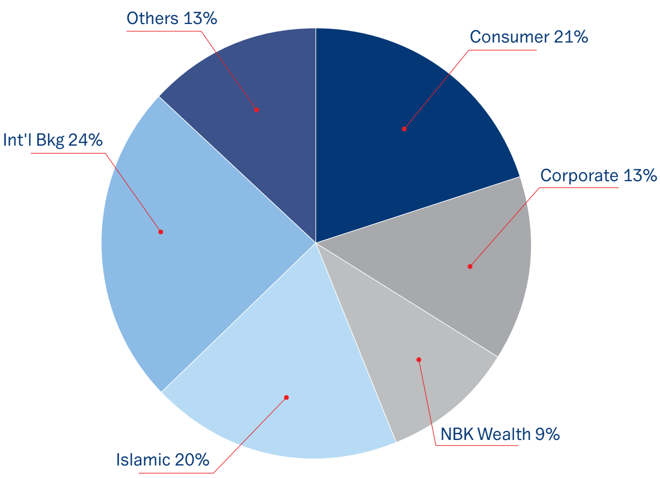
Looking ahead, NBK remains steadfast in its pursuit of sustainable growth and profitability while navigating the dynamic economic landscape. We will proactively address potential challenges, including geopolitical and macroeconomic uncertainties, by optimizing capital and resources, ensuring long-term financial stability, and maintaining a vigilant focus on risk management. This proactive approach, coupled with our strong capital base and diversified business model, positions us to navigate these challenges effectively and capitalize on emerging opportunities, while our focus on innovation will secure an inclusive and sustainable financial for future for all stakeholders.

### 2024 Op. Income by Type (%)

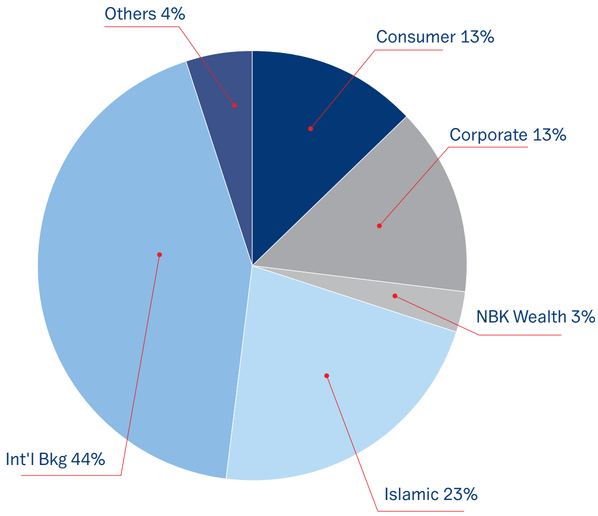



| Key Ratios (%) | 2024 | 2023 | 2022 |
|---|---|---|---|
| Return on Average Assets | **1.55** | 1.53 | 1.48 |
| Return on Average Equity | **15.1** | 15.0 | 14.3 |
| Net Interest Margin | **2.66** | 2.59 | 2.30 |
| Non-interest Income as % of Total Income | **21.7** | 22.4 | 25.1 |
| Cost to Income | **37.4** | 36.6 | 38.2 |
| NPL Ratio | **1.34** | 1.38 | 1.42 |
| Loan Loss Coverage Ratio | **263** | 271 | 267 |
| Common Equity Tier 1 Capital Adequacy Ratio | **13.2** | 13.0 | 12.9 |
| Tier 1 Ratio | **15.1** | 15.0 | 15.0 |
| Capital Adequacy Ratio | **17.3** | 17.3 | 17.4 |

### 2024 Op. Income by Business Line (%)




### 2024 Total Assets by Business Line (%)



# Key Performance Indicators

The delivery of NBK's strategy is measured against Key Performance Indicators (KPIs), which enable management and the Board to monitor progress towards strategic goals.

The KPIs are categorized as 'financial' and 'non-financial'. The table summarizes our overarching KPIs and provides an overview of performance against them in 2024.

| | Dimension | KPIs | Objectives | Performance 2024 |
|---|---|---|---|---|
| **Financial** | Profitability | Return on Assets | • Gradually improve to 1.5% by 2025 | |
| | | Return on Equity | • Gradually improve to low/mid teens by 2025 | |
| | | Cost-to-Income Ratio | • Maintain and closely manage below 40% | |
| | Growth | Core Asset Growth | • Achieve mid/high single digit growth rate | |
| | Resilience | % of FX, fees and commissions to total income | • Maintain ~ 22% | |
| | | % of Operating Surplus from international business | • Gradually improve to ~30% by 2025 (excluding any potential inorganic uplift) | |
| **Non-financial*** | Customer Perception | Brand Awareness | • Maintain NBK's image as the leading bank in Kuwait | |
| | | Brand Power among youth | • Maintain NBK's Brand Power in Kuwait and among Kuwaiti Youth | |
| | Market Perception | Ratings assigned by credit agencies | • Maintain NBK's high LT credit rating | |
| | | Ratings and scores assigned by external ESG raters | • Gradually improve ESG ratings and scores | |
| | Maintaining Leadership in Kuwait | Market share in salaried Kuwaitis of NBK Kuwait | • Defend market share | |
| | | Market share in corporate assets of NBK Kuwait | • Defend market share | |
| | Employee Perception | Employee Engagement Survey | • Maintain NBK's status as a preferred employer in Kuwait | |

***Note:*** *The objectives for the Bank's KPIs assume the execution of the Government of Kuwait's development plans towards the long-term goals defined in New Kuwait 2035. They also depend on gradual improvements in the political and economic stability of the MENA region over time, provisions returning to pre-financial crisis levels and no major acquisitions.*

*Non financial Indicators progress is based on third Party assessments and Data.


KPI

# Risk Management

Risk Management is central to NBK's strategic objectives, ensuring the Bank's long-term sustainability and profitability. By proactively identifying, assessing, and mitigating a diverse range of financial and non-financial risks, including credit, market, liquidity, operational and technology, geopolitical, and ESG and climate-related risks, the Group Risk Management (GRM) contributes to the Bank's resilience and safeguards its reputation. Through a robust risk management framework and a strong risk culture, the GRM empowers NBK to navigate complex market conditions, enabling the Bank to capitalize on opportunities and minimize potential losses.

**A Robust Risk Management Framework**
NBK's risk management framework is rooted in strong governance, robust controls, and a culture of risk awareness. Our Board and Risk Committee play a pivotal role in setting the strategic direction and ensuring compliance with regulatory standards. The framework is built on a Three-Lines-of-Defense Model.

| First Line: Day-to-day Risk Management | Second Line: Risk and Control Oversight | Third Line: Independent Assurance |
|---|---|---|
| **Business Owners** | **Group Risk Management (GRM)** | **Internal Audit** |
| The first line of defense, comprised of business owners, is responsible for identifying and capturing key risk indicators for both financial and non-financial risks. In collaboration with the Group Risk Management (GRM), business owners set policies, including risk appetites and risk thresholds, to effectively manage these risks. | The GRM sets risk appetites and risk-adjusted profitability measures to control portfolio quality. GRM also monitors and evaluates decisions related to new and existing deals, impairments, provisions, and other relevant risks. | The Internal Audit function provides independent, objective, reliable, and timely assurance to the Board, its Audit Committee, Group senior management, and regulators. It assesses the effectiveness of governance, risk management, and control processes in mitigating current and emerging risks, thereby enhancing the overall control environment within the Group. |

## Financial Risks

**Credit Risk**
Credit risk is NBK's primary risk, arising from lending to various customer segments and trading activities. The Bank applies standard lending principles used by leading global banks to assess and mitigate credit risk, ensuring the quality of its loan portfolio and protecting the Bank's financial stability.

**Risk Management Approach**
The GRM Policy, established by the Board and senior management, ensures consistency in managing credit risk. This policy, along with operational standards, guides business-specific and location-specific credit risk policies. Internal credit risk ratings and lending limits are assigned based on thorough evaluations of customers' financials and operating environments. Additionally, a robust credit risk appetite framework supports risk monitoring and reporting processes for local Corporate Banking Group, the International Banking Group, Consumer Banking Group, and NBK Wealth businesses.

**2024 Highlights**
NBK enhanced its end-to-end credit process through continuous reviews and improvements involving key stakeholders. Monitoring credit exposures, portfolio performance, and external factors were also crucial for effective risk management in 2024. Credit trends, including industry analysis and early warning alerts were reported to credit risk committees and the Board Risk and Compliance Committee (BRCC), allowing for dynamic strategy formulation.

**2025 Outlook**
NBK will continue to prioritize stringent credit processes and capital conservation, especially in light of evolving geopolitical risks. While focusing on highly-rated economies, we recognize the challenges posed by the dynamic MENA region and industry-specific shifts. Adapting to these changing conditions will be crucial to maintaining a strong credit risk profile and seizing emerging opportunities.

**Market Risk Management**
NBK's market risk exposure stems from various sources, including trading book positions, banking book activities, and off-balance sheet exposures. These sources expose the Bank to risks such as interest rate fluctuations, foreign exchange rate movements, and commodity price volatility. By effectively managing these risks, NBK aims to safeguard its financial stability and optimize its risk-adjusted returns.

**Risk Management Approach**
NBK employs a comprehensive approach to market risk management, incorporating risk identification, measurement, mitigation, and monitoring. The Bank identifies key market risk factors, including interest rate, foreign exchange (FX), and commodity price risk. It utilizes various quantitative techniques, such as Value at Risk (VaR) and stress testing, to measure market risk exposures. To mitigate these risks, NBK employs strategies like diversification, hedging, and proactive liquidity management. Continuous monitoring and reporting of market risk exposures ensure that key risk indicators are regularly communicated to senior management and the Board.

**2024 Highlights**
NBK proactively addressed market volatility in 2024 by enhancing Asset-Liability Management (ALM) practices, diversifying its investment portfolio, implementing effective hedging strategies, conducting rigorous stress tests, and closely monitoring market trends. These measures aimed to optimize interest rate risk, reduce concentration risk, mitigate adverse price movements, assess the Bank's resilience to market shocks, and proactively adapt to changing market conditions. By effectively managing market risk, NBK strengthened its financial position and protected its long-term profitability.

**2025 Outlook**
NBK will focus on enhancing its risk management framework by adopting automation, strengthening stress testing and scenario analysis, and integrating ESG factors. To capitalize on emerging opportunities, such as technological advancements and market expansion, NBK will prioritize agility and continuous adaptation. The Bank will proactively address challenges posed by increased regulatory demands and economic uncertainty by updating processes and policies to ensure compliance and resilience.

### Liquidity Risk
NBK's liquidity risk arises from factors such as funding mismatches, counterparty risk, and regulatory changes. By effectively managing these risks, NBK aims to maintain a strong liquidity position and ensure its financial stability.

**Risk Management Approach**
NBK maintains a robust liquidity risk management framework, which is reviewed annually by the Board, to ensure the Bank's ability to meet its funding and liquidity needs under various market conditions. The Bank's liquidity management strategy is focused on maintaining adequate Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) levels.

**2024 Highlights**
NBK prioritized liquidity management to navigate a challenging market environment marked by changing monetary policies and geopolitical tensions. Key initiatives included diversifying funding sources, optimizing liquidity buffers, enhancing the liquidity management framework, and strengthening monitoring and reporting systems.

**2025 Outlook**
NBK will continue to diversify its funding base by onboarding new international clients across various sectors and industries. This diversification strategy aims to reduce concentration risk and enhance the stability of the Bank's funding profile.

## Non-Financial Risks

### Operational and Technology Risk
NBK has implemented a robust framework that focuses on identifying, assessing, and mitigating a wide range of operational and technology risks, including cyber threats. By effectively managing these risks, NBK aims to safeguard its assets, and ensure the long-term sustainability of its business.

**Risk Management Approach**
NBK employs a Three-Lines-of-Defense Model for operational and technology risk management. Business units conduct self-assessments, which are reviewed by the Operational & Technology Risk Management Team. Key risk indicators are monitored and reported to the Board Risk and Compliance Committee (BRCC), in line with the Group Risk Appetite. Furthermore, NBK's Information Security Management System (ISMS) adheres to ISO 27001, PCI-DSS, and other leading standards, ensuring rigorous compliance with both local and international regulatory requirements.

**2024 Highlights**
NBK effectively managed incidents and operational disruptions, with total net loss due to incidents in 2024 remaining within the Bank's Risk Appetite. Proactive security assessments and timely issue remediation enhanced the Bank's cybersecurity posture. Regular monitoring and reporting ensured continuous oversight of operational and technology risks.

**2025 Outlook**
NBK plans to enhance its operational resilience management processes to align with international practices. Key strategic priorities include integrating operational and technology risks into the digital transformation framework, employing agile methodology to mitigate risks from the pre-design phase through project delivery, and continuously improving cyber defenses. The Bank will also focus on managing third-party risks through standard risk assessments, legal reviews, and data privacy and security evaluations.

### Geopolitical Risks
NBK recognizes geopolitical risks as emerging risks. Geopolitical events can lead to financial instability affecting economic growth, causing a deterioration in global and/or local economic and market conditions, and affecting negatively the Group's business

operations, profitability, and overall solvency.

**Risk Management Approach**
Geopolitical risks identification involves both the first and second line of defense at NBK's headquarters, international branches, and subsidiaries. The GRM, in collaboration with senior management, proactively detect, assess and monitor emerging geopolitical risks, that may have a significant impact on NBK's business model, profitability, and solvency. Proactive risk management is essential to avoid potential negative impact on, and deviation from, targets, which is mitigated through proactive action plans tailored for distinct categories of emerging risks.

**2024 Highlights**
In 2024, emerging geopolitical risks stemmed from, among other geopolitical events, geopolitical tension in the Middle East, the continuing war in Ukraine, and the US elections. NBK effectively managed these emerging risks. Proactive emerging risks assessment and timely issue remediation enhanced the Bank's emerging risk postures. Regular monitoring, combined with senior management and BRCC reporting, ensured continuous oversight of emerging risks.

**2025 Outlook**
NBK will continue its proactive approach to identifying emerging risks and drawing up responses and plans to enhance its geopolitical risks resilience management processes, in alignment with international practices. Key strategic priorities include integrating emerging geopolitical risks into Pillar 2 risk capturing and stress testing.

**ESG and Climate-Related Risks**
NBK recognized ESG and climate-related risks as emerging risks in 2024, particularly focusing on physical risks such as severe weather events and floods. NBK Group is proactively addressing these risks within its operations and portfolio by establishing governance committees, working in line with Central Bank of Kuwait (CBK) guidelines and government directives. By proactively addressing these risks, NBK enhances the Bank's resilience, ensures regulatory compliance, and supports long-term sustainability.

**Risk Management Approach**
The Bank has developed formal systems to identify, assess, and manage ESG and climate-related risks. This involves policy development, integrating climate risk into NBK's risk policies and governance framework, and conducting portfolio analysis to understand the varying impacts of climate change risks on clients.

**2024 Highlights**
The Bank conducted a thorough assessment of how these risks could potentially impact its assets, including real estate loans and collaterals. Demonstrating its commitment to proactive risk management, NBK integrated climate-related factors into its Pillar 2 capital calculations, ensuring a more resilient and forward-thinking approach to safeguarding its financial stability.

**2025 Outlook**
NBK plans to upgrade its rating process to capture ESG and climate-related risk risks more effectively by developing an Environmental & Social Risk Management (ESRM) Framework. In line with the Kuwaiti Government plans, the Bank will develop a sophisticated global-level transition plan aligned with individual market requirements. This will include adopting automation processes, enhancing stress testing and scenario analysis, and incorporating ESG and climate-related factors into its GRM framework to address long-term sustainability risks.

## The Future of Risk Management at NBK

Group Risk Management will prioritize investing in our people, embracing digital transformation, and integrating ESG factors into our risk framework. By leveraging technology, enhancing our risk management capabilities, and adapting to evolving regulatory landscapes, we aim to mitigate risks, effective decision-making, and contribute to NBK's long-term success.

# Cultivating a Culture of Excellence through a Holistic HR Strategy

At NBK, the HR strategy is aligned with the Bank's core values to cultivate a culture of excellence, innovation, and employee well-being. This alignment ensures that the Bank's workforce contributes effectively to its strategic goals while embodying the core principles that define the organization. Top talents are meticulously selected, with high performers being recognized through transparent evaluations. Training programs are designed to enhance service excellence and adaptability to technological advancements.

NBK's commitment to its employees' satisfaction and holistic well-being is reflected in its initiatives prioritizing employee health, safety, and financial stability. NBK champions diversity and inclusivity, actively supporting Kuwaiti talent. The Bank encourages employees to engage in CSR activities as well as embodying integrity and accountability, aligning with the Bank's commitment to societal contribution and ethical standards. By weaving NBK's corporate values into HR strategies, the Bank fosters a motivated, skilled, and values-driven workforce, solidifying its status as a leading financial institution.

**Forward-Thinking Talent Acquisition Strategies**

NBK stands out with its compelling **Employee Value Proposition (EVP)** centered on three transformative pillars: joining the Bank's legacy of success, thriving in an environment of professional excellence, and seizing opportunities for accelerated learning and personal growth. NBK's unwavering financial strength and esteemed reputation create a secure and fulfilling work environment. Employees collaborate with top-tier professionals, gain insights from industry experts, and enhance their capabilities through robust training programs. By focusing on these three pillars, NBK crafts an enriching and rewarding career journey for every employee, enabling the Bank to attract and retain top talents.

In 2024, NBK made significant strides in talent acquisition, emphasizing skills, potential, and alignment with the Bank's values. By participating in career fairs, such as "Watheefti", and launching the **NBKConnect Program** in universities, NBK actively engaged with top talent; strengthening the Bank's employer brand. Through the adoption of cutting-edge technologies, such as **Virtual Reality (VR) Onboarding**, NBK provided potential candidates with immersive experiences of the work environment; setting NBK apart as an innovative employer.

NBK is committed to attracting and cultivating top-tier talent, both locally and internationally. NBK effectively balances its commitment to innovation and national priorities by aligning its Kuwaitization goals with the Bank's strategic talent acquisition needs, ensuring sustainable pipeline of skilled professionals and contributing to national prosperity. By the end of the fourth quarter of 2024, Kuwaiti nationals comprised 78.0% of the Bank's workforce, with 92.3% of new hires being Kuwaiti citizens.

**A Culture of Continuous Learning and Innovation**

Aligned with its EVP of offering growth opportunities, NBK fosters a culture of continuous learning and innovation. In 2024, the Bank implemented a robust suite of mentoring and training programs to equip its workforce with the necessary skills for a rapidly evolving industry. These included the **NBK Mentoring Program** for high-potential employees and the **Transcendence Leader Coach Program** to enhance the coaching culture. Additionally, the **NBK Tech Academy** helped to equip employees with cutting-edge digital skills, while the second cohort of the **NBK Rise** remains focused on empowering women leaders.

NBK offered a variety of specialized training programs, including the **NBK Prime** and **NBK Pioneers Program** for its Sales and Distributions Divisions, and the **Collective Executive Development Program** for general managers, deputies, and selected functional heads. Specialized curriculum training sessions, tailored to employees' technical development needs, were also conducted, including Moody's Credit Curriculums, Credit Administration and Operations, Trade Finance Academy, and Data Analysis.

NBK leveraged digital learning platforms to provide accessible and flexible training opportunities. The **NBK Learning Hub Platform** was used to deliver dynamic and accessible e-learning programs, and foster continuous professional growth and sustainable learning opportunities for employees. By implementing these various programs and initiatives, NBK significantly contributed to the development of its workforce, reinforcing its EVP and solidifying its reputation as a forward-thinking employer.

**Number of Global Employees:** 8,294
**Gender Repartition:** Male 56.8%
Female 43.2%

**Nationalization Rate:%78.0**

## NBK RISE: Empowering Women Leaders

NBK RISE, a pioneering initiative initially launched in 2022 by Shaikha Al-Bahar, Deputy Group CEO at National Bank of Kuwait (NBK), is designed to empower women leaders and prepare them for senior leadership roles. This nine-month program comprises various modules focusing on essential competencies, confidence building, strategic initiative development, transformational leadership, and effective decision-making. Participants benefit from mentorship, coaching by industry leaders, and collaborative projects that turn ideas into impactful outcomes. The program collaborates with renowned institutions like IE Business School and INSEAD for world-class training.

### Building Momentum

The inaugural cohort in 2023 achieved remarkable success, with all 21 participants completing the NBK RISE program. These participants included representatives from prominent organizations such as Al-Shaya Group, Commercial Bank of Kuwait, Burgan Bank, EQUATE Petrochemical Company, and Kuwait Telecommunications Company (STC). The success of the first cohort was a testament to NBK's commitment to advancing diversity and inclusion, particularly in empowering women leaders.

Building on this success, the second cohort was launched in 2024, with 25 participants from diverse professional backgrounds, including NBK employees in Kuwait and international locations, as well as representatives from partner organizations, including Ooredoo Kuwait, Kuwait Banking Association (KBA), ABYAT, Kuwait Petroleum Corporation (KPC), Gulf Bank of Kuwait, Markaz, J's Bakery, and Intervest Capital Partners New York. With the launch of the second cohort, NBK continues to focus on empowering the next generation of women leaders, ensuring that graduates are well-prepared to meet the demands of various industries.

### Creating a Sustainable Impact

NBK RISE aims to create a sustainable impact on the industry by fostering a diverse community of women leaders. Graduates of the program will mentor aspiring female candidates in the future, establishing a sustainable cycle for the program's continuity and impact. Efforts are made to invite participants from diverse sectors to advance future female leaders toward higher leadership roles.

### Setting a Benchmark for Diversity and Inclusion

Through NBK RISE, NBK is committed to promoting gender diversity and empowering women to reach their full potential. The program has been recognized with multiple awards, including MERIT's Special Recognition for Developing Women Leaders in 2024 and the Bronze Award for Excellence in Diversity and Inclusion from the Society for Human Resource Management Middle East & North Africa's office in 2023.

## The NBK Tech Academy: Nurturing Digital Leaders

Building upon the legacy of the successful NBK Academy, which has been nurturing future leaders since 2008, NBK launched the NBK Tech Academy in 2024 in recognition of the critical role of digital skills in shaping the future of banking. The Tech Academy is a six-month intensive program, equipping fresh graduates with the technical expertise and professional development necessary to innovate and thrive in the digital age, aligning with NBK's strategic vision of fostering innovation and excellence.

### A Rigorous Path to Leadership

NBK Tech Academy's curriculum is designed to be both comprehensive and innovative. Participants delve into the latest advancements in Artificial Intelligence, Data Analysis, Digital Transformation, Design Thinking, Codifications, Scripting, and Programming. Participants gain valuable hands-on experience through business inductions and on-the-job rotations, providing them with invaluable insights into the workings of NBK.

The selection process for NBK Tech Academy is rigorous, ensuring that only the most talented and driven Kuwaiti graduates with degrees in relevant fields are chosen. Candidates undergo a comprehensive evaluation, including interviews, psychometric assessments, and ability testing, to ensure they possess the intellectual curiosity and drive to excel.

### A Proven Success Record

The inaugural wave of the NBK Tech Academy saw 10 participants successfully completing the program. Over the course of six months, these participants received intensive training covering a diverse range of critical skills, including FinTech, Data Analytics, Ethics in Technology, Cyber Security, Fundamentals of Digital Payments, Digital Innovation, Artificial Intelligence, Scripting and Programming, Fundamentals of Codifications, and Finance for Non-Finance Professionals. Following the training, the 10 participants were successfully placed within the Bank's data and digital divisions.

### Shaping the Future of Banking

The success of the inaugural phase underscores NBK Tech Academy's effectiveness in cultivating a new generation of digital leaders. Building on this success, NBK will continue to invest in its Tech Academy, launching its second wave in early 2025, to ensure a continuous pipeline of highly skilled talent to drive NBK's digital transformation. By equipping the next generation with the skills needed to navigate the digital landscape, NBK is not only investing in its own future but also contributing to the future of banking in Kuwait.

**Comprehensive DE&I and Employee Wellbeing Initiatives**
A cornerstone of NBK's commitment to employee well-being is fostering a diverse and inclusive workplace. In December 2024, NBK launched a Group-level Diversity, Equity, and Inclusion (DE&I) Commitment Statement, supported by a comprehensive DE&I Strategy aligned with the ESG Governance Framework. The statement underscores NBK's dedication to creating an inclusive environment where all employees can thrive and reach their full potential. By prioritizing diversity, equity, and inclusion, NBK aims to cultivate a more inclusive and equitable workplace that reflects the diverse communities it serves.

In alignment with NBK's ESG initiatives, with a focus on the social aspect, Group Human Resources (GHR) implemented a **60 minutes** reduction on Thursday working hours. This is part of our continued commitment to enhancing employee well-being, which is vital to the culture at NBK. This will enable NBK to also adopt market trends that would attract and retain talent and promotes the concept of a balanced work-life approach, aligning with our objectives to enhance employee satisfaction and well-being.

NBK also prioritizes health and safety, fostering a supportive work environment for the mental, physical, and financial well-being of its employees. In 2024, several initiatives were introduced to support employees' physical well-being. One notable initiative was the November Health Campaign, raising critical awareness about diabetes and prostate cancer. This campaign featured specialized screenings, consultations with health experts, and a heart health seminar at NBK's headquarters. Such efforts highlight NBK's unwavering commitment to employee wellbeing, creating a healthier and more engaged workforce.

Reflecting its unwavering support and comprehensive approach to employees' wellbeing, NBK provides unique benefits alongside competitive compensation packages to ensure its employees' financial wellbeing. Employees benefit from special rates for Employee Term Deposits and the Al-Jawhara Saver Account, with features like monthly and quarterly prize draws to encourage saving. Additionally, NBK offered Interest-Free Loans to its employees for the second consecutive time.

These initiatives, coupled with competitive compensation packages and benefits, demonstrate NBK's holistic approach to employee well-being, not only ensuring the mental, physical, and financial wellbeing of its employees, but also fostering a thriving, motivated, and loyal workforce. In recognition for its initiatives, NBK received the Gold Award for "Excellence in Health and Wellbeing" from the prestigious Society for Human Resource Management (SHRM) at the SHRM MENA STAR Awards in 2024.

**Driving Success Through Employee Engagement**
NBK values employee engagement, satisfaction, and retention. The Your Voice Matters Employee Engagement Survey, first launched in 2018 for NBK Kuwait, expanded in 2021 to all international locations, and in 2024 to the Group level including NBK Wealth Management. The survey covers 21 categories, including the recently added "Employee Wellbeing" and "Diversity and Inclusion" categories. NBK partnered with Willis Towers Watson to ensure confidentiality and honest feedback. The survey has a "Sustainable Engagement" score of 84%, well above the global average.

Key highlights from this year's survey, which had an 86% response rate, include 93% of employees expressing pride in being associated with NBK, and 86% feeling a sense of personal accomplishment. Additionally, 92% of employees expressed their full support the values for which the Bank stands, and 84% strongly believed in its goals and objectives. NBK also addressed performance management and feedback through an automated Staff Complaints & Grievance System, ensuring employees' concerns are addressed promptly, fostering a transparent, responsive work environment that boosts employee satisfaction and retention.

**Roadmap to HR Excellence**
Moving forward, NBK's Group HR is gearing up for transformative changes. In 2025, a new DE&I strategy will be implemented to foster a more inclusive and equitable workplace. Innovation will be included as a key job evaluation criterion, ensuring employees are recognized and rewarded for their contributions to the Bank's forward-thinking initiatives. NBK's new job architecture project will unify HR job structures across all NBK locations, based on similar methodologies and a consistent title framework, positioning NBK as a global bank with harmonized multinational practices.

Digital innovation will take center stage, with a focus on predictive analytics to enhance talent sustainability and development. ESG initiatives will be prioritized to ensure sustainable and responsible HR practices. By embedding these strategic initiatives, NBK aims to create a more resilient, diverse, and forward-thinking organizational culture, fostering a motivated and values-driven workforce ready to tackle future challenges and opportunities.

# ESG

## A Holistic Approach to ESG

NBK's holistic approach to Environmental, Social, and Governance (ESG) is deeply rooted in its comprehensive ESG Strategy, which aligns with national and globally recognized frameworks and standards. The Group ESG Strategy, launched in 2023, is anchored on four key pillars: Governance for Resilience, Responsible Banking, Capitalizing on Capabilities, and Investing in Communities. The ESG Strategy further solidified the Group's commitment to sustainability, ensuring a robust, transparent, and measurable approach to achieving its goals.

As a financial institution, NBK recognizes the vital role financial institutions play in driving sustainability by channeling capital towards projects that support the transition to a more resilient and inclusive economy. In this context, NBK introduced its Sustainable Financing Framework in 2022, aiming to govern the Bank's sustainable debt issuance. To adopt a holistic approach, NBK committed to grow its sustainable assets to USD 10 billion by 2030 through lending and investing in sustainable projects.

In 2024, NBK successfully issued its debut USD 500 million Green Bond, the first green bond out of Kuwait. Through this landmark transaction, NBK aims to scale its investments in projects with clear environmental and climate benefits. As Kuwait's leading financial institution, NBK's focus on sustainable finance enables the Bank to enhance business resilience, increase sustainable financial returns and to support our clients and customers in their transition.

### Alignment with National and Global Frameworks

- Boursa Kuwait ESG Reporting Guidelines
- GHG Protocol
- New Kuwait Vision 2035
- Partnership for Carbon Accounting Financials (PCAF)
- Global Reporting Initiative (GRI) Standards
- UN Global Compact (UNGC)
- UN Sustainable Development Goals (UN SDGs)
- Sustainability Accounting Standards Board (SASB)

## Setting a New Benchmark by Joining PCAF

In April 2024, NBK set a new benchmark by becoming the first bank in Kuwait and the sixth in the MENA region to join the Partnership for Carbon Accounting Financials (PCAF), which grew to a total of 15 signatories from the MENA region by the end of 2024. This milestone places NBK at the forefront of regional sustainability efforts, showcasing its leadership in environmental responsibility. PCAF, a global initiative, is dedicated to measuring and disclosing greenhouse gas (GHG) emissions associated with lending and investment portfolios, ensuring a transparent and accountable approach to financial services.

By joining PCAF, NBK took a major stride toward enhancing its capability to identify, measure, and disclose emissions associated with its financing activities in a standardized manner, supporting informed decision-making and providing stakeholders with transparent and reliable metrics to monitor progress in implementing the Bank's **ESG Strategy**. Joining PCAF will enable NBK to decarbonize its portfolio in the longer term by aligning with global trajectories, setting targets, identifying high-impact sectors, and unlocking potential opportunities to further support clients. NBK is currently undertaking financed emissions calculations associated with its lending portfolio to establish a baseline measurement. This will further support our engagements with our clients, providing them with more fit-for-purpose sustainable finance propositions and solutions to transition their operations to net-zero.

## A Milestone in Sustainable Finance: NBK's Debut Green Bond

In June 2024, NBK achieved a significant milestone by issuing its **inaugural USD 500 million Green Bond**, a landmark move that solidified its position as a leader in sustainable finance. The inaugural Green Bond will fund projects focused on climate change mitigation, such as green buildings, renewable energy, and clean transportation, contributing to the global effort to combat climate change and reinforcing NBK's role as a key player in promoting environmental and social sustainability.

We perceive sustainable finance as a unique opportunity, leading to new businesses, products, and clients. Driven by our commitment to advance sustainable finance, NBK has also achieved remarkable progress in its sustainable finance journey, reaching USD 4.97 billion in sustainable assets as of 31 December 2024. This progress brings the Bank closer to its ambitious goal of USD 10 billion in sustainable assets by 2030.

**2024 Awards**

| | |
|---|---|
| Global Finance | **Best Bank for ESG-Related Loans in the Middle East** |

## NBK's Green Bond Initiative: A Catalyst for Sustainable Finance

NBK reinforced its position as a regional leader in sustainable finance by issuing the first green bond out of Kuwait in June 2024, a landmark USD 500 million Green Bond. Aligned with its Sustainable Finance Framework, this landmark initiative represents one of the largest green bond offerings from a conventional financial institution in the MENA region in 2024.

**Global Trust in NBK's Green Bond**

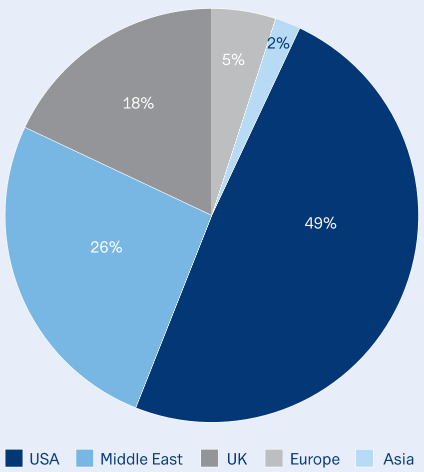
NBK's green bond issuance attracted significant global interest, with strong demand from investors across North America, Europe, and Asia. Oversubscribed by three times, this landmark achievement underscores the market's trust in NBK's creditworthiness and its commitment to environmental sustainability. The diverse investor base, comprising asset managers, banks, and institutional investors, highlights the global appeal of NBK's sustainable finance initiative. By successfully mobilizing capital for sustainable projects, NBK reinforces its position as a leading financial institution driving positive environmental and social impact in the region.

**Balancing Growth and Green Initiatives**

NBK's green bond initiative represents a harmonious blend of growth and environmental responsibility, with the funds raised being allocated to projects contributing to climate change mitigation initiatives and technologies. Furthermore, the successful issuance of these bonds strengthens NBK's financial profile by diversifying its funding sources, improving its credit rating, and enhancing its foreign currency liquidity. This strategic move positions NBK as a leading force in sustainable finance, driving positive environmental and economic impact.

**Shaping a Sustainable Future**

Moving ahead, NBK remains steadfast in its dedication to driving innovation within the sustainable finance landscape. The inaugural green bond allocation report, scheduled for release in June 2025, will showcase the tangible environmental impact of investor contributions. By transparently disclosing how proceeds are financing eligible green projects, we aim to foster long-term partnerships with investors who share our vision for a sustainable future. As NBK continues to innovate and adapt to the evolving landscape of sustainable finance, it is poised to play a pivotal role in shaping the future of the region by mobilizing the necessary capital to drive the transition.




**Highlights**

USD 500
million Green Bond

1st
green issuance out of Kuwait

5.5%
Coupon Rate

3x
Oversubscribed

+95 bps
over US Treasuries

## Building a Sustainable Legacy

In 2024, NBK distinguished itself through its unwavering commitment to sustainability, exemplifying a strong dedication to environmental stewardship. The new Group ESG Policy, approved by the Board in 2024 and published on the Group's website, provides a robust framework to guide NBK's sustainability journey. This is being supplemented with topic-specific policies, operating procedures, and guidelines to support effective implementation across the Bank.

**Developing Robust ESG Risk Governance**
The Bank is currently developing an **Environmental and Climate Change Policy and an Environmental and Social Risk Management (ESRM) Framework** in order to implement a robust ESG risk governance structure, and rigorous methods to identify, assess, manage, and report on all types of ESG and climate-related risks.

A thorough **ESG Risk Materiality Assessment** was conducted to identify high-impact and carbon-intensive sectors within the Bank's portfolio. The insights from this assessment were instrumental in developing an ESG Scorecard to assess climate change and ESG-related risks at the obligor level, using a formalized approach for collecting clients' ESG data and promoting enhanced disclosure practices in Kuwait.

The **ESG Scorecard** is designed to help business groups identify opportunities to further support NBK's clients in their sustainable transition activities and investments. Consequently, NBK has developed a scientific methodology for incorporating climate change risks into the Pillar II Assessment of the Capital Adequacy (ICAAP) regulatory report.

Additionally, NBK has initiated alignment with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD), by conducting a comprehensive current-state assessment and developing its first TCFD report to be published during 2025.

**Reducing Operational Environmental Footprint**
In 2024, NBK demonstrated a strong commitment to minimizing its operational environmental impact. The Bank installed **solar panels** in 18 local branches and completed the integration of the Building Energy Management System (BEMS) in 39 branches. The Bank's efforts put it on track to achieve its interim target of a 25% reduction in gross operational emissions by 2025 and ultimately reach carbon neutrality by 2060.

**Continuous Progress and Recognition**
NBK's sustainability journey is characterized by continuous progress, earning positive ratings from leading agencies. At the heart of this success is NBK's unwavering commitment to sustainability, governed by the modular **ESG Governance Framework**, launched in 2023, which empowers the Board of Directors with increased oversight on the Bank's sustainability initiatives and progress. The Sustainability and Climate Change Committee, which heads the ESG Governance Framework, is chaired by the Vice Chairman & Group CEO, Isam Al-Sager, who has been recognized by Forbes as the top sustainability leader in Kuwait and the third in the Middle East.

**ESG Ratings**

SUSTAINALYTICS

Score 20.8 (Medium risk), significantly improved from 27.1

MSCI ESG RATINGS BBB

NBK's rating at 'BBB' per the MSCI audit

CDP

"C" score for 2024 for both the Climate Change and Forests Categories

LSEG DATA & ANALYTICS

Listed on FTSE Arab Federation of Capital Markets Low Carbon Select Index

FTSE4Good

Constituent of the FTSE4Good Index Series

S&P Global

Scored 39/100 in S&P Global rating

LEED

NBK Headquarters awarded the Gold LEED Certification

## Driving Sustainability Through Responsible Procurement

NBK is committed to responsible procurement, driving sustainable practices throughout its supply chain. In 2024, the Bank developed a robust Group-level **Sustainable Procurement Strategy Framework**. The Framework was published on the Group website and disseminated to NBK's international branches and subsidiaries to foster a unified approach to sustainable procurement practices.

NBK has also incorporated ESG principles into NBK Kuwait's Procurement Policy as well as the Supplier Code of Conduct. The Supplier Code of Conduct was published on the Group's website, promoting high ethical standards among suppliers, mitigating third-party ESG-related risks, and fostering positive change across the entire supply chain. By prioritizing sustainable sourcing, NBK aims to reduce its environmental impact, promote social responsibility, and ensure ethical business practices.

Upon formalization of the Sustainable Procurement Policy, NBK forged a partnership with DHL, to use DHL's "GoGreen Plus" service to transport all its international shipments using Sustainable Aviation Fuel. This transition leads to a substantial reduction in carbon emissions. The Bank has also introduced a "Go Green" function in the E-Purchasing system to encourage sustainable purchasing decisions.

## Dedication to Positive Social Impact

NBK's dedication to making a positive impact on society is evident through its commitment to financial inclusion and its impact-driven corporate social responsibility (CSR) initiatives. In 2024, NBK further solidified its commitment to financial inclusion by supporting small and mid-sized businesses through innovative solutions, continuous performance monitoring, and comprehensive financial advisory services. The **Bankee** program also played an instrumental role in enhancing financial literacy among students in Kuwait, equipping them with essential economic skills and knowledge to foster long-term financial stability and independence.

NBK's community investments reached around KD 30 million (USD 97 million) in 2024, marking a 9% increase from 2023. This substantial investment underscores NBK's unwavering commitment to societal welfare and sustainable development. By reviewing and updating its **CSR Policy** to align more closely with the UN Sustainable Development Goals (SDGs) and the **Group ESG Strategy**, NBK ensures a more impact-driven approach to its community efforts.

NBK established various unique partnerships with strategic organizations in 2024, including the Lothan Youth Achievement Center (LOYAC), the Kuwait Association for the Care of Children in Hospital (KACCH), the Kuwait Red Crescent Society (KRCS), Omniya, Creative Confidence, Bayt Abdullah Children's Hospice (BACCH), Center 21 for Special Needs, and the Kuwait Diving Team, to support youth development, healthcare, and environmental conservation initiatives. These efforts collectively highlight NBK's dedication to fostering sustainable development, protecting the environment, and driving positive change in the community.

**2024 Awards**

EUROMONEY — **Best Bank for SMEs in Kuwait**

## Fostering DE&I and Employee Wellbeing

In line with its commitment to fostering a diverse and inclusive workplace, NBK launched a **Diversity, Equity, and Inclusion (DE&I) Commitment** Statement on the Group-level. The commitment statement, which was published on the Group website in December 2024, will be supported with a comprehensive DE&I Strategy and specific targets across the three pillars of DE&I. The Bank's new DE&I Strategy will be implemented in 2025.

NBK has aligned its DE&I approach with the United Nations Sustainable Development Goals, particularly SDG 5 (Gender Equality) by addressing disparities and fostering equal opportunities for all and SDG 10 (Reduced Inequalities) by ensuring equal employment opportunities, eliminating discriminatory behaviors, and cultivating an inclusive workplace.

NBK has also developed an **Employee Grievance Policy** and a formal escalation mechanism, to create a safe and equitable working environment for all employees. NBK published the Employee Grievance Policy on its Group website to foster transparency and promote enhanced disclosure practices. These initiatives underscore NBK's efforts to address employee concerns effectively and ensure a supportive workplace culture.

**2024 Awards**

EUROMONEY — **Best Bank for Diversity and Inclusion in Kuwait**

SHRM — **Gold Award for Excellence in Health and Wellbeing**

## Empowering Future Leaders

In 2024, NBK launched a series of impactful initiatives focused on empowering young minds and preparing them for the future. NBK expanded its **Bankee** financial literacy program, which aims to equip students with essential financial skills, reaching 61 schools, 32,235 students, and 7,335 teachers. NBK also continued to support youth development through LOYAC's "Kilma" Program, enhancing debate and critical thinking skills.

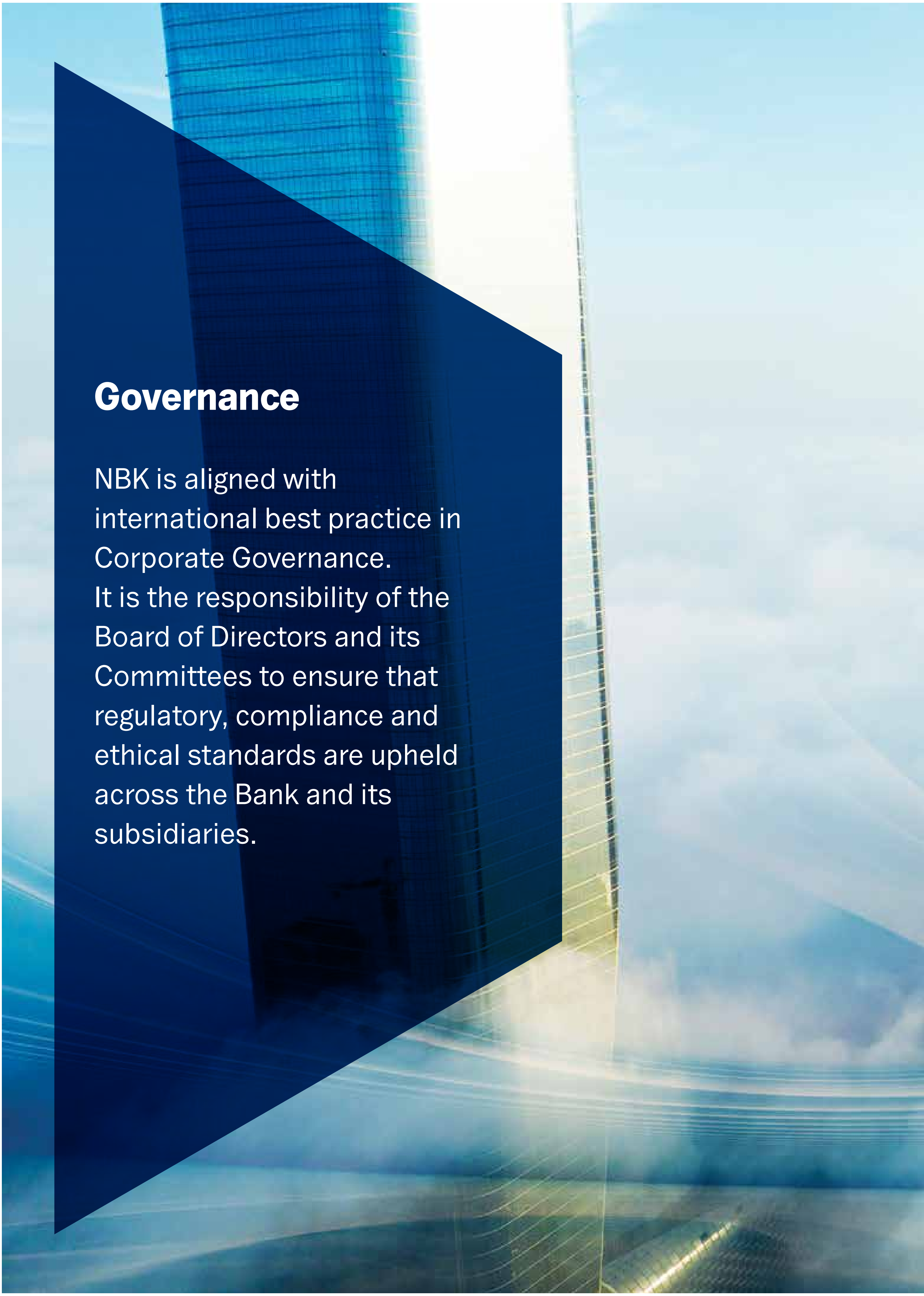
NBK's commitment to cultivating local talent is exemplified through its comprehensive development programs, which include **NBK Academy**, **NBK Tech Academy**, and **Tamakan**, offering professional training and development opportunities for recent graduates. Additionally, the newly launched digital program, in collaboration with Zain and the Kuwait Foundation for the Advancement of Sciences aims to foster digital skills among youth and university graduates. These initiatives collectively ensure that youth are equipped with the knowledge, skills, and opportunities necessary to thrive and excel as leaders in an ever-evolving landscape.

## The Road Ahead: Next Steps in NBK's ESG Journey

NBK is actively advancing its sustainability approach through an ambitious ESG strategy, climate-resilient risk management framework, and a commitment to align with global standards and best practices. The Bank is developing a comprehensive Environmental & Social Risk Management (ESRM) Framework to integrate ESG factors into its credit and investment policies, ensuring that sustainability is deeply embedded in NBK's business strategy, decision making, and risk management practices. The ESRM Framework is expected to be finalized by mid-2025, which NBK aims to provide tangible evidence about in future disclosures.

In recognition of the evolving regulatory landscape, NBK is continuously aligning its operations with international sustainability standards, including the Partnership for Carbon Accounting Financials (PCAF) and the Taskforce for Climate-related Financial Disclosures (TCFD). This proactive approach positions NBK to effectively navigate emerging standards, such as the International Financial Reporting Standards (IFRS) and the International Sustainability Standards Board (ISSB) and enhance its reporting to investors. NBK will be disclosing the results of the pilot assessment of its Group-level corporate portfolio as part of the Bank's inaugural TCFD report.

Furthermore, NBK is committed to delivering innovative sustainable finance solutions for its clients. By offering access to sustainable financing options and aiding their transition to a low-carbon economy, NBK plays a pivotal role in directing the green bond proceeds towards impactful environmental projects. This effort supports the Bank's goal of reaching USD 10 billion in sustainable assets by 2030. In parallel, NBK' commitment to achieve carbon neutrality by 2060 reflects its holistic approach to sustainability, ensuring that both its financial offerings and operational practices contribute to long-term environmental perseveration and social resilience.



# Governance

NBK is aligned with international best practice in Corporate Governance. It is the responsibility of the Board of Directors and its Committees to ensure that regulatory, compliance and ethical standards are upheld across the Bank and its subsidiaries.

# Board of Directors

## Mr. Hamad Mohamed Al-Bahar

**Chairman**

Mr. Al-Bahar has been a Board Member of NBK since 2005 and Chairman of the Board since March 2022. He is Chairman of Board Corporate Governance Committee and the Board Credit Committee.
Mr. Al-Bahar sat on the Board of the Kuwait Investment Company from 1981 to 1991, where he served as Chairman and Managing Director. He also served as Managing Director of the Bank of Bahrain and Kuwait. He has extensive experience in Investment Banking and Asset Management, in addition to internal controls.
Mr. Al-Bahar holds a Bachelor of Arts degree in Economics from Alexandria University, Egypt.

## Mr. Isam Jassim Al-Sager

**Vice Chairman and Group Chief Executive Officer**

Mr. Al-Sager joined the Bank in 1978 and was appointed as GCEO in March 2014. He joined the Board in March 2022 where he was elected as Vice Chairman. He had previously served as Deputy Group Chief Executive Officer since 2010. He is a member of the Board Credit Committee.
Mr. Al-Sager serves as the Chairman or member of several of the group's management committees. He is Chairman of the board of NBK (International) PLC and serves on the board of directors of Watani Wealth Management (Kingdom of Saudi Arabia). Mr. Al-Sager is a board member of MasterCard. He was the Chairman of National Bank of Kuwait – Egypt until May 2019 and a Vice Chairman of the Turkish Bank and Board member of Watani Holding and NBK Trustees (Jersey) Limited. Mr. Al-Sager enjoys an extensive banking experience at NBK and has played a major role in turning the Bank into a leading regional institution with a wide international presence.
Mr. Al-Sager holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, United States

## Mr. Yacoub Yousef Al-Fulaij

**Board Member**

Mr. Al-Fulaij has been a Board Member of NBK since 1998 and was General Manager at the Bank from 1983 to 1998. He is also a member of the Board Credit Committee and Board Corporate Governance Committee. Mr. Al-Fulaij has broad experience of banking activities, including Risk Management and Internal Controls.
Mr. Al-Fulaij holds a Bachelor of Arts degree in Business Administration from the University of Miami, USA.

## Mr. Muthana Mohamed Ahmed Al-Hamad

**Board Member**

Mr. Al-Hamad has been a Board Member of NBK since 2007. He is also a member of the Board Nomination and Remuneration, the Board Audit, the Board Risk and Compliance Committee and the Board Corporate Governance Committee. Additionally, Mr. Al-Hamad is the Vice-Chairman of Alwatyah United Real Estate Company and was Chairman of Future Communication Company International from 2005 to 2014. He was previously a Board Member of the Arab European Company for Financial Management (AREF) from 1987 to 1993, and served on the Board of the Commercial Bank of Kuwait from 1993 to 1997, as well as the United Bank of Kuwait (London) from 1996 to 1997. He has considerable experience in Finance and Business Economics.
Mr. Al-Hamad holds a Bachelor of Arts degree in Economic and Political Science from Kuwait University.

## Mr. Haitham Sulaiman Hamoud Al-Khaled

**Board Member**

Mr. Al-Khaled has been a Board Member of NBK since 2010. He is also a member of the Board Audit Committee, Board Risk & Compliance Committee and the Board Nomination and Remuneration Committee.
Mr. Al-Khaled has been a Board Member of Al Shall Investments Holding Co. since 2005 and Al Arjan International Real Estate Company since 2010, where he has been Chairman since 2014.
Mr. Al-Khaled is also a Board member of Rasameel Investments Co. since 2016 and Kuwait Insurance Co. since 2019 and at ACICO Industries Co. since 2021.
Mr. Al-Khaled previously held the following positions at the leading telecom operator, Zain: Chief Business Development Officer, Chief Executive Officer for the Middle East and Chief Strategy and Business Planning Officer, amongst other responsibilities. He has extensive experience in strategic planning, investments, mergers and acquisitions, corporate governance and internal controls.
Mr. Al-Khaled holds a Bachelor of Science degree in Electronic Engineering from Kuwait University.

## Mr. Emad Mohamed Al-Bahar

**Board Member**

Mr. Al-Bahar joined NBK as a Board Member in August 2014, following the passing away of the former Chairman, Mr. Mohamed Abdul Rahman Al-Bahar. He is also a member of the Board Nomination and Remuneration Committee and the Board Credit Committee.
Mr. Al-Bahar is the Chairman of Dar Labit Holding since 2015 and a Member of the Executive Board of Al-Bahar Group, one of the oldest trading conglomerates in Kuwait and the Middle East. In addition to his role on the Executive Board and in the strategic decision-making team at Al-Bahar, he is a Board Member of Al Ahlia Insurance Company Kuwait since 1999 and the Vice-Chairman since 2017 and served on the Board of the Gulf Bank from 1992 to 1994.
Mr. Al-Bahar holds a Bachelor's degree in management from the American University in Washington DC, USA.

# Board of Directors (continued)

## Mrs. Huda Mohammad S. Al-Refaei
**Board Member**

Mrs. Al-Refaei has been a Board member since March 2022. She is a member of the Board Risk and Compliance Committee and the Board Corporate Governance Committee.

Mrs. Al-Refaei worked as a risk management officer at the Bank from 1999 to 2003. She served as a board member of Posta Plus Company from 2008 to 2012 and as a senior lawyer at Abdullah Al-Refaei Legal Consultancy & Law Firm from 2009 to 2019.

Mrs. Al-Refaei holds a Bachelor's degree in Industrial and Systems Engineering from Kuwait University, Kuwait and a Bachelor of Law degree from Cairo University, Egypt.

## Dr. Robert Maroun Eid
**Independent Board Member**

Dr. Eid has been an Independent Board member since March 2021. He is the Chairman of the Board Risk and Compliance Committee. He is also a member of the Board Audit Committee.

Dr. Eid has served as a Managing Director & Chief Executive Officer of the Arab National Bank in Saudi Arabia from 2005 till January 2021. He also spent over 22 years with the National Bank of Kuwait as head of International Banking Group in addition to serving as a Managing Director & Chief Executive Officer of the National Bank of Kuwait (International) PLC from 1998 till 2005. He has nearly four decades of international experience in banking.

Dr. Eid holds a PhD in Money & Banking from Sorbonne University, France.

## Dr. Nasser Saidi
**Independent Board Member**

Dr. Saidi has been an independent Board member since March 2021. He is a member of the Board Audit Committee.

Dr. Saidi was the Minister of Economy and Trade and Minister of Industry of Lebanon between 1998 and 2000. He was the first Vice-Governor of the Central Bank of Lebanon for two successive mandates, from 1993 to 2003. He is the former Chief Economist and Head of External Relations of Dubai International Financial Centre and Executive Director of the Hawkamah-Institute for Corporate Governance. He is the Founder and Chair of the MENA Clean Energy Business Council.

Dr. Saidi holds a PhD and a MA in Economics from the University of Rochester in the USA, a M.Sc. from University College, London University, United Kingdom and a BA from the American University of Beirut, Lebanon.

## Mr. Abdulwahab Ahmad Al-Bader

**Independent Board Member**

Mr. Al-Bader has been an Independent Board member since March 2022. He is the Chairman of the Board Nomination and Remuneration Committee and a member of the Board Corporate Governance Committee.
Mr. Al-Bader held a number of senior positions at Kuwait Fund for Arab Economic Development from 1977 to 2021, with the most recent being the General Manager from 2005 to 2021. He was also the alternate governor for the State of Kuwait to the OPEC Fund for International Development from 1981 to 1986, governor from 1986 to 2014 and Chairman of the governing board from 2014 to 2021. He has also been a director of various entities.
Mr. Al-Bader holds a Bachelor of Arts degree from Whittier College, USA.

## Mr. Farouk Ali Akbar Bastaki

**Independent Board Member**

Mr. Bastaki has been an Independent Board member since March 2022. He is the Chairman of the Board Audit Committee and a member of the Board Risk and Compliance Committee.
Mr. Bastaki held a number of senior positions including member of the Board of Directors and Managing Director of the Kuwait Investment Authority, Chairman of the Board of St. Martins Property Group (London) and Chairman of the Board of Directors of National Technology Enterprises Company. Mr. Bastaki previously served as board member of Gulf Bank, an independent board member of Mabanee Co. and board member of the Kuwait Fund for Economic Development in addition to a membership in Fosterlane (USA). He has extensive experience for more than 33 years in finance, alternative investments and real estate investments locally and internationally. He also has deep knowledge in internal audit, risk management, governance, compliance and anti-money laundering.
Mr. Bastaki holds a Bachelor's degree in Industrial Engineering from University of Miami, USA.

# Executive Management

## Mr. Isam Jassim Al-Sager
**(Vice Chairman & Group Chief Executive Officer)**

Mr. Al-Sager joined the Bank in 1978 and was appointed as Vice Chairman & GCEO in March 2022. He had previously served as Group Chief Executive Officer since 2014. He is a member of the Board Credit Committee. Mr. Al Sager serves as the Chairman or member of several group's management Committees.
Mr. Al-Sager is the Chairman of the Board of NBK (International) PLC and serves on the Board of Directors of Watani Wealth Management (KSA). Mr Al-Sager is a Board member of MasterCard. He was the Chairman of National Bank of Kuwait – Egypt, Vice Chairman of The Turkish Bank and Board member of Watani Holding and NBK Trustees (Jersey) Limited.
Mr Al-Sager enjoys an extensive banking experience at NBK and has played a major role in turning the Bank into a leading regional institution with a wide international presence.
Mr. Al-Sager holds a Bachelor of Science Degree in Business Administration from California State Polytechnic University, USA.

## Mrs. Shaikha Khaled Al-Bahar
**(Deputy Group Chief Executive Officer)**

Mrs. Al-Bahar has been the Deputy Group Chief Executive Officer since March 2014. She is a member of various Management Committees. She is the Chairperson of NBK Egypt, NBK France and NBK Lebanon. Mrs. Al-Bahar serves on the Board of NBK (International) PLC, United Kingdom, NBK Global Asset Management Limited and Turkish Bank. Mrs. Al-Bahar has experience in project finance, advisory services, bond issues, Build/Operate/ Transfer financing and Initial Public Offerings. She holds a Bachelor of Science degree in International Marketing from Kuwait University, and has attended specialized programs at Harvard Business School, Stanford University, Wharton School and Duke University (USA).

## Mr. Salah Yousef Al-Fulaij

**(Chief Executive Officer – Kuwait)**

Mr. Al-Fulaij joined NBK in 1985 and has been the Chief Executive Officer – Kuwait since 2015. He is a member of various Management Committees. Mr. Al-Fulaij serves on the board of NBK France and NBK Capital. He was the Chief Executive Officer of NBK Capital from 2008 to 2014, and previously Group General Manager of Treasury and Investments Services. Mr. Al-Fulaij is a graduate of the University of Miami, where he received his Bachelor's Degree in Industrial Engineering and his MBA in Business Management. He has participated in a number of executive programs at Harvard Business School, Stanford Graduate School of Business, and Duke University (USA).

## Mr. Sulaiman Barrak Al-Marzouq

**(Deputy Chief Executive Officer – Kuwait)**

Mr. Al-Marzouq joined NBK in 2002 and now he is the Deputy Chief Executive Officer – Kuwait since 2017. He moved to the Central Bank of Kuwait from 2012 to 2015, where he headed the Department of Foreign Operations, before moving back to NBK as Group Treasurer. Mr. Al-Marzouq serves on the board of NBK Egypt, NBK Capital and Hayat Investment Company. He is a member of various Management Committees. He has extensive experience in Investment and Wealth Management, in addition to experience in Treasury and Banking Operations. He has served as a Board Member for several banks and companies in Kuwait. Mr. Al-Marzouq holds a bachelor's degree in Economics from Portland State University, USA

# Executive Management (continued)

## Mr. Faisal Abdulatif Al-Hamad
**(CEO of NBK Wealth)**

Mr. Al-Hamad has been the CEO of NBK Wealth Management since April 2021. He serves as the Chairperson of NBK Capital, in addition to serving as a board member on several other NBK Group entities, and a member of various Management Committees. Prior to that, Mr. Al-Hamad was the CEO of NBK Capital and held several senior positions there since joining in 2007. Mr. Al-Hamad has previously held several senior positions in leading organizations, including General Manager at Agility Kuwait and Associate Director at Wellington Management International in the UK. Mr. Al-Hamad holds an MBA from Harvard Business School and a Bachelor's Degree from the University of Chicago.

## Mr. Omar Bouhadiba
**(CEO International Banking Group)**

Mr. Omar Bouhadiba joined NBK in November 2020 as CEO of International Banking Group. Mr. Bouhadiba serves on the Board of NBK (International) PLC, United Kingdom , NBK Egypt and NBK France. He has an extensive experience in corporate and investment banking, with Bank of America, Mashreq Bank, NBK, Arab Bank plc and most recently with Barwa Bank as Senior Advisor to the Board of Directors and International Bank of Qatar as Chief Executive Officer. Mr. Bouhadiba holds a Master's Degree in Business Administration (MBA) in Finance from the Wharton School of Finance of the University of Pennsylvania (USA).

## Mr. Mohammed Al Othman
**(Chief Executive Officer of Consumer & Digital Banking for the Group)**

Mr. Mohammed Al Othman joined NBK Group in 2006 and has been Chief Executive Officer of Consumer & Digital Banking for the Group since May 2023. Prior to that he was Head of Consumer Banking Group since April 2018. He is also a member of various Management Committees. Mr. Al Othman is the Chairman of the Shared Electronic Banking Services Company (K-Net) and a member since 2014. Mr. Al Othman has extensive expertise in retail banking, Digital Banking, personal banking, payment services and banking products. Mr. Al-Othman holds a Bachelor's Degree in Philosophy from Kuwait University and has attended several training programs at Harvard Business School, Columbia Business School and Insead.

## Mr. Mohammed Al Kharafi

**(Chief Operating Officer- Head of Operations and Information Technology for the Group)**

Mr. Mohammed Al Kharafi joined the Group in 2001 and has been Chief Operating Officer - Head of Operations and Information Technology for the Group since May 2023. He serves also as a member of various Management Committees. Prior to that, he held several leadership positions in Operations and Consumer Banking Group. He served on the board of the Credit Information Network Company (Ci- Net). He has extensive experience in retail banking, Digital banking; Intelligent Automation, Technology and operations. Mr. Mohammed Al Kharafi has a Bachelor's Degree in Business Administration from the Arab Open University. He has participated in a number of Executive Education Programs at Harvard Business School, Chicago Booth School of Business, Stanford, Columbia Business School, Insead and American University of Beirut.

## Mr. Sujit Ronghe

**(Group Chief Financial Officer)**

Mr. Ronghe joined the Bank in 2002 and was appointed as Group Chief Financial Officer from June 2022. He has been the Group Financial Controller since 2012. Prior to joining the Bank, Mr. Ronghe worked as a Senior Auditor at a Big4 accounting firm in Kuwait. He has extensive experience in finance and banking. Mr. Ronghe is a member of the Institute of Chartered Accountants of India and a graduate of the Institute of Cost Accountants of India. He also holds a Bachelor of Commerce Degree from the University of Pune, India.

## Mr. Grant Lowen

**(Group Chief Risk Officer)**

Mr. Grant Lowen joined NBK in 2024 and was appointed Group Chief Risk Officer in June 2024. He has extensive experience in financial services risk management and has held the Chief Risk Officer position over the last 15 years including Group Chief Risk Officer QNB in Qatar; Group Chief Risk Officer Bank ABC Bahrain and Chief Risk Officer Riyad Bank KSA. In Australia he was the Chief Risk Officer of Bankwest and oversighted the Asia Pacific risk management areas of Commonwealth Bank of Australia. Mr Lowen has served as a director on the boards of banks in his capacity as a risk officer including with QNB Egypt, Turkey, and Indonesia. He is a member of the Chartered Accountants Australia & New Zealand and the Australian Institute of Company Directors. A Chartered Accountant from New Zealand, Mr. Lowen has also served as Chairman of the Risk Management Association of Australia and completed executive education programs, including Wharton RMA specialized risk certification.

# Executive Management (continued)

## Mr. Emad Al-Ablani

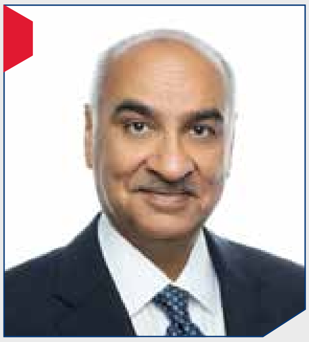
**(General Manager – Group Human Resources)**

Mr. Al-Ablani joined NBK in March 2003 and was appointed as General Manager – Group Human Resources in 2014. He is also a member of various Management Committees. Former appointments at NBK include Deputy General Manager, Head of Human Resources – Kuwait and Assistant General Manager – Recruitment & HR Operations. He has an extensive experience in Human Resources. Mr. Al-Ablani holds an Executive Master's degree in Business Administration (EMBA), from the American University of Beirut (Lebanon) and a Bachelor of Arts Degree in Educational Psychology from Kuwait University.

## Mr. Ahmed Bourisly

**(General Manager - Corporate Banking Group)**

Mr. Bourisly joined NBK in 1998 and has been General Manager, Domestic Corporate Banking at NBK since June 2019. He served on the Board of NBK Capital until January 2015. He serves on the Board of Boubyan Takaful. He is also a member of various Management and Credit Committees. Mr. Bourisly has extensive experience in all areas of Credit and Corporate Banking Management. He holds a Bachelor's Degree in Business Administration with a concentration in Marketing from University of the Pacific, CA. He attended numerous training courses and seminars at Harvard University (USA) and INSEAD, France.



## Mr. Pradeep Handa

**(General Manager - Foreign Corporate, Oil and Trade Finance Group)**

Mr. Handa joined NBK in 1980 and has been General Manager - Foreign Corporate, Oil and Trade Finance Group since 2012. He is also a member of various Management Committees. Former appointments at NBK include Assistant General Manager, Executive Manager and Senior Manager at Corporate Banking Group - Kuwait. He has an extensive experience in handling Foreign Corporate Banking and Oil and Trade Finance matters.
Mr. Handa holds a Master's Degree from the University of Delhi, India.

## Mr. Jad Zakhour

**(General Manager – Head of Treasury Group)**

Mr. Zakhour joined the Group in 2006 and has been Head of Treasury Group since Jan 2020. He was previously the Deputy Group Treasurer since August 2014.
He is also a member of various management committees. Mr. Zakhour has extensive experience in treasury, investment and wealth management. Mr. Zakhour holds a Bachelor's Degree in Civil Engineering from Homs University and a Master's Degree in Business Administration in Finance from American University of Beirut. He is a Certified Financial Risk Manager (FRM). Mr. Zakhour has participated in a number of Executive Programs at Harvard Business School and INSEAD.

# Corporate Governance Framework

National Bank of Kuwait Group is aligned with the best international Corporate Governance practices and risk management, to protect stakeholders' rights. During 2024, the Group adhered to all the provisions and determinants of CBK instructions regarding the Corporate Governance rules and standards for Kuwaiti banks, issued in September 2019, as well as the regulatory instructions related to governance in Kuwait and those issued by other countries in which the Group's entities operate.

Represented by the effective supervisory role of the Board of Directors and the Executive Management, the Group focused on improving the Corporate Governance and compliance culture across all of its entities, where the Corporate Governance Framework is constantly developed to establish sound and effective corporate values. This is achieved through a set of policies, procedures and standards adopted by the Group, which are periodically updated to be in line with the best applicable and relevant international practices.

The Group recognizes the importance of applying the principles and standards of good governance; It follows professional and ethical standards in all kinds of deals, and ensures disclosure and transparency of information that is accurate and timely. This contributes to the development of the Group's working efficiency and enhances the confidence of shareholders, related parties and stakeholders in the Group's performance, as well as the banking sector in Kuwait.
During 2024, the Group achieved a number of key accomplishments in the effective implementation of the Corporate Governance Framework. These are as follows:

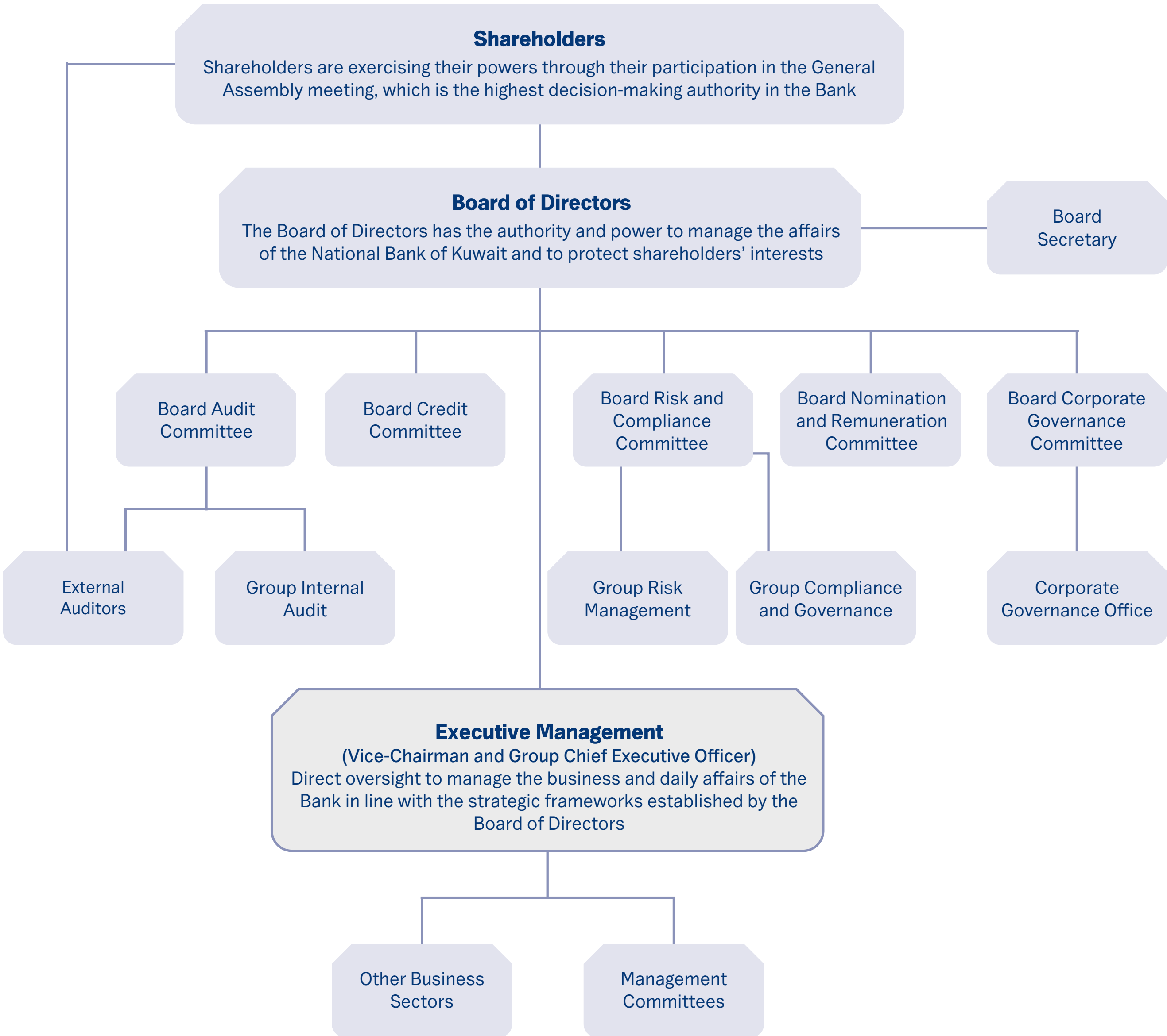
- Reviewed and updated the governance policies and charters according to the regulatory instructions in Kuwait and the instructions issued by the regulatory authorities in countries where the Group operates.
- Developed and implemented best practices in Governance compliance, regulatory risks, Foreign Account Tax Compliance Act (FATCA), Anti Money Laundering / Combating Financing of Terrorism, Anti-financial crimes, Information Technology and Cybersecurity Risks.
- Conducted an independent review and assessed the efficiency of implementing Corporate Governance at NBK subsidiaries, by monitoring and supporting the governance units at these subsidiaries, which manage the affairs of the Board of Directors and their Committees.
- Developed and continually improved the Corporate Governance reporting systems between entities of the Group.
- Fulfilled the Capital Markets Authority requirements of the Corporate Governance regulations for NBK Capital and Watani Financial Brokerage Company.

## The Board and Committees' composition and duties

NBK Group's Board of Directors is composed of eleven (11) members (one (1) executive member, six (6) non-executive members and four (4) independent members) representing the shareholders. The Board members are elected and appointed by the General Assembly of the Bank, for three (3) years. The Board aims to strengthen the long-term success of the Group and to deliver sustainable value to shareholders.

The Board's structure is generally characterized by having the appropriate number of members, diversity of professional experience, educational qualifications and broad knowledge of the banking and business sectors. Board members collectively hold experience and knowledge in the areas of accounting, finance, economics, strategic planning, corporate governance, internal control and risk management, in addition to outstanding experience in the local and regional business environment.
The Group's balanced and non-complex Board structure facilitates the process of exchange of information on an accurate and timely basis between different Group entities. This has been accomplished by establishing direct communication channels across the Group, which promote the principle of disclosure and transparency regarding Group operations. Moreover, the structure maintains the supervisory role assigned to the Board, and effectively contributes to fulfilling the Board's responsibilities.
To comply with the supervisory regulations issued by CBK, in addition to the Group's effort to effectively implement the Corporate Governance Framework, the Group formed an appropriate number of Committees that are aligned with the size of the Group, the nature and complexity of its activities, and the geographical distribution of the Group's entities. The Board of Directors formed five sub-committees to enhance the Board's effectiveness in overseeing important Group operations.

The Corporate Governance Framework of the Group is illustrated as follows:



# Group's Board of directors Sub-Committee

| Corporate Governance Committee | Nomination and Remuneration Committee | Risk and Compliance Committee | Audit Committee | Credit Committee |
|---|---|---|---|---|
| 1. Mr. Hamad Mohamed Al-Bahar (Board and Committee Chairman<br>2. Mr. Yacoub Yousef Al-Fulaij<br>3. Mr. Muthana Mohamed Al-Hamad<br>4. Mrs. Huda Mohammad S. Al-Rifai<br>5. Mr. Abdulwahab Ahmad H. Al-Bader | 1. Mr. Abdulwahab Ahmad H. Al-Bader (Independent Board member and Committee chairman)<br>2. Mr. Muthana Mohamed Al-Hamad<br>3. Mr. Haitham Sulaiman Al-Khaled<br>4. Mr. Emad Mohamed Al Bahar | 1. Dr. Robert Maroun Eid (Independent Board member and Committee Chairman<br>2. Mr. Muthana Mohamed Al-Hamad<br>3. Mr. Haitham Sulaiman Al-Khaled<br>4. Mrs. Huda Mohammad S. Al-Rifai<br>5. Mr. Farouq Ali Akbar A. Bastiki | 1. Mr. Farouq Ali Akbar A. Bastiki (Independent Board member and Committee Chairman)<br>2. Mr. Muthana Mohamed Al-Hamad<br>3. Mr. Haitham Sulaiman Al-Khaled<br>4. Dr. Robert Maroun Eid<br>5. Dr. Nasser Amin Saidi | 1. Mr. Hamad Mohamed Al-Bahar (Board and Committee Chairman)<br>2. Mr. Yacoub Yousef Al-Fulaij<br>3. Mr. Emad Mohamed Al Bahar<br>4. Mr. Isam Jasem A. Al-Sager (Board Vice - Chairman and Group Chief Executive Officer) |
| **Committee's mission:**<br>Assist the Board in overseeing the implementation of the Group's Corporate Governance. The Committee is also responsible for monitoring the implementation progress of the policies and procedures pertaining to governance. | **Committee's mission:**<br>Assist the Board in carrying out the Nomination and Remuneration responsibilities pertaining to the Board of Directors and Executive Management. The Committee also supports the Board in reviewing and enhancing Board structure and development of the caliber of the Board Members. It also assists the Board in setting up the Group's remuneration framework and ensures effective implementation in accordance with Group remuneration policy. | **Committee's mission:**<br>Assists the Board in carrying out its responsibilities with respect to the Group's risk management and Group Compliance & Governance functions by evaluating and monitoring the risk governance framework, risk appetite, risk strategy and capital planning. In addition to its role of overseeing the adequacy of regulatory compliance and enhancing compliance culture across the Group. | **Committee's mission:**<br>Assists the Board in a supervisory role regarding the efficiency and independence of the internal and external audit operations for the Group. Also oversees the preparation of the periodic financial statements and other regulatory reports. | **Committee's mission:**<br>Responsible for reviewing the quality and performance of the Group's credit portfolio. The Board has authorized the Committee to approve credit facilities that exceed the authorization granted to Senior Management, in accordance with the Credit Policy and the approved authority matrix of the Group in accordance with the related regulatory instruction. |

# Board of Directors and Committee Meetings

The Board of Directors held nine(9) meetings during 2024. Minutes of all meetings have been documented and are included in the Bank's records.

The below table shows names of the Board of Directors, their memberships in Board Sub-Committees and number of meetings that reached fourty nine (49) meetings, in addition to the number of meetings attended by each member during the year.

| Board of Directors Members | Committee Membership | Board of Directors | Corporate Governance | Nomination & Remuneration | Risk & Compliance | Audit | Credit |
|---|---|---|---|---|---|---|---|
| Mr. Hamad Mohammed Al-Bahar *(Non-Executive member)* | • Chairman of Board of Directors<br>• Chairman of Corporate Governance Committee<br>• Chairman of Credit Committee | 7 | 2 | | | | 11 |
| Mr. Isam Jasem A. Al-Sager *(Executive member)* | • Vice-Chairman and Group Chief Executive Officer<br>• Member of Credit Committee | 9 | | | | | 19 |
| Mr. Yacoub Yousef Al-Fulaij *(Non-Executive member)* | • Member of Corporate Governance Committee<br>• Member of Credit Committee | 7 | 2 | | | | 10 |
| Mr. Muthana Mohamed Al-Hamad *(Non-Executive member)* | • Member of Corporate Governance Committee<br>• Member of Nomination and Remuneration Committee<br>• Member of Audit Committee<br>• Member of Risk and Compliance Committee | 9 | 2 | 4 | 5 | 9 | |
| Mr. Haitham Sulaiman Al-Khaled *(Non-Executive member)* | • Member of Risk and Compliance Committee<br>• Member of Audit Committee<br>• Member of Nomination and Remuneration Committee | 9 | | 4 | 5 | 9 | |
| Mr. Emad Mohamed Al Bahar *(Non-Executive member)* | • Member of Nomination and Remuneration Committee<br>• Member of Credit Committee | 9 | | 4 | | | 19 |
| Mrs. Huda Mohammad S. Al-Rifai *(Non-Executive member)* | • Member of Risk and Compliance Committee<br>• Member of Corporate Governance Committee | 8 | 2 | | 5 | | |
| Dr. Robert Maroun Eid *(Independent member)* | • Chairman of Risk & Compliance Committee<br>• Member of Audit Committee | 9 | | | 5 | 9 | |
| Dr. Nasser Amin Saidi *(Independent member)* | • Member of Audit Committee | 9 | | | | 9 | |
| Mr. Abdulwahab Ahmad H. Al-Bader *(Independent member)* | • Chairman of Nomination and Remuneration Committee<br>• Member of Corporate Governance Committee | 9 | 2 | 4 | | | |
| Mr. Farouq Ali Akbar A. Bastaki *(Independent member)* | • Chairman of Audit Committee<br>• Member of Risk and Compliance Committee | 9 | | | 5 | 9 | |
| **Total number of meetings** | | **9** | **2** | **4** | **5** | **9** | **20** |

Meetings held by the Board of Directors and its Committees during 2024 were in compliance with Central Bank of Kuwait governance rules and standards, and the Board and Committees' charters in terms of the number of meetings, periodicity, the quorum, and the topics reviewed and discussed by members.

# Effective Implementation of the Corporate Governance Framework

## General overview:

The Group Board of Directors permanently and continuously strives to achieve the best interest of the Bank's shareholders through effective oversight and monitoring of the work of the Executive Management, ensuring the implementation of the Bank's strategy and objectives, and confirming that performance is in accordance with the Bank's plans. During the year, the Board of Directors reviewed and developed the Group's strategy and risk appetite, including all future plans of subsidiaries and overseas branches. The Board of Directors gives particular importance to the implementation of governance at Group level, by creating a culture of corporate values among the Bank's entire staff. This is achieved through constant efforts to achieve the Bank's strategic objectives, improving Key Performance Indicators, and compliance with laws and regulations, especially the rules of Corporate Governance. In addition, the Board adopts a set of policies, charters, systems, mechanisms, reports and procedures which the Group has effectively and integrally applied, relying on the philosophy of the Group in the implementation of Corporate Governance as a culture and working principle, and not only as supervisory instructions and legislative regulations.
The followings are the most important achievements of the Board of Directors and its Committees during 2024:

## Board of Directors' Key Achievements

The Board of Directors met nine (9) times during the year and the followings key duties were accomplished:

- Approved the Budget for the year 2024, the Interim Financial Information, the audited balance sheet, profit & loss account of the Bank and dividends for the financial year ended on 31/12/2023.
- Discussed the risk appetite and its impact on the Group›s strategy.
- Reviewed the results of the Internal Capital Adequacy Assessment Process ("ICAAP"), financial stress testing as per the regulatory requirement of Basel (3).
- Discussed and approved general and specific provisions for the local and international loan portfolio.
- Approved the update of financial authority matrix for the GCEO, the DGCEO, the CEO-Kuwait , his Deputy and Head of wealth management..
- Reviewed the Board of Directors' structures within subsidiaries, on an ongoing basis, ensuring their compliance with the regulatory requirements and the general policy of the Group's governance framework.
- Followed the progress of the Group's operations, through regular meetings with Executive Management and discussed the results of the Group's business through periodic reports prepared by the Financial Group, which clarifies the most important financial indicators of the Bank›s budget and profits according to geographical distribution of branches and foreign subsidiaries.
- Reviewed and evaluated the effectiveness of the Board and its Committees, in addition to conducting individual self-assessments of the Board and Committee members.
- Reviewed the remuneration framework, the mechanism of linking rewards to performance the level of risk exposure and updated the remuneration policy at Group level.
- Oversaw the implementation of the Corporate Governance Framework at Group level and ensured compliance with local regulations in the countries the Group operates in, which are in line with the Group's Corporate Governance Framework.
- Reviewed, developed and approved the policies related to Corporate Governance and charters of the Board of Directors and its committees at the Group level in order to be commensurate with regulations issued from Supervisory Authorities, the Group's organizational structure, and to keep up with applicable international and leading Corporate Governance practices.
- Conducted self-assessment on Corporate Governance implementation at Group level and identified the areas that need to be developed.

- Reviewed the results of the annual independent evaluation of the Corporate Governance Framework conducted by Group Internal Audit, which highlighted the areas of the Framework that require improvement.
- Reviewed the results of the annual independent evaluation of the Internal Control Review for the Corporate Governance Framework, conducted by the external auditors
- Supervised the Corporate Governance offices and units in the Bank's subsidiaries, followed up their progress through periodic reports presented to the Board Corporate Governance Committee for review and discussion, and subsequently to the Board of Directors.
- Approved Bank's representatives in Subsidiaries, Associate Companies, External Committees and others
- Reviewed the results of bank's compliance level with Capital Markets Authority instructions concerning the adequacy of information technology systems related to Custodian activity that was and conducted by independent external auditor.
- Reviewed the updated regulations, legislations and provisions related to Bank's activities issued by Central Bank of Kuwait, Capital Markets Authority and other regulatory authorities in the countries in which Bank's subsidiaries and branches operates.
- Approved cash dividend distribution of 25% (twenty five per cent) of the nominal value of the share (twenty five fils per share)
- Approved the increase of NBK issued and paid up capital by 5% (five per cent) as bonus shares.
- Approved semi-Annual Cash dividends distributions at the rate of 10% of the nominal value of the share.
- Periodically reviewed and updated Bank's organizational structure.
- Approved the updated training plan for the year 2025 for the Board members, which covered special topics regarding Risk Management and Audit.
- Reviewed the agenda of Bank's General Assembly meeting, which convened on 23/3/2024.
- Approved opening the nomination for Board of Directors membership.
- Approved the issuance of USD-denominated Green senior unsecured notes through Bank's Global Medium Term Note programme.

# Board Committees' Key Achievements

**Corporate Governance Committee**

The Committee met twice during the year and the following key duties were performed:

- Reviewed the implementation of Corporate Governance of NBK Group and its subsidiaries and overseas branches, while providing continuous support to subsidiaries.
- Reviewed the Board and its sub-Committee's charters according to supervisory regulations issued in this regard and made recommendations to the Board of Directors.
- Reviewed and discussed the results of the internal audit report on the annual evaluation of the Corporate Governance Framework, and the level of compliance with regulators.
- Reviewed and discussed the report and the results of the evaluation of internal control systems, and the adequacy of implementing the rules of corporate governance at Group level.
- Reviewed and updated Corporate Governance policies, in line with regulatory instructions, leading practices, and made recommendations to the Board for approval.
- Reviewed the related parties' transactions report, the conflict of interest report, the whistleblowing cases, and discussed the effectiveness of the existing mechanisms.
- Supervised the progress of Corporate Governance implementation at Group level.
- Reviewed and discussed the annual compliance report on the adequacy of the Corporate Governance implementation at Group level.
- Reviewed the disclosures related to Corporate Governance, which are presented in the Group annual report.
- Reviewed the new instructions issued by the regulatory authorities in the countries where our subsidiaries are located and the procedures taken to comply with these instructions.
- Reviewed Semi-annual Assessment of the risks associated with the group's structure.

| Nomination and Remuneration Committee |
|---|
| The Committee met four (4) times during the year and the following key duties were performed: |
| • Supervised the process of the annual assessment of the Board of Directors' performance for the Board, its committees, and the self-assessment of each member of the Board of Directors for the year 2023. |
| • Reviewed the updated training plan for the year 2025 for the Board members, which covered Risk Management and Audit topicsand made recommendations to the Board of Directors. |
| • Reviewed the Internal Audit report on Corporate Governance and the independent evaluation conducted on the Bank's Remuneration framework. |
| • Reviewed the remuneration policy and presented it for approval to the Board of Directors. |
| • Reviewed and approved the rewards and incentives for 2024 based on the key performance indicators and key risk indicators, and discussed claw back cases for 2024 and made recommendations to the Board. |
| • Reviewed the links between remuneration and the Group's long-term objectives. |
| • Reviewed and discussed the succession plan prepared by Group Human Resources and recommended it to the Board for approval. |
| • Reviewed and discussed the phantom shares plan for key personnel, and made recommendations to the Board of Directors. |
| • Reviewed and discussed the latest developments in the banking industry, the related reports in this regard, and the latest related regulatory requirements. |
| • Reviewed the disclosures related to Remunerations presented in the Group annual report of 2024. |
| • Reviewed the committee's charter and made recommendations to Board of Directors. |
| • Reviewed nominations regarding the selection of Board members for Board for upcoming term and made recommendations to the Board of Directors. |
| • Reviewed last updates  regarding BOD membership in Bank's subsidiaries |
| • Assured the independency of Group Risk Management, Group Compliance & Governance and Group Internal Audit. |

| Audit Committee |
|---|
| The Committee met nine (9) times during the year and the following key duties were performed: |
| • Reviewed and approved the Group's internal audit annual plan for 2024 based on the risk assessment and audit priorities. Also reviewed the updated internal audit policy and procedures and presented them to the Board for approval. |
| • Co-ordinated with external auditors and reviewed the interim and annual financial statements of the Group, and dividends distribution and submitted recommendations to the Board of Directors. |
| • Reviewed and discussed the periodical Internal Audit reports and the attached reports. |
| • Reviewed and discussed Group internal audit summary and considered what has been achieved in the internal audit plan, in comparison to performance during the previous year |
| • Reviewed and approved the scope of the external auditor's plan related to Internal Control Review and discussed the results of the report. |
| • Reviewed the Committee charter and submitted recommendations to the Board of Directors. |
| • Reviewed the efficiency and independence of the internal audit function, infrastructure and the overall annual assessment of the function's performance with the Group Chief Internal Auditor. |
| • Discussed internal control aspects related to information technology systems and information security. |
| • Provided recommendations related to the external auditors' fees, with respect to the services provided. |
| • Discussed external audit results related to Group internal audit. |
| • Reviewed and discussed the internal audit reports for Kuwait, overseas branches and subsidiaries. |
| • Approved Key performance indicators for Group Chief Internal Auditor |

**Risk and Compliance Committee**

The Committee met five (5) times during the year and following key duties were performed:

- Reviewed and discussed the strategy and challenges of Risk Management, the set of periodic risk management reports at Group level and the key risk indicators
- Reviewed a report on the most important activities and achievements of the Group Risk Management of 2024 and the planned work in 2025.
- Reviewed and discussed the periodic market risk report, Internal Capital Adequacy Assessment Process ("ICAAP"), liquidity ratios, the stress testing scenarios and the methods with which they dealt at Group level.
- Reviewed and discussed the risk limit ratios, compared the ratios to the Group's approved risk appetite and the exposure levels of countries in which the Group operates, and discussed those ratios and the changes compared to previous periods and credit concentrations for companies , countries and sectors.
- Reviewed updates on overall economic situations and their impact at the Group level
- Reviewed the reports of operational risk, market risk and compliance risk and compliance plan at Group level.
- Reviewed updates regarding AML awareness training to NBK staff.
- Reviewed periodic reports on the information security governance, information systems risks, the results of the internal control systems report on regulatory compliance, anti-fraud , anti-money laundering and financing of terrorism, anti-Financial Crime and compliance with regulatory requirements of the Foreign Account Tax Compliance Act -FATCA, at Group level.
- Reviewed and approved Anti-Financial Crime (AFC) Policies and Procedures, AML/CFT Policy, AML Risk Assessment and Anti-Fraud Policy & Procedures, and presented them to the Board for approval.
- Reviewed regulatory compliance remarks at Group and subsidiaries level, through self-evaluation results as well as field visits and review processes.
- Evaluated the Group Chief Risk Officer and Group Chief Compliance & Governance Officer annual performance and determined their remunerations.
- Reviewed and approved the amended Organizational Structures of Group Risk Management and Group Compliance & Governance and made recommendation to Board for approval.
- Reviewed Compliance Plan for the year 2024 for NBK-Kuwait,
- Reviewed Board Risk & Compliance Committee Charter to be presented to the Board for approval.
- Reviewed Group Cybersecurity progress report and its Key Performance Indicators (KPI) for NBK Kuwait and its overseas Branches and subsidiaries, Bank's procedures regarding Cybersecurity Risk of Virtual Private Networks (VPN).
- Reviewed a report on the most important activities and achievements of the Group Compliance and Governance for 2024 and the planned work in 2025.
- Approved the appointment of Group Chief Risk Officer and submitted its recommendation to the Board of Director for final approval.
- Reviewed Group Compliance & Governance reports regarding regulatory parties' instructions, local and international regulatory compliance, importance correspondences with Central bank of Kuwait, disclosures to Capital Markets Authority and Boursa Kuwait Company and updates regarding compliance and governance for local and overseas subsidiaries and overseas branches.
- Reviewed and approved policies and procedures of Group Risk Management and Group Compliance and Governance and submitted recommendations to the Board for approval.

**Credit Committee**

The Committee met twenty ( 20) times during the year and the following key duties were performed:

- Reviewed and approved credit proposals within the authority matrix delegated by the Board of Directors.
- Coordinated with the Board Risk Committee to discuss credit risk limits.

# Board of Directors Self-Assessment Framework

Annually and under the supervision of the Board of Directors, Board Nomination and Remuneration Committee evaluates the effectiveness of Board members and their participation, whether individually or collectively. This includes an assessment of the Board Committees through the self-assessment methodology, which has been designed and developed to evaluate the effectiveness of each Board member, and determine the aspects of development required, and the necessary training for members.

The following table illustrates the criteria on which the evaluation is based and that are included in the self-evaluation forms:

- **Composition and qualifications**
- **Attendance and participation**
- **Adequacy and Effectiveness of Meetings, minutes and resolutions**
- **Means of communication and reporting mechanism**
- **Oversight role of the Board and Committees**

Based on the evaluation results, the Committee presented its report to the Board that reviewed and approved.

# Remuneration Policy and Framework

NBK's remuneration policy is in line with the strategic objectives of the Group, and in particular is designed to attract, retain and motivate high-caliber, professional, skilled and knowledgeable employees, at the same time as promoting sound and sustained profitability and effective risk management.

The Group's financial remuneration framework has been linked with its long-term and short-term performance objectives. The Board-approved Group strategy is transformed into Key Performance Indicators (KPIs) and remuneration is determined based on the achievement of these KPIs towards the overall Group strategy; these include financial and non-financial criteria and (where appropriate) Key Risk Indicators (KRIs).

For the purpose of granting remuneration, the Group has differentiated its staff categories, between "material risk-takers," and Financial and Risk Control functions.

Remuneration for material risk-takers has been linked with the risk limits, which were cascaded as per the approved risk appetite. The Key Performance Indicators for the Financial and Risk Control functions are based on the objectives of the control function itself. Any claw-back to be applied is based on the performance standard of the function.

The Group operates a "total reward" philosophy, considering all components of financial remuneration. The key components are:

- Fixed remuneration (salaries, benefits, etc.)
- Variable remuneration (performance-based remuneration) which includes cash bonus and equity shares (as per Phantom Shares Plan)

The Group ensures there is a suitable balance between fixed and variable remuneration to allow for the possibility of reducing remuneration in the case of adverse financial performance.

The Group remuneration deferment policy ensures an appropriate portion of the variable remuneration of senior employees (including those deemed to have a material impact on the risk profile of the organization) is deferred. The deferment of variable remuneration applies to the Deferred Cash Bonus and Phantom Shares Plan.

The Group applies a deferment approach of up to three years and final vesting of these variable components is subject to continuing employment and the absence of risk materialization. Claw-back applies on the non-vested portions in case risk materializes. The claw-back mechanism is applicable on the Deferred Cash Bonus and Phantom Shares Plan.

The Group's remuneration process is governed by the Board Nomination and Remuneration Committee with the ultimate decisions and responsibilities falling to the Board of Directors.

**Remuneration disclosures**

Board of Directors' members (Executive member, Non-Executive members and Independent members) receive remuneration amounting to KD 70 thousand each (total KD 770 thousand) for their services in Bank's Board membership. Board of Director's remuneration is subject to approval of shareholders at the Annual General meeting.

The five senior Executives who received the highest remuneration packages in addition to the Group Chief Financial Officer (GCFO, Group Chief Internal Auditor (GCIA) and Group Chief Risk Officer (GCRO) received a compensation aggregating KD 12,019 thousand for the year ended December 2024

The following table details the remuneration paid (KD) to staff categories:

| | | | Variable Remuneration | | | | KD '000 |
|---|---|---|---|---|---|---|---|
| Employee Categories | Number of Employees | Fixed Remuneration | Cash | Phantom Shares Plan | Deferred | Other Performance Incentives | Total |
| Senior Management | 47 | 7,423 | 13,290 | 2,149 | - | 354 | 23,216 |
| Material Risk Takers | 45 | 6,634 | 12,199 | 1,841 | - | 866 | 21,540 |
| Financial and Risk Control | 20 | 1,792 | 1,201 | 524 | 9 | - | 3,526 |

## For disclosure purposes

- Senior Management: includes all staff above and equivalent to the position of Deputy General Manager for all business units, excluding Financial and Risk Control functions
- Material Risk-Takers: includes Group Chief Executive Officer and his deputy, Chief Executive Officer (Kuwait) and his deputy, and the heads of business functions and their deputies
- Financial & Risk Control Functions: includes heads of Control functions (Financial Control, Risk Management, Compliance and Governance, Internal Audit and Anti-Money Laundering and Combating Financing Terrorism Unit), and their deputies.

# Internal Control Adequacy Report

## Board statement on adequacy of internal control systems

The Board strives consistently to ensure the adequacy and efficiency of the control systems required to protect the Group's operations, whilst ensuring compliance with such internal controls and establishing that those controls provide the necessary protection for the Group against risks from within or outside the Group. The Board ensures an effective internal control systems and Risk Management and Compliance functions are in place with sufficient authority, independence, resources and access to the business lines. The Board regards the Internal Audit function and external audit activities as integral parts of key control tools for independent review of information reported by Executive Management to the Board.

The Board Audit Committee is responsible for the oversight of the Group's internal control framework along with the selection and rotation of external auditors in compliance with regulatory requirements.

The Board has been provided with the results of assessments on the existing internal control systems from Risk Management and Compliance, Internal Audit and an independent external party. The Board believes that the existing internal control systems adopted and used at NBK Group are satisfactory and adequate.

## Review of the internal control systems by an independent third party

An Internal Control Review (ICR) of NBK is conducted annually by an external audit firm in accordance with CBK requirements. The ICR examines accounting and other records, and evaluates the internal control systems with regard, but not limited, to Corporate Governance, Financial Control, Consumer Banking, Corporate and Private Banking, International  Banking Group, Treasury, Regulatory Compliance, Operations and Information Technology, Risk Management, Human Resources, Administration, Internal Audit, Anti-Money Laundering and Counter terrorism Financing, Legal Affairs Engineering, impairment Compliance and Regulatory Reporting.

A summary of the ICR report for the year ended 31 December 2023 was presented to the Board of Directors during 2024. The report did not highlight any significant issues.

# Internal Control Review by External Party

**Private and confidential**
**The Board of Directors**
**National Bank of Kuwait S.A.K.**
**State of Kuwait**
**24 June 2024**

## Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 1 February 2024, we have examined the accounting and other records and internal control systems of National Bank of Kuwait S.A.K.P ("the Bank" or "NBK"), its branches in Kingdom of Bahrain, Kingdom of Saudi Arabia and United Arab Emirates ("UAE") and its subsidiaries National Bank of Kuwait (Lebanon) SAL., National Bank of Kuwait France SA, and National Bank of Kuwait (International) PLC (together referred to as "the Group"), which were in existence during the year ended 31 December 2023. We covered the following areas of the Group

- Corporate Governance;
- Risk Management;
- Anti-Money Laundering
- Consumer Banking
- Corporate and Private Banking
- Treasury;
- Group Investment
- Human Resources;
- Central Processing and Fund Transfer;
- Financial Control;
- Regulatory Compliance;
- Administration;
- Internal Audit;
- Operations & Information Technology;
- Legal;
- Complaint and Customer protection Unit;
- Financial Securities (limited to Kuwait only);
- InvestorRelations and Corporate Communications;
- Confidentiality of Customer Information;
- Anti-Fraud, Bribery and Corruption;
- Engineering
- International Banking; and
- Impairment Compliance and Regulatory Reporting.

Our examination has been carried out with regard to the requirements contained in the manual of general directives concerning Internal Control reviews issued by the Central Bank of Kuwait ('the CBK") on 14 November 1996, CBK instructions dated 10 September 2019 concerning Corporate Governance rules and systems at Kuwaiti Banks, CBK instructions dated 16 February 2023 concerning Combating Money Laundering Operations an Financing of Terrorism, CBK instruction dated 9 February 2012 on maintenance of confidential information and data related to customer information and international standards on assurance engagement 3000.

The New York, Singapore and Shanghai branches of National Bank of Kuwait SAKP, NBK Banque Privée (Suisse) S.A., National Bank of Kuwait-Egypt S.A.E ("NBK-Egypt"), Watani Investment Company K.S.C.C. and Watani Financial Brokerage Company K.S.C.C are subject to evaluation of internal controls and annual supervision by the respective local regulators. A summary of the respective internal control reports is provided in Appendix IV of this report.

As Board of Directors of National Bank of Kuwait SAKP, 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. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that banking 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 any accounting and 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.

In our opinion, having regard to the nature and size of the group's operations, during the year ended 31 December 2023, the accounting and other records and internal controls systems, in the areas examined by us, were established and maintained satisfactorily in accordance with the requirements of the Manual of General Directives concerning Internal Control Reviews issued by the Central Bank of Kuwait on 14 November 1996, CBK instructions dated 10 September 2019 concerning Corporate Governance Rules and Systems at Kuwaiti Banks and and the CBK instructions dated 16 February 2023 concerning Combating Money Laudering Operations and Financing of Terrorism, and CBK instruction dated 9 February 2012 on maintenance of confidential information and data related to the customer information with the exception of the matters set out in the report.

Furthermore, the Bank has established a process of regular follow-up on reported exceptions to ensure that corrective actions are being taken to rectify the control weaknesses and gaps identified during the course of the Internal Control Review.

**R. Rasheed M. Al-QenaeLicense No. 130**
**Of KPMG Al-Qenae & PartnersMember firm of**
**KPMG International**

# Ethics and Professional Conduct

**Values and ethics**
NBK Group continues to apply Corporate Governance values as fundamental principles and an integral part of the culture of the Group. During the year, the Group worked on a number of initiatives that will strengthen the commitment to the values of Corporate Governance and raise the level of awareness of those values at all levels of the Group and related bodies.

NBK Group is committed to achieving the highest levels of governance and has established those values within a number of pillars, which emerged through a set of policies and procedures set forth as follows:

**Ethics code**
The ethics code is considered one of the most important components of the Corporate Governance framework and is promoted through the code of conduct, which is adopted by the Board of Directors and Executive Management in daily interactions with employees, customers and all of the Group's stakeholders.

This code is subject to periodic review, to keep it up to date with all the latest developments and enhancements in the areas of governance and control of professional conduct. The Board of Directors also oversees the efficient implementation of the charter through the audit and internal control functions, to identify and remedy any gaps.

**Conflict of interest**
The Group ensures that in all stages of banking procedures for its customers, it treats all customers fairly, equally and honestly, to achieve the maximum level of transparency and objectivity, through applying a conflict of interest policy. The Group, under the supervision of the Board, has reviewed the Related Parties Transactions Policy, which is compatible with the nature of the Group's business regulatory updates in the markets in which it operates. In addition, it has adopted a set of organized procedural models for cases of disclosure of potential conflicts of interest and a mechanism to deal with them.

Potential cases of conflicts of interests and related parties transactions are subject to independent review by Group Internal Audit.

**Confidentiality**
The Board, Executive Management and employees ensure that the Group maintains the confidentiality of information relating to its stakeholders, in accordance with the rules and regulations issued by the Central Bank of Kuwait and other regulatory bodies.

During 2024, the Group continued to apply measures to maintain the confidentiality of information in accordance with policies and procedures and internal control systems, which require the preservation of confidentiality.

**Whistleblowing policy**
The Group has adopted a whistleblowing policy that encourages openness and trust among its employees. This helps employees report any complaint, whether relating to bad behavior or illegal or unprofessional actions. The complaint is directly made to the Chairman of the Board and the information received remains confidential and, if necessary, saved anonymously, to provide protection to the employee. This mechanism is subject to review by Group Internal Audit.

# Stakeholder's Rights

The Group has continued to implement a well-defined process in managing transparency, communication and open dialogue with its stakeholders. These measures include the protocols, which will be followed in communicating with stakeholders and the degree of information which can be disclosed.

## Shareholders

NBK Group promotes and maintains an open and transparent channel of communication with its shareholders, which enables them to understand Group business, its financial condition, and operating performance and trends. The Group has also developed a section on its website that provides detailed reports to shareholders on Corporate Governance and other important information relating to the disclosure of financial and non-financial information.

The Public Institution for Social Security owns 6.17% of NBK Capital as of 31st December 2024.

## Investor Relations

NBK Group promotes open and transparent dialogue with both its institutional and private investors. The Investor Relations function serves as the primary contact with shareholders, investors and financial analysts. The Group also publishes information for investors and stakeholders on a regular basis, through its website as well as other media.

## Customers

The Group has ensured, since inception that it has established professional and behavioral rules, and provides qualified staff who can optimally serve customers. In addition, the Group continuously ensures that it follows regulatory instructions and is a pioneer in international practices in customer service and protection. NBK has taken the necessary steps to implement the terms of the consumer protection instructions recently issued by the Central Bank of Kuwait, by reviewing and updating a policy approved by the Board to enhance the understanding of transparency and disclosure in banking transactions provided by the Bank.

## Employees

The Group protects and abides by the rights provided to employees, which include, but are not limited to, the following:

- Transparent remuneration and compensation structure
- A transparent working environment
- Contributing to employee talent-management schemes
- Access to the whistleblowing policy

## Community (Corporate Social Responsibility)

The Group has maintained its progress in projects relating to Corporate Social Responsibility, to foster a sustainable economic and social environment in the community, and regards this as a priority for the Group.  The Group discloses its relevant social activities on its website and in the form of a separate "Sustainability Report 2024", published as an independent report.

# Group Risk Management and Group Compliance and Governance

Group risk Management and Group Compliance and Governance are a key component of banks' second line of defense, for monitoring and reporting risks-related practices and managing compliance risks. They function with direct reporting to Board Risk and Compliance Committee, that responsible for identifying and assessing key risks, measuring the levels of Bank's risk exposure, monitoring exposure levels in light of the risk appetite, non-compliance risk with applicable laws and regulations, determining capital requirements on a regular basis following up and evaluating decisions relating to certain risks.

## Group Risk Management

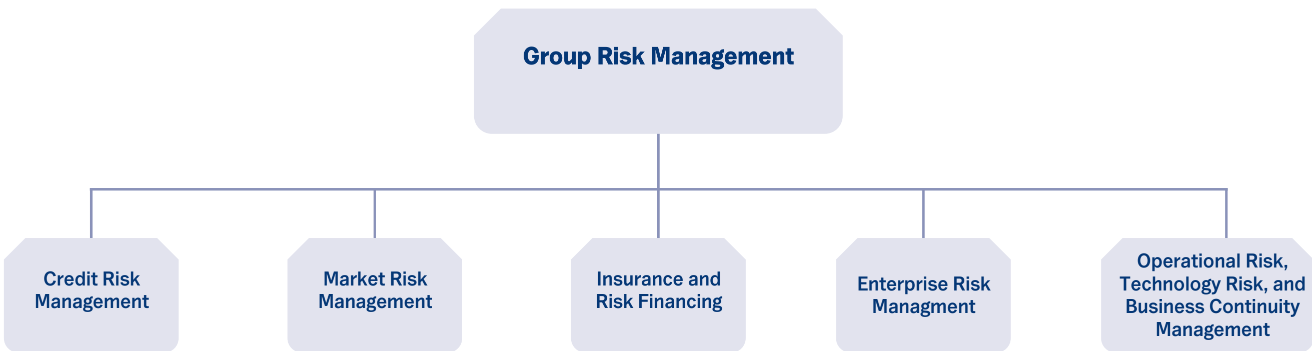
NBK Group's risk management framework is integral to its operations and culture and it seeks to manage risk in a structured, systematic manner through a global risk policy, which embeds comprehensive risk management into the organizational structure, risk measurement and monitoring processes.
Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board. This is managed through the Board Risk and Compliance Committee (the "BRCC") and the Group Executive Committee (the "EC"). These committees ensure that risk-taking authority and policies are effectively communicated from the Board to the relevant business units. The Group's risk management, compliance management and internal audit functions assist executive management in controlling and actively managing the Group's overall risk profile.

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

- The Board provides overall risk management direction and oversight;
- The Group's risk appetite is reviewed by the BRCC and ultimately approved by the Board;
- Risk management focused on compliance with applicable laws, regulations and internal policies is intrinsically embedded in the Group's process and is a core competency of all its employees;
- The Group manages its credit, market, liquidity and operational risks in a coordinated manner within the organization; and
- The Group internal audit provides independent validation of the adequacy and effectiveness of the risk management framework on a Group level.

## Group Risk Management structure

The structure of the Risk Management function consists of the following departments:



The Group Risk Management, which headed by the Group Chief Risk Officer ("GCRO"), reports directly to the BRCC and is responsible for:

- identifying and assessing the key risks faced by the Group;
- measuring the Group's exposure to those risks;
- monitoring this exposure in light of the Group's risk appetite, as approved by the Board;
- determining the Group's corresponding capital needs on an ongoing basis;
- monitoring and assessing major decisions related to risk-taking; and
- Following up and evaluating decisions related to certain risks.

The risk management function assists senior management in controlling and actively managing the Group's overall risks and risk profile. The function also ensures that:

- The Group's overall business strategy is consistent with the risk appetite approved by the Board of Directors and allocated by the EC;
- Risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- Appropriate risk management architecture and systems are developed and implemented; and
- Risks and limits of the portfolio are monitored throughout the Group, including at appropriate "regional" levels.

NBK Group and Group Risk Management regularly assess the adequacy and effectiveness of the risk management framework in light of the changing risk environment.

# Group Compliance and Governance

The Group Compliance and Governance is a part of NBK Group's culture of complying and operating in accordance to regulatory and legislative frameworks, where Group Compliance and Governance attempts to enhance sound practices and ensure that Bank does not violate any requirements set by legislators and regulatory Bodies in either Kuwait or other countries where Group operates.

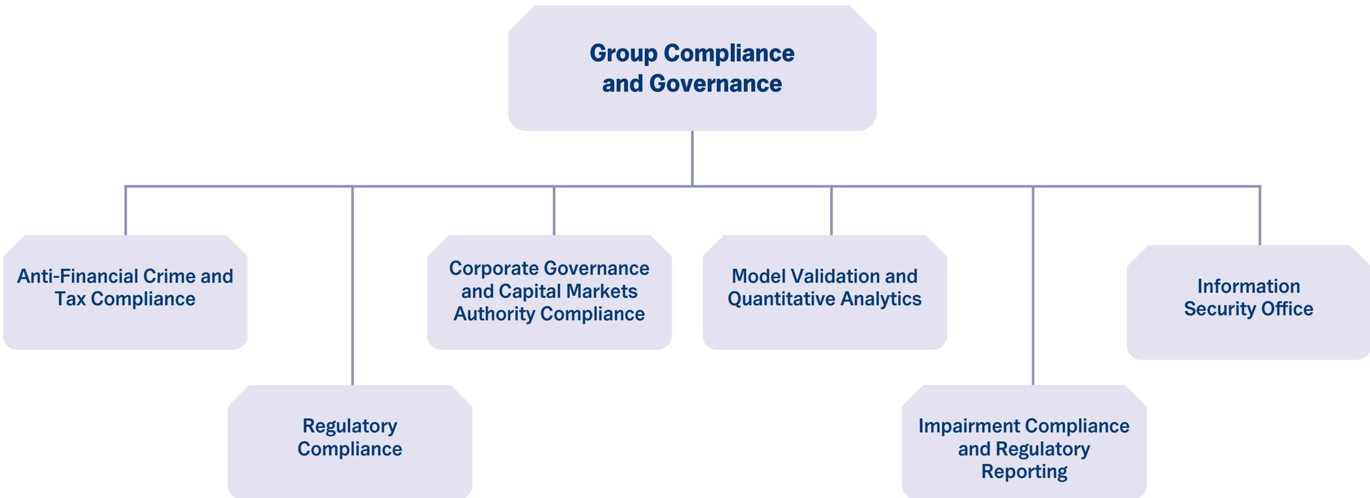
The Compliance and Governance function is a key component of the Bank's second line of defense for managing compliance risks, the Group supervises and participates in placing internal procedures in conformity with regulations. Its main role is to support the Bank and its Management in managing the compliance risks, embedding and improving the compliance arrangements in all levels and structures of the Bank, in order to ensure that the bank operates with integrity and adheres to applicable laws, regulations and internal policies.

The key features of the Group's comprehensive policy of managing compliance risks and embedding sound governance principles are:

- The Board provides overall guidance to implement compliance culture and sound corporate governance principles across the bank;
- The Group's compliance and governance policies and procedures are reviewed by the Board Risk and Compliance Committee and ultimately approved by the Board;
- Comprehensive reports concerning level of compliance and associated risks are presented to Board and Board Risk and Compliance committee;
- The Group coordinated and work with Bank's Management under the supervision of Board of directors.; and
- The Group internal audit provides independent validation of the adequacy and effectiveness of the Group Compliance and Governance framework on a Group-wide basis.

# Group Compliance and Governance Structure

The structure of the Group Compliance & Governance consists of the following departments:




Group Compliance and Governance headed by Group Chief Compliance and Governance Officer ("GCC&GO") and reports directly to the Board Risk and Compliance Committee ("BRCC").

Group Compliance and Governance has the following objectives and responsibilities:

- Identify, assess, monitor and report on the compliance risks faced by NBK Group.
- Review the compliance risk processes that are in place to anticipate and effectively manage the impact of regulatory change on the Group's operations.
- Ensure NBK Group and each subsidiary and branch in every jurisdiction of operation abides by all relevant laws and regulations applicable to each of them.
- Assess/Review the implementation of compliance procedures needed to verify compliance with the laws, regulations, procedures and directives issued by Central Bank of Kuwait, Capital Markets Authority and relevant Regulatory Bodies.
- Ensure the Bank's compliance with the regulations related to Anti-Financial Crime and the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and other similar applicable regulations.
- Ensure sound Corporate Governance implementation across the Group.

# I. Capital Adequacy

Capital adequacy, financial leverage and the use of various levels of Regulatory Capital are monitored regularly by the Group's Management and are also governed by guidelines of the Basel Committee on Banking Supervision as adopted by the Central Bank of Kuwait (CBK) for licensed banks in Kuwait.

The CBK's Basel III framework consists of three pillars:

- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risk under the "Standardised Approach".
- Pillar 2 relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (ICAAP) performed by banks; and
- Pillar 3 aims to complement the capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

The Basel III minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a countercyclical capital buffer, and an additional surcharge for banks designated as domestic systemically- important.

A key objective of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements.

### 1. Regulatory Scope of Consolidation

The core activities of the Group are retail, corporate and private banking, investment banking, and asset wealth management & brokerage services. For further details on the Group's activities, please refer to note 3 of the Group's consolidated financial statements.

The consolidated financial statements and capital adequacy regulatory reports of the Group have been prepared and consolidated on a consistent basis, save as otherwise disclosed. For additional information on the basis of preparation and basis of consolidation please refer to notes 2.1 and 2.3 of the Group's consolidated financial statement for the year ended 31st December 2024.

The principal operating subsidiaries of the Group are presented in note 24 of the Group's consolidated financial statements. All subsidiaries have been fully consolidated under the regulatory scope of consolidation for Regulatory Capital calculations (refer note 29 of the Group's consolidated financial statements for consolidation treatment for the Islamic Banking subsidiaries of the Group).

Significant investments (as defined) in Banking, Financial and Insurance entities which are outside the scope of regulatory consolidation are required to be subject to the threshold treatment prescribed under the CBK Basel III rules and are risk-weighted and/or deducted against equity.

- All the significant investments in Banking and Financial entities classified as Associates of the Group's consolidated financial statements have been subject to the applicable threshold treatment and risk-weighted as prescribed.
- Other significant investments in Banking and Financial entities classified as equities have been subject to the applicable threshold treatment and risk-weighted as prescribed.

'Minority' Investments in Banking, Financial and Insurance entities classified as equities have been subject to the applicable threshold treatment and risk-weighted as required.

### 2. Capital structure

The Group's Regulatory Capital comprises:

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

b) Additional Tier 1 (AT1) capital which consists of Perpetual Tier 1 Capital Securities classified as Equity (note 21 of the Group's consolidated financial statements), eligible portion of AT1 instruments issued by subsidiaries and held by third parties and certain additional eligible portion of non-controlling interests, and

c) Tier 2 (T2) capital which consists of Subordinated Tier 2 Bonds classified as Debt (note 17 of the Group's consolidated financial statements), the allowed portions of general provisions and certain additional eligible non-controlling interests.

The Bank's share capital as of 31 December 2024 comprised 8,326,442,901 issued and fully-paid-up equity shares (2023: 7,929,945,620)

The Regulatory Capital in KD Thousands for the Group is detailed below:

**Table 1**

| Regulatory Capital | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Common Equity Tier 1 | 3,639,713 | 3,442,577 |
| Additional Tier 1 Capital | 534,221 | 531,776 |
| **Tier 1 Capital** | 4,173,934 | 3,974,353 |
| Tier 2 Capital | 611,765 | 597,889 |
| **Total Regulatory Capital** | 4,785,699 | 4,572,242 |

### 3. Capital Adequacy Ratio

The Group ensures adherence to CBK's requirements on Group-wide and stand-alone Capital Adequacy by regular monitoring. The Group's capital forecasting process ensures pro-active actions and plans to ensure a sufficient capital buffer above minimum levels are in place at all times. This process is supported by the use of proprietary capital-planning methodology which takes into consideration Regulatory Capital requirements, rating agency views, stress-testing and bottom-up views of business plans. These views then cascade into considerations on what capital level is required.

In addition, each banking subsidiary of the Group is directly regulated by its local banking supervisor which sets and monitors its capital adequacy requirements as per the jurisdiction's requirements and ensures its compliance therewith.

The Minimum Capital requirements (MCR) and associated levels of Regulatory Capital expressed as a percentage of risk-weighted assets for NBK Group are:

**Table 2**

| Regulatory Capital Levels | 31 December 2024 | 31 December 2023 |
|---|---|---|
| Common Equity Tier 1 | 7.0% | 7.0% |
| Capital Conservation Buffer* | 2.5% | 2.5% |
| Domestic Systemically-Important Bank (D-SIB) Buffer | 2.0% | 2.0% |
| **Common Equity Tier 1 (including Buffers)** | 11.5% | 11.5% |
| Additional Tier 1 Capital | 1.5% | 1.5% |
| **Tier 1 Capital** | 13.0% | 13.0% |
| Tier 2 Capital | 2.0% | 2.0% |
| **Total Regulatory Capital** | 15.0% | 15.0% |

The Group, having been designated as a Domestic Systemically Important Bank (D-SIB), is required to maintain an additional minimum capital of 2%. Countercyclical Capital Buffer has not been required for the period ended 31 December 2024 in the MCR (nor at 2023).

The Capital Adequacy Ratios for the Group at consolidated level are as follows:

| Table 3 | CET1 | Tier1 | Total |
|---|---|---|---|
| **Group for 31 December 2024** | **13.2%** | **15.1%** | **17.3%** |
| Group for 31st December 2023 | 13.0% | 15.0% | 17.3% |

The Capital Ratios of the banking subsidiaries based on their latest submissions (filed or approved, as applicable, under their respective jurisdictions and regimes) were as follows:

| Table 4 | 31 December 2024 | | |
|---|---|---|---|
| | CET1 | Tier1 | Total |
| NBK (International) plc [United Kingdom] | **20.16%** | **20.16%** | **20.16%** |
| National Bank of Kuwait France SA [France] | **23.66%** | **23.66%** | **23.66%** |
| NBK (Lebanon) S.A.L. [Lebanon] | **28.38%** | **28.38%** | **28.67%** |
| NBK Banque Privee (Suisse) S.A. [Switzerland] | **39.34%** | **54.95%** | **54.95%** |
| Boubyan Bank K.S.C.P. [Kuwait] | **14.43%** | **16.77%** | **18.01%** |
| Credit Bank of Iraq S.A. [Iraq] | **74.63%** | **74.63%** | **74.66%** |
| NBK Egypt S.A.E. [Egypt] | **18.90%** | **18.90%** | **20.96%** |

| | 31 December 2023 | | |
|---|---|---|---|
| | CET1 | Tier1 | Total |
| NBK (International) plc [United Kingdom] | 19.11% | 19.11% | 19.11% |
| National Bank of Kuwait France SA [France] | 32.06% | 32.06% | 32.06% |
| NBK (Lebanon) S.A.L. [Lebanon] | 35.08% | 35.08% | 35.92% |
| NBK Banque Privee (Suisse) S.A. [Switzerland] | 46.12% | 64.43% | 64.43% |
| Boubyan Bank K.S.C.P. [Kuwait] | 14.27% | 16.72% | 17.97% |
| Credit Bank of Iraq S.A. [Iraq] | 95.74% | 95.74% | 95.78% |
| NBK Egypt S.A.E. [Egypt] | 17.86% | 17.86% | 19.92% |

All the banking subsidiaries within the Group are in compliance with the minimum capital requirements as applicable under their respective jurisdictions and have not reported any capital deficiencies. In general, the restrictions on transfer of funds or Regulatory Capital within the Group are related to constraints that are imposed on entities by local regulators or tax constraints.

#### 4. Profile of risk-weighted assets and capital charge

The Group's risk-weighted capital requirements for credit, market and operational risks are shown below. The calculations include Boubyan Bank K.S.C.P., an Islamic Banking subsidiary. For purposes of determining risk-weighted assets and capital required, exposures and assets at Boubyan Bank K.S.C.P. and its consolidated banking subsidiary are risk-weighted, and capital charge is calculated, in accordance with CBK regulations applicable to banks providing banking services compliant with Codes of Islamic Sharia'a. Those figures are then added to corresponding figures pertaining to all the rest of the Group, identical with the treatment in relevant reports submitted to CBK. The Capital charge in section 4.1, 4.2 and 4.3 below represent the minimum requirement for Kuwait Banking sector at 13 % (2023: 13% and excluding D-SIB Buffer of 2% for NBK Group).

#### 4.1. Credit risk:

The total capital charge in respect of credit risk as of 31 December 2024 was KD 3,253,566 thousand (2023: KD 3,141,101 thousand) as detailed below:

**Table 5** **KD 000s**

| | 31 December 2024 | | | 31 December 2023 | | |
|---|---|---|---|---|---|---|
| | **Gross credit exposure** | **Risk-weighted assets** | **Capital charge** | Gross credit exposure | Risk-weighted assets | Capital charge |
| Cash | **189,144** | **-** | **-** | 184,832 | - | - |
| Claims on sovereigns | **8,284,469** | **728,782** | **94,742** | 7,774,130 | 1,096,919 | 142,599 |
| Claims on International Organisations | **184,963** | **-** | **-** | 153,308 | - | - |
| Claims on public sector entities | **2,070,558** | **488,194** | **63,465** | 1,675,638 | 351,726 | 45,724 |
| Claims on multilateral development banks | **280,048** | **37,705** | **4,902** | 248,550 | 35,420 | 4,605 |
| Claims on banks | **5,877,210** | **1,581,033** | **205,534** | 5,738,584 | 1,619,110 | 210,484 |
| Claims on corporates | **19,995,151** | **14,394,833** | **1,871,328** | 18,209,980 | 13,438,284 | 1,746,977 |
| Regulatory retail exposure | **7,788,205** | **6,690,567** | **869,774** | 7,648,318 | 6,663,678 | 866,278 |
| Past due exposures | **161,729** | **134,286** | **17,457** | 161,944 | 134,775 | 17,521 |
| Other exposures | **1,506,281** | **972,029** | **126,364** | 1,385,833 | 822,407 | 106,913 |
| **Total** | **46,337,758** | **25,027,429** | **3,253,566** | 43,181,117 | 24,162,319 | 3,141,101 |

"Other exposures" above includes an amount of KD 393,745 thousand negative (2023: KD 422,925 thousand negative) representing that amount of general provision in excess of a maximum of 1.25% of Credit risk-weighted assets which is allowed in arriving at Tier 2 capital.

The Group's figures relating to exposures and risk-weighted assets have been classified to provide a meaningful representation of the standard portfolio asset classes.

**4.2. Market risk:**
The total capital charge at 13% (2023: 13%) in respect of market risk was KD 62,280 thousand (2023: KD 55,171 thousand) as detailed below:

| **Table 6** | | **KD 000's** |
|---|---|---|
| | **31 December 2024** | 31st December 2023 |
| Interest rate risk | **1,460** | 1,403 |
| Foreign exchange risk | **60,820** | 53,768 |
| **Total** | **62,280** | 55,171 |

**4.3. Operational risk:**
The total capital charge at 13% (2023: 13%) in respect of operational risk was KD 272,378 thousand (2023: KD 244,784 thousand). This capital charge was computed by categorising the Group's activities into 8 business lines (as defined in the CBK Basel III framework) and multiplying the business line's three-year average gross income by a pre-defined beta factor.

**4.4. Domestic Systemically-Important Bank (D-SIB):**
The additional capital requirement in respect of the Group having been designated as a Domestic Systemically-Important Bank (D-SIB) of 2% as at 31 December 2024 amounts to KD 552,034 thousand (2023: KD 529,393 thousand)

# II. Risk management

In common with other financial institutions, risk, including credit risk, market risk, liquidity risk, Information Technology (IT), operational and environmental, social and governance (ESG) risks, is inherent in the Group's activities. The complexity in the Group's business operations and diversity of geographical locations require efficient and timely identification, measurement, aggregation and management of risks and efficient allocation of capital towards achieving the ultimate objective of protecting the Group's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. Management of these inherent risks is critical to ensuring the Group's financial soundness and profitability.

The Group's risk management framework is integral to its operations and culture, and it seeks to manage risk in a structured, systematic manner through a global risk policy, which embeds comprehensive risk management into the organisational structure, risk measurement and monitoring processes.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board of Directors. This is managed through the Board Risk & Compliance Committee (the "BRCC") and the Group Executive Committee (the "EC"), which ensure that risk-taking authority and policies are effectively communicated from the Board to the appropriate business units. The Group risk management, Group compliance and Governance, and Group internal audit functions assist Executive Management in controlling and actively managing the Group's overall risk profile.

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

- the Board provides overall risk management direction and oversight;
- the Group's risk appetite is reviewed by the BRCC and ultimately approved by the Board;
- risk management is embedded in the Group as an intrinsic process and is a core competency of all its employees;
- the Group manages its credit, market, liquidity, IT and operational risk in a co-ordinated manner within the organisation; and
- the Group's internal audit function reports to the Board Audit Committee (the "BAC") and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Group-wide basis.

The function also ensures that:

- The Group's overall business strategy is consistent with its risk appetite approved by the Board and allocated by the Executive Committee.
- Risk policies, procedures and methodologies are consistent with the Group's risk appetite.
- Appropriate risk management architecture and systems are developed and implemented; and
- Risks and limits of the portfolio are monitored throughout the Group, including at appropriate "regional" levels.

The Group regularly assesses the adequacy and effectiveness of its risk management framework considering the changing risk environment.

### 1. Risk Management Strategy

The key elements of the Board-approved risk strategy are:

- maintaining stability and business continuity during stress situations;
- ensuring effective and adequate compliance with Regulatory Capital requirements and internal capital targets in keeping with the Group's strategy;
- developing the Group's IT infrastructure and using modern methods to raise the professional level and levels of experience of human resources;
- effective risk planning through an appropriate risk appetite; and
- performing stress tests consistently to assess the impact on the Group's capital requirements, capital base and liquidity position.

### 2. Risk Appetite

The Group's risk appetite defines the maximum limit of risk that the Group is willing to accept in relevant business categories to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives. Any risk which breaches the Group's stated risk appetite must be mitigated as a matter of priority to within acceptable levels.

- The risk appetite is annually reviewed and presented by the BRCC to the Board for final approval. This ensures the risk appetite statements are consistent with the Group's strategy and business environment. Through the risk appetite statements, the Board communicates to Management the acceptable level of risk for the Group, determined in a manner which meets the objectives of shareholders, depositors and regulators. This ensures Risk Appetite remains aligned to the Group's strategic objectives, expectations of Regulators and stakeholders including clients, investors, and financial markets, and remains fit for purpose.
- The Group risk management and Group Compliance & Governance functions aim to identify early warnings of risk limit and risk appetite breaches and are responsible for notifying them to the BRCC and the Board.

### 3. Scope and nature of risk reporting tools

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

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

The Group regularly assesses the adequacy and effectiveness of its reporting tools and metrics considering the changing risk environment.

The Group augments its overall framework for governance and capital planning and management by undertaking an ICAAP, which includes "scenario testing" at periodic, regular intervals. Amongst the key objectives of the ICAAP is to quantify potential inherent risks which the Group faces not covered under Pillar 1. In line with the guidelines from the Basel Committee and CBK, key principles of the Group's ICAAP include:

- Responsibilities of the Board and Senior Management.
- Sound capital management.
- Comprehensive assessment of Pillar II risks, e.g., Credit (sector, name, and geographic concentration), residual credit risk, residual market risk, Interest Rate Risk in Banking Book (IRRBB), Liquidity, Legal, Reputational, Strategic Risk, Climate Risk and other specific risks which are not covered in Pillar I, etc.
- Monitoring and reporting.
- Control and review of the process.

### 4. Risk management processes

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

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

#### 4.1. Credit risk

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

#### 4.1. 1. Credit risk management strategy

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

Standing procedures, outlined in the Group's Credit Policies and Manuals, require that all credit proposals be subjected to detailed screening by the domestic or international credit risk management divisions prior to submission to the appropriate credit committee. Whenever necessary, credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks. The Board of Directors defines the Group's credit risk management strategy and ratifies significant credit risk policies approved by the Group's Executive Committee to ensure alignment of the Group's exposure with its risk appetite.

#### 4.1.2. Credit risk management structure
Senior management implements the Board of Directors' credit risk strategy and develops policies and procedures for identifying, assessing, monitoring, and controlling credit risk.

The Group's Executive Committee, chaired by the Group Chief Executive Officer (GCEO) and comprising senior executives from the business divisions, meets regularly to review significant credit policies and the Group's corporate and consumer credit portfolios and advises the Board appropriately.

All significant credit policies and amendments to policies are reviewed and approved annually by the Executive Committee and ratified by the Board. Within this framework, limits and approval authorities are exercised by the officers delegated with defined approval authorities.

In compliance with CBK regulations, lending to individual Board Members and related parties is fully secured and monitored by the Senior Credit Committee and the Board Credit Committee (BCC). Furthermore, facilities granted to them are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. All such facilities are approved by the Board of Directors in line with the relative authorities from the Shareholders' General Assembly.

Country limits are determined based on the outlook of economic and political factors, along with the review of reports from recognised and creditable market sources and application of local business and market knowledge. Significant country-limit exposures are subject to periodic approval by the Board of Directors or the Board Credit Committee.

#### 4.1.3. Key features of corporate credit risk management
- Corporate credit facilities are granted based on detailed credit risk assessments which consider the purpose of the facility and source of repayment, prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry peer-group.
- Internal credit-rating models are regularly reviewed by the independent Model validation team (under Group Compliance & Governance) in co-ordination with Group Risk Management (GRM), line management and the Executive Committee and continually enhanced in line with industry credit risk management "best practices".

All new proposals, along with reviews of material changes to existing credit facilities, are reviewed and approved by the appropriate credit committee.

The Group has the following hierarchy of credit committees at the Head Office Level:

- Board Credit Committee (BCC), which consists of four Board Members and approves all facilities exceeding the mandate of the other committees;
- Senior Credit Committee (SCC), which consists of the, GCEO, the Deputy GCEO, the CEO Kuwait, the Chief Credit Officer, the Head of Corporate Banking and a number of senior executives in Corporate Banking and is responsible for reviewing, approving or recommending domestic credit proposals that exceed the Management Credit Committee's competence as well as those concerning 'criticised' accounts [which, as part of the Group's overall credit quality monitoring processes, are accounts which, although neither classified as 'past due' nor 'past due and impaired', have experienced difficulties which may cause them to become categorised as 'irregular' accounts (being accounts which are either classified as 'past due' or 'past due and impaired')];
- Management Credit Committee (MCC), which consists of the Head of Corporate Banking, the Deputy Head of Corporate Banking, the Head of Domestic Credit Risk Management and a number of senior executives in Corporate Banking and is responsible for reviewing, approving or recommending domestic credit proposals, except those concerning 'criticised' accounts and those that exceed the Management Credit Committee's competence, which are escalated to the Senior Credit Committee;
- Senior International Credit Committee (SICC), which consists of the, GCEO, the Deputy GCEO and the Group Chief Risk Officer (GCRO) and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices that exceed the Management International Credit Committee's mandate as well as those concerning 'criticised' accounts; and
- Management International Credit Committee (MICC), which consists of the Head of Group Risk Management , the Chief Credit Officer, the CEO International Banking Group and certain Senior members of the International Banking Group and International Credit Risk Management and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices except those concerning 'criticised' accounts, which are escalated to the Senior International Credit Committee.

The credit committees have a set of approval authorities in place as delegated by the Board and which vary by reference to the type of counterparty (for example, sovereign, financial institution and corporate), the counterparty rating (investment grade or speculative) and whether the facility is secured or non-cash, among other factors. Specific approval authorities exist for fully-secured facilities as well as Watch List and 'Criticized' accounts.

In addition, the Group's international offices have their own hierarchy of credit committees.

Credit facility administration is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and contractual covenants.

#### 4.1.4 Key features of consumer credit risk management
The Group's consumer portfolio credit risks are managed through an independent unit, which is part of the GRM function and works with the consumer banking business. The consumer risk strategy aims to support portfolio growth within acceptable risk appetite thresholds and advises the Consumer Banking Group with prudent lending policies based on portfolio performance. Consumer Credit Risk Management assesses the external environment and focuses on growth for selected segments and

proactively monitors the portfolio. They are aligned with key concepts of risk management, namely governance, control and measurement and reporting.

Consumer Credit Risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers. Within this framework, all credit exposure limits are approved within a defined credit approval authority framework. Policies and procedures specific to each business/product line are approved by the Executive Committee and significant policies are ratified by the Board. Credit loss recognition process/quantification is handled by Consumer Risk Management Unit, within GRM, independent of the business.

### 4.1.5 Credit review procedures and loan classification

*Corporate and SMEs*
The Group's policy is to assess the credit risk in commercial banking through a risk-rating process which provides transparency and consistency to enable comparison between obligors. The Group uses an industry-standard risk-rating tool to make these assessments. Under this risk-rating framework, the obligors are rated based on financial and business assessments.

The risk-rating process derives 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 the assessment of each ratio's trend across multiple periods, in terms of both 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 assessments of the operations, liquidity and capital structure are also included in the assessment. The Group has implemented risk-rating models for commercial, real estate, high-net-worth individuals and project finance facilities. The Group also has an approved framework for FRRs. While the ORR does not take into consideration factors such as the availability of collateral and support, the 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 the FRR.

In cases where the risk-rating tool is not applicable, the Bank assigns a rating based on an internal assessment which is mapped to the relevant external rating scale.

The Group classifies its exposure in accordance with the North American Industry Classification System Code in addition to the classification based on purpose codes as defined by the CBK. This additional classification helps to improve the accuracy of ORRs through peer group analysis in respect of performance and financial indicators and allows the Group to classify its portfolio into sub-segments which facilitate analysis and improve the management of concentrations.

Credit facilities to Corporates and SMEs are structured across various products and maturities and are subject to review at least annually. Semi-annual "short-form" reviews are also performed subject to certain additional criteria.

*Financial institutions*
The Group's policy is to assess the credit risk in facilities granted to financial institutions by utilizing data from external credit agencies. Such data are further complemented by the bilateral transaction history with the relevant financial institution and existing and potential relationship with the Group. The resulting credit facilities are structured across various products and maturities and are subject to review at least annually.

*Consumer lending*
The independence of the risk management function helps to balance appropriate near-term and longer-term objectives. Consumer lending criteria incorporate CBK regulatory guidelines and Group policies related to consumer credit facilities, such as debt-to-income ratio, minimum qualifying income and limits on advances by product type. Additional inputs utilized include applicant characteristics obtained from credit bureaus, particularly the Kuwait credit bureau, to assist in assessing an applicant's ability to repay and the probability of default.

Consumer Credit Risk Management proactively monitors portfolios considering the external environment, analyzing growth in selected segments and, as per risk strategy, aims to support portfolio growth within acceptable risk appetite thresholds.

Consumer credit risk is monitored with three lines of defense.

| | |
|---|---|
| First Line - | The Business owns and manages risks and controls (including the identification and assessment of risk and controls) in adherence to credit policies governing the business and across the value chain in line with risk appetite. |
| Second Line - | The Consumer Credit Risk Management function develops and maintains the risk management framework which enables the business to manage the risk and control environment within the Board-approved risk appetite. |
| Third Line - | Group Internal Audit independently tests, verifies and evaluates controls for effective credit risk management and the implementation of policies and procedures. |

### 4.1.6. Group credit risk monitoring and portfolio management

The Group has a portfolio risk-rating process through which the overall portfolio quality is assessed at regular intervals and analyzed for credit committees. In addition, a RAROC (Risk-Adjusted Return on Capital) model is in use to guide business lines and Management in pricing credit facilities granted to corporate clients. The RAROC model is based on the premise that pricing should be aligned with the risk embedded in the proposal.

The Group's credit exposures are regularly reviewed and monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in a deterioration of credit risk quality. The triggers and early-warning systems along with market intelligence, facility utilization and collateral valuation updates are included in the regular review of the credit facilities to enable timely corrective action by Management. These reviews are performed on a semi-annual, annual and ad-hoc basis as required. The results of the monitoring process are reflected in the internal rating.

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

Cross-border exposures are monitored by the central credit risk management function against specific limits set for this purpose.

Consumer credit risk reporting also includes a detailed dashboard for consumer and small-business lending, covering the entire credit life-cycle, including delinquency monitoring such as ageing and migration and loss recognition.

### 4.1.7. Group credit risk mitigation strategy

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

In accordance with CBK regulations, the Group limits its credit concentration per group of related entities to 15.0 per cent. of the Bank's Regulatory Capital. This does not apply to government and quasi-government entities, agencies and departments in the GCC countries that do not work on a commercial basis and subject to CBK approval, or to banks. The Group also measures its concentration levels across sectors, geographies and products to ensure and enhance the portfolio oversight and diversification.

Credit risk mitigants such as collateral and guarantees from third parties are effective mitigating factors within the Group's portfolio and collateral quality is continuously monitored and assessed. Risk transfer in the form of syndications, risk participation arrangements with other banks and sale of loans are common practices to manage the Group's exposures.

### 4.1.8 Management of credit collateral and valuation

The main types of collateral accepted by the Group include:

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

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

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

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

| **Table 7** | **KD 000s** | | | | | |
|---|---|---|---|---|---|---|
| | **31 December 2024** | | | 31 December 2023 | | |
| | **Gross credit exposure** | **Eligible Credit Risk Mitigation** | **Eligible guarantees** | Gross credit exposure | Eligible Credit Risk Mitigation | Eligible guarantees |
| Cash | **189,144** | **-** | **-** | 184,832 | - | - |
| Claims on sovereigns | **8,284,469** | **69,486** | **-** | 7,774,130 | 77,155 | - |
| Claims on International Organisations | **184,963** | **-** | **-** | 153,308 | - | - |
| Claims on public sector entities | **2,070,558** | **-** | **-** | 1,675,638 | - | - |
| Claims on multilateral development banks | **280,048** | **-** | **-** | 248,550 | - | - |
| Claims on banks | **5,877,210** | **51,215** | **1,437,826*** | 5,738,584 | 53,327 | 1,324,512* |
| Claims on corporates | **19,995,151** | **1,267,547** | **-** | 18,209,980 | 1,345,188 | - |
| Regulatory retail exposure | **7,788,205** | **162,713** | **-** | 7,648,318 | 173,145 | - |
| Past due exposures | **161,729** | **5,256** | **-** | 161,944 | 5,057 | - |
| Other exposures | **1,506,281** | **-** | **-** | 1,385,833 | - | - |
| **Total** | **46,337,758** | **1,556,217** | **1,437,826** | 43,181,117 | 1,653,872 | 1,324,512 |

* "Memorandum" item where banks act as "guarantors"

### 4.1.9. Gross, average and net credit exposures

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

| Table 8 | KD 000s | | | | | |
|---|---|---|---|---|---|---|
| | 31 December 2024 | | | 31 December 2023 | | |
| | Gross credit exposure | Funded exposure | Unfunded exposure | Gross credit exposure | Funded exposure | Unfunded exposure |
| Cash | 189,144 | 189,144 | - | 184,832 | 184,832 | - |
| Claims on sovereigns | 8,284,469 | 8,281,239 | 3,230 | 7,774,130 | 7,762,498 | 11,632 |
| Claims on International Organisations | 184,963 | 184,963 | - | 153,308 | 153,308 | - |
| Claims on public sector entities | 2,070,558 | 1,961,816 | 108,742 | 1,675,638 | 1,566,677 | 108,961 |
| Claims on multilateral development banks | 280,048 | 280,048 | - | 248,550 | 248,550 | - |
| Claims on banks | 5,877,210 | 3,961,132 | 1,916,078 | 5,738,584 | 4,003,076 | 1,735,508 |
| Claims on corporates | 19,995,151 | 16,005,551 | 3,989,600 | 18,209,980 | 14,600,321 | 3,609,659 |
| Regulatory retail exposure | 7,788,205 | 7,722,805 | 65,400 | 7,648,318 | 7,586,987 | 61,331 |
| Past due exposures | 161,729 | 161,290 | 439 | 161,944 | 160,335 | 1,609 |
| Other exposures | 1,506,281 | 1,506,281 | - | 1,385,833 | 1,385,833 | - |
| **Total** | 46,337,758 | 40,254,269 | 6,083,489 | 43,181,117 | 37,652,417 | 5,528,700 |

| Table 9: | KD 000s | | | | | |
|---|---|---|---|---|---|---|
| **Average Credit Exposures*** | 31 December 2024 | | | 31 December 2023 | | |
| | Average credit exposure | Funded exposure | Unfunded exposure | Average credit exposure | Funded exposure | Unfunded exposure |
| Cash | 200,641 | 200,641 | - | 193,912 | 193,912 | - |
| Claims on sovereigns | 7,443,939 | 7,439,543 | 4,396 | 7,274,160 | 7,259,055 | 15,105 |
| Claims on International Organisations | 176,332 | 176,332 | - | 153,335 | 153,335 | - |
| Claims on public sector entities | 1,828,170 | 1,711,132 | 117,038 | 1,644,549 | 1,574,834 | 69,715 |
| Claims on multilateral development banks | 395,354 | 395,354 | - | 173,893 | 173,893 | - |
| Claims on banks | 6,111,253 | 4,295,889 | 1,815,364 | 6,068,253 | 4,262,590 | 1,805,663 |
| Claims on corporates | 19,265,342 | 15,375,582 | 3,889,760 | 17,441,121 | 13,926,788 | 3,514,333 |
| Regulatory retail exposure | 7,679,732 | 7,618,489 | 61,243 | 7,604,472 | 7,544,301 | 60,171 |
| Past due exposures | 184,112 | 183,601 | 512 | 208,155 | 206,546 | 1,609 |
| Other exposures | 1,449,388 | 1,449,388 | - | 1,366,939 | 1,366,939 | - |
| **Total** | 44,734,263 | 38,845,951 | 5,888,313 | 42,128,789 | 36,662,193 | 5,466,596 |

*Based on average of four quarter-end balances

| **Table 10:** | **KD 000s** | | | | | |
|---|---|---|---|---|---|---|
| **Net Credit Exposures** | **31 December 2024** | | | 31 December 2023 | | |
| | **Net credit exposure** | **Funded exposure** | **Unfunded exposure** | Net credit exposure | Funded exposure | Unfunded exposure |
| Cash | 189,144 | 189,144 | - | 184,832 | 184,832 | - |
| Claims on sovereigns | 8,213,770 | 8,212,841 | 929 | 7,692,969 | 7,685,811 | 7,158 |
| Claims on International Organizations | 184,963 | 184,963 | - | 153,308 | 153,308 | - |
| Claims on public sector entities | 2,046,360 | 1,961,816 | 84,544 | 1,659,185 | 1,566,677 | 92,508 |
| Claims on multilateral development banks | 280,048 | 280,048 | - | 248,550 | 248,550 | - |
| Claims on banks | 4,920,151 | 4,026,670 | 893,481 | 4,912,191 | 4,077,353 | 834,838 |
| Claims on corporates | 16,836,990 | 14,761,566 | 2,075,424 | 15,285,571 | 13,460,017 | 1,825,554 |
| Regulatory retail exposure | 7,591,611 | 7,576,651 | 14,960 | 7,443,375 | 7,431,099 | 12,276 |
| Past due exposures | 156,254 | 156,034 | 220 | 156,083 | 155,278 | 805 |
| Other exposures | 1,506,281 | 1,506,281 | - | 1,385,833 | 1,385,833 | - |
| Total | 41,925,572 | 38,856,014 | 3,069,558 | 39,121,897 | 36,348,758 | 2,773,139 |

As at 31 December 2024, 42 % (2023: 41%) of the Group's net credit risk exposure was rated by External Credit Assessment Institutions (ECAIs) recognised for the purpose, as detailed below:

| **Table 11:** | **KD 000s** | | | | | |
|---|---|---|---|---|---|---|
| **Net Credit Exposures** | **31 December 2024** | | | 31 December 2023 | | |
| | **Net credit exposure** | **Rated exposure** | **Unrated exposure** | Net credit exposure | Rated exposure | Unrated exposure |
| Cash | 189,144 | - | 189,144 | 184,832 | - | 184,832 |
| Claims on sovereigns | 8,213,770 | 8,213,770 | - | 7,692,969 | 7,692,969 | - |
| Claims on International Organizations | 184,963 | - | 184,963 | 153,308 | - | 153,308 |
| Claims on public sector entities | 2,046,360 | 362,903 | 1,683,457 | 1,659,185 | 254,029 | 1,405,156 |
| Claims on multilateral development banks | 280,048 | 280,048 | - | 248,550 | 248,550 | - |
| Claims on banks | 4,920,151 | 4,870,108 | 50,043 | 4,912,191 | 4,872,643 | 39,548 |
| Claims on corporates | 16,836,990 | 4,076,063 | 12,760,927 | 15,285,571 | 3,099,397 | 12,186,174 |
| Regulatory retail exposure | 7,591,611 | - | 7,591,611 | 7,443,375 | - | 7,443,375 |
| Past due exposures | 156,254 | - | 156,254 | 156,083 | - | 156,083 |
| Other exposures | 1,506,281 | - | 1,506,281 | 1,385,833 | - | 1,385,833 |
| **Total** | 41,925,572 | 17,802,892 | 24,122,680 | 39,121,897 | 16,167,588 | 22,954,309 |

The Group uses external ratings (where available) from recognised and creditable market sources to supplement internal ratings during the process of determining credit limits. Public issue instruments without external ratings are risk-weighted at 100% for capital adequacy purposes.

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

| **Table 12** | | | **KD 000's** | | | |
|---|---|---|---|---|---|---|
| **31 December 2024** | **Middle East and North Africa** | **North America** | **UK & Europe** | **Asia** | **Others** | **Total** |
| Cash | 174,078 | 1,021 | 14,045 | - | - | 189,144 |
| Claims on sovereigns | 5,960,374 | 1,776,850 | 396,259 | 150,986 | - | 8,284,469 |
| Claims on International Organizations | - | - | - | 184,963 | - | 184,963 |
| Claims on public sector entities | 1,735,170 | 5,670 | 329,193 | 525 | - | 2,070,558 |
| Claims on multilateral development banks | 272,332 | 7,716 | - | - | - | 280,048 |
| Claims on banks | 3,285,514 | 293,300 | 1,273,848 | 1,010,848 | 13,700 | 5,877,210 |
| Claims on corporates | 13,715,163 | 984,582 | 2,762,816 | 2,001,354 | 531,236 | 19,995,151 |
| Regulatory retail exposure | 7,769,464 | 601 | 9,442 | 2,812 | 5,886 | 7,788,205 |
| Past due exposures | 103,690 | 38,020 | 20,019 | - | - | 161,729 |
| Other exposures | 887,317 | 184,415 | 313,655 | 40,146 | 80,748 | 1,506,281 |
| **Total** | **33,903,102** | **3,292,175** | **5,119,277** | **3,391,634** | **631,570** | **46,337,758** |

| | | | KD 000's | | | |
|---|---|---|---|---|---|---|
| 31 December 2023 | Middle East and North Africa | North America | UK & Europe | Asia | Others | Total |
| Cash | 163,386 | 2,082 | 19,364 | - | - | 184,832 |
| Claims on sovereigns | 6,295,699 | 1,090,340 | 273,806 | 114,285 | - | 7,774,130 |
| Claims on International Organizations | - | - | 0 | 153,308 | - | 153,308 |
| Claims on public sector entities | 1,659,199 | - | 15,919 | 520 | - | 1,675,638 |
| Claims on multilateral development banks | 234,614 | 7,684 | 6,252 | - | - | 248,550 |
| Claims on banks | 3,128,757 | 254,745 | 1,265,293 | 1,075,242 | 14,547 | 5,738,584 |
| Claims on corporates | 12,410,504 | 873,299 | 2,671,620 | 1,796,842 | 457,715 | 18,209,980 |
| Regulatory retail exposure | 7,632,780 | 612 | 7,587 | 3,262 | 4,077 | 7,648,318 |
| Past due exposures | 111,874 | 35,328 | 14,742 | - | - | 161,944 |
| Other exposures | 979,172 | 151,257 | 190,950 | 9,261 | 55,193 | 1,385,833 |
| Total | 32,615,985 | 2,415,347 | 4,465,533 | 3,152,720 | 531,532 | 43,181,117 |

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

| **Table 13** | **KD 000's** | | | |
|---|---|---|---|---|
| **31 December 2024** | **Up to 3 months** | **3 to 12 months** | **Over 1 year** | **Total** |
| Cash | **189,144** | **-** | **-** | **189,144** |
| Claims on sovereigns | **5,382,784** | **461,235** | **2,440,450** | **8,284,469** |
| Claims on International Organizations | **134,074** | **50,889** | **-** | **184,963** |
| Claims on public sector entities | **714,759** | **166,762** | **1,189,037** | **2,070,558** |
| Claims on multilateral development banks | **60,054** | **10,135** | **209,859** | **280,048** |
| Claims on banks | **2,820,500** | **1,013,050** | **2,043,660** | **5,877,210** |
| Claims on corporates | **6,915,329** | **3,158,374** | **9,920,448** | **19,994,151** |
| Regulatory retail exposure | **212,572** | **522,547** | **7,053,086** | **7,788,205** |
| Past due exposures | **110,971** | **-** | **50,758** | **161,729** |
| Other exposures | **283,540** | **96,642** | **1,126,099** | **1,506,281** |
| **Total** | **16,823,727** | **5,479,634** | **24,033,397** | **46,336,758** |

| | KD 000's | | | |
|---|---|---|---|---|
| 31 December 2023 | Up to 3 months | 3 to 12 months | Over 1 year | Total |
| Cash | 184,832 | - | - | 184,832 |
| Claims on sovereigns | 4,576,933 | 876,419 | 2,320,778 | 7,774,130 |
| Claims on International Organizations | 101,232 | 52,076 | - | 153,308 |
| Claims on public sector entities | 479,601 | 135,171 | 1,060,866 | 1,675,638 |
| Claims on multilateral development banks | 103,701 | 3,136 | 141,713 | 248,550 |
| Claims on banks | 2,696,721 | 990,081 | 2,051,782 | 5,738,584 |
| Claims on corporates | 5,615,478 | 3,206,072 | 9,388,430 | 18,209,980 |
| Regulatory retail exposure | 225,458 | 511,377 | 6,911,483 | 7,648,318 |
| Past due exposures | 109,025 | - | 52,919 | 161,944 |
| Other exposures | 253,888 | 47,729 | 1,084,216 | 1,385,833 |
| Total | 14,346,869 | 5,822,061 | 23,012,187 | 43,181,117 |

### 4.1.10. Impairment Expected Credit Loss and/or Provisions

*Policy since 1 January 2018*

**Impairment of financial assets other than credit facilities**
The Group recognises Expected Credit Losses (ECL) under IFRS 9 on:

- investment in debt securities measured at amortised cost or fair value through other comprehensive income; and
- balances and deposits with banks.

Equity investments are not subject to Expected Credit Losses. The ECL on financial assets other than credit facilities as at 31 December 2024 amounted to KD 68,084 thousand. (2023: KD 72,707 thousand)

**Impairment of credit facilities**
Credit facilities granted by the Group consist of:

- loans and advances, Islamic financing to customers including credit commitments;
- letters of credit and financial guarantee contracts including credit commitments

Impairment on credit facilities is recognised in the consolidated statement of financial position at an amount equal to the higher of:

(i) ECL under IFRS 9 according to the CBK guidelines dated 25th December 2018,

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

- a floor for estimating probability of default ("PD") for specific portfolios;
- eligible collateral with haircuts for determining loss given default ("LGD") and a floor LGD;
- deemed maturity for exposures in Stage 2;
- a credit conversion factor ("CCF") on utilised and un-utilised portions for cash and non-cash facilities;
- a days-past-due backstop, and a rating notch downgrade for stage movement for specific portfolios; and
- a stage 2 observation period prior to curing.

Refer Notes of the Group's consolidated financial statement for further details on ECL. and

(ii) the provisions required by the CBK instructions of December 1996 since amended in 2007.

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

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

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

- Watchlist, irregular for a period up to and including 90 days (no specific provision required);
- Substandard, irregular for a period from and including 91 days and up to and including 180 days (20 per cent. specific provision required);
- Doubtful, irregular for a period from and including 181 days and up to and including 365 days (50 per cent. specific provision required); and
- Bad, irregular for a period exceeding 365 days (100 per cent. specific provision required).

The Group may also include a credit facility in one of the above categories based on Management's judgement of a customer's financial and/or non-financial circumstances.

The Group impaired loan portfolio as of 31 December 2024 was KD 329,120 thousand (2023: KD 318,386 thousand) against which a specific provision of KD 175,926 thousand (2023: 159,150 thousand) has been made, as detailed below:

| **Table 14** | **KD 000's** | | |
|---|---|---|---|
| **31 December 2024** | **Past due and impaired financing** | **Related Specific provision** | **Specific provision recovered (written off), net of exchange rate movement** |
| Claims on corporates | **182,652** | **69,950** | **(53,992))** |
| Regulatory retail exposure | **146,468** | **105,976** | **(26,176)** |
| **Total** | **329,120** | **175,926** | **(80,168)** |

| | KD 000's | | |
|---|---|---|---|
| 31 December 2023 | Past due and impaired financing | Related Specific provision | Specific provision recovered (written off), net of exchange rate movement |
| Claims on corporates | 179,233 | 70,402 | (21,903) |
| Regulatory retail exposure | 139,153 | 88,748 | (25,797) |
| Total | 318,386 | 159,150 | (47,700) |

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

| **Table 15** | **KD 000's** | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2024** | **Middle East and North Africa** | **North America** | **UK & Europe** | **Asia** | **Others** | **Total** |
| Past due and impaired financing | **263,511** | **45,185** | **20,424** | **-** | **-** | **329,120** |
| Specific provision | **163,256** | **12,267** | **403** | **-** | **-** | **175,926** |

| | KD 000's | | | | | |
|---|---|---|---|---|---|---|
| 31 December 2023 | Middle East and North Africa | North America | UK & Europe | Asia | Others | Total |
| Past due and impaired financing | 248,040 | 55,457 | 14,889 | - | - | 318,386 |
| Specific provision | 138,874 | 20,129 | 147 | - | - | 159,150 |

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

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

The Group's total provision as at 31 December 2024 was KD 910,214 thousand (2023: KD 903,390 thousand) inclusive of a general provision of KD 710,635 thousand (2023: KD 729,148 thousand) as detailed below:

| **Table 16** | **KD 000's** | |
|---|---|---|
| | **31 December 2024** | 31 December 2023 |
| Claims on sovereigns | **3,211** | 3,689 |
| Claims on public sector entities | **11,595** | 9,037 |
| Claims on banks | **5,745** | 5,009 |
| Claims on corporates | **604,001** | 627,383 |
| Regulatory retail exposure | **86,083** | 84,030 |
| **Total** | **710,635** | 729,148 |

The total general provision above includes KD 35,786 thousand (2023: KD 31,568 thousand) relating to "non-cash" facilities in accordance with CBK regulations.

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

| **Table 17** | **KD 000's** | | | | | |
|---|---|---|---|---|---|---|
| | **Middle East and North Africa** | **North America** | **UK & Europe** | **Asia** | **Others** | **Total** |
| **31 December 2024** | **621,902** | **7,735** | **35,040** | **6,979** | **3,193** | **674,849** |
| 31 December 2023 | 650,045 | 6,752 | 29,970 | 6,464 | 4,349 | 697,580 |

The analysis of specific and general provisions is further detailed in note 13 of the Group's consolidated financial statements.

The provisions for credit facilities as at 31 December 2024 was KD 910,214 thousand (2023: KD 903,390 thousand) computed pursuant to the CBK instructions of December 1996 since amended, are higher than the IFRS 9 ECL for credit facilities as at 31 December 2024 which was KD 634,365 thousand (2023 : KD 615,659 thousand).

### 4.2. Market risk

Market risk is defined as the potential loss in value of financial instruments or contracts or portfolio of instruments caused by adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, volatility, spreads etc.

The Group identifies market risk inherent in its financial claims and loans, FX exposure, trading and investment activities, and defines market risk management strategy through the following:

- Implementation of Market Risk Management Framework
- Well-defined processes and strong and effective controls
- Recognition of Market Risk as inherent to Bank's Business Model and Macro-Economic Environment.
- Clear segregation of "front", "back" and 'middle' office duties.
- Bank's approach to accept, limit and increase Market Risks
- Regular and effective monitoring and reporting of exposures and risk measures
- Regular monitoring of market prices and valuation of financial instruments
- Defined set of internal limits and regular reporting on the adherence to those limits
- Regular independent review of internal controls and limits
- Implementation of adequate infrastructure

#### 4.2.1. Market-risk management framework

The Bank's Market Risk Management Framework consists of Governance, Identification & Measurement, Management & Limit Setting as well as Reporting/ Management information.

The Board of Directors (BoD) is ultimately responsible for determining and setting the amount of Market Risk that the Bank is exposed to as a result of executing its business strategy through Bank's Risk Appetite. The market risk management framework governs the Group's trading and non-trading related market risk activities. The General Manager of the Treasury Group and General

Managers in Overseas locations are responsible for managing trading activities. The management of market risk inherent within the Group's non-trading activities is the primary responsibility of the Group Asset and Liability Executive Committee (ALEC), supported by the regional Asset and Liability Committees.

Group Asset and Liability Management (ALM) Unit is responsible for supervising the management of Market Risk exposure. All activities giving rise to market risk are conducted within a structure of approved credit and position limits. Group Market Risk Management independently measures, monitors and reports on Bank's market risk exposures.

**4.2.2. Monitoring of non-trading market risk in the banking book**
The Group's key non-trading market risk is the sensitivity of its net interest income to movements in interest rates.

The interest rate risk in the "Banking Book" is managed through amongst others a "re-pricing gap" limit structure which is supplemented by periodic analysis of scenarios (instantaneous parallel shift of +/-5 bps and +/-10bps in the yield curve) to capture the sensitivity of the exposure to interest rate changes.

The analysis of scenarios shows the impact in the banking book as follows:

| **Table 18** | **KD 000's** | | | |
|---|---|---|---|---|
| | **+ 5bp** | **-5bp** | **+10bp** | **-10bp** |
| **31 December 2024** | **2,866** | **(2,866)** | **5,732** | **(5,732)** |
| 31 December 2023 | 3,307 | (3,307) | 6,614 | (6,614) |

Included in the assumptions above are that interest rates move by the same percentage irrespective of maturity, that all positions run to maturity and that no management corrective action is taken to mitigate the impact of interest rate risk. In addition to interest rate risk, the Group is also exposed to market risk as a result of changes in the "fair value" of its strategic equity and investment positions held without any intention of liquidation.

**4.2.3. Monitoring of "market" risk from "trading" activities**
The Group's Risk Management function independently monitors the regional and global trading market risk exposure using Value-at-Risk ("**VaR**") methodology to derive quantitative measures specifically for market risk under normal market conditions. This enables the Group to apply a constant and uniform measure across all its trading activities and facilitates comparisons of market risk estimates, both over time and against daily trading results.

The VaR is supplemented with stress-testing (a stressed VaR) to quantify market risk under extreme stress scenarios based on observed historical worst-case and in-house developed scenarios. VaR computation allows for diversification benefits at the Group level. Furthermore, the Group recognizes and mitigates the correlation of other risks and processes in its market risk monitoring process.

In addition to VaR, the Group uses a structure of foreign exchange and interest rate limits to manage and control its market risk associated with trading activities. The Group's market risk is also assessed under stressed conditions using the same framework. Computations are based on stressed historical data.

**4.2.4 Equity price risk**
Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual shares. Equity price risk arises from the change in fair values of equity investments. The Group manages equity price risk through diversification of investments in terms of geographic distribution and industry concentration.

CBK has set a maximum limit of 50 per cent. of a bank's Regulatory Capital for investment in funds and equities, excluding in subsidiaries.

The analysis of the Group's total equity investment portfolio is as follows:

| Table 19 | KD 000's | |
|---|---|---|
| | **31 December 2024** | 31 December 2023 |
| Total Equity Investment | **75,115** | 75,754 |
| Of which Quoted Investments (%) | **54%** | 55% |
| | | |
| Net gains or (loss) of FVPL classified instruments recognised in Profit & Loss Statement during the period | **993** | 3,219 |
| Net gains or (loss) of FVOCI classified instruments recognized in Balance-sheet as at period-end | **(2,093)** | (1,250) |
| | | |
| Capital requirement of Equity investment portfolio categorized as: | | |
| Fair value through Other Comprehensive Income (FVOCI) | **6,112** | 6,151 |
| Fair value through P&L (FVPL) | **5,159** | 6,078 |

All revaluation gains or losses during the year relating to equity investments were recorded in the consolidated statement of financial position. For additional details of the accounting policies related to the valuation of equity holdings, refer to notes 2.15 and 2.16 of the Group's consolidated financial statements.

### 4.2.5 Currency Risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which transactions are denominated and the respective functional currency of the Group companies and ultimately upon translation to the Base Currency of the Group.

The currency exposures are monitored on a regular basis and compared against approved risk appetite.

### 4.2.6 Managing Interest rate benchmark reform and associated risks

*Overview*

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR' reform).

The key risks for the Group arising from the transition were Conduct risk, Pricing risk, Interest rate basis risk, Accounting, Litigation and Operational risk.

The Group has completed its transition to alternate rates and no risk on these accounts remains.

### 4.2.7. Counterparty Credit Risk

The Group enters into financial instruments that are traded over the counter mainly for hedging purpose with various counterparties. In most cases, industry-standard documentation is used which gives the Group the protection in situation where the Group's Counterparty is in default. The Group also enters into Interest Rate Swaps, which are cleared on an exchange and provide daily margin in the form of cash at the exchange.

Counterparty Credit Exposure arises from the risk that counterparties are unable to meet their payment obligations under certain financial contracts such as derivatives.

The Group Risk Management function independently monitors counterparty credit risk exposures arising from its derivatives transactions using the concept of Potential Future Exposure (PFE). The PFE is defined as the maximum expected credit exposures over a specified horizon at a particular confidence level. As such, the risk exposure is an upper bound of possible exposures at the selected confidence level and not the maximum risk exposure possible.

In response to the various regulations, including the European Market Infrastructure Regulations (EMIR), the Bank has, with the approval of the CBK, established NBK GDM (Caymans) Limited to deal in financial derivatives products, which allows the Bank to continue dealing with highly-rated counterparties on derivative transactions with netting arrangements in place and removes the risk that the Bank may be required to post "margin" collateral on an asymmetric basis. The Bank has also set in place policies and procedures to ensure compliance with EMIR regulations, i.e., to clear OTC derivatives through Central Counterparties (CCP).

*Wrong-Way Risk (WWR)*
WWR arises when there is an adverse (positive) correlation between a client's creditworthiness (probability of default) and the Group's credit exposure to that client.

NBK does not enter into derivatives whose valuations depend on the credit quality of the counterparty and hence wrong-way risk is not a factor of risk for the Bank.

#### 4.2.7.1 Assignment of credit limits for Counterparty Credit Exposures

Counterparty credit risk exposure arises from the risk that counterparties are unable to meet their payment obligations under derivative contracts. The allocation of credit limits for derivatives market counterparties is provided by the Bank's Institutional Banking Division taking into consideration counterparty credit profile, historical financial performance, geographical location, legal jurisdiction and other relevant factors. The credit limits are reviewed on an annual basis and credit exposure is regularly monitored and reported for all derivatives' counterparties.

#### 4.2.7.2 Policies for securing collateral and credit reserves

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The Group uses the ISDA master agreement as the preferred agreement for documenting OTC derivatives. To reduce its counterparty risk, the Group selectively enters into ISDA Credit Support Annex (CSA) collateral agreements. In line with these standards, the Group generally accepts only cash as collateral. It also has policies and procedures for reviewing the legal enforceability of credit support documents in accordance with applicable rules. Credit risk is reduced through the process of daily margining with relevant market-counterparties. Daily margining is performed in-house as well as using collateral service agent. Daily valuations for qualified derivatives are compared to those reported by the market-counterparties and any disagreements are directly resolved. The Group uses an internal model to estimate PFE, which includes the mitigating effects of netting and collateral in valuing over-the-counter contracts.

*Additional collateral requirements due to credit rating downgrade*
The Group has no provisions in its agreements with market counterparties where a downgrade in its credit rating will have an impact on the collateral amount to be posted.

#### 4.2.7.3 General Disclosure for Counterparty Credit Risk

| **Table 20** | **KD 000s** | |
|---|---|---|
| **Derivative Contracts** | **31 December 2024** | 31 December 2023 |
| **Gross Positive fair value** | **309,043** | 290,685 |
| Counterparty netting benefit | **(7,345)** | (20,150) |
| Netted current credit exposure | **301,698** | 270,535 |
| Cash collateral (held by NBK) | **286,662** | 247,132 |
| **Net exposure (after netting and collateral)** | **15,035** | 23,403 |

#### 4.2.7.4 Exposure-at-Default Methodology

As per the regulatory requirements, the Bank calculates counterparty credit exposure as per the Current Exposure Method (CEM) for its exposure to derivatives counterparties.

In addition, the Bank calculates counterparty credit exposure using the Potential Future Exposure (PFE) measure. The Bank applies 'historical' simulation approach (at 99% confidence level) by projecting the potential values of relevant risk factors across the transactions' horizon, and then re-valuing derivatives transactions and counterparty credit exposures according to the projected risk factor.

Both the CEM and PFE methods incorporate the effects of legally enforceable netting and collateral agreements when estimating counterparty exposure.

| Table 21 | KD 000s | |
|---|---|---|
| | **31 December 2024** | 31 December 2023 |
| Counterparty Credit Risk (CEM method) for derivatives' counterparties | **114,175** | 152,255 |
| Counterparty Credit Risk (PFE method) for derivatives' counterparties | **334,105** | 354,028 |

### 4.2.8 Notional value of credit derivatives transactions
NBK has no exposure to credit derivatives.

### 4.3 Operational risk
Operational risks are governed at Group level through a Board-approved Group Operational Risk Management policy and framework which defines the roles and responsibilities of the Board & BRCC, the EC, Business and Operational Teams, Group Operational & Technology Risk Management function [ORM] and the Group Internal Audit function [GIA] for managing, monitoring and reporting operational risks. The key components of the Board-approved framework are:

- comprehensive, documented policies, procedures and controls which reflect CBK and Basel III guidelines for internal controls and sound practices for managing and supervising operational risks in banks;
- risk and control self-assessments conducted by business line management in coordination with and supported by ORM;
- quarterly key risk indicator submission and validation to identify risk trends and develop mitigating actions;
- operational incident, loss reporting and investigation of causes and failed controls;

ORM has implemented an Integrated Risk Management system that facilitates the maintenance of a comprehensive Risk Register, approval framework for plans to deal with residual risk treatment plans, reporting of risk indicators and operational incidents and maintenance of business continuity impact assessments and plans.

ORM works closely with all the Group's business lines to raise awareness of operational risk. In addition to the risk opinions and constant support provided by the operational risk management function through daily activities, operational risk awareness is achieved through a comprehensive training program developed and delivered by the operational risk management function to the various business units. The aim of this training program is to cultivate strategic relationships with business line management and to encourage open communication and ownership of risk issues.

Risk and control self-assessments are regularly conducted by the Business and Operational teams to identify the residual risks, control gaps and take relevant risk treatment measures in consultation with ORM.

Key risks across business and support units are identified and monitored on a quarterly basis using various key risk indicators developed with the business units in line with the Group's risk appetite. The capture and reporting of operational risk incidents and losses are established as a firm process across all business and support units. Close co-ordination with business units and the GIA enables ORM to track operational incidents and losses and to propose mitigating actions for business units to follow to address control weaknesses.

In addition, a comprehensive Business Continuity, Crisis Management and Disaster Recovery management program designed to cope with business disruptions and major disasters has been implemented and is regularly tested.

Material Operational risks are periodically reviewed with relevant members of Executive Management and reported to the EC and BRCC to ensure comprehensive oversight.

### 4.4 Liquidity risk
Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as they fall due, or the ability only to secure them at excessive cost. It is the policy of the Group to maintain adequate liquidity at all times, in all geographical locations.

The Group's liquidity management is guided by its internal liquidity policy, which is reviewed annually and approved by the Board. The EC assigns responsibilities and ensures the Group has sufficient resources to carry out liquidity risk management work in an independent and effective manner. The primary responsibilities for the management of liquidity are with the ALEC, regional asset and liability committees, the Group Treasurer and local Treasurers. Day-to-day cash-flows and liquidity management are handled by the 'local' treasury teams at Group Head Office and the Group's international locations. The longer-term liquidity and funding profile of the Group is monitored and managed by Group Treasury under the guidance of the ALEC.

The Group's liquidity policy specifies the main goals, roles and responsibilities, processes and procedures for managing the Group's liquidity risk. It also encompasses the Group's contingency funding plan, which is intended to provide a framework for effective responses to any potential liquidity crisis, whether triggered by Bank-specific or by systemic liquidity shortages.

The Bank's liquidity risk strategy is centered on always maintaining an adequate liquidity position, primarily by means of an acceptable maturity mismatch profile, relying on more 'stable' deposits and maintaining an adequate stock of High-Quality

Liquid Assets (HQLAs) at all times. Further, the Bank's liquidity objectives are:

- to ensure strategies are in conformity with the regulatory requirements of the CBK and the requirements of the local regulators in other jurisdictions where the Group operates;
- to ensure the use of proper tools in ascertaining liquidity risk;
- continuously to seek sources of stable customer funds and to keep its funding costs as low as possible;
- to limit its dependence on the use of short-term inter-bank funding;
- to leverage its strong position, reputation and credit strength in order to secure long-term funding, such as customer deposits, institutional deposits, government deposits and debt issuance at a competitive cost;
- to ensure the Bank's ability to generate or obtain cash or its equivalent in a timely and cost-efficient manner so that the Bank can meet its obligations;
- to maintain market confidence; and
- to ensure profitable business opportunities can be pursued without liquidating assets at undesirable times or raising additional unsecured funding on an unreasonable scale or timescale.

The liquidity and funding management process includes:

- self-imposed and regulatory liquidity ratios, including ratios in accordance with Basel III principles;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- monitoring depositor concentration to avoid undue reliance on individual large depositors and ensure a satisfactory overall funding mix; and
- liquidity stress tests to make sure the Group can survive liquidity squeezes under different stress scenarios.

The Bank monitors and reports various internal and regulatory liquidity metrics to manage and comply with liquidity risk on an on-going basis. Specifically, since 1st Jan 2016, the Bank is monitoring and reporting Liquidity Coverage Ratio (LCR) in line with CBK instructions. Refer to the Liquidity Coverage Ratio disclosures available on the Bank's website of the Bank for Governance framework, Funding Strategy and LCR ratio results and analysis.

In accordance with the Basel III framework, as implemented by the CBK, the Group also manages its liquidity through compliance with the Net Stable Funding Ratio (NSFR). Starting from 1 January 2018, the Bank has been monitoring and reporting its NSFR in line with CBK instructions. Refer to the NSFR related disclosures available on the Bank's website on a quarterly basis.

### 4.5 Reputation and fiduciary risk

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

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

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

During the year, Assets under Management at the Group increased by 16.2 % (2023: 16 %) to reach KD 7,654 million on 31 December 2024 (2023: KD 6,600 million).

# III Composition of Capital

### 1. Composition of Regulatory Capital

For regulatory purposes, the capital base is divided into:

i. Common Equity Tier 1
ii. Tier 1 Capital
iii. Tier 2 Capital

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

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

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

The below table summarises the composition of capital and ratios:

| Table 22 | KD 000's | |
|---|---|---|
| | **31 December 2024** | 31 December 2023 |
| **Common Equity Tier 1 capital** | **3,639,713** | 3,442,577 |
| **Tier 1 capital** | **4,173,934** | 3,974,353 |
| **Total capital** | **4,785,699** | 4,572,242 |
| **Total risk-weighted assets** | **27,601,723** | 26,469,664 |
| **Capital ratios and buffers** | | |
| Common Equity Tier 1 (as percentage of risk-weighted assets) | **13.2%** | 13.0% |
| Tier 1 (as percentage of risk-weighted assets) | **15.1%** | 15.0% |
| Total capital (as percentage of risk-weighted assets) | **17.3%** | 17.3% |
| **National minima** | | |
| Common Equity Tier 1 minimum ratio including Capital Conservation Buffer* | **9.5%** | 9.5% |
| Tier 1 minimum ratio | **11.0%** | 11.0% |
| Total capital minimum ratio excluding Countercyclical and D-SIB buffers | **13.0%** | 13.0% |
| **NBK Group minima** | | |
| Common Equity Tier 1 minimum ratio including Capital Conservation Buffer and Domestic Systemically-Important Bank Buffer* | **11.5%** | 11.5% |
| Tier 1 minimum ratio | **13.0%** | 13.0% |
| Total capital minimum ratio excluding Countercyclical Buffer | **15.0%** | 15.0% |

A detailed breakdown of the Group's Regulatory Capital position under the Common Disclosures templates as stipulated under the Pillar 3 section of the CBK Basel III Capital Adequacy framework is presented in Table 31 available in the Appendices Section.

**2. Reconciliation requirements**

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

Table 23 provides the comparison (Step1) of the balance sheet published in the consolidated financial statement and the balance sheet under the regulatory scope of consolidation. Lines have been expanded and referenced with letters (Step 2) to display the relevant items of the Regulatory Capital.

| Table 23: Steps 1 and 2 of Reconciliation requirements | KD 000s | | |
|---|---|---|---|
| **Item** | **Balance sheet as in published financial statements** | **Under regulatory scope of consolidation** | Reference |
| | **31-Dec-24** | **31-Dec-24** | |
| **Assets** | | | |
| Cash and short-term funds | 5,323,273 | 5,323,273 | |
| Central Bank of Kuwait bonds | 343,652 | 343,652 | |
| Kuwait Government treasury bonds | 148,555 | 148,555 | |
| Deposits with banks | 1,383,330 | 1,383,330 | |
| Loans, advances and Islamic financing to customers | 23,707,609 | 23,707,609 | |
| *of which General Provisions(netted above) capped for Tier 2 inclusion* | 316,890 | 316,890 | a |
| Investment securities | 7,626,478 | 7,626,478 | |
| Land, premises and equipment | 517,392 | 517,392 | |
| Goodwill and other intangible assets | 510,733 | 510,733 | |
| *of which goodwill deducted from CET1 Capital* | 341,146 | 341,146 | b |
| *of which other intangibles deducted from CET1 Capital* | 169,587 | 169,587 | c |
| Other assets | 777,134 | 777,134 | |
| **Total assets** | 40,338,156 | 40,338,156 | |
| **Liabilities** | | | |
| Due to banks and other financial institutions | 8,353,558 | 8,353,558 | |
| Customers deposits | 22,866,205 | 22,866,205 | |
| Certificates of deposit issued | 1,501,457 | 1,501,457 | |
| Other borrowed funds | 1,520,422 | 1,520,422 | |
| *Amount recognized in Tier 2 capital* | 242,279 | 242,279 | d |
| Other liabilities | 939,782 | 939,782 | |
| **Total liabilities** | 35,181,424 | 35,181,424 | |

| **Table 23: Steps 1 and 2 of Reconciliation requirements** (continued) | **KD 000s** | | |
|---|---|---|---|
| **Item** | **Balance sheet as in published financial statements** | **Under regulatory scope of consolidation** | Reference |
| | **31-Dec-24** | **31-Dec-24** | |
| **Shareholders' Equity** | | | |
| Share capital | 832,644 | 832,644 | e |
| Proposed bonus shares | 41,633 | 41,633 | p |
| Statutory reserve | 416,324 | 416,324 | f |
| Share premium account | 803,028 | 803,028 | g |
| Treasury shares | - | - | |
| Treasury shares reserve | 34,961 | 34,961 | h |
| Other Reserves | 1,983,738 | 1,983,738 | |
| *of which Retained Earnings eligible as CET1 Capital* | 1,975,750 | 1,975,750 | i |
| *of which Proposed Dividend* | 208,161 | 208,161 | |
| *of which Others eligible as CET1 Capital* | (200,173) | (200,173) | k |
| **Equity attributable to shareholders of the Bank** | 4,112,328 | 4,112,328 | |
| Perpetual Tier 1 Capital Securities | 439,032 | 439,032 | |
| of which used for Regulatory Capital | 439,032 | 439,032 | l |
| Non-controlling interests | 605,372 | 605,372 | |
| *of which Limited Recognition eligible as CET1 Capital* | 246,279 | 246,279 | m |
| *of which Limited Recognition eligible as AT1 Capital* | 95,189 | 95,189 | n |
| *of which Limited Recognition eligible as Tier 2 Capital* | 52,596 | 52,596 | o |
| **Total equity** | 5,156,732 | 5,156,732 | |
| **Total liabilities and equity** | 40,338,156 | 40,338,156 | |

Table 24 provides the relevant lines under 'Table 31: Composition of Regulatory Capital' with cross references to the letters in Table 23, thereby reconciling (Step 3) the components of Regulatory Capital to the published balance sheet.

**Table 24: Step 3 of Reconciliation requirements** — **KD 000s**

| **Relevant Row Number in Common Disclosure Template** | **Common Equity Tier 1 capital: instruments and reserves** | **Component of Regulatory Capital** | **Source based on reference letters of the balance sheet from step 2** |
|---|---|---|---|
| 1 | Directly issued qualifying common share capital plus related stock surplus | 832,644 | e |
| 2 | Retained earnings | 1,975,750 | i |
| 3 | Accumulated other comprehensive income (and other reserves) | 1,095,773 | f+g+h+k+j+p |
| 5 | Common share capital issued by subsidiaries and held by third parties (minority interest) | 246,279 | m |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 4,150,446 | |
| | **Common Equity Tier 1 capital : regulatory adjustments** | | |
| 8 | Goodwill | (341,146) | b |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | (169,587) | c |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | (510,733) | |
| 29 | Common Equity Tier 1 capital (CET1) | 3,639,713 | |
| | **Additional Tier 1 capital : instruments** | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 439,032 | l |
| 31 | of which: classified as equity under applicable accounting standards | 439,032 | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | 95,189 | n |
| 36 | Additional Tier 1 capital before regulatory adjustments | 534,221 | |
| | **Additional Tier 1 capital : regulatory adjustments** | | |
| 44 | Additional Tier 1 capital (AT1) | 534,221 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 4,173,934 | |
| | **Tier 2 capital : instruments and provisions** | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 242,279 | d |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | 52,596 | o |
| 50 | General Provisions included in Tier 2 Capital | 316,890 | a |
| 51 | Tier 2 capital before regulatory adjustments | 611,765 | |
| | **Tier 2 capital: regulatory adjustments** | | |
| 58 | Tier 2 capital (T2) | 611,765 | |
| 59 | Total capital (TC = T1 + T2) | 4,785,699 | |

# IV. Leverage

## 1. Leverage Ratio

In October 2015, CBK issued the regulations on the 'Leverage Ratio' introduced by the Basel Committee as part of the regulatory reforms package. This transparent and non-risk based metric supplements the Capital ratio to act as a backstop measure to limit excessive build-up of on- and off-balance sheet exposures.

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

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

The Leverage Ratio for the Group at consolidated level is:

**Table 25**

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| Tier 1 Capital (KD 000s) | **4,173,934** | 3,974,353 |
| Total Exposures (KD 000s) | **44,052,478** | 40,989,808 |
| Leverage Ratio | **9.5%** | 9.7% |

## 2. Leverage Ratio Exposures

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

**Table 26** — **KD 000's**

| **Total Exposures** | **31 December 2024** | 31 December 2023 |
|---|---|---|
| On-balance sheet exposures | **39,827,423** | 37,156,575 |
| Derivative exposures | **300,679** | 382,864 |
| Off-balance sheet items | **3,924,376** | 3,450,369 |
| Total exposures | **44,052,478** | 40,989,808 |

Table 32 in Appendices Section provides details of the Leverage Ratio in the format stipulated for public disclosure under the Pillar 3 framework.

## 3. Reconciliation

Table 27 provides the reconciliation of the balance sheet assets from the published financial statement with total exposure amount in the calculation of the Leverage Ratio.

**Summary comparison of accounting assets vs Leverage Ratio exposure measure**

| Table 27 | | KD 000's | |
|---|---|---|---|
| | **Item** | **31 December 2024** | 31 December 2023 |
| 1 | Total consolidated assets as per published financial statements | **40,338,156** | 37,664,991 |
| 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 | **300,679** | 382,864 |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | | |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | **3,924,376** | 3,450,369 |
| 7 | Other adjustments | **(510,733)** | (508,416) |
| 8 | **Leverage Ratio exposure** | **44,052,478** | 40,989,808 |

# V. Remuneration Disclosures

**Qualitative Information**

### 1. Board of Directors, Board Nomination and Remuneration Committee

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

The Board Nomination and Remuneration Committee (BNRC) comprises four members (3 Non-Executive Board members and 1 Independent Board member). The committee is chaired by the Independent Board member.

The main objective of the Committee is to carry out the nomination and remuneration responsibilities. In terms of remuneration mandates, the Committee supports the Board in setting up the Group's remuneration framework and ensures effective implementation in accordance with the Group's Remuneration Policy and Corporate Governance Code.

The key responsibilities of the Committee are summarised below:

a. Develop the Remuneration Policy in co-ordination with Executive Management and Group Human Resources and submit the same to the Board for approval. The Board is responsible for monitoring the implementation of the policy.
b. Review the Remuneration Policy in co-ordination with Group Risk Management at least on an annual basis or at the request of the Board and provide the Board with policy amendments or update suggestions.
c. Evaluate the sufficiency and effectiveness of the Remuneration Policy on a periodic basis to ensure the achievement of its declared objectives.
d. Ensure that Independent Board members will not be paid any salary or financial amount, with the exception of the remuneration paid to them for their membership in the Board, or the dividend paid to them as a shareholder, or the interests received or due on their deposits or investments from the ordinary business activities of the Bank.
e. Make recommendations to the Board regarding the level and components of the remuneration of the Group CEO and his deputies, taking into consideration the total remuneration including salaries, bonuses and other incentives.
f. Give recommendations to the Board regarding the nomination for Board membership pursuant to the approved policies and in line with the CBK's instructions setting out nomination rules for Board membership.
g. Ensure that all provisions and requirements related to the independence of Independent Board members are fulfilled and satisfied by new candidates to Board membership and raise recommendations to the Board in this regard.
h. Assess the skills and competencies required to fulfil the Board's duties, specifically to the issues related to the strategic objectives of the Group.
i. Ensure Board's composition satisfy diversification requirements in terms of skills, capabilities, competencies, experience, culture, gender and age.
j. Identify Board members qualified to fill vacancies on any Committee of the Board and recommend to the Board the appointment of the identified person(s) to the relevant committee.
k. Ensure the alignment of environmental and social goals to executive pay and align executives to the long-term focus of the organization.

During the year 2024 the Committee reviewed and updated the Remuneration Policy, Succession Planning Manual and its internal Charter.

## 2. Remuneration Policy

NBK Group Remuneration Policy is developed and implemented at the Group level and covers NBK subsidiaries and foreign branches.

NBK Group has a clear Remuneration Policy, instructions and processes, ensuring a sound remuneration framework throughout the organisation. It supports the Group's ability to recruit and retain the right talents and competences and motivate high-calibre, skilled and knowledgeable employees, thereby ensuring sound risk management and sustained profitability.
The Policy aims to support the Group to operate a "total reward" philosophy taking account of all components of financial remuneration.

Group Policy aims to reward success, not failure, and attempts to align employees' remuneration with its risk framework and risk appetite and is designed to reward competitively the achievement of long-term sustainable performance, attract and motivate the very best persons who are committed to a long-term career with the Bank, and who will perform their role in the long-term interests of its shareholders.

In case any provisions of the Remuneration Policy document deviate from any of the local statutory or regulatory requirements, the local statutory and regulatory requirements will take precedence over the provisions of the Remuneration Policy.
The Remuneration Policy defines three major categories for remuneration treatment, governance and disclosures.

**First Category: Senior Management**
This category includes all employees at the level of Deputy General Manager (DGM) and higher (excluding risk management and control functions).

The number of persons in this category as of 31 December 2024 is 47 (2023: 44).

**Second Category: Material Risk-Takers**
This category includes the Group CEO, his deputy, CEO Kuwait, his deputy and the heads of business functions and their deputies (Deputy General Manager and higher are included in Senior Management category). The Group's core business units are:

- Global Wealth Management
- Corporate Banking Group
- Treasury Group
- Consumer Banking Group
- Private Banking Group
- Foreign Corporate and Trade Finance Banking
- International Banking Group

The number of persons in this category as of 31 December 2024 is 45 (2023: 47).

**Third Category: Risk management and Control Functions**
This category includes the following functional heads, and their deputies.

- Group Financial Control
- Group Risk Management
- Group Compliance & Governance
- Group Internal Audit
- Anti-Money Laundering Unit

The number of persons in this category as of 31 December 2024 is 20 (2023:19).

## 3. Remuneration Structure and Components

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

The Group has two main remuneration components:

- Fixed remuneration:

The purpose of the fixed pay is to attract and retain employees by paying market-competitive remuneration for the role, skills and experience required for the business.

Fixed remuneration includes:

1. Salaries
2. Benefits
3. Other cash allowances

These payments are fixed and do not vary with performance.

- Variable Remuneration (performance-based remuneration):

The purpose of the variable remuneration is to drive and reward performance based on annual financial and non-financial measures consistent with shareholder interests and adherence to NBK values.
Variable remuneration includes:

1. Cash bonus.
2. Deferred Cash Bonus
3. Equity shares as per Phantom Shares Plan*
4. Other

These payments are not fixed and are linked to performance.

The "other" remuneration represents performance incentives for certain business units upon achieving certain stated business targets.

The Group ensures there is a prudent balance between fixed and variable remuneration to allow for the possibility of reducing remuneration, in cases of adverse financial performance.

The Cash Bonus, Deferred Cash Bonus and Phantom Shares Plan components of the variable remuneration pool are availed selectively to certain Eligible Employees.

* Phantom Shares: are notional shares which are neither issued shares nor part of the Bank's Capital. The Phantom Shares cannot be sold or circulated. Its value shall be equal to the sale price of the Bank's shares in the Stock Exchange on a certain date, and according to which the Cash Remuneration for Eligible Employees shall be calculated according to this Plan.

In case of high-risk exposures, the Group would try to minimise the percentage of variable remuneration, especially for the Senior Management and Material Risk-Takers.

### 4. Risk-Based Remuneration Approach

NBK considers its Group risk profile when determining its annual remuneration pool; the risk profile includes the key risks to which the Group is exposed, such as strategic, credit, market, liquidity, and operation risk. The policy ensures adequate linkage between the performance and risk materialisation, loss incurrence and risk appetite of the Group.

The overall variable remuneration pool is determined using a multi-year performance assessment which takes account of relevant risk metrics. The metrics used to determine the pool are linked with performance and key risk indicators; the key risk indicators are designed and customised for each core business function, and they are in line with the Group's overall risk strategy. During the year key risk indicators (KRIs) remain linked to the overall remuneration pool without significant change from last year's KRIs.

The Group Risk Management and Group Compliance and Governance functions are independent and report to the Board Risk and Compliance Committee. The Heads of Group Risk Management and Group Compliance and Governance are assessed by the Board Risk and Compliance Committee on an annual basis. The total remuneration for each of these positions is determined and approved by the Board Risk and Compliance Committee as a fully independent party.

### 5. An Overview on the Key Performance Indicators

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

- Return on Assets
- Return on Equity
- Cost-income ratio
- Capital Adequacy
- Capital Adequacy Ratio
- Non-performing Assets (NPA)

Remuneration is determined based on the achievement of KPIs towards the overall Group strategy. These include financial and non-financial criteria and Key Risk Indicators (KRIs) at Group level. The annual remuneration pool for this year was approved by the Board of Directors after review and discussion with the Board Nomination and Remuneration Committee. The percentage approved for remuneration was determined based on the Group-level KPIs mentioned above.

Remuneration parameters for core units (revenue-generating functions) are determined based on the stated KPIs into which risk limits are cascaded. Remuneration for other business units, such as support functions (excluding risk and control functions), is based only on stated KPIs.

The KPIs for the risk management and control functions are based on the objectives of the control function itself. They form an objective base distinct from the business performance base. The performance appraisal form for each position identifies the quantitative weights of individual KPIs; the final scoring of the appraisal is linked with a quantitative formula to determine fixed remuneration (salary increments) and variable remuneration (annual bonus).

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

### 6. Remuneration Adjustments

The annual remuneration amount (fixed and variable) is reviewed by the Board Nomination and Remuneration Committee and is then subject to review and approval by the Board of Directors.
The Group remuneration deferment policy ensures an appropriate portion of the variable remuneration of senior employees (including those deemed to have a material impact on the risk profile of the organisation) is deferred. The deferment of variable remuneration applies to the Deferred Cash Bonus and Phantom Shares Plan.

The Group applies a deferment approach of up to three years and final vesting of these variable components is subject to continuing employment and the absence of risk materialisation. Claw-back applies on the non-vested portions in case risk materialises. The claw-back mechanism is applicable on the Deferred Cash Bonus and Phantom Shares Plan.

This deferred variable remuneration is governed as follows:

- Deferred over a period of three (3) years to align with the long-term performance of the Group.
- Subject to Clawback in the event of established fraud, misleading information or exceeding the approved risk limits. Control Functions personnel are subject to Clawback for 1 year and other positions are subject to Clawback for three (3) years.

**Quantitative Information**

1. During the year, the Board Nomination and Remuneration Committee met four times. Board of Directors members (Executive Board member, Non-Executive Board members and the Independent Board members) received remuneration amounting to KD 70 thousand each (total of KD 770 thousand) for their services as Board members. Board of Directors' remuneration is subject to the approval of shareholders at the Annual General Meeting.
2. The number of persons (Senior Management and Material Risk-Takers) eligible for variable remuneration is 67 persons and they represent 2.92% of the overall NBK total staff number eligible for variable remuneration for 2024
3. The total number of persons (Senior Management and Material Risk-Takers) is 67 persons. Their total remuneration for 2024 is KD 25,900 thousand.
4. The number of employees who received sign-on awards during the year is Nil.
5. The total amount of end-of-service benefit paid during 2024 is KD 529 thousand, this is related to 4 person (Senior Management and Material Risk-Takers).

**Senior Management:**

**Table 28**

| Total salaries & remuneration granted during reported period | Unrestricted (KD 000s) | Deferred (KD 000s) |
|---|---|---|
| **Fixed remuneration:** | | |
| - Cash | 7,423 | Nil |
| **Variable remuneration:** | | |
| - Cash | 13,290 | Nil |
| - Phantom Shares | Nil | 2,149 |
| - Others (Note 1) | 354 | Nil |

**Material Risk-Takers:**

**Table 29**

| Total salaries & remuneration granted during reported period | Unrestricted (KD 000s) | Deferred (KD 000s) |
|---|---|---|
| **Fixed remuneration:** | | |
| - Cash | 6,634 | Nil |
| **Variable remuneration:** | | |
| - Cash | 12,199 | |
| - Phantom Shares | Nil | 1,841 |
| - Others (Note 1) | 866 | Nil |

**Financial and Risk Control:**

**Table 30**

| Total salaries & remuneration granted during reported period | | Unrestricted (KD 000s) | Deferred (KD 000s) |
|---|---|---|---|
| **Fixed remuneration:** | | | |
| - | Cash | 1,792 | Nil |
| **Variable remuneration:** | | | |
| - | Cash | 1,201 | 9 |
| - | Phantom Shares | Nil | 524 |
| - | Others (Note 1) | Nil | Nil |

Note 1: This consists of other performance incentives

**Total remuneration paid as per employee categories**

**Table 31**

| Employees Category | Number of employees in this category | Grand Total Remuneration Fixed and Variable granted during the reported period (KD 000s) |
|---|---|---|
| Senior Management | 47 | 23,216 |
| Material Risk-Takers | 45 | 21,540 |
| Financial and Risk Control | 20 | 3,526 |

# VI. Appendices

## 1. Regulatory Capital Composition: Common Disclosure Template

**Table 32**

| Row Number | | KD 000s |
|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | |
| 1 | Directly issued qualifying common share capital plus related stock surplus | 832,644 |
| 2 | Retained earnings | 1,975,750 |
| 3 | Accumulated other comprehensive income (and other reserves) | 1,095,773 |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) | - |
| 5 | Common share capital issued by subsidiaries and held by third parties (minority interest) | 246,279 |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 4,150,446 |
| | **Common Equity Tier 1 capital : regulatory adjustments** | |
| 7 | Prudential valuation adjustments | |
| 8 | Goodwill (net of related tax liability) | (341,146) |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | (169,587) |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - |
| 11 | Cash flow hedge reserve | - |
| 12 | Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied) | - |
| 13 | Securitisation gain on sale | - |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | - |
| 15 | Defined benefit pension fund net assets | - |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | - |
| 17 | Reciprocal cross holdings in common equity of banks, Fis, and insurance entities | - |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | - |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital(amount above 10% threshold of bank's CET1 capital) | - |
| 20 | Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital) | - |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - |
| 22 | Amount exceeding the 15% threshold | - |
| 23 | of which: significant investments in the common stock of financials | - |
| 24 | of which: mortgage servicing rights | - |
| 25 | of which: deferred tax assets arising from temporary differences | - |
| 26 | National specific regulatory adjustments | |

| Row Number | | KD 000s |
|---|---|---|
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | (510,733) |
| 29 | Common Equity Tier 1 capital (CET1) | 3,639,713 |
| | **Additional Tier 1 capital : instruments** | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 439,032 |
| 31 | of which: classified as equity under applicable accounting standards | 439,032 |
| 32 | of which: classified as liabilities under applicable accounting standards | - |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | - |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | 95,189 |
| 35 | of which: instruments issued by subsidiaries subject to phase out | - |
| 36 | Additional Tier 1 capital before regulatory adjustments | 534,221 |
| | **Additional Tier 1 capital : regulatory adjustments** | |
| 37 | Investments in own Additional Tier 1 instruments | - |
| 38 | Reciprocal cross holdings in Additional Tier 1 instruments | - |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity(amount above 10% threshold) | - |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation(net of eligible short positions) | - |
| 41 | National specific regulatory adjustments | - |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - |
| 43 | Total regulatory adjustments to Additional Tier 1 capital | - |
| 44 | Additional Tier 1 capital (AT1) | 534,221 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 4,173,934 |
| | **Tier 2 capital : instruments and provisions** | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 242,279 |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | 52,596 |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - |
| 50 | General Provisions included in Tier 2 Capital | 316,890 |
| 51 | Tier 2 capital before regulatory adjustments | 611,765 |
| | **Tier 2 capital: regulatory adjustments** | |
| 52 | Investments in own Tier 2 instruments | - |
| 53 | Reciprocal cross holdings in Tier 2 instruments | - |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity(amount above 10% threshold) | - |
| 55 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | - |

| Row Number | | KD 000s |
|---|---|---|
| 56 | National specific regulatory adjustments | |
| 57 | Total regulatory adjustments to Tier 2 capital | |
| 58 | Tier 2 capital (T2) | 611,765 |
| 59 | Total capital (TC = T1 + T2) | 4,785,699 |
| 60 | Total risk-weighted assets | 27,601,723 |
| | **Capital ratios and buffers** | |
| 61 | Common Equity Tier 1 (as percentage of risk-weighted assets) | 13.2% |
| 62 | Tier 1 (as percentage of risk-weighted assets) | 15.1% |
| 63 | Total capital (as percentage of risk-weighted assets) | 17.3% |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus (a)capital conservation buffer plus (b)countercyclical buffer requirements plus (c)DSIB buffer requirement expressed as a percentage of risk-weighted assets) | 9.0% |
| 65 | of which: (a) capital conservation buffer requirement | |
| 66 | of which: (b) bank specific countercyclical buffer requirement | - |
| 67 | of which: (c) DSIB buffer requirement | 2.0% |
| 68 | Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets) | 3.7% |
| | **National minima** | |
| 69 | Common Equity Tier 1 minimum ratio including Capital Conservation Buffer | 9.5% |
| 70 | Tier 1 minimum ratio | 11.0% |
| 71 | Total capital minimum ratio excluding Counter-cyclical and D-SIB buffers | 13.0% |
| | **Amounts below the thresholds for deduction(before risk weighting)** | |
| 72 | Non-significant investments in the capital of other financials | 32,207 |
| 73 | Significant investments in the common stock of financial entities | 901 |
| 74 | Mortgage servicing rights (net of related tax liability) | - |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | - |
| | **Applicable caps on the inclusion of provisions in Tier 2** | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 710,635 |
| 77 | Cap on inclusion of allowances in Tier 2 under standardised approach | 316,890 |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings- based approach (prior to application of cap) | |
| 79 | Cap on inclusion of allowances in Tier 2 under internal ratings-based approach | |

## 2. Regulatory Capital: Main Features Template

The Bank's share capital as at 31 December 2024 comprised issued and fully-paid-up equity shares (note 19 of the Group's consolidated financial statements), and is eligible as Common Equity Tier 1 Capital at Group and Solo level.

In addition, the following instruments qualify as eligible Regulatory Capital

| | | | | | |
|---|---|---|---|---|---|
| 1 | **Issuer** | NBK Tier 1 Limited | NBK Tier 1 Financing (2) Limited | National Bank of Kuwait S.A.K.P. | NBK Tier 2 Limited |
| 2 | **Unique identifier** | XS2306962841 | XS2010037922 | | XS2252513713 / 225251371 |
| 3 | **Governing law(s) of the instrument** | English law (other than the Issuer subordination provisions which are governed by the laws of the Dubai International Financial Centre) | English Law; except for Status of Capital Securities and Subordination which are governed by laws of Dubai International Financial Centre. | Laws of the State of Kuwait | English Law; except for Status of Capital Securities and Subordination which are governed by laws of Dubai International Financial Centre. |
| | ***Regulatory treatment*** | | | | |
| 4 | Type of Capital | Additional Tier 1 | Additional Tier 1 | Tier 2 | Tier 2 |
| 5 | Eligible at solo/ group / group & solo | Group and Solo | Group and Solo | Group and Solo | Group and Solo |
| 6 | Instrument type | Capital Securities by Issuer Irrevocably guaranteed by National Bank of Kuwait S.A.K.P. on Subordinated basis | Capital Securities by Issuer Irrevocably guaranteed by National Bank of Kuwait S.A.K.P. on Subordinated basis | Subordinated Debt | Subordinated Debt |
| 7 | Amount recognised in Regulatory Capital | USD 700,000,000 (KD 211,295,000) | USD 750,000,000 (KD 227,737,500) | KD 150,000,000/- | USD 300,000,000/- |
| 8 | Par value of instrument | USD 1,000/- | USD 1,000/- | KD 50,000/- | USD 1,000/- |
| 9 | Accounting classification | Shareholders' equity | Shareholders' equity | Liability-Amortised Cost | Liability-Amortised Cost |
| 10 | Original date of issuance | 24th February 2021 | 27th November 2019 | 18th November 2020 | 24th November'2020 |
| 11 | Perpetual or dated | Perpetual | Perpetual | Dated | Dated |
| 12 | Original maturity date | No maturity | No maturity | 18th November 2030 | 24th November'2030 |
| 13 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes | Yes |
| 14 | Optional call date, contingent call dates and redemption amount | Optional Call date: Six months prior to the First Reset Date: 24th February 2027, outstanding principal together with interest accrued (in whole) | Optional Call date: Any date three months prior to 27 November 2025; Capital Event or Tax Event Call; Redemption amount in case of redemption date before First Reset Date: 101% of Principal; and in case of redemption date after First Reset Date at 100% Principal plus Accrued Interest | Optional Call date: 18 November 2025 or any Interest Payment hereafter; Capital Event or Taxation Reasons Principal (in whole or in part) plus Accrued Interest | Optional Call date: 25 November 2025 or any Interest Payment Date thereafter; Capital Event or Taxation Reasons; Principal (in whole but not in part) plus Accrued Interest |

| | | | | | |
|---|---|---|---|---|---|
| 15 | Subsequent call dates, if applicable | Semi-Annually | Semi-Annually | Semi-Annually | Semi-Annually |
| | ***Coupons / dividends*** | | | | |
| 16 | Fixed or floating dividend /coupon | Fixed for first 6-year period; thereafter reset every year to a new rate to be the aggregate of the margin and the interpolated 6-year US Treasury rate. | Fixed for first 6-year period; thereafter reset every 6 years to a new fixed rate equal to the then 6-year USD Treasury rate plus margin | Fixed Tranche: Fixed for first 5 years and reset thereafter to a new fixed rate for subsequent period.<br>Floating Tranche: Floating rate determined semi-annually subject to a cap. | Fixed for first 5- year period, thereafter, reset to prevailing 5-year US Treasury rate plus margin. |
| 17 | Coupon rate and any related index | 3.625% p.a. Fixed-Rate up to (but excluding), 24th February'2027, there-after reset every 6 years to a new rate equal to the interpolated 6-year US Treasury rate plus 2.875% margin | 4.500% p.a. Fixed-Rate up to (but excluding) 27 November 2025; thereafter reset every 6 years to a new fixed rate equal to the then 6-year USD Treasury rate plus 2.832% p.a. margin | Fixed Tranche: 4.75% p.a. Fixed for 5 years and reset thereafter to a new fixed rate of the then CBK Discount Rate plus 3.25% p.a. for subsequent period.<br>Floating Tranche: CBK Discount Rate plus 3.00% determined semi-annually subject to a cap of prevailing Fixed Interest Rate plus 1% | 2.50% p.a. Fixed rate for first 5-year period, thereafter, reset to 210.8 bps over the prevailing 5-year US Treasury rate. |
| 18 | Existence of a dividend stopper | Yes | Yes | No | No |
| 19 | Fully discretionary, partially discretionary or mandatory | Payment of Interest may be cancelled at the sole-discretion of the Issuer and the Guarantor.<br>Mandatory cancellation upon:-Insufficient Distributable Funds on a consolidated basis-Breach of any applicable capital requirements-Regulatory requirement to cancel | Payment of Interest may be cancelled at the sole-discretion of the Issuer and the Guarantor.<br>Mandatory cancellation upon:-Insufficient Distributable Funds on a consolidated basis-Breach of any applicable capital requirements-Regulatory requirement to cancel | Payment of Interest is Mandatory. | Payment of Interest is Mandatory. |
| 20 | Existence of step-up or other incentive to redeem | No | No | No | No |
| 21 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Not Applicable | Not Applicable |
| 22 | **Convertible or non-convertible** | **Non-convertible** | **Non-convertible** | **Non-convertible** | **Non-convertible** |
| 23 | If convertible, conversion trigger (s) | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 24 | If convertible, fully or partially | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

| | | | | | |
|---|---|---|---|---|---|
| 25 | If convertible, conversion rate | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 26 | If convertible, mandatory or optional conversion | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 27 | If convertible, specify instrument type convertible into | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 28 | If convertible, specify issuer of instrument it converts into | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 29 | **Write-down feature** | **Yes** | **Yes** | **Yes** | **Yes** |
| 30 | If write-down, write-down trigger(s) | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. |
| 31 | If write-down, full or partial | Can be partial or full | Can be partial or full | Can be partial or full | Can be partial or full |
| 32 | If write-down, permanent or temporary | Permanent | Permanent | Permanent | Permanent |
| 33 | If temporary write-down, description of write-up mechanism | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| 34 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Senior only to Ordinary Equity shares; i.e. qualifying CET1 instruments | Senior only to Ordinary Equity shares; i.e. qualifying CET1 instruments | Senior only to Ordinary Equity shares and qualifying Tier 1 instruments | Senior only to Ordinary Equity shares and qualifying Tier 1 instruments |
| 35 | Non-compliant transitioned features | No | No | No | No |
| 36 | If yes, specify non-compliant features | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

### 3. Leverage Ratio: Common Disclosure Template

Table 33

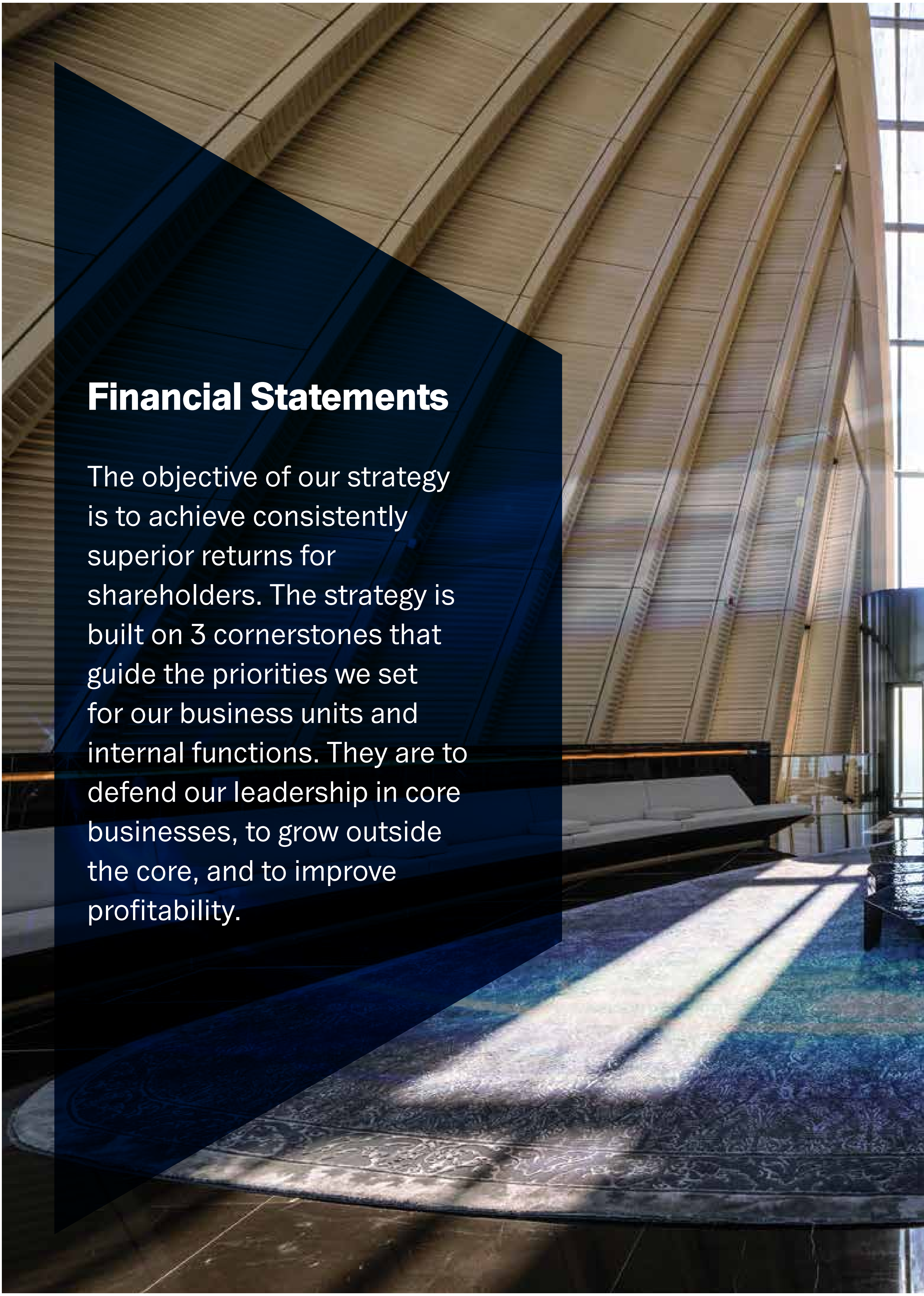
| | Item | KD 000s |
|---|---|---|
| | **On-balance sheet exposures** | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 40,338,156 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (510,733) |
| 3 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)** | **39,827,423** |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 52,780 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 247,899 |
| 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)** | **300,679** |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | - |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - |
| 14 | CCR exposure for SFT assets | - |
| 15 | Agent transaction exposures | - |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 15)** | **-** |
| | **Other off-balance sheet exposures** | |
| 17 | Off-balance sheet exposure at gross notional amount | 15,407,987 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (11,483,611) |
| **19** | **Off-balance sheet items (sum of lines 17 and 18)** | **3,924,376** |
| **20** | **Tier 1 capital** | **4,173,934** |
| **21** | **Total exposures (sum of lines 3, 11, 16 and 19)** | **44,052,478** |
| **22** | **Basel III leverage ratio** | **9.5%** |

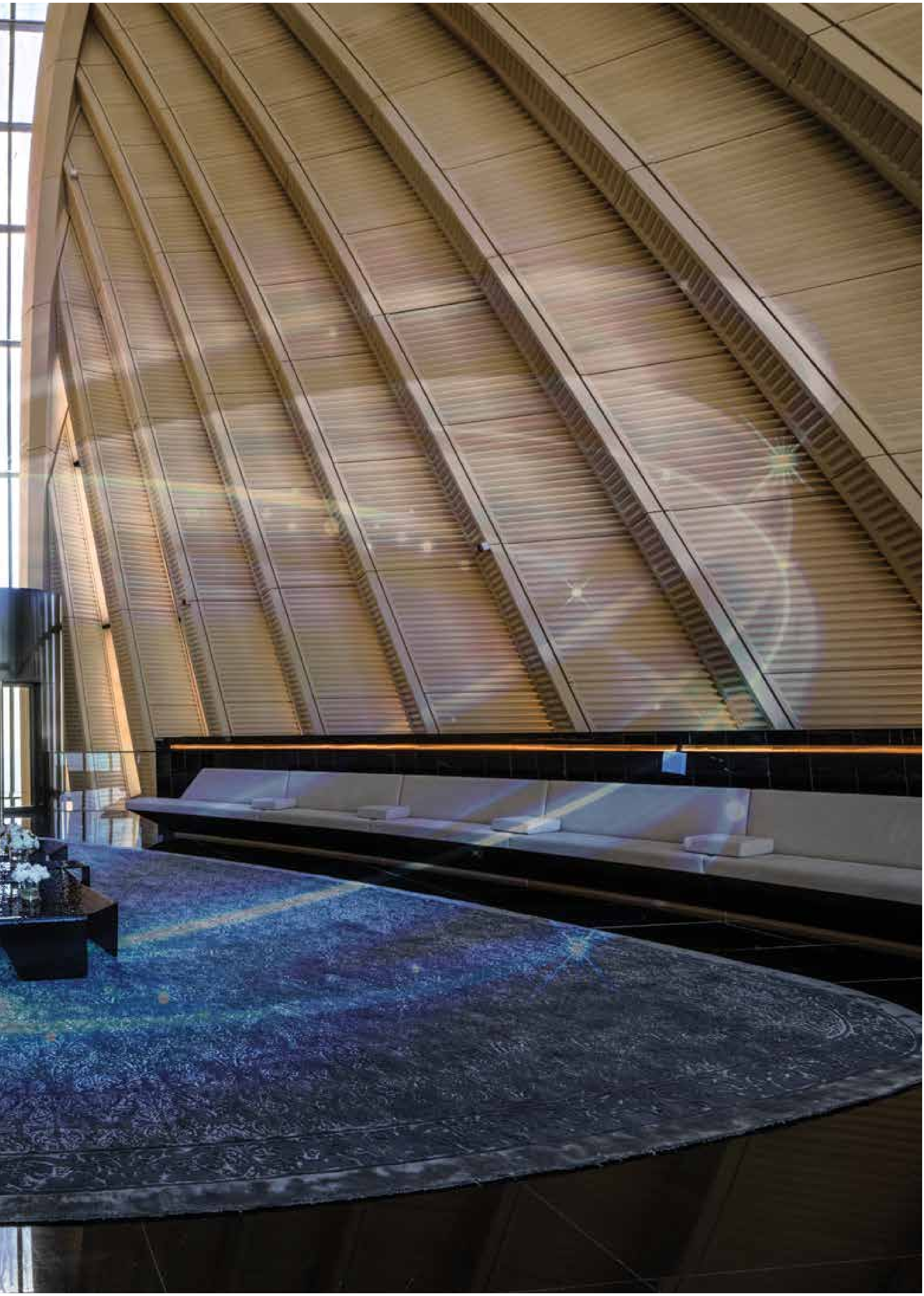
## 4. Glossary Of Terms

| Term | Definition |
|---|---|
| Additional Tier 1 Capital | Additional Tier 1 Capital is a Basel III defined concept and consists of high-quality capital. It essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses at the point of non-viability, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions. |
| Basel III | Refers to the "Capital Adequacy Ratio-Basel III for conventional banks" regulations issued by Central Bank of Kuwait Circular number 2/RB, RBA/A336/2015 dated 24 June 2015 |
| Capital Conservation Buffer | A capital conservation buffer of 2.5% (Nil from 1st April 2020 to 31st December 2021) (expressed as a percentage of risk-weighted assets) has been subsumed in the Minimum Common Equity Tier 1 Capital requirement level. |
| Countercyclical Buffer | A countercyclical buffer requirement that varies from 0% to 2.5% which, when triggered as a requirement at the discretion of Central Bank of Kuwait, is required to be met from Common Equity Tier 1 capital. |
| Common Equity Tier 1 Capital | Common Equity Tier 1 Capital is the highest quality of capital available reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It essentially includes ordinary share capital, retained earnings and reserves less prescribed deductions. |
| Domestic Systemically-Important Bank Buffer | A Domestic Systemically-Important Bank Buffer that varies from 0.5% to 2% required to be met in the form of Common Equity Tier 1 Capital which will be determined at the level of each bank identified as systemically important by Central Bank of Kuwait on an annual basis. |
| ECAI | An External Credit Assessment Institution (ECAI) as recognised by Central Bank of Kuwait from time to time for the purposes of the assigning risk-weights to obligors under the Standardised Approach. |
| Leverage Ratio | Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014. Leverage ratio is defined as the "capital" measure (being Tier 1 capital) divided by the "exposure" measure (being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures). |
| Liquidity Coverage Ratio (LCR) | Calculated in accordance with the requirements of CBK Circular number 2/RB/345/2014 dated 23 December 2014. The ratio is calculated by taking a financial institution's stock of high-quality liquid assets ("HQLAs") – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. |
| Net-Stable Funding Ratio (NSFR) | Calculated in accordance with the requirements of CBK Circular number 2/BS/356/2015 dated 25 October 2015 from 2018. The NSFR is defined as the amount of available stable funding ("**ASF**") relative to the amount of required stable funding ("**RSF**"). ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. RSF is defined as the portion of assets and off-balance sheet exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of the stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures. |
| Significant Investments | Significant Investments in capital of banking, financial and insurance entities are those where the bank owns more than 10% of the issued common share capital of the issuing entity or where the entity is an affiliate of the bank. |
| Tier 2 Capital | Tier 2 Capital consists of eligible capital instruments that provide an unrestricted commitment of funds for a defined period that is available to absorb losses at the point of non-viability, subordinated to claims of depositors in the event of wind-up. Limited recognition of general provisions held against future, presently unidentifiable losses are eligible for inclusion in Tier 2 Capital. |

# Financial Statements

The objective of our strategy is to achieve consistently superior returns for shareholders. The strategy is built on 3 cornerstones that guide the priorities we set for our business units and internal functions. They are to defend our leadership in core businesses, to grow outside the core, and to improve profitability.





# Board of Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") for the year ended 31 December 2024.

**2024 Financial Performance**

The Group has delivered strong financial results for the year 2024, notwithstanding the continuing challenges arising from macroeconomic and geopolitical situations, while benefitting from increase in business activities and volume growth.

The Group reported net profit attributable to shareholders of the Bank of KD 600.1 million compared to KD 560.6 million for 2023, an increase of 7%. Operating profit amounted to KD 783.2 million compared to KD 740.3 million in 2023, an increase of 5.8%.

Net interest income and net income from Islamic financing totaled KD 980.1 million (2023: KD 905.1 million). Net fees and commissions increased to KD 205.7 million (2023: KD 196.6 million). Net investment income was KD 23.0 million in 2024 (2023: KD 27.5 million). Net gains from dealing in foreign currencies increased to KD 41.2 million in 2024 (2023: KD 36.1 million).

Total operating expenses were KD 468.0 million (2023: KD 426.5 million). The cost to income ratio for 2024 increased to 37.4% (2023: 36.6%).

The provision charge for credit losses and impairment losses were KD 86.5 million (2023: KD 103.1 million).

The return on average equity for 2024 was 15.1% (2023: 15%).

**2024 Balance Sheet**

Total assets of the Group grew to KD 40,338.2 million from KD 37,665.0 million at the end of 2023, an increase of 7.1%. Loans, advances and Islamic financing to customers grew by KD 1,426.6 million to KD 23,707.6 million, an increase of 6.4%. Investment securities grew by KD 741.7 million to KD 7,626.5 million, an increase of 10.8%.

Customer deposits grew to KD 22,866.2 million from KD 21,949.0 million at the end of 2023, an increase of 4.2%. The Group benefits from a loyal customer base across the network, whose deposits remain a continuing source of stable funding. Due to banks were KD 5,403.8 million (2023: KD 3,963.8 million). Deposits from other financial institutions were KD 2,949.8 million (2023: KD 3,725.6 million). Certificates of deposits issued were KD 1,501.5 million (2023: KD 822.9 million) and other borrowed funds were KD 1,520.4 million (2023: KD 1,331.0 million).

The Group maintained a strong liquidity position with cash, short term funds, Central Bank of Kuwait bonds and Kuwait Government treasury bonds amounting to KD 5,815.5 million at the year-end. Deposits with banks were KD 1,383.3 million at the year end. The Group has continued to maintain Basel III liquidity ratios well in excess of minimum requirements.

The Group's general provisions in respect of on-balance sheet credit facilities were KD 674.8 million at the year-end (2023: KD 697.6 million), whilst specific provisions were KD 189.5 million at the year-end (2023: KD 165.3 million). The Group operates a conservative credit policy with a balanced diversification across all business sectors and geographical areas. Loan collateral profiles and values are continually monitored to ensure that optimum protection is afforded to the Group at all times.

Cash and non-cash credit facilities provided by the Bank to Board Members and Executive Officers and their related parties were KD 68.5 million at the year-end against collateral of KD 151.5 million. Deposits of Board Members and Executive Officers and their related parties were KD 39.4 million. Proposed remuneration to Directors of the Bank was KD 770 thousand.

## Equity

Total equity attributable to the shareholders of the Bank after deducting the proposed cash dividend of KD 208.2 million was KD 3,904.1 million (2023: KD 3,685.5 million).

The Basel III capital adequacy ratio was 17.3% at the year-end (2023: 17.3%) as compared to the CBK prescribed regulatory minimum of 15% (2023: 15%). The leverage ratio was 9.5% at the year-end (2023: 9.7%) as compared to the CBK prescribed regulatory minimum of 3%.

## Capital Market Authority Requirements

The necessary measures were taken to ensure compliance with Law No (7) of 2010, and subsequent Executive By-Laws relating to the Establishment of the Capital Market Authority and Organization of Securities Activities.

The Bank maintains a record for reporting the Bank's shares owned by the Insider Persons (or their dependent children) to the Capital Market Authority and Boursa Kuwait Company.

## Bonus Shares, Dividends and Proposed Appropriations

Net profit for the year was principally allocated as follows:

1. KD 291.5 million to the dividend account for the distribution of a cash dividend. Proposed final dividend of KD 208.2 million (25 fils per share) subject to the approval of shareholders at the annual general meeting (proposed dividend - 25 fils in 2023). An interim cash dividend of KD 83.3 million (10 fils per share) was paid during 2024 (10 fils per share in 2023).
2. KD 41.6 million to the share capital account to cover the issuance of bonus shares equal to 5% of share capital at the end of 2024 (5% for 2023) (equivalent to 416,322,145 shares with a nominal value of 100 fils per share) subject to the approval of shareholders at the annual general meeting.
3. KD 19.8 million to the statutory reserve account to make the statutory reserve in excess of 50% of share capital.
4. KD 21.8 million to interest and profit payment towards perpetual Tier 1 Capital Securities and perpetual Tier 1 Sukuk.
5. KD 225.4 million to retained earnings.

## Financial highlights

| KD million | 2024 | 2023 | 2022 |
|---|---|---|---|
| Total assets | **40,338.2** | 37,665.0 | 36,338.4 |
| Loans, advances and Islamic financing to customers | **23,707.6** | 22,281.0 | 20,998.4 |
| Customer deposits | **22,866.2** | 21,949.0 | 20,178.1 |
| Net operating income | **1,251.2** | 1,166.8 | 1,009.7 |
| Profit attributable to shareholders of the Bank | **600.1** | 560.6 | 509.1 |

# Independent Auditors' Report to The Shareholders of National Bank of Kuwait S.A.K.P.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, 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 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.

We have identified the following key audit matter:

***Credit losses on loans, advances and Islamic financing to customers***

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

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 increase in credit risk and classification of credit facilities into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

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

Due to the significance of credit facilities, the related estimation uncertainty and management's judgement in assessing significant increase in credit risk and classification of financing 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 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 evaluated the Group's determination of significant increase in credit risk and the resultant basis for classification of the credit facilities into various stages. We involved our specialists to review the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") and the overlays, if any, considered by management, in order to determine ECL taking into consideration CBK guidelines. For a sample of credit facilities, we have computed the ECL including the eligibility and value of collateral considered in the ECL models used by the Group. We have also evaluated the various inputs and assumptions used by the Group's management to determine ECL.

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

**Other Information included in the Group's 2024 Annual Report**

Management is responsible for the other information. Other information consists 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 Group's Annual Report for the year ended 31 December 2024 after the date of our auditors' report.

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

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

# Independent Auditors' Report to The Shareholders of National Bank of Kuwait S.A.K.P. (continued)

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 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 review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

**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, 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 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 & PARTNERS

**BADER A. AL-WAZZAN**
LICENCE NO. 62 A
DELOITTE & TOUCHE
AL WAZZAN & CO.

28 January 2025
Kuwait

## Consolidated Financial Statements



## Notes To The Consolidated Financial Statements

# Consolidated Statement of Income

For the year ended 31 December 2024

| | Notes | 2024 KD 000's | 2023 KD 000's | 2024 USD 000's | 2023 USD 000's |
|---|---|---|---|---|---|
| | | | | | |
| Interest income | 4 | **1,798,909** | 1,632,748 | **5,838,718** | 5,299,409 |
| Interest expense | 5 | **1,027,292** | 908,154 | **3,334,281** | 2,947,595 |
| **Net interest income** | | **771,617** | 724,594 | **2,504,437** | 2,351,814 |
| | | | | | |
| Murabaha and other Islamic financing income | | **464,628** | 402,482 | **1,508,043** | 1,306,336 |
| Finance cost and Distribution to depositors | | **256,186** | 221,939 | **831,503** | 720,347 |
| **Net income from Islamic financing** | | **208,442** | 180,543 | **676,540** | 585,989 |
| **Net interest income and net income from Islamic financing** | | **980,059** | 905,137 | **3,180,977** | 2,937,803 |
| Net fees and commissions | 6 | **205,683** | 196,606 | **667,585** | 638,124 |
| Net investment income | 7 | **22,979** | 27,466 | **74,583** | 89,146 |
| Net gains from dealing in foreign currencies | | **41,159** | 36,123 | **133,590** | 117,244 |
| Other operating income | | **1,323** | 1,435 | **4,294** | 4,658 |
| **Non-interest income** | | **271,144** | 261,630 | **880,052** | 849,172 |
| **Net operating income** | | **1,251,203** | 1,166,767 | **4,061,029** | 3,786,975 |
| Staff expenses | | **252,578** | 233,156 | **819,792** | 756,754 |
| Other administrative expenses | | **166,834** | 147,342 | **541,493** | 478,228 |
| Depreciation of premises and equipment | | **46,907** | 44,314 | **152,246** | 143,830 |
| Amortisation of intangible assets | 15 | **1,647** | 1,647 | **5,346** | 5,346 |
| **Operating expenses** | | **467,966** | 426,459 | **1,518,877** | 1,384,158 |
| **Operating profit before provision for credit losses and impairment losses** | | **783,237** | 740,308 | **2,542,152** | 2,402,817 |
| Provision charge for credit losses and impairment losses | 8 | **86,464** | 103,068 | **280,636** | 334,527 |
| **Operating profit before taxation and directors' remuneration** | | **696,773** | 637,240 | **2,261,516** | 2,068,290 |
| Taxation | 9 | **57,443** | 48,097 | **186,443** | 156,109 |
| Directors' remuneration | 27 | **770** | 770 | **2,499** | 2,499 |
| **Profit for the year** | | **638,560** | 588,373 | **2,072,574** | 1,909,682 |
| Attributable to: | | | | | |
| Shareholders of the Bank | | **600,122** | 560,620 | **1,947,816** | 1,819,604 |
| Non-controlling interests | | **38,438** | 27,753 | **124,758** | 90,078 |
| | | **638,560** | 588,373 | **2,072,574** | 1,909,682 |
| **Basic earnings per share attributable to shareholders of the Bank** | 10 | **69 fils** | 65 fils | **22 Cents** | 21 Cents |

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

| | Note | 2024 KD 000's | 2023 KD 000's | 2024 USD 000's | 2023 USD 000's |
|---|---|---|---|---|---|
| **Profit for the year** | | **638,560** | 588,373 | **2,072,574** | 1,909,682 |
| **Other comprehensive income:** | | | | | |
| Investment in debt securities measured at FVOCI: | | | | | |
| Net change in fair value | | **11,079** | 4,506 | **35,959** | 14,625 |
| Net transfer to consolidated statement of income | | **(1,236)** | 376 | **(4,012)** | 1,220 |
| | | **9,843** | 4,882 | **31,947** | 15,845 |
| Exchange differences on translation of foreign operations | | **(76,445)** | (13,699) | **(248,117)** | (44,463) |
| **Other comprehensive loss for the year reclassifiable to consolidated statement of income in subsequent years** | | **(66,602)** | (8,817) | **(216,170)** | (28,618) |
| Net (loss) gain on investments in equity instruments designated at FVOCI | | **(632)** | 601 | **(2,052)** | 1,951 |
| Actuarial (loss) gain in respect of defined benefit plans | 18 | **(1,970)** | 3,969 | **(6,394)** | 12,882 |
| **Other comprehensive (loss) income for the year not reclassifiable to consolidated statement of income in subsequent years** | | **(2,602)** | 4,570 | **(8,446)** | 14,833 |
| **Other comprehensive loss for the year** | | **(69,204)** | (4,247) | **(224,616)** | (13,785) |
| **Total comprehensive income for the year** | | **569,356** | 584,126 | **1,847,958** | 1,895,897 |
| **Attributable to:** | | | | | |
| Shareholders of the Bank | | **532,091** | 553,485 | **1,727,007** | 1,796,446 |
| Non-controlling interests | | **37,265** | 30,641 | **120,951** | 99,451 |
| | | **569,356** | 584,126 | **1,847,958** | 1,895,897 |

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 | 2024 USD 000's | 2023 USD 000's |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and short term funds | 11 | **5,323,273** | 4,384,700 | **17,277,744** | 14,231,418 |
| Central Bank of Kuwait bonds | 14 | **343,652** | 856,815 | **1,115,391** | 2,780,964 |
| Kuwait Government treasury bonds | 14 | **148,555** | 194,111 | **482,165** | 630,026 |
| Deposits with banks | 12 | **1,383,330** | 1,318,121 | **4,489,873** | 4,278,225 |
| Loans, advances and Islamic financing to customers | 13 | **23,707,609** | 22,281,004 | **76,947,774** | 72,317,442 |
| Investment securities | 14 | **7,626,478** | 6,884,821 | **24,753,256** | 22,346,060 |
| Land, premises and equipment | | **517,392** | 506,812 | **1,679,299** | 1,644,959 |
| Goodwill and other intangible assets | 15 | **510,733** | 508,416 | **1,657,686** | 1,650,166 |
| Other assets | 16 | **777,134** | 730,191 | **2,522,343** | 2,369,981 |
| **Total assets** | | **40,338,156** | 37,664,991 | **130,925,531** | 122,249,241 |
| **Liabilities** | | | | | |
| Due to banks | | **5,403,802** | 3,963,802 | **17,539,117** | 12,865,310 |
| Deposits from other financial institutions | | **2,949,756** | 3,725,629 | **9,574,021** | 12,092,272 |
| Customer deposits | | **22,866,205** | 21,948,957 | **74,216,829** | 71,239,718 |
| Certificates of deposit issued | | **1,501,457** | 822,899 | **4,873,278** | 2,670,883 |
| Other borrowed funds | 17 | **1,520,422** | 1,331,006 | **4,934,833** | 4,320,045 |
| Other liabilities | 18 | **939,782** | 966,123 | **3,050,250** | 3,135,745 |
| **Total liabilities** | | **35,181,424** | 32,758,416 | **114,188,328** | 106,323,973 |
| **Equity** | | | | | |
| Share capital | 19 | **832,644** | 792,995 | **2,702,512** | 2,573,823 |
| Proposed bonus shares | 20 | **41,633** | 39,649 | **135,128** | 128,689 |
| Statutory reserve | 19 | **416,324** | 396,499 | **1,351,263** | 1,286,917 |
| Share premium account | 19 | **803,028** | 803,028 | **2,606,388** | 2,606,388 |
| Treasury share reserve | 19 | **34,961** | 34,961 | **113,473** | 113,473 |
| Other reserves | 19 | **1,983,738** | 1,816,640 | **6,438,617** | 5,896,267 |
| Equity attributable to shareholders of the Bank | | **4,112,328** | 3,883,772 | **13,347,381** | 12,605,557 |
| Perpetual Tier 1 Capital Securities | 21 | **439,032** | 439,032 | **1,424,966** | 1,424,966 |
| Non-controlling interests | 24 | **605,372** | 583,771 | **1,964,856** | 1,894,745 |
| **Total equity** | | **5,156,732** | 4,906,575 | **16,737,203** | 15,925,268 |
| **Total liabilities and equity** | | **40,338,156** | 37,664,991 | **130,925,531** | 122,249,241 |

Hamad Mohamed Al-Bahar
**Chairman**

Isam J. Al Sager
**Vice Chairman and Group Chief Executive Officer**

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2024

| | Notes | 2024 KD 000's | 2023 KD 000's | 2024 USD 000's | 2023 USD 000's |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit for the year | | **638,560** | 588,373 | 2,072,574 | 1,909,682 |
| Adjustments for: | | | | | |
| Net investment income | 7 | **(22,979)** | (27,466) | (74,583) | (89,146) |
| Provision for staff terminal benefits | 18 | **11,568** | 9,981 | 37,546 | 32,395 |
| Depreciation of premises and equipment | | **46,907** | 44,314 | 152,246 | 143,830 |
| Amortisation of intangible assets | 15 | **1,647** | 1,647 | 5,346 | 5,346 |
| Provision charge for credit losses and impairment losses | 8 | **86,464** | 103,068 | 280,636 | 334,528 |
| Taxation | 9 | **57,443** | 48,097 | 186,443 | 156,108 |
| Cash flows from operating activities before changes in operating assets and liabilities | | **819,610** | 768,014 | 2,660,208 | 2,492,743 |
| Changes in operating assets and liabilities: | | | | | |
| Central Bank of Kuwait bonds | | **513,163** | 24,426 | 1,665,573 | 79,279 |
| Kuwait Government treasury bonds | | **47,000** | 20,138 | 152,548 | 65,362 |
| Deposits with banks | | **(63,589)** | 174,677 | (206,391) | 566,949 |
| Loans, advances and Islamic financing to customers | | **(1,699,087)** | (1,354,615) | (5,514,726) | (4,396,673) |
| Other assets | | **(18,607)** | 46,773 | (60,393) | 151,811 |
| Due to banks | | **1,440,006** | (54,177) | 4,673,827 | (175,842) |
| Deposits from other financial institutions | | **(768,673)** | (15,248) | (2,494,882) | (49,490) |
| Customer deposits | | **1,179,328** | 1,770,895 | 3,827,744 | 5,747,793 |
| Certificates of deposit issued | | **678,558** | (978,724) | 2,202,395 | (3,176,644) |
| Other liabilities | | **(87,748)** | 175,372 | (284,803) | 569,205 |
| Payment of staff terminal benefits | 18 | **(6,370)** | (6,963) | (20,675) | (22,600) |
| Tax paid | | **(55,904)** | (39,587) | (181,447) | (128,488) |
| Net cash from operating activities | | **1,977,687** | 530,981 | 6,418,978 | 1,723,405 |
| **Investing activities** | | | | | |
| Purchase of investment securities | | **(3,570,022)** | (3,633,073) | (11,587,218) | (11,791,863) |
| Proceeds from sale/redemption of investment securities | | **2,723,546** | 2,480,036 | 8,839,812 | 8,049,452 |
| Dividend income | 7 | **2,685** | 2,570 | 8,715 | 8,341 |
| Proceeds from sale of land, premises and equipment | | **1,072** | 1,817 | 3,479 | 5,897 |
| Purchase of land, premises and equipment | | **(52,100)** | (56,260) | (169,101) | (182,603) |
| Change in holding in subsidiaries | | **(782)** | (11,884) | (2,538) | (38,572) |
| Purchase of investment properties | | **(8,885)** | (38,494) | (28,838) | (124,940) |
| Proceeds from sale of investment properties | | **10,532** | 1,281 | 34,184 | 4,158 |
| Capital repayment from investment in associate | | **230** | - | 746 | - |
| Acquisition of a subsidiary net of cash acquired | | **(2,710)** | - | (8,796) | - |
| Net cash used in investing activities | | **(896,434)** | (1,254,007) | (2,909,555) | (4,070,130) |
| **Financing activities** | | | | | |
| Net proceeds from issuance of Global medium term notes | 17 | **152,571** | - | 495,200 | - |
| Interest paid on Perpetual Tier 1 Capital Securities | | **(18,163)** | (18,224) | (58,952) | (59,150) |
| Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary | | **(6,049)** | (6,079) | (19,633) | (19,731) |
| Net movement in other medium and short term borrowing | | **23,138** | 86,290 | 75,099 | 280,071 |
| Dividends paid | | **(281,513)** | (268,107) | (913,707) | (870,194) |
| Dividends paid by subsidiaries to non-controlling interests | | **(12,664)** | (9,606) | (41,104) | (31,178) |
| Net cash used in financing activities | | **(142,680)** | (215,726) | (463,097) | (700,182) |
| Increase (decrease) in cash and short term funds | | **938,573** | (938,752) | 3,046,326 | (3,046,907) |
| Cash and short term funds at the beginning of the year | | **4,384,700** | 5,323,452 | 14,231,418 | 17,278,325 |
| Cash and short term funds at the end of the year | 11 | **5,323,273** | 4,384,700 | 17,277,744 | 14,231,418 |

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

| | Equity attributable to shareholders of the Bank | | | | | | | | | KD 000's |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Proposed bonus shares | Statutory reserve | Share premium account | Treasury share reserve | Other reserves | Total | Perpetual Tier 1 Capital Securities | Non - controlling interests | Total equity |
| | | | | | | (Note 19e) | | | | |
| Balance as at 1 January 2024 | 792,995 | 39,649 | 396,499 | 803,028 | 34,961 | 1,816,640 | 3,883,772 | 439,032 | 583,771 | 4,906,575 |
| Profit for the year | - | - | - | - | - | 600,122 | 600,122 | - | 38,438 | 638,560 |
| Other comprehensive loss | - | - | - | - | - | (68,031) | (68,031) | - | (1,173) | (69,204) |
| **Total comprehensive income** | - | - | - | - | - | 532,091 | 532,091 | - | 37,265 | 569,356 |
| Transfer to statutory reserve (Note 19b) | - | - | 19,825 | - | - | (19,825) | - | - | - | - |
| Issue of bonus shares (Note 19a) | 39,649 | (39,649) | - | - | - | - | - | - | - | - |
| Final cash dividend paid (2023) | - | - | - | - | - | (198,249) | (198,249) | - | - | (198,249) |
| Interim cash dividend paid (2024)– (Note 20) | - | - | - | - | - | (83,264) | (83,264) | - | - | (83,264) |
| Proposed bonus shares (Note 20) | - | 41,633 | - | - | - | (41,633) | - | - | - | - |
| Interest paid on perpetual Tier 1 Capital Securities | - | - | - | - | - | (18,163) | (18,163) | - | - | (18,163) |
| Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary | - | - | - | - | - | (3,652) | (3,652) | - | (2,397) | (6,049) |
| Change in holding in subsidiaries | - | - | - | - | - | (75) | (75) | - | (707) | (782) |
| Dividend paid to non-controlling interests by subsidiaries | - | - | - | - | - | - | - | - | (12,664) | (12,664) |
| Other movements | - | - | - | - | - | (132) | (132) | - | 104 | (28) |
| **At 31 December 2024** | 832,644 | 41,633 | 416,324 | 803,028 | 34,961 | 1,983,738 | 4,112,328 | 439,032 | 605,372 | 5,156,732 |

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

KD 000's

| | Equity attributable to shareholders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Proposed bonus shares | Statutory reserve | Share premium account | Treasury share reserve | Other reserves (Note 19e) | Total | Perpetual Tier 1 Capital Securities | Non-controlling interests | Total equity |
| Balance as at 1 January 2023 | 755,233 | 37,762 | 377,618 | 803,028 | 34,961 | 1,614,386 | 3,622,988 | 439,032 | 572,926 | 4,634,946 |
| Profit for the year | - | - | - | - | - | 560,620 | 560,620 | - | 27,753 | 588,373 |
| Other comprehensive (loss) income | - | - | - | - | - | (7,135) | (7,135) | - | 2,888 | (4,247) |
| Total comprehensive income | - | - | - | - | - | 553,485 | 553,485 | - | 30,641 | 584,126 |
| Transfer to statutory reserve (Note 19b) | - | - | 18,881 | - | - | (18,881) | - | - | - | - |
| Issue of bonus shares (Note 19a) | 37,762 | (37,762) | - | - | - | - | - | - | - | - |
| Final cash dividend paid (2022) | - | - | - | - | - | (188,808) | (188,808) | - | - | (188,808) |
| Interim cash dividend paid (2023)- (Note 20) | - | - | - | - | - | (79,299) | (79,299) | - | - | (79,299) |
| Proposed bonus shares (Note 20) | - | 39,649 | - | - | - | (39,649) | - | - | - | - |
| Interest paid on perpetual Tier 1 Capital Securities | - | - | - | - | - | (18,224) | (18,224) | - | - | (18,224) |
| Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary | - | - | - | - | - | (3,664) | (3,664) | - | (2,415) | (6,079) |
| Change in holding in subsidiaries | - | - | - | - | - | (3,906) | (3,906) | - | (7,978) | (11,884) |
| Dividend paid to non-controlling interests by subsidiaries | - | - | - | - | - | - | - | - | (9,606) | (9,606) |
| Other movements | - | - | - | - | - | 1,200 | 1,200 | - | 203 | 1,403 |
| At 31 December 2023 | 792,995 | 39,649 | 396,499 | 803,028 | 34,961 | 1,816,640 | 3,883,772 | 439,032 | 583,771 | 4,906,575 |

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

# Notes to the Consolidated Financial Statements

31 December 2024

### 1 INCORPORATION AND REGISTRATION

The consolidated financial statements of National Bank of Kuwait S.A.K.P. (the "Bank") and its subsidiaries (collectively the "Group") for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 12 January 2025. The Annual General Meeting of the shareholders has the power to amend these consolidated financial statements after issuance. The Bank is a public shareholding company incorporated in Kuwait in 1952 and is registered as a bank (commercial registration number - 8490) with the Central Bank of Kuwait. The Bank's registered office is at Al Shuhada Street, P.O. Box 95, Safat 13001, Kuwait. The principal activities of the Bank are described in Note 3.

### 2 MATERIAL ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, investment securities measured at fair value and investment properties. In addition and as more fully described below, assets and liabilities that are hedged in fair value hedging relationships are carried at fair value to the extent of the risk being hedged.

#### 2.2 Changes in material accounting policies

**New and amended standards and interpretations**

The Group applied the following amendments effective from 1 January 2024:

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that exists at the end of the reporting period to defer the settlement of liability for at least twelve months from the end of the reporting period, irrespective of whether the entity expects to exercise its right or not. The rights are considered to be in existence if covenants are complied with at the end of the reporting period.

The amendments also clarify that right to defer settlement of liability is not affected by the covenants that are required to be complied after the end of the reporting period. However, additional disclosure requirements apply for such liabilities.

The amendments did not have an impact on the Group's consolidated statement of financial position, which is presented in order of liquidity.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2024 did not have any material impact on the accounting policies, financial position or performance of the Group.

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)
**2.2 Changes in material accounting policies** (continued)

**Standards issued but not yet effective**
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

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

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

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

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

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

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

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

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

**2.3 Basis of consolidation**
The consolidated financial statements comprise the financial statements of the Bank as at 31 December each year and its subsidiaries as at the same date or a date not earlier than three months from 31 December. The financial statements of subsidiaries and associates are prepared using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the Group. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated on consolidation.

***a. Subsidiaries***
Subsidiaries are all entities over which the Bank has control. The control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Refer Note 24 for the list of major subsidiaries, their principal businesses and the Group's effective holding.

***b. Non-controlling interest***

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

***c. Associates***

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is initially recognised at cost and subsequently accounted for by the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Gain or loss on this transaction is computed by comparing the carrying amount of the associate at the time of loss of significant influence with the aggregate of fair value of the retained investment and proceeds from disposal. This is recognised in the consolidated statement of income.

## 2.4 Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars (thousand) which is also the Bank's functional currency.

***a. Translation of foreign currency transactions***

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and monetary liabilities in foreign currencies (other than monetary items that form part of the net investment in a foreign operation) are translated into functional currency at rates of exchange prevailing at the reporting date. Any gains or losses are taken to the consolidated statement of income. Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of, the cumulative amount in foreign currency translation reserve relating to that foreign operation is recognised in the consolidated statement of income. Goodwill, intangible assets and any fair value adjustments to the carrying value of assets and liabilities are recorded at the functional currency of the foreign operation and are translated to the presentation currency at the rate of exchange prevailing at the reporting date. All resulting exchange differences are recognised in other comprehensive income and accumulated in foreign currency translation reserve within equity.

Translation gains or losses on non-monetary items are recognised in other comprehensive income when non-monetary items are measured at fair value through other comprehensive income. Translation gains or losses on non-monetary items measured at fair value through profit or loss are recognised in consolidated statement of income.

***b. Translation of financial statements of foreign entities***

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated to presentation currency as follows:

The assets and liabilities are translated at rates of exchange ruling at the reporting date. Income and expense items are translated at average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income and accumulated in foreign currency translation reserve within equity and duly recognised in the consolidated statement of income on disposal of the foreign operation.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the consolidated statement of income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Fees which are considered as an integral part of the effective yield of a financial asset are recognised using effective yield method. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 2.6 Murabaha and other Islamic financing income

Income from Murabaha, Wakala and Leased assets is recognized on a pattern reflecting a constant periodic return on the outstanding net investment.

### 2.7 Fees and commissions income

Fees and commission income are recognised when the Group satisfies the performance obligation by transferring the promised service to customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time. Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management and custody services that are continuously provided over an extended period of time.

### 2.8 Dividend income

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

### 2.9 Impairment of financial assets

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

- loans and advances, Islamic financing to customers including credit commitments
- letters of credit and financial guarantee contracts including commitments
- investment in debt securities measured at amortised cost or FVOCI
- balances and deposits with banks

Equity investments are not subject to ECL.

**Impairment of credit facilities**

Credit facilities granted by the Group consists of loans and advances, Islamic financing to customers, letters of credit and financial guarantee contracts and commitments to grant credit facilities. 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, or the provisions required by the CBK instructions.

**Impairment of 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.

**Expected Credit Losses**
The Group applies a three-stage approach to measure the expected credit loss as follows:

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

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

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

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

***Determining the stage of Expected Credit Loss***
At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are generally deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk unless this is rebutted.

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

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

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

***Measurement of ECLs***
ECL is probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macroeconomic scenarios, etc.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)

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

**Expected Credit Losses** (continued)

***Incorporation of forward-looking information***

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on regular basis.

***Modification of loans and Islamic financing to customers***

Under certain circumstances, the Group seeks to restructure loans, advances and Islamic financing to customers rather than taking possession of collateral. This may involve extending the payment arrangements, reduction in the amount of principal or interest and the agreement of new loan or financing conditions. 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 and credit impaired. Management continuously reviews modified loans and islamic financing to customers to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3. When loans, advances and Islamic financing to customers have been modified but not derecognised, any impairment is measured using the original effective interest rate as calculated before the modification of terms.

***Write off***

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

***Presentation of allowance for ECL in the consolidated statement of financial position***

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost. In the case of debt instruments measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of income and a corresponding amount is recognised in other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities. When the Group is unable to identify the ECL on the undrawn portion of credit commitments separately from drawn portion of commitments, the combined amount of ECL is presented as a deduction from the gross carrying amount of the drawn portion. Refer Note 28.1.1Assessment of Expected Credit Losses.

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

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

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 restricted categories of collateral) which are not subject to specific provisioning.

### 2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Refer Note 15 Goodwill and other intangible assets for more details on assessment of value in use. If previously recognised impairment losses have decreased, such excess impairment provision is reversed in the consolidated statement of income for non-financial assets other than goodwill.

### 2.11 Share based compensation

***Cash settled share based compensation***

The fair value of the employee services received in exchange for the cash settled share based payment is recognised as an expense, together with a corresponding increase in liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options determined using the Black Scholes model. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the consolidated statement of income.

### 2.12 Post-employment benefits

The Group is liable to make defined contributions to State plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place they are employed. The defined benefit plans are unfunded. The present value of the defined benefit obligation is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date. Current service cost, past service cost and net interest expense on the defined benefit plans are recognized in consolidated statement of income and is included in staff expenses. Any gains or losses on re-measurement of defined benefit plans attributable to changes in actuarial assumptions are recognized in other comprehensive income and is included in Actuarial Valuation reserve.

### 2.13 Taxation

***National Labour Support Tax, Zakat, Contribution to Kuwait Foundation for the Advancement of Sciences***

National Labour Support Tax and Zakat are provided for in accordance with the applicable fiscal laws, rules and regulations. Contribution to Kuwait Foundation for the Advancement of Sciences is provided at 1% of the eligible profits in accordance with the Amiri Decree issued on 12 December 1976.

***Overseas tax***

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

***International Tax Reform – Pillar Two Model Rules***

Income taxes arising from tax law enacted or substantively enacted to implement the Pillar II (Minimum tax) model rules published by the OECD Base Erosion and Profit Shifting sets out a top-up tax liability calculation based on the principles in the Pillar II model rules which describes tax law that implements qualified domestic minimum top-up taxes. IASB have issued a series of amendments to IAS 12 "Income Taxes". In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. In accordance with the provisions of these amendments, the Group applies the mandatory and temporary exception not to recognise deferred taxes associated with this additional taxation. Refer note 9 for further information.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.14 Recognition of financial assets and financial liabilities**

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

**2.15 Classification and measurement of financial assets**

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

***Business model assessment***

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

***Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)***

The Group assesses the contractual terms of financial assets to identify whether they meet 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. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

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

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

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

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

***Financial assets carried at amortized cost:***

A financial asset is carried at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.15 Classification and measurement of financial assets** (continued)

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

***Financial assets carried at fair value through other comprehensive income (FVOCI):***

**(i) Debt Securities at FVOCI**

A debt security is carried at FVOCI if it meets both of the following conditions:

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

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

**(ii) Equity investments at FVOCI**

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis. Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on de-recognition and are not recognised in the consolidated statement of income. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment. Equity investments at FVOCI are not subject to impairment assessment.

***Financial assets carried at fair value through profit or loss:***

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

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of income when the right to the payment has been established.

The Group's financial assets are classified and measured as follows:

**Cash and short term funds**

Cash and short term funds consist of cash in hand, current account and money at call with other banks and deposits with banks maturing within seven days. Cash and short term funds are classified and carried at amortised cost using effective interest rate.

**Deposits with banks**

Deposits with banks are classified and carried at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

**Loans and advances to customers**

Loans and advances are stated at amortised cost using the effective interest method. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value attributable to the risk being hedged.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.15 Classification and measurement of financial assets** (continued)

**Islamic financing to customers**

Islamic financing to customers are financial assets with fixed or determinable payments that are not quoted in an active market. Major islamic financing products are:

**a. *Murabaha***

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

**b. *Wakala***

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

**c. *Leased assets - the Group as a lessor***

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

**Financial investments**

Group's financial investments consist of debt securities, equity investments and other investments.

Debt securities are classified as either at amortised cost or at fair value through other comprehensive income based on the business model in which these securities are managed. Debt securities are classified at fair value through profit or loss, if they do not meet SPPI criteria.

Equity investments are generally carried at fair value through profit or loss except for those specific investments for which the Group has made an election to classify at fair value through other comprehensive income.

Other investments are carried at fair value through profit or loss.

**2.16 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 in the principal or, in its absence, in the most advantageous market to which the Group has access at that date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

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

If there is no quoted price in an active market, then the Group uses valuation techniques that include the use of valuation models that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

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

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

### 2.17 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 treated as interest income using the effective yield method.

### 2.18 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position 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.

### 2.19 Modification of financial assets and and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset using the original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in the Consolidated Statement of Income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the Consolidated Statement of Income.

#### Interest Rate Benchmark Reform

In the context of IBOR reform, the Group's assessment of whether a change to a financial asset or financial liability is substantial is made after applying the practical expedient introduced by Interest Rate Benchmark Reform, Amendments to IFRS 9, Phase 2. This practical expedient allows changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as changes to a floating interest rate to that instrument, if the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. In such cases, the Group updates the effective interest rate to reflect the change in an interest rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount.

When additional changes are made, which are not economically equivalent, the Group applies accounting policy on accounting for modification of financial assets and financial liabilities.

### 2.20 De-recognition of financial assets and and financial liabilities

#### Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired, or
- the Group 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.

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)
**2.20 De-recognition of financial assets and and financial liabilities** (continued)
**Financial assets** (continued)

When the Group has transferred its rights to receive cash flows from an asset 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.

**Financial liabilities**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 de-recognition of the original liability and the recognition of a new liability.

**2.21 Derivative financial instruments and hedge accounting**
The Group deals in interest rate swaps to manage its interest rate risk on interest bearing assets and liabilities. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows. All derivative financial instruments of the Group are recorded in the consolidated statement of financial position at fair value. 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. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

For the purposes 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 financial asset or liability or a highly probable forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument is recognised immediately in the consolidated statement of income. The carrying amounts of hedged items are adjusted for fair value changes attributable to the risk being hedged and the difference is recognised in the consolidated statement of income.

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 initially in equity and any ineffective portion is recognised in the consolidated statement of income. The gains or losses on cash flow hedges recognised initially in equity are transferred to the consolidated statement of income in the period in which the hedged transaction impacts the consolidated statement of income. Where the hedged transaction results in the recognition of an asset or liability, the associated gains or losses that had initially been recognised in equity are included in the initial measurement of the cost of the related asset or liability. For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of the hedging instrument are taken directly to the consolidated statement of income.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or is revoked by the Group. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction occurs. In the case of fair value hedges of interest bearing financial instruments, any adjustment relating to the hedge is amortised over the remaining term to maturity. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income.

Based on the Amendments to IFRS 7 and IFRS 9 "Interest Rate Benchmark reforms : "Phase 2" issued in August 2020, the Group has availed reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark rate with an RFR. The relief requires the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place.

### 2.22 Trade and settlement date accounting

All “regular way” purchase and sale of financial assets other than investments in equity instruments are recognised on the settlement date, i.e. the date the asset is delivered to the Group. Investments in equity instruments are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by the regulation or convention in the market place.

### 2.23 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in consolidated statement of income. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of income. When the use of a property changes such that it is reclassified as Land, premises and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Group presents investment properties in other assets in the consolidated statement of financial position.

### 2.24 Land, premises and equipment

Land and premises comprise mainly branches and offices. All premises and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Projects and work in progress are stated at cost less impairment if any. Costs are those expenses incurred by the Group that are directly attributable to the creation of the asset. When the asset is ready for use, capital work in progress is transferred to the appropriate category and depreciated in accordance with the Group’s policies.

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the period in which they are incurred.

Land is not depreciated. Depreciation is provided on the depreciable amount of other items of premises and equipment on a straight line basis over their estimated useful life. The depreciable amount is the gross carrying value, less the estimated residual value at the end of its useful life. The estimated useful life of premises and equipment are as follows:

| | |
|---|---|
| Building on leasehold land | term of lease (maximum 20 years) |
| Building on freehold land | 50 years |
| IT systems and equipment | 3-10 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of land, premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

### 2.25 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.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.25 Leases** (continued)

***Right-of-use assets***

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

Based on the Amendments to IFRS 16 "Covid-19 Related Rent Concessions" issued in May 2020, the Group has elected not to follow lease modification accounting in respect of Covid-19 related rent concessions obtained from its lessors until 30 June 2023. Instead such rent concessions are accounted in the same way as if they were not a lease modification.

**2.26 Business combinations**

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Non-controlling interest in the acquiree is measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other acquisition related costs incurred are expensed and included in other administrative expenses.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and included in cost of acquisition. Any resulting gain or loss is recognised in consolidated statement of income. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

**2.27 Goodwill and intangible assets**

***a. Goodwill***

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is recorded in the functional currency of the foreign operation and is translated to the presentation currency at the rate of exchange prevailing at the reporting date. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

***b. Intangible assets***

Intangible assets comprise separately identifiable intangible items arising from business combinations. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefit will flow to the Group. Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the useful economic life of 5 to 15 years and tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.27 Goodwill and intangible assets** (continued)

***b. Intangible assets*** (continued)

down to its recoverable amount. The excess of carrying value over the recoverable amount is recognised in the consolidated statement of income. Impairment losses on intangible assets recognised in the consolidated statement of income in previous periods are reversed when there is an increase in the recoverable amount.

**2.28 Property acquired on settlement of debt and repossessed collateral**

Property acquired on settlement of debt and repossessed collateral are stated at the lower of the related loans and advances and the current fair value of such assets. Gains or losses on disposal and revaluation losses are recognised in the consolidated statement of income. These assets are included in other assets in the consolidated statement of financial position.

**2.29 Due to Banks, Deposits from other Financial Institutions, Customer deposits & Certificates of deposit issued**

Due to Banks, Deposits from other Financial Institutions, Customer Deposits & Certificates of deposit issued are stated at amortised cost using effective interest method. The carrying values of such liabilities which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged.

**2.30 Islamic customer deposits**

Islamic customer deposits comprise of Investment accounts and Non-investment accounts.

***Investment accounts***

Investment accounts may take the form of investment deposits, which are valid for specified periods of time, and are automatically renewable on maturity for the same period, unless the concerned depositors give written notice to the contrary, or take the form of investment saving accounts for unspecified periods. In all cases, investment accounts receive a proportion of the profit, bear a share of loss and are carried at cost plus profit payable.

***Non-investment accounts***

Non-investment accounts represent, in accordance with Islamic Sharia'a, Qard Hasan from depositors to the Group. These accounts are neither entitled to profit nor do they bear any risk of loss, as the Group guarantees to pay the related balance. Investing Qard Hasan is made at the discretion of the Group and the results of such investments are attributable to the shareholders of the Group. Non-investment accounts are carried at cost.

**2.31 Other borrowed funds**

Other borrowed funds includes Tier 2 bonds, Global Medium Term Notes, Global Medium Term Sukuk, Medium and short term borrowings. These are financial liabilities and are initially recognised at their fair value being the issue proceeds net of transaction costs and are subsequently measured at their amortised cost using the effective interest rate method. The carrying values of such liabilities which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged.

**2.32 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 recognised in the consolidated financial statements at fair value, being the premium received, in other liabilities. The premium received is recognised in the consolidated statement of income in 'net fees and commissions' on a straight line basis over the life of the guarantee. The guarantee liability is subsequently carried at initial measurement less amortisation. When a payment under the guarantee is likely to become payable, the present value of the expected net payments less the unamortised premium is charged to the consolidated statement of income.

**2.33 Treasury shares**

The Bank's holding of its own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in equity (treasury share reserve) which is non 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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury share reserve amount. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

**2 MATERIAL ACCOUNTING POLICIES** (continued)

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

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

**2.35 Fiduciary assets**
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

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

***Accounting Judgements***
Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Judgments are required in determining the business model at an appropriate level that best reflects an aggregated group or portfolio of assets which are managed together to achieve a particular business objective. The Group also applies judgment to assess if there is a change in business model in circumstances when the assets with in that business model are realised differently than the original expectations. Refer Note 2.15 classification of financial assets for more information.

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

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

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

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

Information about significant judgements and estimates made by the Group in the above areas is set out in Note 28.1.1.

***Provision for credit losses as per CBK guidelines***
The Group reviews its Loans, advances and Islamic financing to customers on a quarterly basis to assess whether a provision for credit losses should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

***Impairment of goodwill and intangible assets with indefinite useful life***
The Group determines whether goodwill and intangible assets with indefinite useful life is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 2 MATERIAL ACCOUNTING POLICIES (continued)
### 2.36 Significant accounting judgements and estimates (continued)

***Fair values of assets and liabilities including intangibles***
Considerable judgment by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

***Share based payments***
The Group measures the share based payments to employees by reference to the fair value of the relevant equity instruments. Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 22.

***Valuation of unquoted financial assets***
Fair value of unquoted financial assets is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of the cash flows and discount factors requires significant estimation.

***Effect of Climate risk on accounting judgments and estimates***
The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates.

### 2.37 Basis of translation
The United States dollar amounts in the Consolidated Statement of Income, Consolidated Statement of Comprehensive income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows represent supplementary information and have been translated at a rate of KD 0.3081 per USD which represents the mid-market rate at 31 December 2024.

## 3 SEGMENTAL ANALYSIS

The Group has six reportable segments as described below. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment.

**Consumer Banking**
Consumer Banking provides a diversified range of products and services to individuals. The range includes consumer loans, credit cards, deposits, foreign exchange and other branch related services.

**Corporate Banking**
Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance, foreign exchange and advisory services.

**NBK Wealth**
NBK Wealth provides a full range of asset management, custody, brokerage, lending, deposits and other customized and innovative banking services to high net worth individuals and institutional clients across the Group.

**Islamic Banking**
Islamic banking represents the financial results of Boubyan Bank K.S.C.P., the Islamic banking subsidiary of the Group.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

### 3 SEGMENTAL ANALYSIS (continued)

Group Centre

Group Centre includes treasury, investments, and other defined Group activities. Treasury provides a comprehensive range of treasury services and products to its clients, and is also responsible for the Bank's liquidity and market risk management. Group Centre includes any residual in respect of transfer pricing and inter segment allocations.

International Banking

International Banking provides a broad range of products and services including lending, deposits, trade finance etc. to corporate and individual customers at Group's overseas locations.

The following table shows net interest income and net income from Islamic financing, net operating income, profit for the year, total assets and total liabilities information in respect of the Group's business segments:

| **2024** | **Consumer Banking** | **Corporate Banking** | **NBK Wealth** | **Islamic Banking** | **Group Centre** | **International Banking** | **Total** |
|---|---|---|---|---|---|---|---|
| | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** |
| **Net interest income and net income from Islamic financing** | 203,331 | 119,767 | 43,881 | 208,442 | 145,307 | 259,331 | 980,059 |
| **Net operating income** | 257,583 | 161,357 | 117,209 | 253,437 | 160,280 | 301,337 | 1,251,203 |
| **Profit for the year** | 110,478 | 122,539 | 67,867 | 96,784 | 92,855 | 148,037 | 638,560 |
| **Total assets** | 5,136,394 | 5,189,288 | 1,117,917 | 9,376,568 | 1,821,573 | 17,696,416 | 40,338,156 |
| **Total liabilities** | 5,052,484 | 2,254,972 | 2,232,873 | 8,290,508 | 1,707,255 | 15,643,332 | 35,181,424 |

| 2023 | Consumer Banking | Corporate Banking | NBK Wealth | Islamic Banking | Group Centre | International Banking | Total |
|---|---|---|---|---|---|---|---|
| | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's |
| Net interest income and net income from Islamic financing | 182,745 | 123,688 | 45,919 | 180,543 | 136,760 | 235,482 | 905,137 |
| Net operating income | 237,974 | 162,894 | 112,192 | 224,424 | 152,182 | 277,101 | 1,166,767 |
| Profit for the year | 102,060 | 145,818 | 66,667 | 78,221 | 58,686 | 136,921 | 588,373 |
| Total assets | 5,084,225 | 5,105,296 | 981,443 | 8,404,989 | 1,971,188 | 16,117,850 | 37,664,991 |
| Total liabilities | 4,869,759 | 3,229,839 | 2,169,885 | 7,376,154 | 622,634 | 14,490,145 | 32,758,416 |

## 3 SEGMENTAL ANALYSIS (continued)

**Geographic information:**
The following table shows the geographic distribution of the Group's Net operating income for the year and non-current assets based on the location of the operating entities.

| **2024** | **Kuwait** | **Other Middle East and North Africa** | **Europe & UK** | **Others** | **Total** |
|---|---|---|---|---|---|
| | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** | **KD 000's** |
| Net operating income | **926,471** | **193,659** | **78,019** | **53,054** | **1,251,203** |
| Non-current assets | **1,032,444** | **41,328** | **15,851** | **7,201** | **1,096,824** |

| 2023 | Kuwait | Other Middle East and North Africa | Europe & UK | Others | Total |
|---|---|---|---|---|---|
| | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's |
| Net operating income | 867,692 | 182,146 | 69,840 | 47,089 | 1,166,767 |
| Non-current assets | 1,032,503 | 46,010 | 14,822 | 2,993 | 1,096,328 |

Non-current assets consist of land, premises and equipment, goodwill and other intangible assets, investment properties and property acquired on settlement of debts.

## 4 INTEREST INCOME

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Deposits with banks | **209,828** | 233,519 |
| Loans and advances to customers | **1,123,249** | 979,350 |
| Debt investment securities | **422,752** | 370,889 |
| Kuwait Government treasury bonds and CBK bonds | **43,080** | 48,990 |
| | **1,798,909** | 1,632,748 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 5 INTEREST EXPENSE

| | 2024 KD 000's | 2023 KD 000's |
|---|---|---|
| Due to banks | **243,686** | 202,697 |
| Deposits from other financial institutions | **76,210** | 106,991 |
| Customer deposits | **601,302** | 493,049 |
| Certificates of deposit issued | **70,526** | 82,229 |
| Other borrowed funds | **35,568** | 23,188 |
| | **1,027,292** | 908,154 |

## 6 NET FEES AND COMMISSIONS

| | 2024 KD 000's | 2023 KD 000's |
|---|---|---|
| Fees and commissions income | **339,521** | 300,354 |
| Fees and commissions related expenses | **(133,838)** | (103,748) |
| Net fees and commissions | **205,683** | 196,606 |

Fees and commissions income includes asset management fees of KD 64,862 thousand (2023: KD 57,732 thousand) earned on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers.

## 7 NET INVESTMENT INCOME

| | 2024 KD 000's | 2023 KD 000's |
|---|---|---|
| Net realised gain/(loss) on sale of investments | **315** | (239) |
| Net gains from investments carried at fair value through profit or loss | **18,647** | 19,130 |
| Dividend income | **2,685** | 2,570 |
| Share of results of associates | **347** | 765 |
| Other investment income | **985** | 5,240 |
| | **22,979** | 27,466 |

## 8 PROVISION CHARGE FOR CREDIT LOSSES AND IMPAIRMENT LOSSES

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Provision charge for credit losses (Note 13) | **87,239** | 81,765 |
| ECL (release) charge for investment in debt securities (Note 14) | **(3,003)** | 2,501 |
| ECL release for other financial assets | **(1,620)** | (2,512) |
| Impairment loss on goodwill | **-** | 20,174 |
| Other impairment losses | **3,848** | 1,140 |
| | **86,464** | 103,068 |

## 9 TAXATION

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| National Labour Support Tax | **15,095** | 14,088 |
| Zakat | **6,772** | 6,267 |
| Contribution to Kuwait Foundation for the Advancement of Sciences | **6,378** | 5,911 |
| Overseas tax | **29,198** | 21,831 |
| | **57,443** | 48,097 |

**Pillar 2 Income Taxes**

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

The State of Kuwait issued Law Number 157 of 2024 on 31 December 2024 (the Law) introducing domestic minimum top-up tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of issue of the Law. The Law effectively replaces the existing National Labour Support Tax (NLST) and Zakat tax regimes in Kuwait for MNEs within the scope of this Law. Similar DMTT laws are enacted or announced in low tax jurisdictions such as the Kingdom of Bahrain and United Arab Emirates. Additionally, some jurisdictions where the Group operates have Pillar 2 legislation in effect in 2024 (e.g., France, Netherlands, United Kingdom, and Switzerland) and some of those jurisdictions have also adopted the Undertaxed Profits rule (UTPR) whereby undertaxed profits in any of the Group's jurisdictions will be brought to an effective global minimum tax rate of 15% starting from the year 2025.

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

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Bank (adjusted for interest and profit paid on Perpetual Tier 1 Capital Securities and Sukuk) by the weighted average number of shares outstanding during the year net of treasury shares. There are no dilutive potential shares that are convertible into shares.

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Profit for the year attributable to shareholders of the Bank | **600,122** | 560,620 |
| Less: Interest paid on Perpetual Tier 1 Capital Securities | **(18,163)** | (18,224) |
| Less: Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary attributable to shareholders of the Bank | **(3,652)** | (3,664) |
| | **578,307** | 538,732 |
| Weighted average number of shares outstanding during the year net of treasury shares (thousand) | **8,326,443** | 8,326,443 |
| Basic earnings per share | **69 Fils** | 65 Fils |

Earnings per share calculations for 2023 have been adjusted to take account of the bonus shares issued in 2024. Refer Note 19a.

## 11 CASH AND SHORT TERM FUNDS

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Cash on hand | **176,163** | 165,937 |
| Current account with other banks | **2,145,739** | 1,525,474 |
| Money at call | **627,022** | 635,106 |
| Balances and deposits with the Central Bank of Kuwait | **1,850,141** | 1,526,210 |
| Deposits and Murabaha with banks maturing within seven days | **551,533** | 560,352 |
| | **5,350,598** | 4,413,079 |
| Expected credit losses | **(27,325)** | (28,379) |
| | **5,323,273** | 4,384,700 |

## 12 DEPOSITS WITH BANKS

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Deposits with the Central Bank of Kuwait | **60,258** | 115,969 |
| Deposits with other banks | **1,323,610** | 1,203,256 |
| | **1,383,868** | 1,319,225 |
| Expected credit losses | **(538)** | (1,104) |
| | **1,383,330** | 1,318,121 |

## 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS

| **2024** | **Middle East and North Africa KD 000's** | **North America KD 000's** | **Europe & UK KD 000's** | **Asia KD 000's** | **Others KD 000's** | **Total KD 000's** |
|---|---|---|---|---|---|---|
| Corporate | **12,328,016** | **683,265** | **2,473,085** | **705,462** | **487,354** | **16,677,182** |
| Retail | **7,889,402** | **-** | **5,361** | **-** | **-** | **7,894,763** |
| Loans, advances and Islamic financing to customers | **20,217,418** | **683,265** | **2,478,446** | **705,462** | **487,354** | **24,571,945** |
| Provision for credit losses | | | | | | **(864,336)** |
| | | | | | | **23,707,609** |

| 2023 | Middle East and North Africa KD 000's | North America KD 000's | Europe & UK KD 000's | Asia KD 000's | Others KD 000's | Total KD 000's |
|---|---|---|---|---|---|---|
| Corporate | 11,807,679 | 606,107 | 1,912,542 | 658,681 | 436,341 | 15,421,350 |
| Retail | 7,718,323 | - | 4,181 | - | - | 7,722,504 |
| Loans, advances and Islamic financing to customers | 19,526,002 | 606,107 | 1,916,723 | 658,681 | 436,341 | 23,143,854 |
| Provision for credit losses | | | | | | (862,850) |
| | | | | | | 22,281,004 |

In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the minimum rate from 2% to 1% for cash facilities and 0.5% for non-cash facilities. The required rates were effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. Pending further directive from the Central Bank of Kuwait, the general provision in excess of 1% for cash facilities and 0.5% for non-cash facilities was retained as general provision.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

Provisions for credit losses on cash facilities are as follows:

| | Specific | | General | | 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 |
| Balance at beginning of the year | **165,273** | 167,921 | **697,577** | 660,020 | **862,850** | 827,941 |
| Provided during the year | **63,573** | 45,052 | **18,168** | 36,519 | **81,741** | 81,571 |
| Transfer | **40,810** | - | **(40,810)** | - | **-** | - |
| Amounts (written off) recovered net of exchange movements | **(80,168)** | (47,700) | **(87)** | 1,038 | **(80,255)** | (46,662) |
| Balance at end of the year | **189,488** | 165,273 | **674,848** | 697,577 | **864,336** | 862,850 |

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

| | Corporate | | Retail | | 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 |
| Balance at beginning of the year | **63,065** | 72,002 | **102,208** | 95,919 | **165,273** | 167,921 |
| Provided during the year | **25,621** | 12,955 | **37,952** | 32,097 | **63,573** | 45,052 |
| Transfer | **40,810** | - | **-** | - | **40,810** | - |
| Amounts written off net of exchange movements | **(53,992)** | (21,892) | **(26,176)** | (25,808) | **(80,168)** | (47,700) |
| Balance at end of the year | **75,504** | 63,065 | **113,984** | 102,208 | **189,488** | 165,273 |

## 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

Analysis of total provision charge (release) for credit losses is given below:

| | Specific | | General | | 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 |
| Cash facilities | **63,573** | 45,052 | **18,168** | 36,519 | **81,741** | 81,571 |
| Non cash facilities | **1,480** | (507) | **4,018** | 701 | **5,498** | 194 |
| Provision charge for credit losses | **65,053** | 44,545 | **22,186** | 37,220 | **87,239** | 81,765 |

Non-performing loans, advances and Islamic financing to customers and related provisions are as follows:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Loans, advances and Islamic financing to customers | **329,120** | 318,386 |
| Provisions | **175,926** | 159,150 |

The fair value of collateral that the Group holds relating to loans, advances and Islamic financing to customers individually determined to be non-performing at 31 December 2024 amounts to KD 179,304 thousand (2023: KD 172,260 thousand). The collateral consists of cash, securities, bank guarantees and properties.

The available provision on non-cash facilities of KD 45,878 thousand (2023: KD 40,540 thousand) is included under other liabilities (Note 18). The total provision for cash and non cash credit facilities in accordance with CBK guidelines amounted to KD 910,214 thousand as at 31 December 2024 (31 December 2023: KD 903,390 thousand).

The Expected Credit Losses ("ECL") on credit facilities determined under IFRS 9 in accordance to the CBK guidelines amounted to KD 634,365 thousand as at 31 December 2024 (2023: KD 615,659 thousand). CBK guidelines prescribe certain parameters to determine the ECL on credit facilities such as floors for estimating Probability of Default (PD), eligible collateral with haircuts for determining Loss Given Default (LGD), deemed minimum maturity for Stage 2 exposures, 100% credit conversion factors for utilised cash and non-cash facilities, Stage 3 ECLs at 100% of the defaulted exposure net of eligible collateral after applying applicable haircuts etc.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

### 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

An analysis of the carrying amounts of credit facilities by credit quality, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance to the CBK guidelines is as follows:

| **2024** | **Stage 1 KD 000's** | **Stage 2 KD 000's** | **Stage 3 KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| High | **20,184,691** | **551,029** | **-** | **20,735,720** |
| Standard | **2,529,588** | **977,517** | **-** | **3,507,105** |
| Impaired | **-** | **-** | **329,120** | **329,120** |
| Loans, advances and Islamic financing to customers | **22,714,279** | **1,528,546** | **329,120** | **24,571,945** |
| Contingent liabilities (Note 25) | **4,582,272** | **801,560** | **13,551** | **5,397,383** |
| Commitments (revocable and irrevocable) to extend credit | **9,125,227** | **896,624** | **429** | **10,022,280** |
| ECL allowance for credit facilities | **176,315** | **199,369** | **258,681** | **634,365** |

| 2023 | Stage 1 KD 000's | Stage 2 KD 000's | Stage 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| High | 19,239,616 | 780,821 | - | 20,020,437 |
| Standard | 2,099,895 | 705,136 | - | 2,805,031 |
| Impaired | - | - | 318,386 | 318,386 |
| Loans, advances and Islamic financing to customers | 21,339,511 | 1,485,957 | 318,386 | 23,143,854 |
| Contingent liabilities (Note 25) | 3,895,079 | 708,129 | 12,703 | 4,615,911 |
| Commitments (revocable and irrevocable) to extend credit | 8,046,514 | 1,010,524 | 1,175 | 9,058,213 |
| ECL allowance for credit facilities | 195,114 | 174,258 | 246,287 | 615,659 |

## 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

Ageing analysis of past due or impaired Loans, advances and Islamic financing to customers:

| | **Corporate** | | **Retail** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Past due and not impaired KD 000's** | **Impaired KD 000's** | **Past due and not impaired KD 000's** | **Impaired KD 000's** | **Past due and not impaired KD 000's** | **Impaired KD 000's** |
| **2024** | | | | | | |
| Up to 30 days | **29,619** | **16,970** | **43,169** | **345** | **72,788** | **17,315** |
| 31 - 60 days | **1,081** | **1,792** | **28,616** | **130** | **29,697** | **1,922** |
| 61 - 90 days | **2,221** | **-** | **5,315** | **68** | **7,536** | **68** |
| 91-180 days | **-** | **34,771** | **-** | **28,201** | **-** | **62,972** |
| More than 180 days | **-** | **132,664** | **-** | **114,179** | **-** | **246,843** |
| | **32,921** | **186,197** | **77,100** | **142,923** | **110,021** | **329,120** |

| | Corporate | | Retail | | Total | |
|---|---|---|---|---|---|---|
| | Past due and not impaired KD 000's | Impaired KD 000's | Past due and not impaired KD 000's | Impaired KD 000's | Past due and not impaired KD 000's | Impaired KD 000's |
| 2023 | | | | | | |
| Up to 30 days | 13,145 | 7,773 | 39,738 | 746 | 52,883 | 8,519 |
| 31 - 60 days | 8,477 | - | 22,172 | 120 | 30,649 | 120 |
| 61 - 90 days | 3,112 | - | 6,148 | 89 | 9,260 | 89 |
| 91-180 days | - | 26,525 | - | 27,681 | - | 54,206 |
| More than 180 days | - | 147,442 | - | 108,010 | - | 255,452 |
| | 24,734 | 181,740 | 68,058 | 136,646 | 92,792 | 318,386 |

Of the aggregate amount of gross past due or impaired loans, advances and Islamic financing to customers, the fair value of collateral that the Group held as at 31 December 2024 was KD 259,665 thousand (2023: KD 227,510 thousand).

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 13 LOANS, ADVANCES AND ISLAMIC FINANCING TO CUSTOMERS (continued)

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

| | **Stage 1 KD 000's** | **Stage 2 KD 000's** | **Stage 3 KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| **ECL allowance as at 1 January 2024** | **195,114** | **174,258** | **246,287** | **615,659** |
| Transfer between stages | | | | |
| Transfer from Stage 1 | **(7,817)** | **5,728** | **2,089** | **-** |
| Transfer from Stage 2 | **43,818** | **(55,688)** | **11,870** | **-** |
| Transfer from Stage 3 | **14,631** | **2,472** | **(17,103)** | **-** |
| Amounts written off net of exchange movements | **(3,379)** | **(652)** | **(78,639)** | **(82,670)** |
| Net (decrease) increase in ECL for the year | **(66,052)** | **73,251** | **94,177** | **101,376** |
| **At 31 December 2024** | **176,315** | **199,369** | **258,681** | **634,365** |

| | Stage 1 KD 000's | Stage 2 KD 000's | Stage 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| ECL allowance as at 1 January 2023 | 169,351 | 169,228 | 238,856 | 577,435 |
| Transfer between stages | | | | |
| Transfer from Stage 1 | (5,100) | 3,435 | 1,665 | - |
| Transfer from Stage 2 | 34,837 | (50,082) | 15,245 | - |
| Transfer from Stage 3 | 12,503 | 1,858 | (14,361) | - |
| Amounts recovered (written off) net of exchange movements | 143 | 232 | (46,958) | (46,583) |
| Net (decrease) increase in ECL for the year | (16,620) | 49,587 | 51,840 | 84,807 |
| At 31 December 2023 | 195,114 | 174,258 | 246,287 | 615,659 |

## 14 FINANCIAL INVESTMENTS

The table below provides the details of the categorisation of financial investments:

| **2024** | **Amortised cost KD 000's** | **Fair value through other comprehensive income KD 000's** | **Fair value through profit or loss KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| **Investment securities** | | | | |
| Debt securities - Government (Non Kuwait) | **1,115,962** | **3,260,815** | **-** | **4,376,777** |
| Debt securities - Non Government | **-** | **2,871,247** | **19,647** | **2,890,894** |
| Equities | **-** | **40,725** | **34,390** | **75,115** |
| Other investments | **-** | **-** | **300,536** | **300,536** |
| | **1,115,962** | **6,172,787** | **354,573** | **7,643,322** |
| Expected credit losses | **(16,844)** | **-** | **-** | **(16,844)** |
| | **1,099,118** | **6,172,787** | **354,573** | **7,626,478** |
| **Central Bank of Kuwait bonds** | **343,652** | **-** | **-** | **343,652** |
| **Kuwait Government treasury bonds** | **148,555** | **-** | **-** | **148,555** |
| | **1,591,325** | **6,172,787** | **354,573** | **8,118,685** |

| 2023 | Amortised cost KD 000's | Fair value through other comprehensive income KD 000's | Fair value through profit or loss KD 000's | Total KD 000's |
|---|---|---|---|---|
| Investment securities | | | | |
| Debt securities - Government (Non Kuwait) | 1,073,186 | 2,959,018 | - | 4,032,204 |
| Debt securities - Non Government | - | 2,560,626 | 17,979 | 2,578,605 |
| Equities | - | 40,987 | 34,767 | 75,754 |
| Other investments | - | - | 217,184 | 217,184 |
| | 1,073,186 | 5,560,631 | 269,930 | 6,903,747 |
| Expected credit losses | (18,926) | - | - | (18,926) |
| | 1,054,260 | 5,560,631 | 269,930 | 6,884,821 |
| Central Bank of Kuwait bonds | 856,815 | - | - | 856,815 |
| Kuwait Government treasury bonds | 194,111 | - | - | 194,111 |
| | 2,105,186 | 5,560,631 | 269,930 | 7,935,747 |

The Group has classified certain equity investments at fair value through other comprehensive income on the basis that these are not held for trading. The dividend received on such investments during 2024 was KD 1,472 thousand (2023: KD 1,520 thousand). During the year, the Group sold FVOCI equity investments with a carrying value of KD 25 thousand (2023: Nil) and the realised loss on sale amounted to KD 270 thousand (2023: Nil).

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 14 FINANCIAL INVESTMENTS (continued)

An analysis of the carrying amounts of investments in debt securities, by credit quality, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance to the CBK guidelines is as follows:

| 2024 | Stage 1 KD 000's | Stage 2 KD 000's | Stage 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| High | 6,004,772 | - | - | 6,004,772 |
| Standard | 1,201,381 | 41,101 | - | 1,242,482 |
| Impaired | - | - | 770 | 770 |
| Investments in debt securities | 7,206,153 | 41,101 | 770 | 7,248,024 |
| ECL allowance for debt securities | 28,091 | 3,834 | 8,296 | 40,221 |

| 2023 | Stage 1 KD 000's | Stage 2 KD 000's | Stage 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| High | 5,251,336 | - | - | 5,251,336 |
| Standard | 1,154,103 | 186,920 | - | 1,341,023 |
| Impaired | - | - | 471 | 471 |
| Investments in debt securities | 6,405,439 | 186,920 | 471 | 6,592,830 |
| ECL allowance for debt securities | 16,691 | 18,228 | 8,305 | 43,224 |

ECL allowance for investments in debt securities as at 31 December 2024 consists of KD 16,844 thousand (2023: KD 18,926 thousand) in respect of debt securities carried at amortised cost and KD 23,377 thousand (2023: KD 24,298 thousand) in respect of debt securities carried at fair value through other comprehensive income. Investments in debt securities carried at fair value through profit or loss are not subject to Expected Credit Losses. Central Bank of Kuwait bonds and Kuwait Government treasury bonds are not subject to Expected Credit Losses in accordance with CBK guidelines.

## 14 FINANCIAL INVESTMENTS (continued)

An analysis of changes in the gross carrying amount and the corresponding Expected Credit Losses in relation to Investment in debt securities are as follows:

| **2024** | **Stage 1<br>KD 000's** | **Stage 2<br>KD 000's** | **Stage 3<br>KD 000's** | **Total<br>KD 000's** |
|---|---|---|---|---|
| **Gross carrying amount as at 1 January 2024** | **6,405,439** | **186,920** | **471** | **6,592,830** |
| Assets purchased/(de-recognised) during the year -Net | **850,703** | **(146,056)** | **-** | **704,647** |
| Fair value and exchange movements | **(49,989)** | **237** | **299** | **(49,453)** |
| **At 31 December 2024** | **7,206,153** | **41,101** | **770** | **7,248,024** |

| 2023 | Stage 1<br>KD 000's | Stage 2<br>KD 000's | Stage 3<br>KD 000's | Total<br>KD 000's |
|---|---|---|---|---|
| Gross carrying amount as at 1 January 2023 | 5,126,350 | 188,078 | 477 | 5,314,905 |
| Assets purchased/(de-recognised) during the year -Net | 1,198,327 | (1,436) | - | 1,196,891 |
| Fair value and exchange movements | 80,762 | 278 | (6) | 81,034 |
| At 31 December 2023 | 6,405,439 | 186,920 | 471 | 6,592,830 |

There were no transfers between stage 1, stage 2 and stage 3.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 14 FINANCIAL INVESTMENTS (continued)

| **2024** | **Stage 1 KD 000's** | **Stage 2 KD 000's** | **Stage 3 KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| **ECL allowance as at 1 January 2024** | **16,691** | **18,228** | **8,305** | **43,224** |
| Impact due to purchase/(de-recognition) | **13,110** | **(12,582)** | **-** | **528** |
| Re-measurement of ECL | **(1,710)** | **(1,812)** | **(9)** | **(3,531)** |
| Net charge (release) to consolidated statement of income | **11,400** | **(14,394)** | **(9)** | **(3,003)** |
| **At 31 December 2024** | **28,091** | **3,834** | **8,296** | **40,221** |

| 2023 | Stage 1 KD 000's | Stage 2 KD 000's | Stage 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| ECL allowance as at 1 January 2023 | 16,676 | 15,778 | 8,269 | 40,723 |
| Impact due to purchase/(de-recognition) | 2,939 | (7) | - | 2,932 |
| Re-measurement of ECL | (2,924) | 2,457 | 36 | (431) |
| Net charge to consolidated statement of income | 15 | 2,450 | 36 | 2,501 |
| At 31 December 2023 | 16,691 | 18,228 | 8,305 | 43,224 |

## 15 GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill KD 000's | Intangible Assets KD 000's | Total KD 000's |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2024 | **373,772** | **211,369** | **585,141** |
| Acquisition of a subsidiary (Note 24) | **3,953** | **-** | **3,953** |
| Exchange rate adjustments | **(13,752)** | **(4,065)** | **(17,817)** |
| At 31 December 2024 | **363,973** | **207,304** | **571,277** |
| **Accumulated amortisation & impairment** | | | |
| At 1 January 2024 | **36,592** | **40,133** | **76,725** |
| Amortisation charge for the year | **-** | **1,647** | **1,647** |
| Exchange rate adjustments | **(13,763)** | **(4,065)** | **(17,828)** |
| At 31 December 2024 | **22,829** | **37,715** | **60,544** |
| **Net book value** | | | |
| **At 31 December 2024** | **341,144** | **169,589** | **510,733** |

| | Goodwill KD 000's | Intangible Assets KD 000's | Total KD 000's |
|---|---|---|---|
| Cost | | | |
| At 1 January 2023 | 382,252 | 213,955 | 596,207 |
| Exchange rate adjustments | (8,480) | (2,586) | (11,066) |
| At 31 December 2023 | 373,772 | 211,369 | 585,141 |
| Accumulated amortisation & impairment | | | |
| At 1 January 2023 | 20,199 | 41,072 | 61,271 |
| Amortisation charge for the year | - | 1,647 | 1,647 |
| Impairment charge for the year | 20,174 | - | 20,174 |
| Exchange rate adjustments | (3,781) | (2,586) | (6,367) |
| At 31 December 2023 | 36,592 | 40,133 | 76,725 |
| Net book value | | | |
| At 31 December 2023 | 337,180 | 171,236 | 508,416 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 15 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Net book value of goodwill as at 31 December 2024 includes KD 334,531 thousand (2023: KD 334,531 thousand) in respect of Boubyan Bank K.S.C.P, KD 2,660 thousand (2023: KD 2,649 thousand) in respect of Credit Bank of Iraq S.A and KD 3,953 thousand in respect of the newly acquired subsidiary, Upayments Company for Electronic Payments and Settlement K.S.C. (Closed). Refer note 24.

Net book value of intangible assets as at 31 December 2024 includes banking licences and brand amounting to KD 158,623 thousand (2023: KD 158,623 thousand), customer relationships and core deposits amounting to KD 4,256 thousand (2023: KD 5,903 thousand) and brokerage licences amounting to KD 6,710 thousand (2023: KD 6,710 thousand). Intangible assets with indefinite useful life amounts to KD 165,333 thousand (2023: KD 165,333 thousand). Intangible assets with definite useful life amounting to KD 4,256 thousand (2023: KD 5,903 thousand) are amortised over a period of 15 years.

**Impairment testing for goodwill and intangible assets with indefinite useful life**

The carrying value of goodwill and intangible assets with indefinite useful life are tested for impairment on an annual basis (or more frequently if evidence exists that goodwill or intangible assets might be impaired) by estimating the recoverable amount of the cash generating unit (CGU) to which these items are allocated using value-in-use calculations unless fair value based on an active market price is higher than the carrying value of the CGU. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management over a five years period and a relevant terminal growth rate. These cash flows are then discounted to derive a net present value which is compared to the carrying value. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash generating unit.

Since the fair value less cost of disposal of the Group’s holding in Boubyan Bank K.S.C.P. is higher than its carrying value, there is no indication that the associated goodwill or intangible assets with indefinite useful life is impaired. Recoverable amount of intangible assets with indefinite useful life is calculated using value-in-use method. A discount rate of 12% (2023: 13%) and terminal growth rate of 2.6% (2023: 2.4%) are used to estimate the recoverable amount of the brokerage licence in Kuwait. The Group has also performed a sensitivity analysis by varying these input factors by a reasonable margin. Based on such analysis, there are no indications that the remaining goodwill or intangible assets with indefinite useful life are impaired.

## 16 OTHER ASSETS

| | **2024**<br>**KD 000’s** | 2023<br>KD 000’s |
|---|---|---|
| Interest receivable | **223,792** | 203,757 |
| Positive fair value of derivatives (Note 26) | **336,064** | 310,446 |
| Sundry debtors and other receivables | **75,564** | 51,084 |
| Investment in associates | **1,367** | 2,809 |
| Investment properties | **68,370** | 73,521 |
| Properties acquired on settlement of debts | **329** | 7,579 |
| Others | **71,648** | 80,995 |
| | **777,134** | 730,191 |

## 16 OTHER ASSETS (continued)

The fair value of investment properties was determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach and income capitalization approach. In estimating the fair values of the properties, the highest and the best use of the properties is their current use where price per square meter and annual lease income are the significant inputs. There has been no change to the valuation techniques during the year. The following table provides the fair value measurement hierarchy of the investment properties:

| **2024** | **Level 1 KD 000's** | **Level 2 KD 000's** | **Level 3 KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| **Investment properties** | **-** | **2,161** | **66,209** | **68,370** |

| 2023 | Level 1 KD 000's | Level 2 KD 000's | Level 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| Investment properties | - | 2,221 | 71,300 | 73,521 |

The following table shows a reconciliation of the opening and closing amount of level 3 investment properties:

| | **At 1 January 2024 KD 000's** | **Change in fair value KD 000's** | **Additions KD 000's** | **Sale/ redemption KD 000's** | **Exchange rate movements KD 000's** | **At 31 December 2024 KD 000's** |
|---|---|---|---|---|---|---|
| **Investment properties** | **71,300** | **(2,256)** | **9,244** | **(11,489)** | **(590)** | **66,209** |

| | At 1 January 2023 KD 000's | Change in fair value KD 000's | Additions KD 000's | Sale KD 000's | Exchange rate movements KD 000's | At 31 December 2023 KD 000's |
|---|---|---|---|---|---|---|
| Investment properties | 31,421 | 1,589 | 39,045 | (1,281) | 526 | 71,300 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 17 OTHER BORROWED FUNDS

| | 2024<br>KD 000's | 2023<br>KD 000's |
|---|---|---|
| Global Medium Term Notes - USD 1,000,000 thousand | **307,053** | 305,338 |
| Global Medium Term Sukuk - USD 750,000 thousand | **231,075** | 230,063 |
| Global Medium Term Sukuk - USD 500,000 thousand | **152,434** | 146,451 |
| Global Medium Term Notes - USD 500,000 thousand | **155,579** | - |
| Subordinated Tier 2 bonds - KD 150,000 thousand | **149,907** | 149,800 |
| Subordinated Tier 2 bonds - USD 300,000 thousand | **92,372** | 91,902 |
| Medium and short term borrowing from banks and financial institutions | **432,002** | 407,452 |
| | **1,520,422** | 1,331,006 |

Global Medium-Term senior unsecured notes of USD 1,000,000 thousand were issued on 15 September 2021, under the Bank's USD 5 billion Global Medium Term Note programme, maturing on 15 September 2027 with first optional redemption date on 15 September 2026. These notes were issued at 99.518 per cent of nominal value and carry a fixed interest rate of 1.625% per annum payable semi-annually in arrears until the first optional redemption date, followed by a floating rate of SOFR + 105 basis points paid quarterly thereafter.

Global Medium-Term senior unsecured Sukuk of USD 750,000 thousand were issued by Boubyan Bank K.S.C.P, a subsidiary of the Group in February 2020, with a tenor of 5 years, issued at par and carry at a fixed profit rate of 2.593% per annum, payable semi-annually in arrears.

Global Medium-Term senior unsecured Sukuk of USD 500,000 thousand were issued by Boubyan Bank K.S.C.P, a subsidiary of the Group in March 2022, with a tenor of 5 years, issued at par and carry at a fixed profit rate of 3.389% per annum, payable semi-annually in arrears.

Global Medium-Term senior unsecured notes of USD 500,000 thousand were issued on 6 June 2024, under the Bank's USD 5 billion Global Medium Term Note programme, maturing on 6 June 2030 with first optional redemption date on 6 June 2029. These notes were issued at 99.905 per cent of nominal value and carry a fixed interest rate of 5.5% per annum payable semi-annually in arrears until the first optional redemption date, followed by a floating rate of SOFR + 116 basis points paid quarterly thereafter.

Subordinated Tier 2 bonds of KD 150,000 thousand were issued in November 2020 with a tenor of up to 10 years, comprising equal tranches of fixed rate bonds and floating rate bonds. Fixed rate bonds carry an interest rate of 4.75% per annum for the first five years and will be reset on the fifth year anniversary of date of issuance. Floating-rate bonds carry an interest rate of 3% per annum over the CBK discount rate, reset semi-annually, subject to a maximum of 1% over the prevailing rate for the fixed-rate bonds. These bonds are unsecured and callable in whole or in part at the option of the Bank after 5 years from the date of issuance, subject to certain conditions and regulatory approvals.

Subordinated Tier 2 bonds of USD 300,000 thousand were issued in November 2020 with a tenor of up to 10 years, carry a fixed rate of 2.5% per annum for the first five years and will be reset on the fifth year anniversary of date of issuance. These bonds are unsecured and callable in whole or in part at the option of the Bank after 5 years from the date of issuance, subject to certain conditions and regulatory approvals.

## 18 OTHER LIABILITIES

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Interest payable | **271,823** | 317,428 |
| Income received in advance | **59,094** | 56,362 |
| Taxation | **51,845** | 56,436 |
| Provision on non-cash facilities (Note 13) | **45,878** | 40,540 |
| Accrued expenses | **78,295** | 82,221 |
| Negative fair value of derivatives (Note 26) | **55,985** | 62,752 |
| Post-employment benefit | **60,425** | 53,257 |
| Lease liabilities | **37,957** | 32,972 |
| Items in transit | **128,225** | 137,033 |
| Others | **150,255** | 127,122 |
| | **939,782** | 966,123 |

**Post-Employment Benefit**

The present value of defined benefit obligations and the related current and past service cost was determined by actuarial valuations using the projected unit credit method. The significant inputs used in the actuarial valuation are a discount rate of 5.60% (2023: 5.94%), future salary increases in line with expected consumer price inflation and demographic assumptions of mortality, withdrawal, retirement and disability rates.

The movement in the post-employment benefit was as follows:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Balance at 1 January | **53,257** | 54,208 |
| Net charge during the year | **11,568** | 9,981 |
| Paid during the year | **(6,370)** | (6,963) |
| Actuarial loss (gain) in respect of defined benefit plans | **1,970** | (3,969) |
| Balance at 31 December | **60,425** | 53,257 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 19 SHARE CAPITAL AND RESERVES

### a) Share capital

The authorised share capital of the Bank comprises 10,000,000,000 (2023: 10,000,000,000) shares of 100 fils each.

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Issued and fully paid in cash: | | |
| 8,326,442,901 (2023: 7,929,945,620) shares of 100 fils each | **832,644** | 792,995 |

Annual General Meeting of the shareholders held on 23 March 2024 approved an increase of KD 39,649 thousand (2023: KD 37,762 thousand) in the issued and fully paid share capital of the Bank by issuing 396,497,281 (2023: 377,616,458) bonus shares representing 5% of the share capital. The issued and fully paid-up share capital increased from KD 792,994,562 to KD 832,644,290 and the change in share capital was recorded in the commercial register on 25 March 2024.

The movement in ordinary shares in issue during the year was as follows:

| | **2024** | 2023 |
|---|---|---|
| Number of shares in issue as at 1 January | **7,929,945,620** | 7,552,329,162 |
| Bonus issue | **396,497,281** | 377,616,458 |
| Number of shares in issue as at 31 December | **8,326,442,901** | 7,929,945,620 |

### b) Statutory reserve

The Board of Directors recommended a transfer of KD 19,825 thousand (2023: KD 18,881 thousand) to the statutory reserve. This is in compliance with the Bank's Articles of Association and the Companies Law, as amended, which require a minimum of 10% of profit for the year attributable to the shareholders of the Bank before KFAS, NLST and Zakat to be transferred to a non-distributable statutory reserve until such time as this reserve exceeds 50% of the Bank's issued capital. Accordingly, the transfer to statutory reserve, which is less than 10% of the profit for the year, is that amount required to make the statutory reserve in excess of 50% of the Bank's issued capital.

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

### c) Share premium account

The balance in the share premium account is not available for distribution.

## 19 SHARE CAPITAL AND RESERVES (continued)

### d) Treasury shares and Treasury share reserve

The balance in the treasury share reserve account is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from general reserve throughout the holding period of these treasury shares.

### e) Other reserves

| | | | | | | | | KD 000's |
|---|---|---|---|---|---|---|---|---|
| | General reserve | Retained earnings | Foreign currency translation reserve | Cumulative changes in fair values | Share based payment reserve | Actuarial valuation reserve | Proposed cash dividend | Total other reserves |
| **Balance as at 1 January 2024** | **117,058** | **1,750,695** | **(351,838)** | **83,553** | **14,409** | **4,514** | **198,249** | **1,816,640** |
| Profit for the year | - | 600,122 | - | - | - | - | - | 600,122 |
| Other comprehensive (loss) income | - | - | (75,580) | 9,265 | - | (1,716) | - | (68,031) |
| **Total comprehensive income (loss)** | - | 600,122 | (75,580) | 9,265 | - | (1,716) | - | 532,091 |
| Transfer to statutory reserve (Note 19b) | - | (19,825) | - | - | - | - | - | (19,825) |
| Final cash dividend paid (2023) | - | - | - | - | - | - | (198,249) | (198,249) |
| Interim cash dividend paid - 10 fils per share (Note 20) | - | (83,264) | - | - | - | - | - | (83,264) |
| Proposed final cash dividend - 25 fils per share (Note 20) | - | (208,161) | - | - | - | - | 208,161 | - |
| Proposed bonus shares (Note 20) | - | (41,633) | - | - | - | - | - | (41,633) |
| Interest paid on perpetual Tier 1 Capital Securities | - | (18,163) | - | - | - | - | - | (18,163) |
| Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary | - | (3,652) | - | - | - | - | - | (3,652) |
| Change in holding in subsidiaries | - | (75) | - | - | - | - | - | (75) |
| Realised loss on equity investments at FVOCI | - | (162) | - | 162 | - | - | - | - |
| Other movements | - | (132) | - | - | - | - | - | (132) |
| **At 31 December 2024** | **117,058** | **1,975,750** | **(427,418)** | **92,980** | **14,409** | **2,798** | **208,161** | **1,983,738** |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**19 SHARE CAPITAL AND RESERVES** (continued)

**e) Other reserves** (continued)

KD 000's

| | General reserve | Retained earnings | Foreign currency translation reserve | Cumulative changes in fair values | Share based payment reserve | Actuarial valuation reserve | Proposed cash dividend | Total other reserves |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2023 | 117,058 | 1,550,747 | (336,789) | 79,139 | 14,409 | 1,014 | 188,808 | 1,614,386 |
| Profit for the year | - | 560,620 | - | - | - | - | - | 560,620 |
| Other comprehensive (loss) income | - | - | (15,049) | 4,414 | - | 3,500 | - | (7,135) |
| Total comprehensive income (loss) | - | 560,620 | (15,049) | 4,414 | - | 3,500 | - | 553,485 |
| Transfer to statutory reserve (Note 19b) | - | (18,881) | - | - | - | - | - | (18,881) |
| Final cash dividend paid (2022) | - | - | - | - | - | - | (188,808) | (188,808) |
| Interim cash dividend paid - 10 fils per share (Note 20) | - | (79,299) | - | - | - | - | - | (79,299) |
| Proposed final cash dividend - 25 fils per share (Note 20) | - | (198,249) | - | - | - | - | 198,249 | - |
| Proposed bonus shares (Note 20) | - | (39,649) | - | - | - | - | - | (39,649) |
| Interest paid on perpetual Tier 1 Capital Securities | - | (18,224) | - | - | - | - | - | (18,224) |
| Profit distribution on Perpetual Tier 1 Sukuk by a subsidiary | - | (3,664) | - | - | - | - | - | (3,664) |
| Change in holding in subsidiaries | - | (3,906) | - | - | - | - | - | (3,906) |
| Other movements | - | 1,200 | - | - | - | - | - | 1,200 |
| At 31 December 2023 | 117,058 | 1,750,695 | (351,838) | 83,553 | 14,409 | 4,514 | 198,249 | 1,816,640 |

The general reserve was created in accordance with Bank's Articles of Association and is freely distributable, except for the amount equivalent to the cost of treasury shares.

The foreign currency translation reserve includes the exchange differences on conversion of results and financial position of all group entities including goodwill, intangible assets and any fair value adjustments to the carrying value of assets and liabilities from their functional currency to the presentation currency.

Actuarial valuation reserve represents the gain (loss) resulting from increase in the present value of defined benefit plans due to changes in actuarial assumptions.

## 20 DIVIDEND

The Board of Directors approved distribution of an interim cash dividend 10 fils per share amounting to KD 83,264 thousand on the outstanding shares as at 30 June 2024 (30 June 2023: KD 79,299 thousand for 10 fils per share), which was paid during the year.

The Board of Directors recommended distribution of final cash dividend of 25 fils per share (2023: 25 fils per share) and bonus shares of 5% (2023: 5%) on outstanding shares as at 31 December 2024. The final cash dividend and bonus shares, if approved by the Shareholders' Annual General Meeting, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

## 21 PERPETUAL TIER 1 CAPITAL SECURITIES

The Bank issued the following Perpetual Tier 1 Capital Securities (the "Capital Securities"), through wholly owned special-purpose vehicles:

| | **2024**<br>**KD 000's** | 2023<br>KD 000's |
|---|---|---|
| USD 700,000 thousand (issued in February 2021 at an interest rate of 3.625% per annum, semi-annually in arrears, until the first reset date in February 2027, redeemable at the option of the Bank in August 2026) | **211,294** | 211,294 |
| USD 750,000 thousand (issued in November 2019 at an interest rate of 4.5% per annum, semi-annually in arrears, until the first reset date in November 2025, redeemable at the option of the Bank in August 2025) | **227,738** | 227,738 |
| Balance at 31 December | **439,032** | 439,032 |

The above mentioned Capital securities are subordinated, unsecured and are eligible to be classified under equity in accordance with IAS 32: Financial Instruments – Presentation. Payments of interest in respect of the Capital Securities may be cancelled (in whole or in part) at the sole discretion of the Bank on a non-cumulative basis. Any such cancellation is not considered an event of default. Payments of interest are treated as a deduction from equity. The Capital Securities have no maturity date and are callable (in whole but not in part) at par at the option of the Bank on the first call date and on every interest payment date thereafter, subject to certain conditions.

During 2021, Boubyan Bank K.S.C.P issued "Tier 1 Sukuk", through a Sharia's compliant Sukuk arrangement amounting to USD 500,000 thousand, callable in October 2026 and bears an expected profit rate of 3.95% per annum until the first reset date in April 2027, payable semi-annually in arrears.

Tier 1 Sukuk is a perpetual security with no fixed redemption date and constitutes direct, unsecured, subordinated obligations subject to the terms and conditions of the Mudaraba Agreement. Tier 1 Sukuk is eligible to be classified under equity in accordance with IAS 32 : Financial Instruments – Presentation. The Parent Bank did not subscribe to the Tier 1 Sukuk issue and the total amount is included in non-controlling interest in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

## 22 SHARE BASED PAYMENT

The Bank operates a cash-settled share-based compensation plan and granted options to its senior executives. These options vest if the employees remain in service for a period of three years and will be settled by cash payment determined based on the market value of the Bank's equity shares on vesting date.

The fair value of options granted during the year as determined using the Black-Scholes valuation model was KD 0.830 (2023: KD 0.837) as at the end of the year. The significant inputs into the model were a share price of KD 0.896 (2023: KD 0.894) at the measurement date, a standard deviation of expected share price returns of 18.93% (2023: 26.06%), option life disclosed above and annual risk free interest rate of 4.00% (2023: 4.25%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

The following table shows the movement in number of share options during the year:

| | **2024 No. of share options** | 2023 No. of share options |
|---|---|---|
| Outstanding at 1 January | **8,202,862** | 7,575,281 |
| Granted during the year | **3,704,972** | 2,875,178 |
| Exercised during the year | **(2,617,837)** | (1,974,760) |
| Lapsed during the year | **(402,110)** | (272,837) |
| Outstanding at 31 December | **8,887,887** | 8,202,862 |

The expense accrued on account of share-based compensation plans for the year amounts to KD 2,524 thousand (2023: KD 1,759 thousand) and is included under staff expenses.

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices for identical or similar instruments in market that are considered less than active or other valuation techniques in which all significant inputs are observable from market data. Debt securities under this category mainly include sovereign debt instruments in the Middle East & North Africa (MENA) region.

Level 3: valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques include discounted cash flow models, comparison with similar instruments for which market observable prices exist, recent transaction information and net asset values. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year ended 31 December 2024, there were no transfers between level 1, level 2 and level 3.

The following table provides the fair value measurement hierarchy of the Group's financial instruments recorded at fair value:

| **2024** | **Level 1 KD 000's** | **Level 2 KD 000's** | **Level 3 KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| Debt securities | **5,813,600** | **338,109** | **-** | **6,151,709** |
| Equities and other investments | **60,614** | **272,576** | **42,461** | **375,651** |
| | **5,874,214** | **610,685** | **42,461** | **6,527,360** |
| Derivative financial instruments (Note 26) | **-** | **280,079** | **-** | **280,079** |

| 2023 | Level 1 KD 000's | Level 2 KD 000's | Level 3 KD 000's | Total KD 000's |
|---|---|---|---|---|
| Debt securities | 5,192,114 | 345,509 | - | 5,537,623 |
| Equities and other investments | 61,356 | 188,570 | 43,012 | 292,938 |
| | 5,253,470 | 534,079 | 43,012 | 5,830,561 |
| Derivative financial instruments (Note 26) | - | 247,694 | - | 247,694 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below analyses the movement in level 3 and the income (dividend and realised gain) generated during the year.

| | At 1 January 2024 | Change in fair value | Additions | Sale/ redemption | Exchange rate movements | At 31 December 2024 | Net gains in the consolidated statement of income |
|---|---|---|---|---|---|---|---|
| | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's |
| Equities and other investments | 43,012 | (1,223) | 1,235 | (597) | 34 | 42,461 | 1,389 |

| | At 1 January 2023 | Change in fair value | Additions | Sale/ redemption | Exchange rate movements | At 31 December 2023 | Net gains in the consolidated statement of income |
|---|---|---|---|---|---|---|---|
| | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's | KD 000's |
| Equities and other investments | 48,046 | (266) | 849 | (5,705) | 88 | 43,012 | 2,244 |

Equities and other securities included in this category mainly include strategic equity investments and private equity funds which are not traded in an active market. The fair values of these investments are estimated by using valuation techniques that are appropriate in the circumstances. Valuation techniques include discounted cash flow models, observable market information of comparable companies, recent transaction information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue, profit estimates and market multiples such as price to book and price to earnings. Given the diverse nature of these investments, it is not practical to disclose a range of significant unobservable inputs.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated mainly using discounted cash flow models incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

Sensitivity analysis on fair value estimations, by varying input assumptions by a reasonable margin, did not indicate any material impacts on consolidated statement of financial position or consolidated statement of income.

## 24 SUBSIDIARIES

Principal operating subsidiaries:

| Name of entities | Country of incorporation | Principal business | Percentage ownership | |
|---|---|---|---|---|
| | | | **2024** | 2023 |
| Boubyan Bank K.S.C.P. | Kuwait | Islamic Banking | **60.4** | 60.4 |
| National Bank of Kuwait - Egypt S.A.E. | Egypt | Banking | **99.1** | 99.1 |
| Watani Investment Company K.S.C.(Closed) | Kuwait | Investment Company | **100.0** | 100.0 |
| National Bank of Kuwait (International) PLC | United Kingdom | Banking | **100.0** | 100.0 |
| National Bank of Kuwait France SA | France | Banking | **100.0** | 100.0 |
| NBK Banque Privée (Suisse) S.A. | Switzerland | Investment Management | **100.0** | 100.0 |
| National Bank of Kuwait (Lebanon) S.A.L. | Lebanon | Banking | **85.5** | 85.5 |
| Credit Bank of Iraq S.A. | Iraq | Banking | **92.5** | 91.0 |
| National Investors Group Holdings Limited | Cayman Islands | Investment Company | **100.0** | 100.0 |
| Watani Wealth Management Company | Saudi Arabia | Investment Management | **100.0** | 100.0 |
| Watani Financial Brokerage Company K.S.C. (Closed) | Kuwait | Brokerage | **100.0** | 100.0 |
| NBK GDM (Caymans) Limited | Cayman Islands | Treasury activities | **100.0** | 100.0 |
| BLME Holdings Plc, ("BLME") (held through Boubyan Bank K.S.C.P.) | United Kingdom | Islamic Banking | **72.4** | 72.1 |
| Upayments Company for Electronic Payments and Settlement K.S.C. (Closed) | Kuwait | Financial Technology | **51.0** | - |

At 31 December 2024, 38.1% (2023: 38.1%) of the Group's interest in National Bank of Kuwait (Lebanon) S.A.L. was held by an intermediate holding company, NBK Holding (Liban) S.A.L.

On 1 December 2024, the Bank acquired 51% of the issued share capital in Upayments Company for Electronic Payments and Settlement K.S.C. (Closed), for a total consideration of KD 4,079 thousand resulting in a provisional goodwill of KD 3,953 thousand (Refer note 15). The provisional values assigned to the identifiable assets and liabilities acquired as at the date of acquisition will be reviewed within one year of acquisition.

The Bank also holds voting capital in certain special-purpose entities which have been established to manage funds and fiduciary assets on behalf of the Bank's customers. The Bank does not have a beneficial interest in the underlying assets of these companies. Information about the Group's fund management activities is set out in Note 30.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 24 SUBSIDIARIES (continued)

Significant non-controlling interest exists in Boubyan Bank K.S.C.P. as follows:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Accumulated balances of non-controlling interest | **596,997** | 575,626 |
| Profit attributable to non-controlling interest | **37,665** | 27,179 |

Summarized financial information of Boubyan Bank K.S.C.P. is as follows:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Summarized financial information | | |
| Assets | **9,376,568** | 8,404,989 |
| Liabilities | **8,290,508** | 7,376,154 |
| Net operating income | **246,183** | 218,030 |
| Results for the year | **96,784** | 78,221 |
| Other comprehensive income (loss) for the year | **(1,097)** | 4,819 |

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Summarized cash flow information | | |
| Operating cash flow | **498,051** | 273,595 |
| Investing cash flow | **(236,578)** | (336,084) |
| Financing cash flow | **(140,357)** | (104,200) |

## 25 COMMITMENTS AND CONTINGENT LIABILITIES

| | 2024 KD 000's | 2023 KD 000's |
|---|---|---|
| Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned: | | |
| Acceptances | **180,765** | 189,080 |
| Letters of credit | **545,793** | 391,486 |
| Guarantees | **4,670,825** | 4,035,345 |
| | **5,397,383** | 4,615,911 |

Irrevocable commitments to extend credit amount to KD 1,410,803 thousand (2023: KD 1,327,508 thousand). This includes commitments to extend credit which are irrevocable over the life of the facility or are revocable only in response to a material adverse change.

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

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

The Group has commitments in respect of capital expenditure amounting to KD 75,598 thousand (2023: KD 85,980 thousand).

## 26 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are financial instruments that derive their value by referring to interest rates, foreign exchange rates, index of prices or rates and credit rating or credit index. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivative financial instruments are carried at fair value in the consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counter-parties of replacing all their transactions with the Group.

The Group deals in interest rate swaps to manage its interest rate risk on interest-bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualifies as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purpose but do not meet the qualifying criteria for hedge accounting. The risk exposures on account of derivative financial instruments for customers are covered by entering into opposite transactions (back to back) with counterparties or by other risk mitigating transactions.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 26 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

**Interest rate swaps**

Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time. In cross currency interest rate swaps, the Group exchanges interest payment in two different currencies on a defined principal amount for a fixed period of time and also exchanges defined principal amounts in two different currencies at inception of the contract and re-exchanges principal amounts on maturity. Profit rate swaps are also included in this category.

**Forward foreign exchange**

Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date.

The fair value of derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Positive fair value KD 000's** | **Negative fair value KD 000's** | **Notional KD 000's** | Positive fair value KD 000's | Negative fair value KD 000's | Notional KD 000's |
| Interest rate swaps (held as fair value hedges) | **313,330** | **23,226** | **6,491,388** | 281,222 | 43,973 | 5,517,257 |
| Interest rate swaps (others) | **2,605** | **657** | **97,283** | 891 | 1,753 | 86,318 |
| Forward foreign exchange contracts | **20,129** | **32,102** | **3,960,357** | 28,333 | 17,026 | 4,421,462 |
| | **336,064** | **55,985** | **10,549,028** | 310,446 | 62,752 | 10,025,037 |

Positive fair value is included in other assets (Note 16) and negative fair value is included in other liabilities (Note 18).

The Group's strategy is not to carry interest rate risk for long duration assets. The Group uses interest rate swaps to hedge its exposure to changes in the fair values due to interest rate risk on certain investments in fixed rate debt securities, fixed-rate corporate loans and fixed-rate liabilities issued. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria. In fair value hedge relationships, the Group assesses whether the interest rate swaps designated in each hedging relationship is expected to be highly effective in offsetting changes in fair value of the hedged item attributable to interest rate risk using appropriate qualitative and quantitative methods. The Group generally seeks to fully match the critical terms (tenor, notionals, interest rate exposure, currency, interest payments frequency and payment periods) of the hedged item and hedging instrument.

The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

## 27 RELATED PARTY TRANSACTIONS

Related parties comprise board members and executive officers of the Bank, their close family members, companies controlled by them or close family members and associates of the Group. Certain related parties were customers of the Group in the ordinary course of business. Transactions with related parties were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. Lending to Board Members and their related parties is secured by tangible collateral in accordance with regulations of Central Bank of Kuwait.

Details of the interests of related parties are as follows:

| | Number of Board Members and Executive Officers | | Number of related parties | | | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024 KD 000's** | 2023 KD 000's |
| **Board Members and Executive Officers** | | | | | | |
| Loans | **8** | 6 | **19** | 22 | **47,093** | 49,652 |
| Contingent liabilities | **1** | 1 | **8** | 7 | **21,164** | 22,719 |
| Credit cards | **17** | 19 | **33** | 28 | **229** | 187 |
| Deposits | **25** | 24 | **84** | 88 | **39,423** | 36,927 |
| Collateral against credit facilities | **2** | 3 | **15** | 14 | **151,457** | 153,137 |
| Interest and fee income | | | | | **2,810** | 3,005 |
| Interest expense | | | | | **1,137** | 1,205 |
| Purchase of equipment and other expenses | | | | | **365** | 330 |

Details of compensation to key management personnel are as follows:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Salaries and other short term benefits | **15,503** | 14,095 |
| Post-employment benefits | **230** | 341 |
| Share based compensation | **965** | 656 |
| | **16,698** | 15,092 |

Remuneration to directors of the Bank amounting to KD 770 thousand for the year ended 31 December 2024 (31 December 2023: KD 770 thousand, approved in AGM held on 23 March 2024) is in accordance with local regulations and is subject to approval of shareholders at the Annual General Meeting.

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

## 28 RISK MANAGEMENT

Risk is inherent in the Group's activities but is managed in a structured, systematic manner through a global risk policy which embeds comprehensive risk management into organisational structure, risk measurement and monitoring processes. The overall risk management direction and oversight are provided by the Board of Directors with the support of the Board Risk and Compliance Committee and the Board Audit Committee. The Group's Risk Management and Internal Audit functions assist Executive Management in controlling and actively managing the Group's overall risk profile.

The Group is exposed to credit risk, liquidity risk, market risk and operational risk.

In accordance with the Central Bank of Kuwait's directives, the Group has implemented a comprehensive system for the measurement and management of risk. This methodology helps in reflecting both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. Information compiled from all internal business groups are closely examined and analysed to identify and control risks.

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

As part of its overall risk management, the Group uses interest rate swaps, forward foreign exchange contracts and other instruments to manage exposures resulting from changes in interest rates, foreign exchange, equity risks, credit risks and exposures arising from forecast transactions. Collaterals are used to reduce the Group's credit risks.

The Group's comprehensive risk management framework has specific guidelines that focus on maintaining a diversified portfolio to avoid excessive concentration of risk.

### 28.1 CREDIT RISK

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business.

All significant policies relating to credit risks are reviewed and approved by the Board of Directors.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standing procedures, outlined in the Group's Credit Policy Manual, require that all credit proposals be subjected to detailed screening by the domestic or international credit control divisions pending submission to the appropriate credit committee. Whenever necessary, all loans are secured by acceptable forms of collateral to mitigate the related credit risks.

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

The Group further limits risk through diversification of its assets by geography and industry sector. In addition, all credit facilities are continually monitored based on a periodical review of the credit performance and account rating.

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)

### 28.1. 1 ASSESSMENT OF EXPECTED CREDIT LOSSES

**Definition of default**
The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit-impaired based on qualitative assessment for internal credit risk Management purposes
- retail facilities from commencement of legal recourse

The Group considers investments and interbank balances as in default when the coupon or principal payment is past due for 1 day. The Group considers externally-rated portfolio with ratings 'D' from S&P and Fitch, and 'C' from Moody's as defaulted.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

The Group considers a financial asset to be no longer in default and therefore reclassified out of stage 3, when it no longer meets any of the default criteria. Transfer from Stage 3 to Stage 2/Stage 1 requires a notification to be sent to the Regulator with the proper justification.

**Significant increase in credit risk**
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that are 30 days past due are generally deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk unless this is rebutted.

Any stressed credit facility that has been restructured would also be classified in stage 2 unless it qualifies for stage 3 classification. The Group considers a financial asset as 'cured' (i.e., in a lowered distressed state) and therefore reclassified out of stage 2 when it no longer meets the criteria for inclusion in Stage 2. According to the regulatory requirements, for facilities (except for retail facilities) classified under Stage 2, these would require completing a minimum of 1 year, post recovery, of meeting the scheduled payments, to be classified in Stage 1. Transfer from Stage 2 to Stage 1 requires a notification to be sent to the Regulator with the proper justification.

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

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

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)
**28.1. 1 ASSESSMENT OF EXPECTED CREDIT LOSSES** (continued)

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

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

- Floor for estimating PDs for specific portfolios
- Eligible collateral with haircuts for determining LGD and floor for LGD for unsecured facilities.
- Deemed maturity for exposures in Stage 2
- Credit Conversion Factor on utilized and un-utilized portions for cash and non-cash facilities

**Internal rating and PD estimation process**
In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry-standard rating tools for assessing ratings/scores that are then leveraged for PD estimation process. The tool provides the ability to analyse a business and produces risk ratings at both the obligor and facility levels. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally-rated portfolios.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through-the-cycle (TTC) PDs are generated from the rating tool based on the internal/external credit ratings. The Group converts the TTC PDs to point-in-time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards. The Consumer portfolio is further segmented statistically and risk pools with shared risk characteristics are addressed with different scorecards relevant for each of the risk pool. The segmentation is based on demographic, behavioural and financial variables which distinctly rank order risk. The scorecards were developed using statistical techniques. Executing the scorecard will return an associated PD value for each of the facility. The term structure PDs are then derived using a base PD.

**Exposure at default**
Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. EAD for retail loans incorporate prepayment assumptions whereas, for credit cards portfolio, credit conversion factors are applied to estimate the future drawdowns.

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)
**28.1. 1 ASSESSMENT OF EXPECTED CREDIT LOSSES** (continued)

**Loss-given-default**
Loss-given-default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

**Incorporation of forward-looking information**
The Group considers various key economic variables which reflect the continuing uncertainties and effect stemming from Covid-19 and other emerging risks, which may be expected to have an impact on credit risk and the ECL, when incorporating forward-looking information into the ECL models. Key economic variables include, but are not limited to, Gross Domestic Product, Equity price index, Oil prices, and Government expenditure. Together, they provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models which incorporate the effect of macro-economic factors to adjust the historical TTC PDs to arrive at the PiT PDs. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for designated geographies and segments, and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions, on a regular basis.

The weighting of the multiple scenarios increased the Group's reported allowance for expected credit losses on financial assets, other than credit facilities, in Stage 1 and Stage 2, relative to the base case scenario, by KD 4,601 thousand (2023: increased by KD 3,503 thousand). If the Group were to use only downside case scenario, allowance for expected credit losses on financial assets other than credit facilities would be KD 14,410 thousand (2023: KD 13,176 thousand) higher than the reported allowance for expected credit losses on financial assets, other than credit facilities, as at 31 December 2024.

The weighting of the multiple scenarios increased the Group's reported allowance for expected credit losses on credit facilities, in Stage 1 and Stage 2, relative to the base case scenario, by KD 3,404 thousand (2023: increased by KD 11,927 thousand). If the Group were to use only downside case scenario, allowance for expected credit losses on credit facilities would be KD 25,739 thousand (2023: KD 54,644 thousand) higher than the reported allowance for expected credit losses on credit facilities as at 31 December 2024.

Actual outcomes may differ as this neither considers the migration of exposures nor incorporates changes which would occur in the portfolio due to risk mitigation actions and other factors.

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)

### 28.1. 2 MAXIMUM EXPOSURE TO CREDIT RISK

An analysis of loans, advances and Islamic facilities to customers and contingent liabilities before and after taking account of eligible collateral held or other credit enhancements, is as follows:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Gross exposure KD 000's** | **Net exposure KD 000's** | Gross exposure KD 000's | Net exposure KD 000's |
| Loans, advances and Islamic financing to customers | **23,707,609** | **16,300,409** | 22,281,004 | 15,841,839 |
| Contingent liabilities | **5,397,383** | **5,198,303** | 4,615,911 | 4,430,493 |

For other financials assets, the gross exposure amounts are equal to net exposure amounts.

**Collateral and other credit enhancements**
The amount, type and valuation of collateral are based on guidelines specified in the risk management framework. The main types of collateral accepted includes real estate, quoted shares, cash collateral and bank guarantees. The revaluation and custody of collaterals are performed independent of the business units.

### 28.1. 3 RISK CONCENTRATION OF THE MAXIMUM EXPOSURE TO CREDIT RISK

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio. The 20 largest loans, advances and Islamic financing to customers outstanding as a percentage of gross loans, advances and Islamic financing to customers as at 31 December 2024 is 14% (2023: 14%).

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)
**28.1. 3 RISK CONCENTRATION OF THE MAXIMUM EXPOSURE TO CREDIT RISK** (continued)

The Group's financial assets and off-balance sheet items, before taking into account any collateral held or credit enhancements can be analysed by the following geographic regions:

| **2024**<br>**Geographic region** | **Middle East and North Africa KD 000's** | **North America KD 000's** | **Europe & UK KD 000's** | **Asia KD 000's** | **Others KD 000's** | **Total KD 000's** |
|---|---|---|---|---|---|---|
| Balances and deposits with banks | 3,566,306 | 1,977,667 | 822,416 | 163,868 | 183 | 6,530,440 |
| Central Bank of Kuwait bonds | 343,652 | - | - | - | - | 343,652 |
| Kuwait Government treasury Bonds | 148,555 | - | - | - | - | 148,555 |
| Loans, advances and Islamic financing to customers | 19,412,335 | 677,969 | 2,434,663 | 698,483 | 484,159 | 23,707,609 |
| Investment securities | 5,251,438 | 60,936 | 523,169 | 1,384,725 | 30,559 | 7,250,827 |
| Other assets | 256,187 | 39,432 | 399,170 | 9,375 | 2,904 | 707,068 |
| | 28,978,473 | 2,756,004 | 4,179,418 | 2,256,451 | 517,805 | 38,688,151 |
| Commitments and contingent liabilities (Note 25) | 3,995,118 | 385,974 | 1,160,180 | 1,240,604 | 26,310 | 6,808,186 |
| | 32,973,591 | 3,141,978 | 5,339,598 | 3,497,055 | 544,115 | 45,496,337 |

| 2023<br>Geographic region | Middle East and North Africa KD 000's | North America KD 000's | Europe & UK KD 000's | Asia KD 000's | Others KD 000's | Total KD 000's |
|---|---|---|---|---|---|---|
| Balances and deposits with banks | 3,300,992 | 1,255,953 | 700,504 | 279,435 | - | 5,536,884 |
| Central Bank of Kuwait bonds | 856,815 | - | - | - | - | 856,815 |
| Kuwait Government treasury Bonds | 194,111 | - | - | - | - | 194,111 |
| Loans, advances and Islamic financing to customers | 18,706,076 | 579,586 | 1,911,118 | 652,231 | 431,993 | 22,281,004 |
| Investment securities | 4,783,897 | 51,918 | 420,703 | 1,304,861 | 30,504 | 6,591,883 |
| Other assets | 305,897 | 35,361 | 294,212 | 8,678 | 2,134 | 646,282 |
| | 28,147,788 | 1,922,818 | 3,326,537 | 2,245,205 | 464,631 | 36,106,979 |
| Commitments and contingent liabilities (Note 25) | 3,391,864 | 320,596 | 1,181,022 | 1,008,663 | 41,274 | 5,943,419 |
| | 31,539,652 | 2,243,414 | 4,507,559 | 3,253,868 | 505,905 | 42,050,398 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)
**28.1. 3 RISK CONCENTRATION OF THE MAXIMUM EXPOSURE TO CREDIT RISK** (continued)

The Group's financial assets and off-balance sheet items, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sectors:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| **Industry sector** | | |
| Trading | **2,368,557** | 2,206,795 |
| Manufacturing | **3,658,643** | 3,369,644 |
| Banks and other financial institutions | **14,128,204** | 12,929,028 |
| Construction | **2,038,145** | 1,658,949 |
| Real Estate | **5,308,650** | 4,596,994 |
| Retail | **7,650,702** | 7,435,574 |
| Government | **3,788,180** | 3,658,123 |
| Others | **6,555,256** | 6,195,291 |
| | **45,496,337** | 42,050,398 |

**28.1. 4 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS**

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the default risk from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The default risk on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

**28 RISK MANAGEMENT** (continued)
**28.1 CREDIT RISK** (continued)
**28.1. 4 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS** (continued)

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** | **High KD 000's** | **Standard KD 000's** | **Impaired KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| Balances and short term deposits with banks | **5,148,405** | **-** | **26,030** | **5,174,435** |
| Central Bank of Kuwait bonds | **343,652** | **-** | **-** | **343,652** |
| Kuwait Government treasury bonds | **148,555** | **-** | **-** | **148,555** |
| Deposits with banks | **1,244,396** | **139,472** | **-** | **1,383,868** |
| Loans, advances and Islamic financing to customers | **20,735,720** | **3,507,105** | **329,120** | **24,571,945** |
| Investments in debt securities – Amortized cost | **327,861** | **788,101** | **-** | **1,115,962** |
| Investments in debt securities – FVOCI | **5,676,911** | **454,381** | **770** | **6,132,062** |
| Investments in debt securities – FVTPL | **19,647** | **-** | **-** | **19,647** |
| | **33,645,147** | **4,889,059** | **355,920** | **38,890,126** |

| 2023 | High KD 000's | Standard KD 000's | Impaired KD 000's | Total KD 000's |
|---|---|---|---|---|
| Balances and short term deposits with banks | 4,220,354 | - | 26,788 | 4,247,142 |
| Central Bank of Kuwait bonds | 856,815 | - | - | 856,815 |
| Kuwait Government treasury bonds | 194,111 | - | - | 194,111 |
| Deposits with banks | 1,028,972 | 289,946 | 307 | 1,319,225 |
| Loans, advances and Islamic financing to customers | 20,020,437 | 2,805,031 | 318,386 | 23,143,854 |
| Investments in debt securities – Amortized cost | 254,858 | 818,328 | - | 1,073,186 |
| Investments in debt securities – FVOCI | 4,996,478 | 522,695 | 471 | 5,519,644 |
| Investments in debt securities – FVTPL | 17,979 | - | - | 17,979 |
| | 31,590,004 | 4,436,000 | 345,952 | 36,371,956 |

# Notes to the Consolidated Financial Statements (continued)
31 December 2024

**28 RISK MANAGEMENT** (continued)

### 28.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis.

The table below summarises the maturity profile of Group's assets, liabilities and equity based on contractual cash flows and maturity dates. This does not necessarily take account of the effective maturities.

| 2024 | Up to 3 months KD 000's | 3 to 12 months KD 000's | Over 1 year KD 000's | Total KD 000's |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and deposits with banks | 6,640,925 | 65,678 | - | 6,706,603 |
| Central Bank of Kuwait bonds | 319,009 | 24,643 | - | 343,652 |
| Kuwait Government treasury bonds | - | - | 148,555 | 148,555 |
| Loans, advances and Islamic financing to customers | 6,925,537 | 2,840,902 | 13,941,170 | 23,707,609 |
| Investment securities | 886,512 | 575,599 | 6,164,367 | 7,626,478 |
| Land, premises and equipment | - | - | 517,392 | 517,392 |
| Goodwill and other intangible assets | - | - | 510,733 | 510,733 |
| Other assets | 337,428 | 42,806 | 396,900 | 777,134 |
| | 15,109,411 | 3,549,628 | 21,679,117 | 40,338,156 |
| **Liabilities and equity** | | | | |
| Due to banks | 4,383,457 | 1,002,590 | 17,755 | 5,403,802 |
| Deposits from other financial institutions | 1,969,051 | 976,893 | 3,812 | 2,949,756 |
| Customer deposits | 17,049,292 | 5,165,456 | 651,457 | 22,866,205 |
| Certificates of deposit issued | 1,035,601 | 465,856 | - | 1,501,457 |
| Other borrowed funds | 231,075 | - | 1,289,347 | 1,520,422 |
| Other liabilities | 750,290 | 7,942 | 181,550 | 939,782 |
| Share capital and reserves | - | - | 3,904,167 | 3,904,167 |
| Proposed cash dividend | - | 208,161 | - | 208,161 |
| Perpetual Tier 1 Capital Securities | - | - | 439,032 | 439,032 |
| Non-controlling interests | - | - | 605,372 | 605,372 |
| | 25,418,766 | 7,826,898 | 7,092,492 | 40,338,156 |

## 28 RISK MANAGEMENT (continued)

### 28.2 LIQUIDITY RISK (continued)

| 2023 | Up to 3 months KD 000's | 3 to 12 months KD 000's | Over 1 year KD 000's | Total KD 000's |
|---|---|---|---|---|
| Assets | | | | |
| Cash and deposits with banks | 5,520,612 | 182,209 | - | 5,702,821 |
| Central Bank of Kuwait bonds | 472,911 | 383,904 | - | 856,815 |
| Kuwait Government treasury bonds | - | 47,000 | 147,111 | 194,111 |
| Loans, advances and Islamic financing to Customers | 6,271,945 | 2,794,350 | 13,214,709 | 22,281,004 |
| Investment securities | 779,059 | 539,776 | 5,565,986 | 6,884,821 |
| Land, premises and equipment | - | - | 506,812 | 506,812 |
| Goodwill and other intangible assets | - | - | 508,416 | 508,416 |
| Other assets | 313,603 | 53,340 | 363,248 | 730,191 |
| | 13,358,130 | 4,000,579 | 20,306,282 | 37,664,991 |
| Liabilities and equity | | | | |
| Due to banks | 3,223,281 | 728,464 | 12,057 | 3,963,802 |
| Deposits from other financial institutions | 2,543,653 | 1,167,902 | 14,074 | 3,725,629 |
| Customer deposits | 15,776,574 | 5,493,783 | 678,600 | 21,948,957 |
| Certificates of deposit issued | 637,710 | 185,189 | - | 822,899 |
| Other borrowed funds | - | 153,690 | 1,177,316 | 1,331,006 |
| Other liabilities | 783,894 | 18,927 | 163,302 | 966,123 |
| Share capital and reserves | - | - | 3,685,523 | 3,685,523 |
| Proposed cash dividend | - | 198,249 | - | 198,249 |
| Perpetual Tier 1 Capital Securities | - | - | 439,032 | 439,032 |
| Non-controlling interests | - | - | 583,771 | 583,771 |
| | 22,965,112 | 7,946,204 | 6,753,675 | 37,664,991 |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**28 RISK MANAGEMENT** (continued)
**28.2 LIQUIDITY RISK** (continued)

The liquidity profile of financial liabilities of the Group summarised below reflects the cash flows including future interest payments over the life of these financial liabilities based on contractual repayment arrangements.

| **2024** | **Up to 3 months KD 000's** | **3 to 12 months KD 000's** | **Over 1 year KD 000's** | **Total KD 000's** |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Due to banks | **4,396,381** | **1,024,925** | **19,670** | **5,440,976** |
| Deposits from other financial institutions | **1,976,437** | **1,005,787** | **4,080** | **2,986,304** |
| Customer deposits | **17,112,146** | **5,306,011** | **735,053** | **23,153,210** |
| Certificates of deposit issued | **1,039,576** | **478,818** | **-** | **1,518,394** |
| Other borrowed funds | **239,974** | **39,721** | **1,413,305** | **1,693,000** |
| | **24,764,514** | **7,855,262** | **2,172,108** | **34,791,884** |
| **Contingent liabilities and commitments** | | | | |
| Contingent liabilities | **1,408,862** | **2,235,696** | **1,752,825** | **5,397,383** |
| Irrevocable commitments | **249,020** | **352,799** | **808,984** | **1,410,803** |
| | **1,657,882** | **2,588,495** | **2,561,809** | **6,808,186** |
| **Derivative financial instruments settled on a gross basis** | | | | |
| Contractual amounts payable | **3,324,330** | **671,705** | **271,348** | **4,267,383** |
| Contractual amounts receivable | **3,329,508** | **675,587** | **273,425** | **4,278,520** |

| 2023 | Up to 3 months KD 000's | 3 to 12 months KD 000's | Over 1 year KD 000's | Total KD 000's |
|---|---|---|---|---|
| Financial Liabilities | | | | |
| Due to banks | 3,230,779 | 752,183 | 13,212 | 3,996,174 |
| Deposits from other financial institutions | 2,554,144 | 1,198,201 | 15,658 | 3,768,003 |
| Customer deposits | 15,831,255 | 5,658,392 | 763,543 | 22,253,190 |
| Certificates of deposit issued | 642,697 | 190,310 | - | 833,007 |
| Other borrowed funds | 8,540 | 195,681 | 1,291,674 | 1,495,895 |
| | 22,267,415 | 7,994,767 | 2,084,087 | 32,346,269 |
| Contingent liabilities and commitments | | | | |
| Contingent liabilities | 1,364,374 | 1,885,643 | 1,365,894 | 4,615,911 |
| Irrevocable commitments | 274,707 | 313,361 | 739,440 | 1,327,508 |
| | 1,639,081 | 2,199,004 | 2,105,334 | 5,943,419 |
| Derivative financial instruments settled on a gross basis | | | | |
| Contractual amounts payable | 3,360,572 | 1,056,390 | 309,391 | 4,726,353 |
| Contractual amounts receivable | 3,355,216 | 1,053,861 | 299,513 | 4,708,590 |

### 28.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

#### 28.3.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not excessively exposed to interest rate risk as its assets and liabilities are repriced regularly and most exposures arising on medium-term fixed-rate lending or fixed-rate borrowing are covered by interest rate swaps. Furthermore, the re-pricing gaps of its assets and liabilities are carefully monitored and controlled through limits pre-established by the Board of Directors and adjusted where necessary, to reflect the changing market conditions.

**Interest rate sensitivity**

Interest rate sensitivity of profit measures the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest-bearing financial assets and financial liabilities held at the year end. This includes the effect of hedging instruments but excludes loan commitments. The sensitivity on equity is the impact arising from changes in interest rate on fair value of investments in debt securities classified as FVOCI. Sensitivity to interest rate movements will be on a symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit and equity as follows:

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | | **Effect on profit KD 000's** | **Effect on equity KD 000's** | Effect on profit KD 000's | Effect on equity KD 000's |
| **Currency** | **Movement in Basis points** | | | | |
| | | | | | |
| KWD | +25 | **6,725** | **-** | 8,525 | - |
| USD | +25 | **4,455** | **-** | 5,548 | - |
| EUR | +25 | **56** | **-** | 305 | - |
| GBP | +25 | **1,139** | **-** | 788 | - |
| EGP | +25 | **257** | **(55)** | 366 | (180) |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

**28 RISK MANAGEMENT** (continued)
**28.3 MARKET RISK** (continued)

### 28.3.2 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risks are controlled through limits pre-established by the Board of Directors on currency position exposures. In general assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Appropriate segregation of duties exists between the treasury front and back office functions, while compliance with position limits is independently monitored on an ongoing basis.

The table below analyses the effect on profit of an assumed 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at the year-end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit, whereas a positive amount reflects a net potential increase.

| | | 2024 | 2023 |
|---|---|---|---|
| Currency | % Change in currency rate | Effect on profit KD 000's | Effect on profit KD 000's |
| USD | +5 | 1,222 | (393) |
| GBP | +5 | 338 | (1) |
| EUR | +5 | (93) | 38 |
| Other | +5 | 237 | 108 |

### 28.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of geographic distribution and industry concentration. The table below analyses the effect of equity price risk on profit (as a result of change in the fair value of equity investments held as fair value through profit or loss) and on equity (as a result of change in the fair value of equity investments classified as FVOCI) at the year end due to an assumed 5% change in market indices, with all other variables held constant.

| | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| Market indices | % Change in equity price | Effect on profit KD 000's | Effect on equity KD 000's | Effect on profit KD 000's | Effect on equity KD 000's |
| Kuwait stock exchange | +5 | 104 | 22 | 82 | 32 |
| Qatar stock exchange | +5 | 130 | - | 177 | - |
| UAE stock indices | +5 | 539 | - | 366 | - |
| Saudi stock exchange | +5 | 1,008 | 206 | 999 | 220 |

### 28.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, 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. Operational risk is managed by the operational risk function, which ensures compliance with policies and procedures and monitors operational risk as part of overall global risk management.

The Operational Risk function of the Group 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.

## 29 CAPITAL

A key objective of the Group is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with the externally-imposed capital requirements.

The disclosures relating to the capital adequacy regulations issued by Central Bank of Kuwait (CBK) as stipulated in CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 (Basel III), and its amendments, and the Leverage regulations as stipulated in CBK Circular number 2/BS/ 342/2014 dated 21 October 2014, and its amendments under the Basel Committee framework are included under the 'Risk Management' section of the Annual Report.

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group's management and are, also, governed by guidelines of Basel Committee on Banking Supervision as adopted by the CBK.

The Group's regulatory capital and capital adequacy ratios (Basel III) are shown below:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Risk-Weighted Assets | **27,601,723** | 26,469,664 |
| Total Capital required | **4,140,258** | 3,970,540 |
| Total Capital available | | |
| Common Equity Tier 1 Capital | **3,639,713** | 3,442,577 |
| Additional Tier 1 Capital | **534,221** | 531,776 |
| Tier 1 Capital | **4,173,934** | 3,974,353 |
| Tier 2 Capital | **611,765** | 597,889 |
| Total Capital | **4,785,699** | 4,572,242 |
| Common Equity Tier 1 Capital adequacy ratio | **13.2%** | 13.0% |
| Tier 1 Capital adequacy ratio | **15.1%** | 15.0% |
| Total Capital adequacy ratio | **17.3%** | 17.3% |

# Notes to the Consolidated Financial Statements (continued)

31 December 2024

## 29 CAPITAL (continued)

Total capital requirement as at 31 December 2024 is 15% (31 December 2023:15%) including capital conservation buffer of 2.5% (31 December 2023 :2.5%).

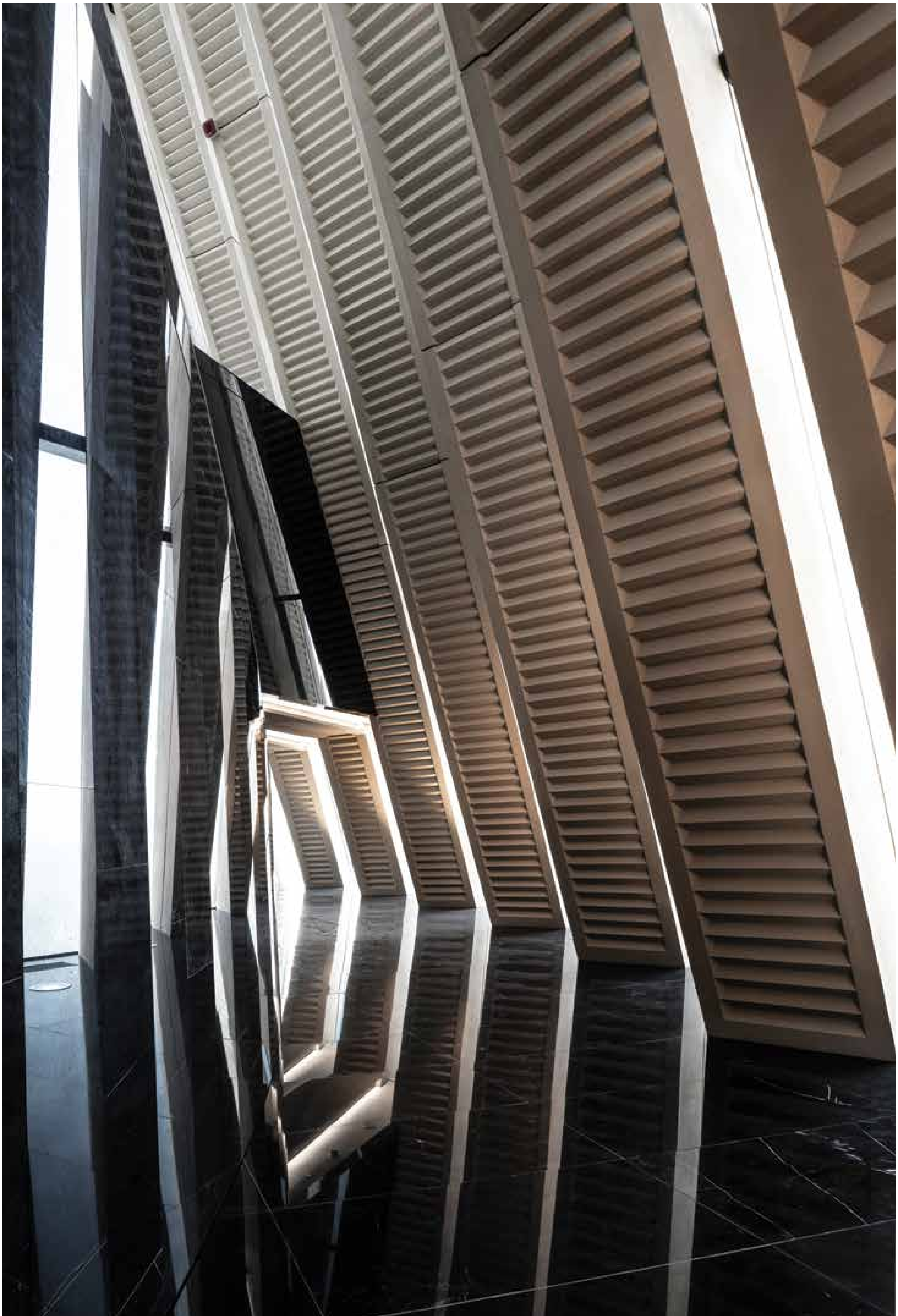
The calculations include Boubyan Bank K.S.C.P., an Islamic Banking subsidiary. For purposes of determining risk-weighted assets and capital required, exposures and assets at Boubyan Bank K.S.C.P. are risk weighted, and capital charge calculated, in accordance with Central Bank of Kuwait regulations applicable to banks providing banking services compliant with Codes of Islamic Sharia'a. Those figures are then added to corresponding figures pertaining to all the rest of the Group, identical with the treatment in relevant reports submitted to the Central Bank of Kuwait.

The Group's financial leverage ratio is calculated in accordance with CBK circular number 2/BS/ 342/2014 dated 21 October 2014, and its amendments is shown below:

| | **2024 KD 000's** | 2023 KD 000's |
|---|---|---|
| Tier 1 capital | **4,173,934** | 3,974,353 |
| Total exposures | **44,052,478** | 40,989,808 |
| Leverage ratio | **9.5%** | 9.7% |

## 30 FUNDS UNDER MANAGEMENT

The Group manages a number of funds, some of which are managed in association with other professional fund managers. The funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. Accordingly, the assets of these funds are not included in the consolidated statement of financial position. As at 31 December 2024, funds under management were KD 7,654 million (2023: KD 6,600 million).



# Group Directory

**HEAD OFFICE**

Al Shuhada Street, Sharq
P.O.Box: 95, Safat
13001 Kuwait
Tel: +965 2229 1111
Fax: +965 2229 1444

**CONSUMER BANKING GROUP**

**Retail Banking**
Ext: 2053

**Domestic Branches**
Ext: 3250

**Direct Sales**
Ext: 5003

**Consumer Lending**
Ext: 3374

**Marketing**
Ext: 3507

**Consumer Credit Collection**
Ext: 2305

**Private Banking Group**
Ext: 2553

**Domestic Corporate Banking**
Ext: 2373

**Foreign Corporate, Oil and Trade Finance Group**
Ext: 2307

**Treasury Group**
Ext: 3567

**Group Risk Management**
Ext: 2321

**Economic Research Group**
Ext: 3136

**Legal Affairs Group**
Ext: 3091

**Human Resources**
Ext: 5162

**International Banking Group**

**Regional Institutional Banking**
Ext: 5328

Please refer to international network for a complete listing

**Operations Group**
Ext: 3354

**Information Technology Group**
Ext: 3797

**Group Financial Control**
Ext: 3009

**Executive Office**
Ext: 2230

**Public Relations**
Ext: 3166

**Media Relations**
Ext: 2789

**Advertising**
Ext: 2665

**Group Internal Audit**
Ext: 5405

# Local Branches

Ahmad Al-Jaber
Ahmadi
Airport T1
Airport T4
AIU - Self-service Branch
Al-Rihab
Al-Rumaithiya
Ali Sabah Al-Salem
Andalus
Ardiya
Avenues
Bayan
Boursa
Cinema Salmiya
Dahiyat A. Salem
Daiya
Dasma
Doha
Edge Mall - Self-service Branch
Eqaila
Fahad Al-Salem
Fahaheel
Fahaheel Sahely
Faiha

Farwaniya
Fintas
Ghazali
Grand Avenues Plaza
Hadiya
Hamra Tower
Hawally
HQ
Jabriya
Jahra
Jahra Commercial
Jleeb Shuyoukh
Kuwait Airways Head Office - Self-service Branch
Kaifan
Khairan Hybrid Outlet Mall
Khairan Square - Self-service Branch
Kheitan
KNPC
KOC
Ministries Complex
Mishref
Mubarak Al Kabeer
Nuzha
PIFSS

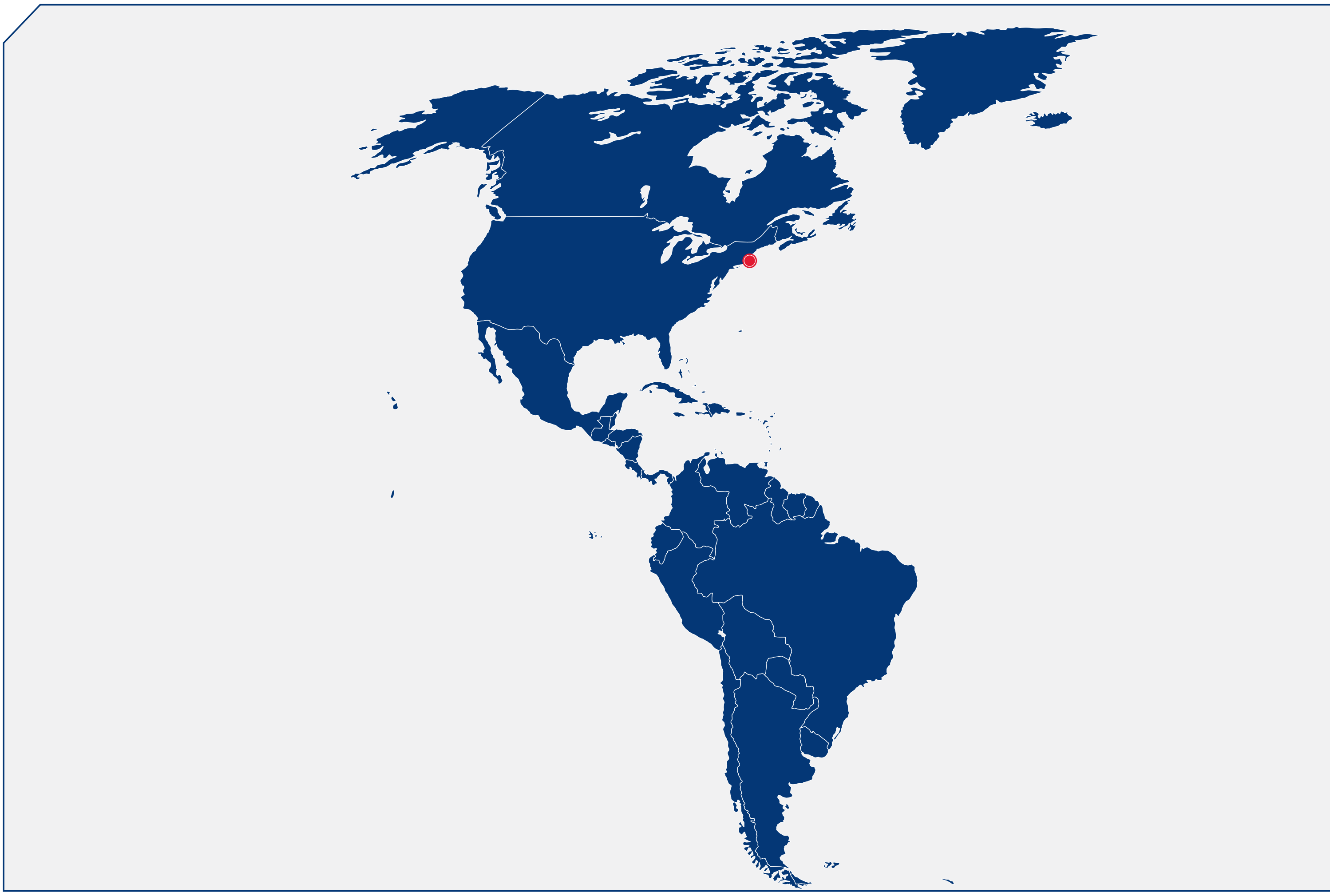
Qadsiya
Qortouba
Qurain
Ras Al-Salmiya
Rawda
Riqqa
Saad Al-Abdullah
Sabah Al Ahmad
Sabah Al-Nasser
Sabah Al Salem
Sabahiya
Sabhan
Salwa
Shamiya
Sharq
Shuwaikh
Shuwaikh Medical
Siddiq
Sour
South Surra
Surra
The Warehouse
Yarmouk

**Head Office Tel.: 2229 1111**
**Call Center Tel.: 1801801**

**For More Information About National Bank of Kuwait:**

NBKPage
NBKGroup
NBKGroup
NBKGroup
NBKGroup
National Bank of Kuwait
1801801

# International Branches



**Bahrain**
**National Bank of Kuwait SAKP**
**Bahrain Branch**
GFH Tower Block 346
Road 4626, Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

**Saudi Arabia**
**National Bank of Kuwait SAKP**
**Jeddah Branch**
Al-Khalidiah District
Al-Mukmal Tower
P.O. Box 15385
Jeddah 21444
Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

**United Arab Emirates**
**National Bank of Kuwait SAKP**
**Dubai Branch**
Latifa Tower
Sheikh Zayed Road
P.O. Box 9293, Dubai, U.A.E
Tel: +971 4 3161 600
Fax: +971 4 3888 588

**Abu Dhabi Branch**
Sheikh Rashid Bin Saeed Street
Al Maktoom Road
(Old Airport Road)
P.O. Box 113567
Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

**NBK Capital Partners Limited - DIFC, Dubai**
Precinct Building 3, Office 404
Dubai International Financial Centre
P.O. Box 506506, Dubai, U.A.E
Tel: +971 4 365 2800
Fax: +971 4 365 2805

**Lebanon**
**National Bank of Kuwait (Lebanon) SAL**
**Sanayeh Head Office**
BAC Building, Justinian Street
P.O. Box 11-5727, Riad El-Solh
1107 2200 Beirut, Lebanon
Tel: +9611 759 700
Fax: +9611 747 866

**Bhamdoun Branch**
Tel: +961 5 260 100
Fax: +961 5 260 102

**Iraq**
**Credit Bank of Iraq**
**Head Office**
Street 9, Building 187
(Elwiya Building)
Sadoun Street District 102
P.O. Box 3420
Baghdad, Iraq
Tel: +964 1 7182198/ 7191944

**Egypt**
**National Bank of Kuwait - Egypt SAE**
Plot No. 155, City Center
First Sector 5th settlement
P.O. Box 229
Postal Code 11835
New Cairo, Egypt
Tel: +202 26149300
Fax: +202 2613 5864

**United Kingdom**
**National Bank of Kuwait (International) PLC**
**Head Office**
NBK House, 13 George Street,
London, W1U 3QJ, UK
Tel: +44 20 7224 2277

**France**
**National Bank of Kuwait France SA**
90 Avenue des
Champs-Elysées
75008 Paris, France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

**Singapore**
**National Bank of Kuwait SAKP**
9 Raffles Place #44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

**China**
**National Bank of Kuwait SAKP**
**Shanghai Branch**
Suite 1501-1502
AZIA Center
1233 Lujiazui Ring Road
Shanghai 200120
China
Tel: +86-21-8036-0800
Fax: +86-21-8036-0801

**United States of America**
**National Bank of Kuwait SAKP**
**New York Branch**
299 Park Avenue, 17th Floor
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

**Kuwait**
**Watani Financial**
**Brokerage Co**
Abdullah Al-Ahmed Street
Al-Naqi Building, Office 17
P.O. Box 21350
Safat 13074
Kuwait
Tel: +965 2259 5102
Fax: +965 2224 6979

**NBK Capital**
NBK Headquarters
Al Shuhada Street
Block 6, Sharq
P.O.Box 4950
Safat 13050 Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6905

**National Bank of Kuwait**
**(S.A.K.P)**
**P.O.Box:** 95 Safat, 13001, Kuwait
**Tel:** +965 22291111
webmaster@nbk.com
**nbk.com**