

# GFH Financial Group B.S.C

## CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

Commercial registration	:	44136-1 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	2nd Floor, Harbor House Building Number 1436 Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Abdulmohsen Rashed Alrashed, Chairman Ghazi Faisal Ebrahim Alhajeri, Vice Chairman Hisham Ahmed Alrayes Ali Murad Darwish Al Ketbi Fawaz Talal Al Tamimi Rashid Nasser Al Kaabi Abdulaziz Abdulhamid Albassam Abdulla Jihad Alzain H.H Shaikha Minwa Bint Ali Bin Khalifa Al Khalifa
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

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## Our Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors of GFH Financial Group, I am pleased to present the Group's Directors' Report for the fiscal year ended 31 December 2025, a year defined by strategic execution, disciplined growth and continued alignment with the Group's long-term vision.

Throughout the year, GFH continued to strengthen the foundations underpinning its growth while advancing key strategic priorities, including investment in technology, strengthen the digital capabilities across its platforms and the enhancement of customer-centric capabilities and the overall customer experience. These initiatives further reinforce the Group's disciplined approach to growth and long-term value creation.

Building on this strong foundation, the Board continued to exercise active oversight to ensure the Group remained agile and well positioned to pursue opportunities aligned with sustainable growth drivers and fundamental economic requirements. Throughout 2025, GFH maintained a selective investment approach while preserving balance sheet strength and liquidity, enabling the Group to respond effectively to evolving market dynamics.

### Sustained Growth Across Core Platforms

During 2025, GFH continued to strengthen the foundations supporting its growth, advancing its core platform through disciplined expansion and selective capital deployment. The Board remained focused on reinforcing the Group's structural strengths while positioning GFH to capture opportunities across resilient and high conviction sectors.

The Group increased its exposure to its high-conviction sectors including logistics and industrial, living assets, healthcare, education, essential business services, and digital and power infrastructure. These sectors reflect the Board's focus on regional & global megatrends, assets that are essential to economic activity and long-term societal needs. Investments were executed across the GCC, the United States, Europe, and the United Kingdom, reinforcing the Group's diversified international footprint.

As a result of these initiatives, the Group continued to grow its assets and funds under management, which reached approximately US\$ 23.63 billion as at year-end. This growth was underpinned by a diversified portfolio of income-generating assets, with an increasing contribution from defensive and mission-critical sectors that demonstrate resilience across market cycles.

GFH Partners, the Group's global investment arm, played a central role in executing the Group's strategy during 2025. In 2025, the platform facilitated and managed investments with an aggregate value of approximately **US\$7.5 billion**, enhancing the Group's access to institutional-grade opportunities and expanding its presence across key international markets.

Private equity also remained at the heart of the Group's investment activities, supporting stellar growth in assets under management, diversification and proactive value creation. During the year, private equity made select thematic investments in some of the most iconic deals across KSA, the UAE, United States and Europe, undertook several portfolio optimisation initiatives, and exits in line with its disciplined investment approach, enabling the recycling of capital into new opportunities while delivering attractive risk-adjusted returns to our investors.

In parallel, the Group's treasury, proprietary investments, and placement activities supported the effective deployment of capital and liquidity management.

During 2025, GFH raised more than **US\$ 7.8 billion** across its investment banking, placement, and treasury platforms, supported by the Group's established distribution capabilities.

### **Financial Performance**

The Group's total consolidated revenue reached US\$719.54 million for the year ended 31 December 2025, compared with US\$665.36 million in 2024, reflecting a year-on-year increase of 8.1%. The Group reported a consolidated net profit of US\$145.50 million, compared with US\$128.51 million in 2024, representing an increase of 13.2%, while net profit attributable to shareholders rose to US\$140.11 million from US\$118.50 million in the previous year, an increase of 18.2%.

Total assets increased to US\$12.20 billion as at 31 December 2025, compared with US\$11.03 billion at the end of 2024, reflecting growth of 10.6%. The Group's assets and funds under management stood at US\$23.63 billion as at 31 December 2025.

The Group also ended the year with a Capital Adequacy Ratio of 16.62% and a Return on Equity (ROE) ratio of 14%.

The Board remains focused on delivering sustainable growth in profitability while maintaining strong capital discipline and risk management standards.

During the year, the Group continued to deliver attractive shareholder returns through a combination of dividend distributions and share price appreciation. The increase in the Group's share price, together with interim and proposed dividends, contributed to strong total shareholder returns, reflecting investor confidence in GFH's strategy and execution.

These results reflect the strength of the Group's business model and its ability to generate sustainable performance while maintaining prudent risk management and capital discipline.

### **Governance, Risk and Financial Resilience**

Strong governance, effective risk management, and a conservative capital framework remain central to GFH's operating philosophy. Throughout 2025, the Group maintained a robust balance sheet, adequate liquidity, and a disciplined risk appetite, supporting long-term stability and flexibility.

The Group's financial resilience and strategic direction were recognised by international credit rating agencies, reaffirming confidence in GFH's business model and long-term outlook.

### **Commitment to ESG and Responsible Growth**

GFH remains firmly committed to integrating environmental, social, and governance (ESG) principles across its operations and investment activities, with continued progress during 2025 in sustainability, human capital development, and community engagement, aligned with regional priorities and international best practices.

The Board views ESG as an integral component of long-term value creation, reinforcing the Group's responsibility to its shareholders, stakeholders, and the communities in which it operates.

### **Dividend Recommendation**

As a result of our robust performance, the Board has recommended a total cash dividend of 10.11% on par value for our shareholders, reflecting the Group's commitment to delivering sustainable and consistent returns while maintaining a prudent capital position.

## **Moving Forward**

As we look to the future, GFH remains focused on disciplined growth, portfolio resilience, continued digital innovation, enhancement of customer experience and sustainable value creation. The Group will continue to prioritise sectors and geographies that offer resilience, long-term visibility and meaningful impact, supported by strong governance and an experienced leadership team.

The Board remains confident in GFH's ability to navigate evolving market conditions and to continue delivering consistent value for shareholders and stakeholders alike.

## **Acknowledgments**

On behalf of the Board of Directors, I extend our sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, for their visionary leadership and continued support in fostering a stable and progressive environment for the Kingdom of Bahrain's financial sector.

We also thank the Central Bank of Bahrain and the Government of the Kingdom of Bahrain for their continued guidance and for maintaining a robust regulatory framework that enables institutions such as GFH to operate with confidence and integrity.

To our shareholders and investors, we thank you for your continued trust and confidence in GFH. Finally, I extend my gratitude to the Group's management and employees for their dedication and commitment, which remain central to GFH's ongoing success.

**First: Remuneration of the Board of Directors:**

In line with the requirements of Article 188 of the Commercial Company Law, we are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2025.

Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total			
<b>First: Independent Directors (1):</b>											
Abdulmohsen Alrashed	188,500	100,000	-	288,500	-	-	-	-	-	288,500	-
Ghazi Alhajeri	113,100	50,000	-	163,100	-	-	-	-	-	163,100	-
Ali Murad	113,100	50,000	-	163,100	-	-	-	-	-	163,100	-
Abdulla Alzain	113,100	50,000	-	163,100	-	-	-	-	-	163,100	-
Abdulaziz AlBassam	113,100	50,000	-	163,100	-	-	-	-	-	163,100	-
Fawaz Al Tamimi	94,250	50,000	-	144,250	-	-	-	-	-	144,250	-
Darwish AlKetbi	94,250	50,000	-	144,250	-	-	-	-	-	144,250	-
H.H Shaikha Minwa Al Khalifa	94,250	50,000	-	144,250	-	-	-	-	-	144,250	-
<b>Second: Non-Executive Directors (3):</b>											
Rashed Alkaabi	94,250	50,000	-	144,250	-	-	-	-	-	144,250	-
<b>Third: Executive Directors (3):</b>											
Hisham Alrayes	113,100	50,000	-	163,100	-	-	-	-	-	163,100	-
<b>Total</b>	<b>1,131,000</b>	<b>550,000</b>	<b>-</b>	<b>1,681,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,681,000</b>	<b>-</b>

**Notes:**

1. All amounts in Bahraini Dinars.
2. The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
3. Salaries and other benefits in their capacity as employee is reported in the second table below.

Board remuneration represents allocation of proposed remuneration for 2025 subject to approval of the Annual General Meeting.

**Second: Executive Management Remuneration Details for Top 6 Executives:**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Remunerations of top 6 executives, including CEO* and CFO**	<b>1,470,236</b>	<b>1,528,389</b>	<b>2,292,584</b>	<b>5,291,209</b>

**All amounts in Bahraini Dinars.**

\* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.

\*\* The company's highest financial officer (CFO, Finance Director, ...etc)

**Notes:**

1. A significant portion of executive management remuneration are subject to deferral over a minimum period of 3 years as per regulations of the Central Bank of Bahrain. In addition to the paid benefits reported above, the Bank also operates a long-term share incentive scheme award that allows employees to participate in a share-ownership plan. The Bank allocates shares awards that are released over a period of 6 years under normal terms and are subject to future performance conditions. Refer Notes 24 for the non-cash accounting charge recognised for share-based payment disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.
2. Remuneration information above excludes any Board remuneration earned by executive management from their role in the board of investee companies or other subsidiaries.

Thank you,

**Abdulmohsen AlRashed**  
*Chairman of the Board*

**Hisham Ahmed Alrayes**  
*CEO and Board Member*



11 February 2026  
23 Shaban 1447 AH

**SHARIA SUPERVISORY BOARD REPORT TO THE SHAREHOLDERS**  
Report on the activities of GFH Financial Group B.S.C.  
for the financial year ending 31 December 2025

**Prayers and Peace Upon the Last Apostle and Messenger, Our prophet  
Mohammed, His comrades and Relatives.**

The Sharia Supervisory Board of GFH Financial Group has reviewed the Bank's investment activities and compared them with the previously issued fatawa and rulings during the financial year 31<sup>st</sup> December 2025.

***Respective Responsibility of Sharia Supervisory Board:***

The Sharia Supervisory Board believes that as a general principle and practice, the Bank Management is responsible for ensuring that it conducts its business in accordance with Islamic Sharia rules and principles. The Sharia Supervisory Board responsibility is to express an independent opinion on the basis of its control and review of the Bank's operations and to prepare this report.

***Basis of opinion:***

Based on Sharia Supervisory Board fatwas and decisions, AAOIFI standards and Sharia Audit plan, the Sharia Supervisory Board through its periodic meetings reviewed the Sharia Audit function reports and examined the compliance of documents and transactions in regard to Islamic Sharia rules and principles, in coordination with Sharia Implementation & Coordination function. Furthermore, the Bank's management explained and clarified the contents of Consolidated Balance Sheet, Consolidated Income Statement, Consolidated statement of Zakah and Charity fund, and attached notes for the financial year ended on 31<sup>st</sup> December 2025 to our satisfaction.

**Opinion:**

The Sharia Supervisory Board resolves that:-

1. The contracts, transactions and dealings entered by the Bank are in compliance with Islamic Sharia rules and principles.
2. The distribution of profit and allocation of losses on investments was in line with the basis and principles approved by the Sharia Supervisory Board and in accordance to the Islamic Sharia rules and principles
3. Any earnings resulted from sources or means prohibited by the Islamic Sharia rules and principles, have been directed to the Charity account.
4. Zakah was calculated according to the Islamic Sharia rules and principles, by the net assets method. The Bank will undertake the payment of the Zakat amount on behalf of the shareholders, subject to AGM approval.
5. The Bank was committed to comply with Islamic Sharia rules and principles, the Sharia Supervisory Board fatawa and guidelines, Sharia related policies and procedures, AAOIFI's Sharia standards, and Sharia directives issued by the CBB.

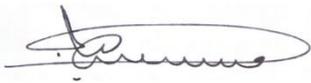
We extend our sincere thanks to all the regulatory authorities in the Kingdom of Bahrain and abroad for their support in the procedural matters. Praise be to Allah, Lord of the worlds. Prayer on Prophet Mohammed (Peace Be Upon Him), all his family and Companions.

A handwritten signature in blue ink, appearing to be 'Nedham Yaqoubi', written in a cursive style.

**Sheikh Nedham Yaqoubi**

A handwritten signature in blue ink, appearing to be 'Abdulla Al Menai', written in a cursive style.

**Sheikh Abdulla Al Menai**

A handwritten signature in blue ink, appearing to be 'Fareed Hadi', written in a cursive style.

**Sheikh Fareed Hadi**

A handwritten signature in blue ink, appearing to be 'Abdulaziz Al Qassar', written in a cursive style.

**Sheikh Abdulaziz Al Qassar**



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## Independent auditors' report

### To the Shareholders of

*GFH Financial Group B.S.C.*

*Manama*

*Kingdom of Bahrain*

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of GFH Financial Group B.S.C. (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of income, comprehensive income, income and attribution related to quasi-equity, changes in owners' equity, cash flows, and changes in off-balance-sheet investment accounts, for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and consolidated results of its operations, consolidated income and attribution related to quasi-equity, consolidated changes in owners' equity, consolidated cash flows, and consolidated changes in off-balance-sheet investment accounts for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2025.

#### Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. 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 AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), as applicable to audits of the consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in the Kingdom of Bahrain. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the 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 period. 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.

<b>Impairment allowance on Financing contracts</b>	
Refer accounting policy in note 4(f) and (n), use of estimates and judgments in note 5 (b) (i) and management of credit risk in note 35 (a).	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>We focused on this area because:</p> <p>Of the significance of financing contracts representing 21% of total assets.</p> <p>The estimation of expected credit losses (“ECL”) on Financing contracts involve significant judgment and estimates. The key areas where we identified greater level of management judgment and estimates are:</p> <ul style="list-style-type: none"> <li>• <b>Use of complex models</b>            Use of inherently judgmental complex models to estimate ECL which involves determining Probabilities of default (“PD”), Loss Given Default (“LGD”) and Exposure At default (“EAD”). The PD models are considered the drivers of the ECLs.</li> <li>• <b>Economic scenarios</b>            The need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them.</li> <li>• <b>Management overlays</b>            Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts.</li> </ul>	<p>Our procedures, amongst others, included:</p> <p>Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice.</p> <p>Confirming our understanding of management’s processes, systems and controls over the ECL calculation process.</p> <p><b>Control testing</b>            We performed process walkthroughs to identify the key systems, applications and controls associated with the ECL calculation processes.</p> <p>Key aspects of our controls testing involved the following:</p> <ul style="list-style-type: none"> <li>• Testing controls over the transfer of data between underlying source systems and ECL models that the Group operates.</li> <li>• Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process.</li> <li>• Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays;</li> <li>• Testing controls over the modelling process, including governance over model monitoring, validation and approval.</li> </ul> <p><b>Tests of details</b></p> <p>Key aspects of our testing involved:</p> <ul style="list-style-type: none"> <li>• Reviewing a sample of credit files for performing accounts and evaluating the financial performance of the borrower, source of repayment and eligible collateral and on this basis assess the appropriateness of credit rating and staging.</li> <li>• Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used.</li> </ul>

- Re-performing key elements of the Group’s model calculations and assessing performance results for accuracy.
- Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified.
- Selecting a sample of post model adjustments and management overlays to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to the source data.

Assessing the adequacy of provisions against individually impaired financing contracts (stage 3) in accordance with the applicable FAS.

***Use of specialists***

For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following:

- We involved our Information Technology Audit specialists to test the relevant General IT and Applications Controls over key systems used for data extraction as part of the ECL process;
- We involved our Financial Risk Management (FRM) specialists to assist us in:
  - a. Evaluating the appropriateness of the Groups’ ECL methodologies (including the staging criteria used);
  - b. On a test basis, re-performing the calculation of certain components of the ECL model (including the staging criteria);
  - c. Evaluating the appropriateness of the Group’s methodology for determining the economic scenarios used and the probability weights applied to them; and
  - d. Evaluating the overall reasonableness of the management forward- looking estimates by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends.

***Disclosures***

We assessed the adequacy of the Group’s disclosures in relation to use of significant estimates and judgement and credit quality of financing assets by reference to the requirements of relevant accounting standards

Independent auditors' report (Continued)  
 GFH Financial Group B.S.C.

**Valuation of unquoted equity investments**

Refer accounting policy in note 4(e), (o), 5 (b) (ii) and note 33 relating to fair value of level 3 financial instruments.

The key audit matter	How the matter was addressed in our audit
<p>We considered this as a key audit area we focused on because the valuation of unquoted equity securities held at fair value (level 3) requires the application of valuation techniques which often involve the exercise of significant judgment by the Group and the use of significant unobservable inputs and assumptions.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• we involved our own valuation specialists to assist us in:</li> <li>• evaluating the appropriateness of the valuation methodologies used by comparing with observed industry practice.</li> <li>• evaluating the reasonableness of key input and assumptions used by using our knowledge of the industries in which the investees operate and industry norms</li> <li>• comparing the key underlying financial data and inputs used in the valuation to external sources, investee company financial and management information, as applicable.</li> </ul> <p><b>Disclosures</b></p> <p>Evaluating the adequacy of the Group's disclosures related to valuation of unquoted equity instruments by reference to the relevant accounting standards.</p>

**Other Information**

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the chairman's report and other sections which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the 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 in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Board of Directors for the Consolidated Financial Statements**

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



Independent auditors' report (Continued)  
GFH Financial Group B.S.C.

In preparing the consolidated financial statements, the board of directors 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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### 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 ASIFIs 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 ASIFIs, we exercise professional judgement 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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



Independent auditors' report (Continued)  
GFH Financial Group B.S.C.

### Report on Other Regulatory Requirements

As required by the Commercial Companies Law and Volume 2 of the Rulebook issued by the Central Bank of Bahrain, we report that:

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

A handwritten signature in blue ink that reads 'KPMG' with a horizontal line underneath.

KPMG Fakhro  
Partner Registration Number 137  
11 February 2026

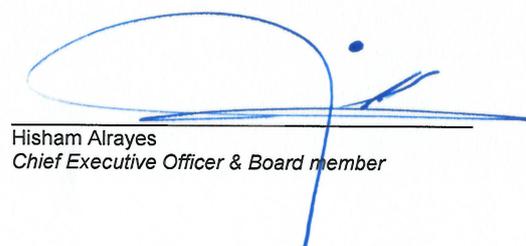
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2025**

US\$ 000's

	Note	31 December 2025	31 December 2024
<b>ASSETS</b>			
Cash and bank balances	6	249,230	459,966
Treasury portfolio	7	5,291,923	4,851,634
Financing contracts	8	2,529,917	2,058,157
Proprietary assets	9	3,075,844	2,430,667
Receivables and other assets	10	1,000,405	1,173,386
Property and equipment	11	54,796	57,215
<b>TOTAL ASSETS</b>		<b>12,202,115</b>	<b>11,031,025</b>
<b>LIABILITIES</b>			
Clients accounts		335,400	512,732
Placements from financial institutions		3,044,067	2,444,459
Placements from non-financial institutions and individuals	12	1,280,091	1,392,804
Term financing	13	2,523,516	2,149,758
Other liabilities	14	563,891	435,364
<b>TOTAL LIABILITIES</b>		<b>7,746,965</b>	<b>6,935,117</b>
<b>QUASI EQUITY</b>	16	<b>3,317,929</b>	<b>2,980,817</b>
<b>OWNERS' EQUITY</b>			
Share capital	17	1,015,637	1,015,637
Treasury shares		(158,578)	(90,692)
Statutory reserve		73,379	59,368
Investment fair value reserve		(27,370)	(40,546)
Other reserve		-	(26,189)
Retained earnings		107,358	56,918
Share grant reserve	18	10,342	6,440
<b>Total equity attributable to shareholders of the Bank</b>		<b>1,020,768</b>	<b>980,936</b>
Non-controlling interests		116,453	134,155
<b>TOTAL OWNERS' EQUITY</b>		<b>1,137,221</b>	<b>1,115,091</b>
<b>TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY</b>		<b>12,202,115</b>	<b>11,031,025</b>

The consolidated financial statements were approved by the Board of Directors on 11 February 2026 and signed on its behalf by:

  
 Abdulmohsen Rashed Alrashed  
 Chairman

  
 Hisham Alrayes  
 Chief Executive Officer & Board member

The accompanying notes 1 to 37 form an integral part of the consolidated financial statements.

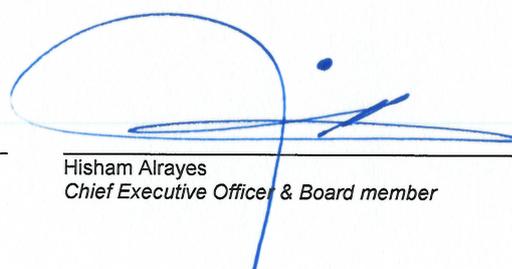
**CONSOLIDATED STATEMENT OF INCOME**  
**for the year ended 31 December 2025**

US\$ 000's

	Note	2025	2024
Wealth and investment management		174,121	171,248
Credit & financing		155,156	111,747
Treasury and proprietary		390,262	382,365
<b>Total income</b>	19	<b>719,539</b>	665,360
Other operating expenses	22 & 23	267,490	252,526
Finance expense		279,368	266,023
Impairment allowances	21	27,177	18,297
<b>Total expenses</b>		<b>574,035</b>	536,846
<b>Profit for the year</b>		<b>145,504</b>	<b>128,514</b>
<b>Profit attributable to:</b>			
Shareholders of the Bank		140,110	118,504
Non-controlling interests		5,394	10,010
		<b>145,504</b>	<b>128,514</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (US cents)	26	<b>3.92</b>	3.27



Abdulmohsen Rashed Alrashed  
 Chairman



Hisham Alrayes  
 Chief Executive Officer & Board member

The accompanying notes 1 to 37 form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2025**

US\$ 000's

	2025	2024
<b>Profit for the year</b>	<b>145,504</b>	128,514
<b>Other comprehensive income (OCI)</b>		
<b>Items that are or may be reclassified subsequently to statement of income</b>		
Fair value changes on debt investments carried at fair value through OCI	1,355	26,892
Fair value changes on equity investments carried at fair value through OCI	13,043	(19,956)
Equity-accounted investees - share of OCI	26,189	(12,577)
<b>Other comprehensive income for the year</b>	<b>40,587</b>	(5,641)
<b>Total comprehensive income</b>	<b>186,091</b>	122,873
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Bank	179,475	113,619
Non-controlling interests	6,616	9,254
	<b>186,091</b>	122,873

The accompanying notes 1 to 37 form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY**  
**for the year ended 31 December 2025**

US\$ 000's

	2025	2024
<b>Net operating income attribution to quasi equity</b>	<b>376,859</b>	330,833
Adjusted for:		
Less: income not attributable to quasi-equity	(448,376)	(363,746)
Add: Profit expense on due to banks and non-banks	93,149	120,297
Add: expenses not attributable to quasi-equity	353,637	337,624
Less: institution's share of income for its own/ share of investments	(141,370)	(169,937)
Less: allowance for impairment allowances attributable to quasi-equity	(1,660)	1,942
<b>Total income available for quasi-equity holders</b>	<b>232,239</b>	257,013
Profit equalization reserve – net movement	-	-
<b>Total income attributable to quasi-equity holders (adjusted for reserves)</b>	<b>232,239</b>	257,013
Less: Mudarib's share and Wakala fees	(886)	(54,694)
<b>Net income attributable to quasi-equity</b>	<b>231,353</b>	202,319
Investment risk reserve -net movement	-	-
<b>Profit distributable to quasi-equity</b>	<b>231,353</b>	202,319
Other comprehensive income that may subsequently be classified to statement of income	308	1,962
<b>Total comprehensive income – attributable to quasi-equity</b>	<b>231,661</b>	204,281
Add: Other comprehensive income not subject to immediate distribution	(308)	(1,962)
<b>Net profit attributable to quasi-equity</b>	<b>231,353</b>	202,319

The accompanying notes 1 to 37 form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY  
for the year ended 31 December 2025**

US\$ 000's

	Attributable to shareholders of the Bank							Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Other reserve*	Investment fair value reserve	Retained earnings	Share grant reserve			Total
<b>31 December 2025</b>										
Balance at 1 January 2025	1,015,637	(90,692)	59,368	(26,189)	(40,546)	56,918	6,440	980,936	134,155	1,115,091
Profit for the year	-	-	-	-	-	140,110	-	140,110	5,394	145,504
Other comprehensive income	-	-	-	26,189	13,176	-	-	39,365	1,222	40,587
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,189</b>	<b>13,176</b>	<b>140,110</b>	<b>-</b>	<b>179,475</b>	<b>6,616</b>	<b>186,091</b>
Share-based payments	-	-	-	-	-	-	15,204	15,204	-	15,204
Issue of shares under incentive scheme	-	11,302	-	-	-	-	(11,302)	-	-	-
Transfer to zakah and charity fund	-	-	-	-	-	(1,500)	-	(1,500)	-	(1,500)
Dividends declared for 2024	-	-	-	-	-	(61,000)	-	(61,000)	-	(61,000)
Interim dividends declared for 2025	-	-	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Transfer to statutory reserve	-	-	14,011	-	-	(14,011)	-	-	-	-
Purchase of treasury shares	-	(292,684)	-	-	-	-	-	(292,684)	-	(292,684)
Sale of treasury shares	-	213,496	-	-	-	2,120	-	215,616	-	215,616
Reduction in NCI on account of additional stake in subsidiary	-	-	-	-	-	4,721	-	4,721	(19,664)	(14,943)
Reduction in NCI on account of dividend payment	-	-	-	-	-	-	-	-	(4,654)	(4,654)
<b>Balance at 31 December 2025</b>	<b>1,015,637</b>	<b>(158,578)</b>	<b>73,379</b>	<b>-</b>	<b>(27,370)</b>	<b>107,358</b>	<b>10,342</b>	<b>1,020,768</b>	<b>116,453</b>	<b>1,137,221</b>

\* Represents share of changes in reserves of equity accounted investee.

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**for the year ended 31 December 2025 (continued)**

US\$ 000's

	Attributable to shareholders of the Bank								Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Cashflow hedge reserve	Other reserve *	Investment fair value reserve	Retained earnings	Share grant reserve			Total
31 December 2024											
Balance at 1 January 2024	1,015,637	(125,525)	47,518	(2,135)	(13,612)	(46,103)	105,831	7,930	989,541	84,821	1,074,362
Profit for the year	-	-	-	-	-	-	118,504	-	118,504	10,010	128,514
Other comprehensive income	-	-	-	2,135	(12,577)	5,557	-	-	(4,885)	(756)	(5,641)
Total comprehensive income for the year	-	-	-	2,135	(12,577)	5,557	118,504	-	113,619	9,254	122,873
Share-based payments	-	-	-	-	-	-	-	10,000	10,000	-	10,000
Issue of shares under incentive scheme	-	11,490	-	-	-	-	-	(11,490)	-	-	-
Transfer to zakah and charity fund	-	-	-	-	-	-	(7,037)	-	(7,037)	-	(7,037)
Dividends declared for 2023	-	-	-	-	-	-	(61,000)	-	(61,000)	-	(61,000)
Transfer to statutory reserve	-	-	11,850	-	-	-	(11,850)	-	-	-	-
Purchase of treasury shares	-	(273,726)	-	-	-	-	-	-	(273,726)	-	(273,726)
Sale of treasury shares	-	297,069	-	-	-	-	(31,328)	-	265,741	-	265,741
Reduction in NCI due to additional stake in subsidiary	-	-	-	-	-	-	(18,842)	-	(18,842)	(84,059)	(102,901)
Additional NCI without a change in control	-	-	-	-	-	-	(37,360)	-	(37,360)	133,106	95,746
Additional NCI on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	30,790	30,790
Sale of shares in subsidiary	-	-	-	-	-	-	-	-	-	(39,757)	(39,757)
Balance at 31 December 2024	1,015,637	(90,692)	59,368	-	(26,189)	(40,546)	56,918	6,440	980,936	134,155	1,115,091

\* Represents share of changes in reserves of equity accounted investee.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2025**

US\$ 000's

	<b>31 December 2025</b>	31 December 2024
<b>OPERATING ACTIVITIES</b>		
Profit for the year	145,504	128,514
Adjustments for:		
Treasury and proprietary assets	(563,755)	(530,874)
Foreign exchange (gain) / loss	(4,535)	1,916
Finance expense	506,752	404,840
Impairment allowances	26,846	18,297
Depreciation and amortisation	14,637	12,791
	<b>125,449</b>	35,484
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	95,248	(129,242)
Financing contracts	(307,803)	(216,974)
Receivables and other assets	(156,003)	(93,822)
CBB reserve and other assets	(8,513)	(9,316)
Clients accounts	(177,332)	102,813
Placements from financial institutions	599,608	121,242
Placements from non-financial institutions and individuals	(112,713)	432,754
Quasi equity	337,112	(470,189)
Other liabilities	53,256	(210,256)
<b>Net cash generated from / (used in) operating activities</b>	<b>448,309</b>	(437,506)
<b>INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment, net	321	2,097
(Purchase) / Sale of proprietary assets, net	(294,972)	152,036
Cash paid on acquisition of subsidiary, net	-	(39,534)
Cash transferred on deconsolidation of a subsidiary	-	(677)
Cash acquired on acquisition of Subsidiary	-	5,584
Sale of treasury portfolio, net	143,235	401,311
<b>Net cash (used in) / from investing activities</b>	<b>(151,416)</b>	520,817
<b>FINANCING ACTIVITIES</b>		
Term financing, net	381,453	(123,111)
Finance expense paid	(538,589)	(457,746)
Dividends paid	(93,858)	(60,636)
(Purchase) / sale of treasury shares, net	(78,086)	34,840
<b>Net cash used in financing activities</b>	<b>(329,080)</b>	(606,653)
<b>Net decrease in cash and cash equivalents</b>	<b>(32,188)</b>	(523,342)
Cash and cash equivalents at 1 January*	<b>1,165,081</b>	1,688,423
<b>Cash and cash equivalents at 31 December</b>	<b>1,132,893</b>	1,165,081
Cash and cash equivalents comprise: *		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash) (note 6)	155,951	375,197
Placements with financial institutions (original maturities of 3 months or less)	976,942	789,884
	<b>1,132,893</b>	1,165,081

\* net of expected credit loss of US\$ 76 thousand (31 December 2024: US\$ 50 thousand)

**CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET INVESTMENT ACCOUNT**  
**for the year ended 31 December 2025**

US\$ 000's

**31 December 2025**

Opening Balance	Additions during the year	Income	Wakala Fee	Distributions/ Withdrawal during the year	NAV Movement	Closing Balance
1,685,279	1,331,468	138,502	(29,286)	(425,993)	101,651	2,801,622

**31 December 2024**

Opening Balance	Additions during the year	Income	Wakala Fee	Distributions/ Withdrawal during the year	NAV Movement	Closing Balance
1,029,921	831,963	154,654	(63,241)	(176,605)	(91,412)	1,685,279

Off-Balance-sheet investment account represents invests funds managed under discretionary wakala contracts (Note 25 ).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**1 REPORTING ENTITY**

GFH Financial Group BSC (“the Bank”) was incorporated as Gulf Finance House BSC in 1999 in the Kingdom of Bahrain under Commercial Registration No. 44136-1 and operates under an Islamic Wholesale Investment Banking license issued by the Central Bank of Bahrain (“CBB”). The Bank’s shares are listed on the Bahrain, Kuwait, Dubai and Abu Dhabi Financial Market Stock Exchanges. The Bank’s sukuk certificates are listed on London Stock Exchange.

The Bank’s activities are regulated by the CBB and supervised by a Shari’a Supervisory Board. The principal activities of the Bank include investment advisory services and investment transactions which comply with Islamic rules and principles determined by the Bank’s Shari’a Supervisory Board.

The consolidated financial statements for the year comprise the results of the Bank and its material subsidiaries (together referred to as “the Group”). The significant subsidiaries of the Bank which consolidated in these financial statements are:

<b>Investee name</b>	<b>Country of incorporation</b>	<b>Effective ownership interests as at 31 December 2025</b>	<b>Activities</b>
GFH Partners Ltd	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
Khaleeji Bank BSC (‘Khaleeji’)	Kingdom of Bahrain	82.95%	Islamic retail bank
GFH Equities B.S.C (c)		76.63%	Investment firm (Islamic principles)

The Bank has other Special Purpose Vehicles and holding companies which are set up to supplement the activities of the Bank and its principal subsidiaries, and hold assets and non-core operations which are not material to the Group.

**2 STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards (‘FAS’) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (‘AAOIFI’) Recognised on sourcing and completion and in conformity with Commercial Companies Law 2001 (as amended). In line with the requirement of AAOIFI and the Rulebook issued by CBB, for matters that are not covered by FAS, the Group uses guidance from the relevant IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The consolidated financial statements are prepared on a going concern basis, as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future. In making this assessment management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment include consideration of plausible stress scenarios and their impact on profitability, capital and liquidity of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**3 BASIS OF MEASUREMENT**

These consolidated financial statements are prepared on a historical cost basis except for the measurement at fair value of certain investment securities and derivative instruments.

The Group operates diversified business lines and cross border entities that contribute towards the various sources of revenue for the Groups identified business lines. To closely align the performance reporting with the way business is being managed internally, the Group presents its sources of income based on its core business lines and classifies its common and unallocated expenses in the consolidated income statement by the nature of expense method. The consolidated financial statements are presented in United States Dollars (US\$), which is also the functional currency of the Group's operations. All financial information presented in US\$ has been rounded to the nearest thousands, except when otherwise indicated.

Compared to last year's consolidated financial statements, some financial statement captions, notes and disclosures have been updated and improved to enhance the understanding of the contribution of the various business lines to the Group's performance and financial position. Comparative amounts have been re-presented accordingly and these do not impact the previously reported equity, net profits, total assets or total liabilities.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate, and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The below paragraphs and tables describe the Group's significant lines of business and sources of revenue they are associated with.

**Activities:**

The Group's primary activities include:

- a) to provide unique investment opportunities and manage the wealth on behalf of its clients as an
- b) to provide specialised credit and financing services
- c) to undertake targeted development and sale of infrastructure and real estate projects for enhanced returns and to co-invest with clients and hold strategic proprietary assets as a principal
- d) to actively manage treasury portfolio with the objective of earning higher returns from capital and measured investment opportunities

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

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3 *BASIS OF MEASUREMENT (continued)*

Segments:

To undertake the above activities, the Group has organised itself in the following business lines:

<p><b>Wealth and investment management</b></p>	<p>This segment includes the Groups asset management and portfolio management business lines that acts as intermediaries by acquiring, managing and realizing investment assets for institutional and high net worth clients, under both discretionary and participatory arrangements. The Group also co-invests along with its clients for realising diversified returns from its AUM portfolios.</p> <p>The Wealth and Investment management teams undertake placement and structuring activities prior to sale of its products and subsequently performs asset and portfolio management services for its investors till exit which generates ongoing management, incentive and performance fees for the Group. This business line also includes share of profits and distributions from equity accounted investments in other asset managers that are considered complimentary to the Groups asset management activities in the real estate sector.</p>
<p><b>Credit &amp; financing</b></p>	<p>The Group's credit and financing business lines include all a) corporate banking and retail banking activities of the Group's subsidiary, Khaleeji Bank BSC, b) its participation in private credit opportunities and c) its capital underwriting activities to support the initial acquisition of assets for the Wealth and Investment Management products.</p>
<p><b>Treasury and proprietary</b></p>	<p>All other activities that are undertaken at the Group level, including treasury and residual proprietary asset portfolio management (including real estate and operating assets), is considered as part of the Proprietary and treasury activities of the Group.</p> <p>The Treasury teams focus on achieving consistent outperformance against market returns through active and diversified portfolio management for the Bank and its investors. The Proprietary investments are managed at a Group level to carefully plan value realisation, monetization and synergy across Group entities by making positive contributions.</p>

The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group CEO and Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis. Each of the above business lines, except commercial banking which is a separate subsidiary, has its own dedicated team of professionals and are supported by a common placement team and support units.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

**3 BASIS OF MEASUREMENT (continued)**

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level.

Sources of revenue:

The Group primarily earns its revenue from the following sources and presents its in the notes to the statement of income accordingly:

<b>Business Lines</b>	<b>Activity/ Source</b>	<b>Types of revenue</b>	<b>Recognition Basis</b>
<b>Wealth and Investment Management</b>	Asset Management fee	Fee based income, in the nature of management fees, performance fee, acquisition fee and exit fee which are contractual in nature	Recognised overtime of providing services as per the terms of the contract.
	Portfolio Management Income	Incentive fee on management of restricted and discretionary portfolio mandates for returns above benchmarks agreed.	Recognised when performance thresholds are met.
	Structuring & Investment placement	Deal related income, earned by the Group from structuring, sale and placement of assets.	Recognised on completion of deals sourcing and completion of placement of a product.
	Co-investment Income	Dividend income, fair value gains/(losses), realised gains/(losses) from exits, and distribution income from co investments.	Recognised when declared or at the time of sales/exit of the underlying investments.
	Associate Income	Group's share of profit/loss of equity accounted investees and related OCI movements.	Recognised quarterly using investee's financials.
<b>Credit &amp; financing</b>	Financing income	Islamic Shari'ah compliant corporate, institutional and retail banking financing and cash management products and services of Khaleeji	Recognised over life of the contract using the effective profit rate.
	Underwriting	Deal related income, earned by the Group from providing capital financing placement of assets.	Portion of deals related income allocated towards capital financing of the products and recognised on sourcing and completion of the product placement.
	Fee and other income	Fees and other income, includes account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees	Recognised as when the related services are performed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

3 BASIS OF MEASUREMENT (continued)

<b>Business Lines</b>	<b>Activity/ Source</b>	<b>Types of revenue</b>	<b>Recognition Basis</b>
<b>Treasury and Proprietary Investments</b>	Direct investment income, net	Includes dividends, gain / (loss) on sale, initial recognition and remeasurement of proprietary investments.	Recognised when declared or at the time of sales/exit of the underlying investments.
	ALM & Trading	Treasury ALM activities including liquidity deployment, hedging, capital market investments, FX and profit rate risk management, structured notes and trading portfolios (non speculative under Islamic framework).	Dividends/coupons recognised on distribution. Realised gains recognised on closing positions and unrealised gains recognised based on fair value of open positions.
	Income from sale of assets and operating income	Proprietary holdings of corporates, private equity, real estate development for direct sale and yielding assets. This also includes the group's holding or participation in leisure and hospitality assets.	Development income, sale proceeds recognised using the percentage of completion (POC) method, rental income recognised over contractual period, ancillary income and gains/(losses) on disposal.
	Fixed Income	Income arising from the deployment of the Bank's excess liquidity, through but not limited to short term placements with bank and financial institutions, money market instruments, capital market and other related treasury investments.	Income recognised over the life of the contract using the effective profit rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all periods presented in the consolidated financial statements and have been consistently applied by the Group.

***(a) New standards, amendments, and interpretations issued but not yet effective*****(i) FAS 45: Quasi-Equity (Including Investment Accounts)**

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

**(ii) FAS 46: Off-Balance-Sheet Assets Under Management**

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
  - An investment fund managed by an institution, being a separate legal entity, which is subject to
- This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

The Group does not expect any significant impact on the adoption of this standard.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*New standards, amendments, and interpretations issued but not yet effective (continued)*

**(iii) FAS 47: Transfer of Assets Between Investment Pools**

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

**iv) FAS 48: Promotional Gifts and Prizes**

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

**v) FAS 50 - Financial reporting for Islamic Investment institutions (including investment funds)**

This standard replaces FAS 14 – Investment Funds and updates the financial reporting framework for Islamic investment institutions.

Key enhancements include alignment with revised FAS 1 and the AAOIFI Conceptual Framework, removal of the separate statement of portfolio investments (now included in the notes), elimination of the cash-equivalent-value concept, and introduction of quasi-equity accounting principles.

The standard also provides guidance for Islamic investment institutions (IIIs) with multiple virtual entities or sub-funds, introduces requirements on NAV differential, removes earlier governance and stakeholder reporting requirements, and grants exemptions from consolidation or equity-accounting based on the unique business model and investment intent of the III.

This standard is effective for the financial periods beginning on or after 1 January 2027, with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*New standards, amendments, and interpretations issued but not yet effective (continued)*

**vi) Withdrawal of FAS 26 – Investment in Real Estate and Related Transitional Provisions**

AAOFI issued a guidance relating to withdrawal of FAS 26 – Investment in Real Estate and related transitional provisions (“Guidance”). Following the withdrawal, investment in real estate shall be accounted for in accordance with IAS 40 – Investment property.

This guidance is effective for the periods beginning on or after 1 January 2027 and with an option to early adopt.

The Group is assessing the impact of adopting this standard; however, no material impact is currently anticipated.

**(b) Basis of consolidation****(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in the consolidated income statement.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(b) Basis of consolidation (continued)*

*(i) Business combinations (continued)*

**(ii) Subsidiaries**

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its quasi equity.

**(iii) Non-controlling interests (NCI)**

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If less than 100% of a subsidiary is acquired, then the Group elects on a transaction-by-transaction basis to measure non-controlling interests either at:

- Fair value at the date of acquisition, which means that goodwill, or the gain on a bargain purchase, includes a portion attributable to ordinary non-controlling interests; or
- the holders' proportionate interest in the recognised amount of the identifiable net assets of the acquire, which means that goodwill recognised, or the gain on a bargain purchase, relates only to the controlling interest acquired.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

**(iv) Special purpose entities**

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or investment transaction and usually voting rights are relevant for the operating of such entities. An investor that has decision-making power over an investee and exposure to variability of returns determines whether it acts as a principal or as an agent to determine whether there is a linkage between power and returns. The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Basis of consolidation (continued)****(v) Assets Under Management**

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are usually not included in these consolidated financial statements. Information about the Group's fiduciary assets under management is set out in note 25. For the purpose of reporting assets under management, the average assets managed are considered.

**(vi) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any surplus or deficit arising on the loss of control is recognised in consolidated income statement. Any interest retained in the former subsidiary, is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

**(vii) Equity accounted investees**

This comprise investment in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and Joint ventures are accounted for under equity method. These are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investees reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in an equity-accounted investees, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees. Equity accounting is discontinued when an associate is classified as held-for-sale.

**(viii) Transactions eliminated on consolidation and equity accounting**

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency translation gains or losses) from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Foreign currency transactions****(i) Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency.

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for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(c) Foreign currency transactions (continued)*

***(ii) Transactions and balances***

Transactions in foreign currencies are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through comprehensive income, are included in investments fair value reserve.

***(iii) Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into US\$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at the exchange rates at the date of the transactions. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

***(d) Offsetting of financing instruments***

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

***(e) Investment securities***

Investment securities are categorised as proprietary investments, co-investments and treasury portfolio.

Investment securities comprise debt type and equity type instruments but exclude investment in subsidiaries and equity-accounted investees (**note 4 (b) (ii) and (vii)**).

***(i) Categorization and classification***

The classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as either investment in:

- i) equity-type instruments
- ii) debt-type instruments, including:
  - monetary debt-type instruments; and
  - non-monetary debt-type instruments.
- iii) other investment instruments

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4 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

*(e) Investment securities (continued)*

*(i) Categorization and classification (continued)*

Unless irrevocable initial recognition choices as per the standard are exercised, an institution shall classify investments as subsequently measured at either of:

- amortised cost;
- fair value through comprehensive income (FVOCI) or
- fair value through income statement (FVTIS), on the basis of both:
  - the Group's business model for managing the investments; and
  - the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

The Group has an option on initial recognition to irrevocably designate a financial asset as at FVTIS if doing so eliminates or significantly reduces a measurement or recognition inconsistency - i.e. an 'accounting mismatch' - that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

**(ii) Recognition and de-recognition**

Investment securities are recognised at the trade date i.e. the date that the Group commits to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

**(iii) Measurement**

Investment securities are measured initially at fair value plus, except for investment securities carried at FVTIS, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, investments carried at FVTIS and FVOCI are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVOCI are recognised in the consolidated statement of comprehensive income and presented as under "investment fair value reserve".

The fair value gains / (losses) are recognised taking into consideration the split between portions related to owners' equity and quasi equity, including investment accountholders. When the investments carried at FVOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of comprehensive income is transferred to the income statement.

Investments at FVCOI where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

**(iv) Measurement principles**

**Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through use of an allowance account) for impairment or uncollectibility. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)***(e) Investment securities (continued)**Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include discounted cash flow analyses, price / earnings multiples and other valuation models with accepted economic methodologies for pricing financial instruments.

Some or all of the inputs into these models may not be market-observable but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Fair value estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**(f) Financing contracts**

Financing contracts comprise Shari'a compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Mudharaba, Istisna, Wakala contracts and lease-based financing contracts ("Ijarah assets"). Financing contracts are recognised on the date they are originated and are carried at their amortised cost less impairment allowances, if any.

*Modification of financing contracts*

If the terms of the financing contracts are modified then the Group evaluates whether the cashflows of the modified asset are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original financing asset are deemed to have expired. In this case, the original financing contracts is derecognised and a new financing contracts is recognised at fair value plus any eligible transaction cost.

If the modification of a financing contract measured at amortized cost does not result in the derecognition of the financing contracts then the Group first recalculates the gross carrying amount of the financing contracts using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

All Sharia compliant contracts are interpreted for accounting purposes in its entirety and all linked - contracts or promissory note arrangements are considered together with the main financing contract to reflect the single economic outcome and purpose of the contracts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(f) Financing contracts (continued)*

***(i) Murabaha financing (trade-based-contracts)***

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller has purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on instalment basis over the agreed finance tenure. Under the Murabaha contract, the Group may act either as a Seller or a Purchaser, as the case may be.

***(ii) Mudaraba financing (participatory-based-contracts)***

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide certain amount of funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal. Under the Mudaraba contract, the Group may act either as Mudarib or as Rab Al Mal, as the case may be. The Group's financing contracts includes terms that delivers an effective profit rate based on agreed terms of repayment.

***(iii) Ijarah asset (lease-based contracts)***

Ijarah assets (Ijarah Muntahia Bittamleek) are stated at cost less accumulated depreciation and any impairment. Under the terms of lease, the legal title of the asset passes to the lessee at the end of the lease term (as a gift), provided that all lease instalments are settled. Depreciation is calculated using rates that systematically reduce the cost of the leased assets over the period of the lease in a pattern of economic benefits arising from these assets (usually similar to the effective profit method). The Group assesses at each reporting date whether there is objective evidence that the ijarah assets are impaired. Impairment loss is the amount by which the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses, if any, are recognised in the income statement. The estimates of future cash flows, when dependent on a single customer, takes into consideration the credit evaluation of the respective customer in addition to other factors.

***(iv) POCI financial assets***

Purchased or Originated Credit Impaired (POCI) financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

***(g) Placements with and from financial and other institutions***

These comprise placements made with/ from financial and other institutions under shari'a compliant contracts. Placements are usually short term in nature and are stated at their amortised cost.

***(h) Cash and cash equivalents***

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day-to-day operations of the Group are not included in cash and cash equivalents.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Derivatives held for risk management purposes and hedge accounting.**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy applicable generally to hedging relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a identified. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

**i. Fair value hedges**

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective profit method is used is amortised to profit or loss as an adjustment to the recalculated effective profit rate of the item over its remaining life. On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective profit method is used is amortised to profit or loss by adjusting the effective profit rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

**ii. Cash flow hedges**

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in equity and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from equity to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and equity.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(i) Derivatives held for risk management purposes and hedge accounting (continued)*

*ii. Cash flow hedges (continued)*

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from equity to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from equity to profit or loss on a straight-line basis.

*Other non-trading derivatives*

Other non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTIS.

**(j) Investment property**

Investment property comprise land plots and buildings. Investment property is property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is measured initially at cost, including directly attributable expenses. Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment allowances (if any). Land is not depreciated, and building is depreciated over the period of 30 to 45 years.

A property is transferred to investment property when, there is change in use, evidenced by: end of owner-occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating ijara to another party, for a transfer from a development property to investment property.

Further, an investment property is transferred to development property when, there is a change in use, evidenced by:

commencement of own use, for a transfer from investment property to owner-occupied property; commencement of development with a view to sale, for a transfer from investment in real estate to development property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the property is derecognised.

**(k) Development properties**

Development properties are properties held for sale or development and sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value.

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4 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

**(l) Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projection if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in the consolidated income statement.

The estimated useful lives of property and equipment of the industrial business assets are as follows:

Buildings and infrastructure on lease hold	30 – 50 years
Computers	3 – 5 years
Furniture and fixtures	5 – 8 years
Motor vehicles	4 – 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of the fair value less costs to sell and their value in use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the consolidated statement of income in the year of derecognition.

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively if appropriate.

**(m) Intangible assets**

*Goodwill*

Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

*Other Intangible assets*

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Subsequently, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated income statement in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expenses category consistent with the function of intangible assets.

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Intangible assets (continued)**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets with indefinite useful life consists of a license to construct and operate a cement plant in the Kingdom of Bahrain.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

**(n) Impairment of exposures subject to credit risk**

The Group recognises loss allowances for the expected credit losses “ECLs” on:

- Bank balances.
- Placements with financial institutions.
- Financing contracts;
- Lease rental receivables;
- Investments in Sukuk (debt-type instruments carried at amortised cost);
- Other receivables; and
- Undrawn financing commitments and financial guarantee contracts issued.

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

- Debt-type securities that are determined to have low credit risk at the reporting date; and
- Other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of an exposure subject to credit risk has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Group considers this to be BBB- or higher per S&P.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(n) Impairment of exposures subject to credit risk (continued)*

**Stage 1: 12-months ECL**

Stage 1 includes exposures subject to credit risk on initial recognition and that do not have a significant increase in risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

**Stage 2: Lifetime ECL - not credit impaired**

Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

**Stage 3: Lifetime ECL - credit impaired**

Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Exposures subject to credit risk that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Exposures subject to credit risk that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

**Credit-impaired exposures**

At each reporting date, the Group assesses whether exposures subject to credit risk are credit impaired. An exposure subject to credit risk is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that an exposure is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for exposures subject to credit risk are deducted from the gross carrying amount of the assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(o) Impairment of equity investments classified at fair value through comprehensive income (FVOCI)**

In the case of investments in equity securities classified as FVOCI. A significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in income statement – is removed from OCI and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are subsequently reversed through OCI.

**(p) Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets (other than those subject to credit risk covered above) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

**(q) Clients accounts**

These includes clients funds and current accounts. And it represents amounts received from customers for investments in SPEs or project companies formed as part of its investment management activities pending transfer to these entities. These funds are usually disbursed on capital calls from these entities based on its activities and requirements and are payable on demand. Such funds held by the Group are carried at amortised cost.

Balances in current (non-investment) accounts are recognised when received by the Group. The transactions are measured at the cash equivalent amount received by the Group at the time of contracting. At the end of the accounting period, the accounts are measured at their book value.

**(r) Term financing**

Term financing represents facilities from financial institutions, and financing raised through Sukuk. Term financing is initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit rate method. Financing cost, dividends and losses relating to the term financing are recognised in the consolidated income statement as finance expense. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

**(s) Financial guarantees**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment to settle the liability, when a payment under the guarantee has become probable. The Group has issued financial guarantees to support its development projects (note 34).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(t) Dividends**

Dividends to shareholders is recognised as liabilities in the period in which they are declared.

**(u) Share capital and reserves**

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

**Treasury shares**

The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated income statement on the sale of treasury shares.

**Statutory reserve**

The Commercial Companies Law requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital. Appropriation to statutory reserve is made when approved by the shareholders.

**(v) Quasi Equity**

Quasi Equity are funds held by the Group in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalisation reserve and Investment risk reserve) and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Only the income earned on pool of assets funded from quasi-equity are allocated between the owners' equity and investment account holders. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to investment accounts.

The Group allocates specific provision and collective provision to owners' equity. Amounts recovered from these impaired assets is not subject to allocation between the quasi-equity and owners' equity.

Investment accounts are carried at their book values and include amounts retained towards profit equalisation, investment risk reserves, if any. Profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(v) Quasi Equity (continued)*

**Restricted investment accounts**

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements and are disclosed under the Statement of Off-balance sheet investment accounts using the same measurement policies applied by the Group for its assets, liabilities, income and expenses.

**(w) Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that future economic benefits associated with the item of revenue will flow to the Group, the revenue can be measured with reliability and specific criteria have been met for each of the Group's activities as described below:

**Income from Wealth & Investment Management** activities include deal related income and fee based income. Deal related income is earned by the Group from structuring and sale of assets to investors at the time of placement of products. The Group completes all of its performance obligations described above at the time of placing an investment with its investors. Accordingly, the income relating to this performance obligation is recognized upfront upon placement of the investment with investors. This income is further allocated between structuring, investment placement and underwriting income as distinct performance obligations based on the assessment of completion of associated obligations with each activity within each deal.

**Fee based income** includes management, performance and portfolio management fee. Management fee is recognized as per contractual terms when services are rendered over the period of the contract. Performance fees are only recognized when performance hurdle thresholds are exceeded and once it is highly probable that there would be no significant reversal of any accumulated revenue in the future. Estimates are needed to assess the risk that achieved earnings may be reversed before realization due to the risk of lower future overall performance of the underlying investments. Portfolio management fee represents incentive fee recognized on exceeding set hurdle rate for each portfolio management contract and is recognized during each performance period on an accrual basis.

**Income from placements with / from financial institutions** are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

**Dividend income** from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

**Finance income / expenses are recognised** using the amortised cost method at the effective profit rate of the financial asset / liability.

**Fees and commission income** that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees, are recognised as the related services are performed.

**Income from financing contracts** are recognised on a time-apportioned basis over the period of the contract using the effective profit method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(w) Revenue recognition (continued)**

**Income from sukuk and income / expenses** on placements is recognised at its effective profit rate over the term of the instrument.

**Income from sale of assets**

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is recognised when the goods are provided to the customer, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and cost could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.

**(x) Earnings prohibited by Shari'a**

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means.

**(y) Zakah**

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 issued by AAOIFI using the net assets method. Zakah is paid by the Group based on the consolidated figures of statutory reserve, general reserve and retained earning balances at the beginning of the year. The remaining Zakah is payable by individual shareholders. Payment of Zakah on quasi equity and other accounts is the responsibility of investment account holders.

**(z) Employees benefits****Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

**Post employment benefits**

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in consolidated income statement when they are due.

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(z) Employees benefits (continued)**

The Group also operates a voluntary employee saving scheme under which the Group and the employee contribute monthly on a fixed percentage of salaries basis. The scheme is managed and administered by a board of trustees who are employees of the Group. The scheme is in the nature of a defined contribution scheme and contributions by the Group are recognised as an expense in the consolidated income statement when they are due.

**Share-based employee incentive scheme**

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards.

Non-vesting conditions are taken into account when estimating the fair value of the equity instrument but are not considered for the purpose of estimating the number of equity instruments that will vest. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value but are considered for the purpose of estimating the number of equity instruments that will vest. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Amount recognised as expense are not trued-up for failure to satisfy a market condition.

**(aa) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(ab) Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

**(ac) Trade date accounting**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

**(ad) Investment account holder protection scheme**

Funds held with the Group in unrestricted investment accounts and current accounts of its retail banking subsidiary are covered by the Deposit Protection Scheme (the Scheme) established by the Central Bank of Bahrain regulation in accordance with Resolution No (34) of 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****(ae) Ijarah***Identifying an Ijarah*

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

At the commencement date, the Group shall recognise a right-of-use (usufruct) asset and a net Ijarah liability

*i) Right-of-use (usufruct) asset*

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment. The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Group will exercise that option; and/ or
- Termination options if it is reasonably certain that the Bank will not exercise that option.

The Group carries out impairment assessment to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered.

*i) Net Ijarah liability*

The net Ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability shall be initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)***(ae) Ijarah (continued)*

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of 31 December 2025, the Group did not have any contracts with variable or supplementary rentals.

After the commencement date, the Group measures the net Ijarah liability by:

- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or reflect revised Ijarah rentals.
- The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method.

After the commencement date, the Group recognises the following in the income statement:

- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

*Ijarah contract modifications*

After the commencement date, the Group accounts for Ijarah contract modifications as follows:

- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of- use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

*Expenses relating to underlying asset.*

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

*Recognition exemptions and simplified accounting for the lessee*

The Group does not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and lease liability for the following:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets if they have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset/ Ijarah transaction, and not on group/ combination basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**5 JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES**

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events.

**(a) Judgements**

Establishing the criteria for determining whether credit risk on an exposure subject to credit risk has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection and approval of models used to measure ECL is set out in note 4(n) and note 35(a).

**(i) Classification of investments**

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through comprehensive income or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification (refer note 4(d)(i)).

**(ii) Special purpose entities**

The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

**(iii) Impairment of equity investments at fair value through comprehensive income –**  
(refer to note 4 (o))**(b) Estimations****(i) Impairment of exposures subject to credit risk carried at amortised cost**

Determining inputs into ECL measurement model including incorporation of forward-looking information is set out in note 4(n) and note 35(a).

**(ii) Measurement of fair value of unquoted equity investments**

The group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cashflows, income approach and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events such as continued operating profits and financial strengths. It is reasonably possible based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flows models have been used to estimate fair values, the future cashflows have been estimated by the management based on information form and discussion with representatives of investee companies and based on the latest available audited and unaudited financial statements. The basis of valuation has been reviewed by the management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the board of directors for inclusion in the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2025**

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**5 JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)****(b) Estimations (continued)**

Valuation of equity investments are measured at fair value through comprehensive income which involves judgment and is normally based on one of the following:

- Valuation by independent external value for underlying properties / projects;
- Current fair value of another contract that is substantially similar;
- Present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- Application of other valuation models.

**(iii) Impairment of investment property**

The Group conducts impairment assessment of investment property periodically using external independent property valuers to value the property. The fair value is determined based on the market value of the property using either sales comparable approach, the residual value basis, replacement cost or the market value of the property considering its current physical condition. The Group's investment properties are situated in Bahrain, UAE. Given the dislocation in the property market and investment property transactions, it is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of these assets within the next financial year due to significant changes in assumptions underlying such assessments.

**(iv) Impairment of other non-financial assets and cash generating units**

Investment in associates and recognised goodwill are subject to an impairment based on indicators of performance and market conditions. Cash generating units include the Group's investments in certain subsidiaries and equity-accounted investees and investment property that generate cash flows that are largely independent from other assets and activities of the Group. The basis of impairment assessment for such cash generating units is described in accounting policy note 4 (p). For equity-accounted investees with indicators of impairment, the recoverable amounts is determined based on higher of fair value less costs to sell (FVLCTS); and value in use.

The recoverable amount for the equity-accounted investees was determined using a combination of income and market approaches of valuations. The objective of valuation techniques is to determine whether the recoverable amount is greater than the carrying amount.

**(v) Estimating net realisable value of development property**

Development property is stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The board of directors of the Group has forecasted the cost of completion of development property and has engaged independent valuers to estimate the residual value of the development property based on estimated market selling prices for similar properties. Net realisable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property. These estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the development property.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

US\$ 000's

**6 CASH AND BANK BALANCES**

	<b>31 December 2025</b>	31 December 2024
Cash	10,813	9,924
Balances with banks	145,062	362,907
Balances with Central Bank of Bahrain:		
- Current account	76	2,366
- Reserve account*	93,279	84,769
	<b>249,230</b>	<b>459,966</b>

\*The reserve account with the Central Bank of Bahrain are not available for day-to-day operational purposes. The cash and bank balances are net of ECL of US\$ 76 thousand (2024: US\$ 50 thousand).

**7 TREASURY PORTFOLIO**

	<b>31 December 2025</b>	31 December 2024
<b>Placements with financial institutions</b>	1,081,677	990,666
<b>Profit rate swap and foreign currency forwards (a)</b>	7,324	3,533
<b>Equity type investments</b>		
At fair value through comprehensive income		
- Quoted perpetual sukuk (b)	-	32,318
At fair value through income statement		
- Equity based structured notes (a)	104,244	107,912
- Debt based structured notes (a)	323,156	168,523
- Quoted fund (a)	157,270	28,213
<b>Debt type investments</b>		
<b>At fair value through comprehensive income</b>		
- Quoted sukuk (b)	1,293,712	1,144,013
<b>At amortised cost</b>		
- Quoted sukuk *	2,338,634	2,398,462
- Unquoted sukuk	4,754	5,557
<b>Less: Impairment allowances (note 21)</b>	<b>(18,848)</b>	<b>(27,563)</b>
	<b>5,291,923</b>	<b>4,851,634</b>

\* Short-term and medium-term facilities of US\$ 2,029,756 thousand (31 December 2024: US\$ 1,605,433 thousand) are secured by quoted sukuk of US\$ 2,781,965 thousand (31 December 2024: US\$ 2,571,205 thousand), structured notes of US\$ 427,400 thousand (31 December 2024: US\$ 276,435 thousand)

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## 7 TREASURY PORTFOLIO (continued)

## a) Investments - At fair value through income statement

	2025	2024
At 1 January	308,181	434,133
Additions	896,314	222,452
Disposals	(598,310)	(329,120)
Fair value changes, net	(14,191)	(19,284)
<b>At 31 December</b>	<b>591,994</b>	<b>308,181</b>

## b) Investments - At fair value through comprehensive income

	2025	2024
At 1 January	1,176,331	860,565
Additions	417,859	-
Disposals / Transfers	(311,545)	(156,539)
Reclassification	(1,962)	444,122
Fair value changes	13,029	28,183
<b>At 31 December</b>	<b>1,293,712</b>	<b>1,176,331</b>

## 8 FINANCING CONTRACTS

	31 December 2025	31 December 2024
Murabaha	1,717,383	1,455,942
Mudharaba	-	18,083
Ijarah assets	859,980	641,023
	2,577,363	2,115,048
<b>Less: Impairment allowances (note 21)</b>	<b>(47,446)</b>	<b>(56,891)</b>
	<b>2,529,917</b>	<b>2,058,157</b>

Murabaha financing receivables are net of deferred profits of US\$ 77,658 thousand (2024: US\$ 38,103 thousand).

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## 8 FINANCING CONTRACTS (continued)

<b>31 December 2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Financing contracts (gross)	2,197,742	251,008	128,613	2,577,363
Expected credit loss	8,831	10,197	28,418	47,446
<b>Financing contracts (net)</b>	<b>2,188,911</b>	<b>240,811</b>	<b>100,195</b>	<b>2,529,917</b>

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Financing contracts (gross)	1,753,546	208,446	153,056	2,115,048
Expected credit loss	(3,034)	(12,230)	(41,627)	(56,891)
Financing contracts (net)	1,750,512	196,216	111,429	2,058,157

The movement on impairment allowances is as follows:

<b>Impairment allowances</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At 1 January 2025	3,034	12,230	41,627	56,891
Net transfers	(1,675)	333	1,342	-
Net charge for the year (note 21)	7,471	(2,366)	8,668	13,773
Write-offs	-	-	(23,218)	(23,218)
<b>At 31 December 2025</b>	<b>8,830</b>	<b>10,197</b>	<b>28,419</b>	<b>47,446</b>

<b>Impairment allowances</b>	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	4,788	18,310	41,180	64,278
Net transfers	12,021	(14,093)	2,072	-
Net charge for the year (note 21)	(13,775)	8,013	7,373	1,611
Write-offs	-	-	(8,998)	(8,998)
At 31 December 2024	3,034	12,230	41,627	56,891

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**9 PROPRIETARY ASSETS**

	<b>31 December 2025</b>	31 December 2024
<b>I) Equity portfolio</b>		
Investment securities mandatorily measured at FVTIS		
- Unquoted securities (i)	14,845	17,292
- Listed securities (ii)	260,001	81,288
	<b>274,846</b>	98,580
Investment securities designated as at FVOCI		
- Listed securities	-	17,324
- Equity type Sukuk	446,056	442,207
- Unquoted equity securities (iii)	65,198	62,598
	<b>511,254</b>	522,129
<b>II) Investment properties</b>		
- Land	611,377	493,792
- Building	214,306	178,042
	<b>825,683</b>	671,834
<b>III) Development properties</b>		
- Land	254,412	167,140
- Building	522,459	552,161
	<b>776,871</b>	719,301
<b>IV) Co-investments</b>		
Unquoted securities		
- Investment securities mandatorily measured at FVTIS	15,749	4,970
- Investment securities designated as at FVOCI	366,092	255,194
	<b>381,841</b>	<b>260,164</b>
<b>V) Equity-accounted Investees portfolio</b>	<b>305,349</b>	158,659
	<b>3,075,844</b>	2,430,667

(i)Equity unquoted investments – At fair value through income

	<b>2025</b>	2024
At 1 January	17,292	2,942
Additions	-	9,393
Disposals, net	(1,846)	(496)
Fair value changes	(601)	5,453
<b>At 31 December</b>	<b>14,845</b>	17,292

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9 PROPRIETARY ASSETS (continued)

(ii) Listed equity securities at fair value through income statement

	2025	2024
At 1 January	81,288	14,252
Additions	251,429	71,304
Disposals	(78,336)	(4,894)
Fair value	5,620	626
<b>At 31 December</b>	<b>260,001</b>	<b>81,288</b>

(iii) Unquoted equity securities fair value through comprehensive income

	2025	2024
At 1 January	62,598	64,045
Additions	11,671	10,339
Disposal / Transfers	(9,071)	(11,786)
<b>At 31 December</b>	<b>65,198</b>	<b>62,598</b>

(II) Investment property

Investment property includes land plots and buildings in GCC, Europe and North Africa.

The fair value of the Group's investment property at 31 December 2025 was US\$ 1,043,101 thousand (31 December 2024: US\$ 974,166 thousand) based on a valuation carried out by an independent external property valuers who have recent experience in the location and category of the asset being valued. These are level 3 valuations in fair value hierarchy.

	2025	2024
At 1 January	671,834	625,156
Additions during the year	160,694	150,714
Depreciation	(1,412)	(1,020)
Disposals / transfers	(5,433)	(103,016)
<b>At 31 December</b>	<b>825,683</b>	<b>671,834</b>

(III) Development properties

This represent properties under development for sale.

	2025	2024
At 1 January	719,301	746,776
Additions	144,901	146,523
Disposals / transfers	(86,686)	(173,998)
Impairment	(645)	-
<b>At 31 December</b>	<b>776,871</b>	<b>719,301</b>

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## 9 PROPRIETARY ASSETS (continued)

## IV) Co-investments

	2025	2024
At 1 January	260,164	254,610
Additions	117,517	65,720
Disposals	(20,012)	(18,649)
Reclassification	26,924	(14,281)
Fair value change	(2,752)	(27,236)
	<b>381,841</b>	<b>260,164</b>

\*This includes MTM movement through P&L of US \$ 3,041 thousand (2024: US \$ 11,256 thousand) and MTM through equity US \$ 289 thousand (2024:15,930 thousand).

## V) Equity-accounted investees portfolio

Equity-accounted investees represent investments in the following material entities:

Name	Country of incorporation	% Holding	Nature of business
		2025	
Seef Properties B.S.C*	Kingdom of Bahrain	27.98%	Management of Real Estate
Devmark Real Estate Brokers LLC**	United Arab Emirates	60.00%	Management of Real Estate
Infracorp B.S.C. (c)	Kingdom of Bahrain	49.53%	Management of Real Estate
Marriott Areen Park Hotel	Kingdom of Bahrain	28.14%	Real estate holding and development

\* Group owns 128,690,507 shares in Seef Properties and the listed price as of 31 December 2025 is US \$ 0.305/-.

\*\* Group does not unilateral control over the equity accounted investees to direct the relevant activities and the control is exercise collectively together with the other shareholders.

	2025	2024
At 1 January	158,659	137,390
Additions	96,909	33,372
Transferred from listed equity	17,324	-
Share of profit for the year, net	7,334	2,606
Other reserves of equity accounted investee	26,189	(12,577)
Impairment	(1,066)	(2,132)
<b>At 31 December 2025</b>	<b>305,349</b>	<b>158,659</b>

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**10 RECEIVABLES AND OTHER ASSETS**

	<b>31 December 2025</b>	31 December 2024
Investment banking receivables	172,392	225,512
Receivable from equity-accounted investees	158,981	162,442
Financing to projects, net	6,154	4,923
Receivable on sale of proprietary assets	58,370	149,944
Advances and deposits	73,770	69,281
Employee receivables	23,282	21,700
Profit on sukuk receivable	22,504	20,908
Lease rentals receivable	2,367	3,050
Goodwill and intangibles*	71,563	72,693
Receivable from sale of investments	136,770	188,555
Prepayments and other receivables	304,298	275,384
<b>Less: Impairment allowances (note 21)</b>	<b>(30,046)</b>	<b>(21,006)</b>
	<b>1,000,405</b>	<b>1,173,386</b>

\*Goodwill and intangibles mainly related to acquisitions of subsidiaries. During the year amortization charge amounts to US \$ 4,106 thousand (2024: US \$ 4,160 thousand).

**11 PROPERTY AND EQUIPMENT**

	<b>31 December 2025</b>	31 December 2024
Land	25,087	25,132
Buildings and other leased assets	7,418	9,897
Others including furniture, vehicles and equipment	22,291	22,186
	<b>54,796</b>	<b>57,215</b>

Depreciation on property and equipment during the year was US\$ 8,507 thousand (2024: US\$ 7,096 thousand).

**12 PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS**

These comprise placements in the form of murabaha and wakala contracts with financial, non-financial institutions, and individuals part of the Group's treasury activities. This includes US\$ 84.3 million (2024: US\$ 84.3 million) from a non-financial entity which is currently subject to regulatory sanctions.

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**13 TERM FINANCING**

	<b>31 December 2025</b>	31 December 2024
Murabaha financing	2,062,975	1,625,186
Sukuk*	458,710	522,774
Other borrowings	1,831	1,798
	<b>2,523,516</b>	<b>2,149,758</b>
Current portion	1,042,279	842,173
Non-current portion	1,481,237	1,307,585
	<b>2,523,516</b>	<b>2,149,758</b>

\*During 2024, the Group raised US\$ 500,000 thousand through issuance of unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2029 till date. The outstanding sukuk also includes accrued profit of US\$ 5,729 thousand (2024: US\$4,954 thousand).

**14 OTHER LIABILITIES**

	<b>31 December 2025</b>	31 December 2024
Investment banking payables	261,664	167,544
Accounts payables	109,969	61,610
Unclaimed dividends	1,503	2,676
Payables to equity-accounted investees	17,010	56,347
Other accrued expenses and payables	65,267	52,473
Deferred Income	9,899	3,654
Payables towards purchase of investments	31,763	43,910
Zakah and charity fund	9,391	10,376
Employee related accruals*	41,236	22,534
Mudaraba profit accrual	16,189	14,240
	<b>563,891</b>	<b>435,364</b>

\*This includes movement of employees' end of service benefits:

	<b>31 December 2025</b>	31 December 2024
At beginning of the year	6,507	5,804
Charge for the year	1,452	1,680
Paid during the year	(1,516)	(601)
Transferred to SIO during the year	(439)	(376)
	<b>6,004</b>	<b>6,507</b>

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**14 OTHER LIABILITIES (continued)**

Total number of employees covered by the employees' end of service benefits as mentioned above:

	<b>31 December 2025</b>	31 December 2024
Bahrainis	211	223
Expatriates	41	39
	<b>252</b>	262

**15 COMPARATIVES**

Certain prior period amounts have been regrouped to be consistent with the current period presentation. Such regrouping does not impact previously reported profits, equity, asset, liabilities or quasi-equity balances.

**16 QUASI EQUITY**

	<b>31 December 2025</b>	31 December 2024
Placements and borrowings from financial institutions – Wakala	1,948,428	1,617,818
Mudaraba	1,369,501	1,362,999
	<b>3,317,929</b>	2,980,817

The funds received from investment account holders have been commingled and jointly invested with the Group in the following asset classes as at 31 December:

	<b>31 December 2025</b>	31 December 2024
Balances with banks	101,947	154,385
CBB reserve account	93,279	84,769
Debt type instruments – sukuk	1,548,927	1,628,135
Financing contracts	1,524,807	1,039,024
Investment securities	30,109	30,849
Investment in real estate	18,860	43,655
	<b>3,317,929</b>	2,980,817

As at 31 December 2025, the balance of profit equalisation reserve and investment risk reserve was Nil (2024: Nil).

The Group does not allocate non-performing assets to Quasi Equity / Investment Account holder (IAH) pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to IAH accountholders. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. The Group did not charge any administration expenses to investment accounts.

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**17 SHARE CAPITAL****Authorised:**

9,433,962,264 shares of US\$ 0.265 each (2024: 9,433,962,264 shares of US\$ 0.265 each)

**Issued and fully paid up:**

3,832,593,838 shares of US\$ 0.265 each (2024: 3,832,593,838 shares of US\$ 0.265 each)

31 December 2025	31 December 2024
<b>2,500,000</b>	2,500,000
<b>1,015,637</b>	1,015,637

The movement in the share capital during the year is as follows:

	2025	2024
At 1 January	1,015,637	1,015,637
Issue of bonus shares	-	-
<b>At 31 December</b>	<b>1,015,637</b>	<b>1,015,637</b>

As at 31 December 2025, the Bank held 324,829,992 (31 December 2024: 258,344,619) treasury shares.

**Additional information on shareholding pattern**

(i) The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

(ii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

	Number of shares	Number of Shareholders	% of total outstanding shares
<b>31 December 2025</b>			
<b>Categories*</b>			
Less than 1%	2,604,406,695	6,525	67.95%
1% up to less than 5%	427,939,664	23	11.17%
5% to less than 10%	800,247,479	3	20.88%
<b>Total</b>	<b>3,832,593,838</b>	<b>6,551</b>	<b>100%</b>
<b>31 December 2024</b>			
<b>Categories*</b>			
Less than 1%	3,174,376,727	6,993	82.83%
1% up to less than 5%	427,939,664	7	11.17%
5% to less than 10%	230,277,447	1	6.00%
<b>Total</b>	<b>3,832,593,838</b>	<b>7,001</b>	<b>100%</b>

\* Expressed as a percentage of total outstanding shares of the Bank.

**Appropriations and changes in capital structure**

Appropriations, if any, are made when approved by the shareholders.

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17 *SHARE CAPITAL (continued)*

*Proposed appropriations*

The Board of Directors proposes the following appropriations for 2025 subject to shareholders' and regulatory approval:

- Cash dividend of 10.1% of the paid-up share capital net of treasury shares.
- To allocate an amount of US\$ 3,500,000 to charity activities and civil society organizations.
- Transfer of US\$ 14,011,000 to statutory reserve; and
- Board remuneration of US\$ 3,000,000.

18 **SHARE GRANT RESERVE**

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards. During the year the Bank has recognized US \$ 15,204 thousand (2024:US\$ 10,000 thousands) of share based payment expense in the share grant reserve.

19 **TOTAL INCOME**

19A **Wealth and investment management**

	<b>2025</b>	2024
Asset management income	73,257	50,104
Portfolio management income	23,513	21,553
Structuring and investment placement	55,561	57,630
Co-investment income	14,456	11,759
Associates income	7,334	30,202
	<b>174,121</b>	171,248

19B **Credit & financing**

	<b>2025</b>	2024
Finance income	173,526	142,357
Underwriting income	50,907	72,402
- Less: Finance expense	(92,346)	(125,790)
- Fee and other income	23,069	22,778
	<b>155,156</b>	111,747

19C **Treasury and proprietary**

	<b>2025</b>	2024
Fixed Income	254,070	242,309
ALM & Trading*	141,431	39,357
Proprietary and other income		
- Direct investment income	96,407	163,179
- Income from sale of assets	67,908	92,063
- Other operating income	20,824	3,569
Repo and FI Expenses	(190,378)	(158,112)
	<b>390,262</b>	382,365

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19C *Treasury and proprietary (contineud)*

\*ALM & Trading income includes gains and losses of US\$ 22,409 thousand (2024: US\$ 12,408 thousand) on profit rate and foreign exchange derivative contracts principally initiated to cater to both on balance sheet and asset management investors open positions which have been offset in the market with matching contracts. There is no remaining market risk associated with these contracts for the Bank on currency positions

**20 DISAGGREGATION OF REVENUE**

**20A Revenue recognised at a point in time**

Wealth and investment management  
Credit & financing  
Treasury and proprietary

	2025	2024
	77,351	99,591
	73,976	95,180
	244,098	260,607
	<b>395,425</b>	<b>455,378</b>
<b>Revenue recognised over time</b>		
Wealth and investment management	96,770	71,657
Credit & financing	173,526	142,357
Treasury and proprietary	336,542	279,870
	<b>606,838</b>	493,884
<b>Total revenue</b>	<b>1,002,263</b>	949,262

**20B GROSS FINANCE INCOME AND EXPENSE**

Finance income  
Finance expense

	2025	2024
	566,132	494,629
	(562,092)	(549,925)

The Group utilises funding sources for other asset classes and operating units that generate revenue other than finance income. The above finance income and expense are recognised using the effective profit rate.

**21 IMPAIRMENT ALLOWANCES, NET**

Bank balances  
Treasury portfolio (note 7)  
Financing contracts (note 8)  
Proprietary assets  
Other receivables (note 10)  
Commitments and financial guarantees

	2025	2024
	26	23
	(2,252)	1,485
	13,773	1,611
	6,666	2,132
	9,040	13,058
	(76)	(12)
	<b>27,177</b>	18,297

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**22 STAFF COST**

	<b>2025</b>	2024
Salaries and short-term benefits	113,843	96,969
Social insurance and end of service benefits	4,812	4,239
Share-based payments	15,204	10,000
	<b>133,859</b>	<b>111,208</b>

As per the Group's Variable Incentive Policy, a portion of the annual performance bonus is issued in the form of share awards to its senior management employees. These awards include deferred incentives in the form of shares, share purchase plans and long-term incentive plans with different conditions. The terms of the award, including the type of plan, extent of funding, pricing and deferral period is determined for each year by the Board Nomination, Remuneration and Governance Committee of the Bank.

Performance year	Nature of award	Staff coverage	Summary of deferral and vesting conditions
Annual Awards	Employee Share Purchase Plan & Deferred Annual Bonus (DAB)	Covered persons in business and control functions who exceed total compensation thresholds as per CBB Remuneration Regulations and Bank's Variable Remuneration policy.	A portioned of the annual incentive is issued in form of shares / awards and released rateably over the 3-year deferral period. The issue price is determined based on a defined adjustment to market price on the date of the award. No future performance conditions or service conditions associated with the DAB shares. DAB Shares are entitled for dividends, if any, but released over the deferral period.
2020 – 2025	Long term incentive plan (LTIP) share awards	Select Senior Management	Under the future performance awards structure of the Bank, an LTIP scheme was introduced where the employees are compensated in form of shares on achievement of certain pre-determined performance conditions. The LTIP sets performance and service conditions and has a rateable vesting schedule over a period of 3 - 6 years. Accelerated vesting may occur on exceeding performance conditions leading to true up of share-based payment charges. The issue price is determined based on a defined adjustment to market price on the date of the award. The LTIP shares include leverage features and are entitled to dividends, if any, released along with the vested shares.

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## 22 STAFF COST (continued)

	2025		2024	
	No. of Shares	USD 000's	No. of Shares	USD 000's
Opening balance	122,469,857	29,346	149,075,180	33,209
Awarded during the period				
- DAB shares	13,721,047	3,314	6,302,880	1,271
- LTIP shares	130,814,285	34,138	38,325,937	9,660
Forfeiture and other adjustments	-	-	(756,300)	-
Transfer to employees / settlement	(104,300,479)	(20,400)	(70,477,840)	(14,794)
<b>Closing balance</b>	<b>162,704,710</b>	<b>46,398</b>	122,469,857	29,346

In case of the employee share purchase plans including LTIP, the US\$ amounts reported in the table above represents the gross vesting charge of the respective schemes as determined under IFRS 2 – Share-based payments at the date of the award and not the value of the shares. The release of these shares are subject to future retention, performance and service conditions. The number of shares included in the table above refer to the total employee participation in the various plans that remain unvested and undelivered as at the reporting date.

## 23 OTHER OPERATING EXPENSES

	2025	2024
Investment advisory expenses	23,794	18,713
Lease amortization	6,539	5,223
Professional and consultancy fees	11,936	14,287
Legal expenses	9,014	7,607
Depreciation	14,317	12,791
Expenses relating to non-banking subsidiaries	7,248	6,862
Registration fees	-	1,566
Information technology expenses	3,908	6,444
Foreign exchange	(318)	5,793
Benefit and visa expenses	4,836	5,897
Advertising and marketing expenses	3,920	9,242
Other operating expenses	48,437	46,893
	<b>133,631</b>	141,318

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**24 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group. A significant portion of the Group's management fees are from entities over which the Group exercises influence (assets under management). Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The transactions with these entities are based on agreed terms.

The significant related party transactions during the year and balances as at year end included in these consolidated financial statements are as follows:

	Related parties				Total
	Associates / Joint venture	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management including special purpose and other entities	
<b>2025</b>					
<b>Assets</b>					
Treasury portfolio	369,971	-	-	83,739	<b>453,710</b>
Financing contracts	-	11,984	307,211	-	<b>319,195</b>
Proprietary assets	446,056	-	6,058	381,841	<b>833,955</b>
Receivables and other assets	6,517	406	172,392	172,392	<b>351,707</b>
<b>Liabilities</b>					
Current account	645	475	43,936	17,950	<b>63,006</b>
Placements from financial, non-financial	-	10,865	-	-	<b>10,865</b>
Payables and accruals	36,643	15,033	3,000	261,664	<b>316,340</b>
<b>Quasi Equity</b>	830	4,788	278,593	-	<b>284,211</b>
<b>Income</b>					
Wealth and investment management	-	-	-	208,890	<b>208,890</b>
Credit & financing	-	663	5,795	-	<b>6,458</b>
Treasury and proprietary	29,532	-	-	39,956	<b>69,488</b>
<b>Expenses</b>					
Other operating expenses	-	1,438	-	-	<b>1,438</b>
Staff cost	-	28,890	-	-	<b>28,890</b>
Finance expense	32	300	14,506	-	<b>14,838</b>

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## 24 RELATED PARTY TRANSACTIONS (continued)

2024	Related parties				Total
	Associates / Joint venture	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management including special purpose and other entities	
<b>Assets</b>					
Treasury portfolio	521,440	-	-	57,842	579,282
Financing contracts	-	10,597	131,028	18,212	159,837
Proprietary assets	442,207	-	148,728	260,164	851,099
Receivables and other assets	162,442	7,008	134,534	225,512	529,496
<b>Liabilities</b>					
Current account	1,854	928	36,305	17,950	57,037
Placements from financial, non- financial institutions	-	6,469	2,772	-	9,241
Payables and accruals	61,610	7,468	-	167,544	236,622
Quasi Equity	844	5,695	65,014	-	71,553
<b>Income</b>					
Wealth and investment management	1,451	-	-	181,831	183,282
Credit & financing	-	594	5,422	-	6,016
Treasury and proprietary	51,925	-	59,799	96,587	208,311
<b>Expenses</b>					
Other operating expenses	-	1,143	-	-	1,143
Staff cost	-	19,868	-	-	19,868
Finance expense	48	371	19,786	-	20,205

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24 RELATED PARTY TRANSACTIONS (continued)

**Key management personnel**

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group and its significant banking subsidiary.

The key management personnel compensation is as follows:

	2025	2024
Board members' remuneration, fees and allowance	4,297	3,857
Salaries, other short-term benefits and expenses	12,891	8,888
Post-employment benefits including shares based payments	15,999	10,980

25 ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

i. The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had average assets under management of US\$ 11,410 million (31 December 2024: US\$ 10,744 million). During the year, the Group had charged management fees and performance fee amounting to US\$ 73,257 thousand (31 December 2024: US\$ 50,104 thousand).

ii. Custodial assets comprise assets of the discretionary portfolio management ('DPM') accounts amounting to US\$ 4,543,252 thousand (2024: US\$ 3,304,293 thousand), of which US\$ 1,947,844 thousand (2024: US\$ 1,689,273 thousand) relate to the Group's investment products and the balance is deployed in the Group's treasury products. During the year, the Group had charged portfolio management income amounting to US\$ 23,513 thousand (31 December 2024: US\$ 21,553 thousand).

26 EARNINGS PER SHARE

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year.

	2025	2024
Profit attributable to shareholders of the Bank	140,110	118,504
Weighted average number of shares for basic and diluted earnings	3,573,868	3,619,933
<b>Earnings per share</b>		
<i>Basic and diluted earnings per share (US cents)</i>	<b>3.92</b>	<b>3.27</b>

*Diluted earnings per share*

The Group has not issued potential ordinary shares during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**27 ZAKAH AND SOCIAL RESPONSIBILITY**

Zakah is directly borne by the shareholders on distributed profits and investors in restricted investment accounts. The Bank does not collect or pay Zakah on behalf of its shareholders and investors in restricted investment accounts. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed (net assets method) by the Bank's Shari'a Supervisory Board and notified to shareholders annually.

The Group discharges its social responsibilities through donations to charitable causes and social organisations.

	<b>2025</b>	2024
<b>Sources of zakah and charity fund</b>		
Contributions by the Group	5,900	8,034
Non-Sharia income (note 28)	46	55
<b>Total sources</b>	<b>5,946</b>	8,089
<b>Uses of zakah and charity fund</b>		
Contributions to charitable organisations	(6,930)	(3,027)
<b>Total uses</b>	<b>(6,930)</b>	(3,027)
<b>Surplus of sources over uses</b>		
Undistributed zakah and charity fund at beginning of the year	10,375	5,314
<b>Undistributed zakah and charity fund at 31 December (note 14)</b>	<b>9,391</b>	10,376
<b>Represented by:</b>		
Zakah payable	4,623	4,109
Charity fund	4,768	6,267
	<b>9,391</b>	10,376

**28 EARNINGS PROHIBITED BY SHARI'A**

The Group is committed to avoid recognising any income generated from non-sharia sources. Accordingly, all non-sharia income is credited to a charity account where the Group uses these funds for charitable means. Movements in non-sharia funds are shown in the statement of sources and uses of charity funds. The Group receives interest from deposits placed with the CBB and other incidental or required deposits. These earnings are utilised exclusively for charitable purposes and amount to US\$ 46 thousand (2024: US\$ 55 thousand).

**29 SHARI'A SUPERVISORY BOARD**

The Group's Shari'a Supervisory Board comprise four Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**30 MATURITY PROFILE**

The table below shows the maturity profile of the Group's assets and unrecognised commitments on the basis of their contractual maturity. Where such contractual maturity is not available, the Group has considered expected realisation / settlement profile for assets and liabilities respectively. For undiscounted contractual maturity of financial liabilities, refer note 35.

<b>31 December 2025</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and bank balances	193,199	20,613	27,660	528	7,230	249,230
Treasury portfolio	1,150,877	929,391	448,512	506,673	2,256,470	5,291,923
Financing contracts	433,664	104,891	120,099	559,945	1,311,318	2,529,917
Proprietary assets	-	-	-	1,365,745	1,710,099	3,075,844
Receivables and prepayments	104,561	308,333	219,433	196,053	172,025	1,000,405
Property and equipment	-	-	-	-	54,796	54,796
<b>Total assets</b>	<b>1,882,301</b>	<b>1,363,228</b>	<b>815,704</b>	<b>2,628,944</b>	<b>5,511,938</b>	<b>12,202,115</b>
<b>Liabilities</b>						
Clients Accounts	84,942	-	24,352	-	226,106	335,400
Placements from financial institutions	1,627,510	733,781	628,765	54,011	-	3,044,067
Placements from non-financial institutions and individuals	571,430	202,095	36,651	89,115	380,800	1,280,091
Term financing	690,496	348,136	3,647	982,664	498,573	2,523,516
Payables and accruals	176,256	254,526	62,303	60,517	10,289	563,891
<b>Total liabilities</b>	<b>3,150,634</b>	<b>1,538,538</b>	<b>755,718</b>	<b>1,186,307</b>	<b>1,115,768</b>	<b>7,746,965</b>
<b>Quasi Equity</b>	<b>1,016,175</b>	<b>407,823</b>	<b>302,783</b>	<b>323,335</b>	<b>1,267,813</b>	<b>3,317,929</b>
<b>Off-balance sheet items</b>						
Forward contracts	1,061,334	948,677	1,423,701	267,806	9,980	3,711,497
Off- balance- sheet investment accounts	569,948	411,013	1,139,844	322,692	124,198	2,567,695
Commitments	-	-	-	297,189	-	297,189

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30 MATURITY PROFILE (continued)

31 December 2024	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
<b>Assets</b>						
Cash and bank balances	419,818	16,849	22,286	1,013	-	459,966
Treasury portfolio	1,098,149	869,530	295,129	1,147,694	1,441,132	4,851,634
Financing contracts	193,599	228,295	105,369	352,584	1,178,310	2,058,157
Proprietary assets	-	-	-	1,010,132	1,420,535	2,430,667
Receivables and prepayments	226,539	354,130	265,036	175,371	152,310	1,173,386
Property and equipment	-	-	-	-	57,215	57,215
<b>Total assets</b>	<b>1,938,105</b>	<b>1,468,804</b>	<b>687,820</b>	<b>2,686,794</b>	<b>4,249,502</b>	<b>11,031,025</b>
<b>Liabilities</b>						
Clients Accounts	289,584	2,610	65,276	9,716	145,546	512,732
Placements from financial institutions	917,787	767,814	678,009	80,849	-	2,444,459
Placements from non-financial institutions and individuals	574,931	133,285	224,136	4,888	455,564	1,392,804
Term financing	583,329	256,290	2,554	1,249,869	57,716	2,149,758
Payables and accruals	53,853	255,597	74,734	44,571	6,609	435,364
<b>Total liabilities</b>	<b>2,419,484</b>	<b>1,415,596</b>	<b>1,044,709</b>	<b>1,389,893</b>	<b>665,435</b>	<b>6,935,117</b>
Quasi Equity	1,776,009	197,079	139,945	292,655	575,129	2,980,817
<b>Off-balance sheet items</b>						
Forward contracts	112,290	266,343	513,545	821,616	260,993	1,974,787
Off- balance- sheet investment accounts	19,688	228,867	693,257	729,050	18,227	1,689,089
Commitments	-	-	-	253,437	-	253,437

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**31 CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY****(a) Industry sector****31 December 2025****Assets**

Cash and bank balances

Treasury portfolio

Financing contracts

Proprietary assets

Receivables and prepayments

Property and equipment

**Total assets****Liabilities**

Clients Accounts

Placements from financial institutions

Placements from non-financial institutions and individuals

Term financing

Payables and accruals

**Total liabilities****Quasi Equity****Off-balance sheet items**

Forward contract

Off- balance- sheet investment accounts

Commitments

	Banks and financial institutions	Real estate	Others	Total
	211,511	27,961	9,758	249,230
	3,822,077	134,355	1,335,491	5,291,923
	466,859	798,254	1,264,804	2,529,917
	2,577,555	456,261	42,028	3,075,844
	778,196	105,417	116,792	1,000,405
	9,173	4,757	40,866	54,796
	<b>7,865,371</b>	<b>1,527,005</b>	<b>2,809,739</b>	<b>12,202,115</b>
	83,666	11,249	240,485	335,400
	3,044,067	-	-	3,044,067
	4,905	245,897	1,029,289	1,280,091
	2,518,468	3,217	1,831	2,523,516
	347,938	54,268	161,685	563,891
	<b>5,999,044</b>	<b>314,631</b>	<b>1,433,290</b>	<b>7,746,965</b>
	1,796,880	83,587	1,437,462	3,317,929
	3,711,497	-	-	3,711,497
	1,998,260	-	569,435	2,567,695
	-	66,842	230,347	297,189

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31 CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY (continued)

31 December 2024

Assets

Cash and bank balances

Treasury portfolio

Financing contracts

Proprietary assets

Receivables and prepayments

Property and equipment

Total assets

Clients Accounts

Placements from financial institutions

Placements from non-financial institutions and individuals

Term financing

Payables and accruals

Total liabilities

Quasi Equity

Off-balance sheet items

Forward contract

Commitments

Off- balance- sheet investment accounts

	Banks and financial institutions	Real estate	Others	Total
Cash and bank balances	420,470	28,476	11,020	459,966
Treasury portfolio	3,700,900	169,925	980,809	4,851,634
Financing contracts	278,153	718,489	1,061,515	2,058,157
Proprietary assets	1,978,717	401,576	50,374	2,430,667
Receivables and prepayments	1,042,783	8,450	122,153	1,173,386
Property and equipment	8,786	32,774	15,655	57,215
<b>Total assets</b>	<b>7,429,809</b>	<b>1,359,690</b>	<b>2,241,526</b>	<b>11,031,025</b>
Clients Accounts	201,745	10,655	300,332	512,732
Placements from financial institutions	2,444,459	-	-	2,444,459
Placements from non-financial institutions and individuals	521,985	159,899	710,920	1,392,804
Term financing	2,007,158	12,740	129,860	2,149,758
Payables and accruals	352,179	3,624	79,561	435,364
<b>Total liabilities</b>	<b>5,527,526</b>	<b>186,918</b>	<b>1,220,673</b>	<b>6,935,117</b>
Quasi Equity	1,620,308	111,223	1,249,286	2,980,817
Off-balance sheet items				
Forward contract	1,974,787	-	-	1,974,787
Commitments	16,578	61,648	175,211	253,437
Off- balance- sheet investment accounts	1,323,097	-	365,992	1,689,089

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31 CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY (continued)

(b) Geographic region

31 December 2025

**Assets**

	<b>GCC countries</b>	<b>MENA</b>	<b>Asia</b>	<b>North America</b>	<b>Others</b>	<b>Total</b>
Cash and bank balances	203,902	360	82	39,457	5,429	249,230
Treasury portfolio	3,614,707	226,050	22,981	810,361	617,824	5,291,923
Financing contracts	2,482,426	-	-	4,165	43,326	2,529,917
Proprietary assets	3,012,336	-	505	30,969	32,034	3,075,844
Receivables and prepayments	868,293	22,552	3,855	26,854	78,851	1,000,405
Property and equipment	54,796	-	-	-	-	54,796
<b>Total assets</b>	<b>10,236,460</b>	<b>248,962</b>	<b>27,423</b>	<b>911,806</b>	<b>777,464</b>	<b>12,202,115</b>

**Liabilities**

Clients Accounts	273,755	-	85	-	61,560	335,400
Placements from financial, Placements from non-financial institutions and individuals	2,781,422	233,870	-	-	28,775	3,044,067
Term Financing	1,103,756	30,430	145,905	-	-	1,280,091
Payables and accruals	2,440,244	-	-	-	83,272	2,523,516
	511,877	2,205	-	28,122	21,687	563,891
<b>Total liabilities</b>	<b>7,111,054</b>	<b>266,505</b>	<b>145,990</b>	<b>28,122</b>	<b>195,294</b>	<b>7,746,965</b>

**Quasi Equity**

	3,191,273	6,714	151	11	119,780	3,317,929
<b>Off-balance sheet items</b>						-
Commitments	194,361			15,987	86,842	297,189
Forward contract	3,711,497					3,711,497
Off-balance sheet investment accounts	2,423,197	7,280	47,880	-	89,339	2,567,695

Concentration by location for assets is measured based on the location of the underlying operating assets and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

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31 CONCENTRATION OF ASSETS, LIABILITIES AND QUASI EQUITY (continued)

31 December 2024

	GCC countries	MENA	Asia	North America	Others	Total
<b>Assets</b>						
Cash and bank balances	445,753	361	111	2,873	10,868	459,966
Treasury portfolio	3,942,597	491,188	-	264,984	152,865	4,851,634
Financing contracts	2,039,007	-	-	3,073	16,077	2,058,157
Proprietary assets	2,342,527	-	7,350	21,054	59,736	2,430,667
Receivables and prepayments	1,079,725	22,552	3,855	57,504	9,750	1,173,386
Property and equipment	57,215	-	-	-	-	57,215
<b>Total assets</b>	<b>9,906,824</b>	<b>514,101</b>	<b>11,316</b>	<b>349,488</b>	<b>249,296</b>	<b>11,031,025</b>
<b>Liabilities</b>						
Clients accounts	461,350	-	170	-	51,212	512,732
Placements from financial,	2,442,112	-	-	-	2,347	2,444,459
Placements non-financial institutions and individuals	1,298,833	93,971	-	-	-	1,392,804
Term Financing	2,058,461	-	-	-	91,297	2,149,758
Payables and accruals	296,887	1,490	-	70,739	66,248	435,364
<b>Total liabilities</b>	<b>6,557,643</b>	<b>95,461</b>	<b>170</b>	<b>70,739</b>	<b>211,104</b>	<b>6,935,117</b>
<b>Quasi Equity</b>	<b>2,826,589</b>	<b>6,714</b>	<b>4,054</b>	<b>-</b>	<b>143,460</b>	<b>2,980,817</b>
<b>Off-balance sheet items</b>						
Forward contract	1,974,787	-	-	-	-	1,974,787
Off-balance sheet investment accounts	1,604,616	7,050	-	-	77,423	1,689,089
Commitments	240,287	-	-	13,150	-	253,437

Concentration by location for assets is measured based on the location of the underlying operating assets and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

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**32 OPERATING SEGMENTS**

During the year, the Group has redefined its core operating segments to align with changes in its reporting to chief operating decision makers in order to better align the performance reporting.

The Group has identified three distinct operating segments namely, Investment & Wealth Management, Credit & Financing and Treasury and Proprietary Investments which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

**Wealth and investment management**

The Banking segment of the Group is focused on private equity and asset management domains. The private equity activities include acquisition of interests in unlisted or listed businesses at prices lower than anticipated values. The asset management unit is responsible for identifying and managing investments in yielding real estate in the target markets of the GCC. The investment banking activities focuses on providing structuring capabilities in Islamic asset-backed and equity capital markets, Islamic financial advisory and mid-sized mergers and acquisition transactions.

**Credit & financing**

These include commercial and corporate banking, retail banking, wealth management, structured investment products and project financing facilities of the Group's commercial banking subsidiary.

**Treasury and proprietary**

All common costs and activities treasury and residual investment assets, excluding those that are carried independently by the reportable segments which are included within the respective segment, are considered as part of the proprietary and treasury activities of the Group.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Segment revenue and expenses were net-off inter segment revenue and expenses.

The Group has primary operations in Bahrain and the Group does not have any significant independent overseas branches/divisions in the banking business. The geographic concentration of assets and liabilities is disclosed in note 31 (b) to the consolidated financial statements.

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**32 OPERATING SEGMENTS** (continued)

Information regarding the results of each reportable segment is included below:

	<b>Wealth &amp; Investment Management</b>	<b>Credit &amp; Financing Income</b>	<b>Treasury and Proprietary Income</b>	<b>Total</b>
<b>31 December 2025</b>				-
Segment revenue	174,121	155,156	390,262	719,539
Segment expenses	(135,432)	(111,503)	(299,923)	(546,858)
Impairment allowance	-	(15,526)	(11,651)	(27,177)
<b>Segment result</b>	<b>38,689</b>	<b>28,127</b>	<b>78,688</b>	<b>145,504</b>
Segment assets	217,080	4,525,081	7,459,954	12,202,115
Segment liabilities	225,994	2,322,453	5,198,518	7,746,965
Quasi equity	-	1,845,758	1,472,171	3,317,929
<i>Other segment information</i>				
Equity accounted investees	286,918	18,431	-	305,349
Commitments	15,000	94,607	187,583	297,190

	<b>Wealth &amp; Investment Management</b>	<b>Credit &amp; Financing Income</b>	<b>Treasury and Proprietary Income</b>	<b>Total</b>
<b>31 December 2024</b>				
Segment revenue	171,248	382,365	111,747	665,360
Segment expenses	(142,067)	(354,974)	(21,508)	(518,549)
Impairment allowance	-	(5,104)	(13,193)	(18,297)
<b>Segment result</b>	<b>29,181</b>	<b>22,287</b>	<b>77,046</b>	<b>128,514</b>
Segment assets	301,981	3,968,511	6,760,533	11,031,025
Segment liabilities	300,353	2,250,096	4,384,668	6,935,117
Quasi equity	-	1,377,179	1,603,638	2,980,817
<i>Other segment information</i>				
Equity accounted investees	141,374	17,285	-	158,659
Commitments	13,150	94,607	145,680	253,437

**33 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an orderly transaction. This represents 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.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

As at 31 December 2025 and 31 December 2024, the fair values of bank balances, placements with financial institutions, receivables and other financial assets, clients' funds, placements from institutions and individuals, customer current accounts and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through profit or loss are carried at their fair values determined using quoted market prices.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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US\$ 000's

33 *FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowances) of US\$ 2,334,093 thousand (31 December 2024: US\$ 2,398,462 thousand) is US \$ 2,338,635 thousand (31 December 2024: US \$ 2,466,563). There are no material changes in the fair values of the Sukuk's carried at amortised cost subsequent to the reporting date until the date of signing the consolidated financial statements for the year ended 31 December 2025.

**Fair value hierarchy**

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**31 December 2025**

(i) *Treasury portfolio*

Investment securities carried at fair value through:

- income statement
- comprehensive income

	Level 1	Level 2	Level 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
	23,330	561,340	7,324	591,994
	767,890	525,822	-	1,293,712
	<b>791,220</b>	<b>1,087,162</b>	<b>7,324</b>	<b>1,885,706</b>
	166,699	93,302	30,594	290,595
	-	446,056	431,290	877,346
	<b>166,699</b>	<b>539,358</b>	<b>461,884</b>	<b>1,167,941</b>
	<b>957,919</b>	<b>1,626,520</b>	<b>469,208</b>	<b>3,053,647</b>

31 December 2024

(i) *Treasury portfolio*

Investment securities carried at fair value through:

- income statement
- comprehensive income

	Level 1	Level 2	Level 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
	-	308,181	-	308,181
	1,176,331	-	-	1,176,331
	<b>1,176,331</b>	<b>308,181</b>	<b>-</b>	<b>1,484,512</b>
	-	98,580	255,194	353,774
	17,324	442,207	67,568	527,099
	<b>17,324</b>	<b>540,787</b>	<b>322,762</b>	<b>880,873</b>
	<b>1,193,655</b>	<b>848,968</b>	<b>322,762</b>	<b>2,365,385</b>

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below shows the reconciliation of movements in value of investments measured using Level 3 inputs:

	<b>2025</b>	2024
At 1 January	322,762	320,261
Disposals at carrying value	(29,083)	(20,251)
Transferred to Level 2	11,671	-
Reclassification	47,445	(14,661)
Purchases	119,165	72,236
Fair value changes during the year	(2,752)	(34,823)
<b>At 31 December</b>	<b>469,208</b>	<b>322,762</b>

The potential effect of using reasonable possible alternative assumptions for fair valuing certain equity investments classified as level 3 are summarised below:

**As on 31 December 2025:**

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2025 US\$ '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Weighted Average	Weighted average cost of capital, Terminal Growth and Comparable Companies Multiples	99,734	+/-5%	1,366 / (1,366)
Adjusted Net Asset Value	Weighted average cost of capital, Terminal Growth and NAV	5,985	+/- 5%	299 / (299)
Discounted cash flow	Weighted average cost of capital and Terminal Growth	91,524	+/- 5%	4,626 / (4,626)
Adjusted Net Asset Value	NAV	271,965	+/- 5%	9,317 / (9,317)
		<b>469,208</b>		

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33 *FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*

As on 31 December 2024:

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2024 US\$ '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Weighted Average	Weighted average cost of capital, Terminal Growth and Comparable Companies	51,348	+/- 5%	1,366 / (1,366)
Adjusted Net Asset Value	Weighted average cost of capital, Terminal Growth and NAV	4,930	+/- 5%	246 / (246)
Discounted cash flow	Weighted average cost of capital and	73,163	+/- 5%	3,561 / (3,561)
Adjusted Net Asset Value	NAV	193,322	+/- 5%	7,835 / (7,835)
		<u>322,762</u>		

34 **COMMITMENTS AND CONTINGENCIES**

The commitments contracted in the normal course of business of the Group are as follows:

	31 December 2025	31 December 2024
Undrawn commitments to extend finance	124,178	94,912
Financial guarantees	106,170	102,817
Capital commitments for infrastructure development projects	66,842	55,708
	<b>297,190</b>	<b>253,437</b>

*Performance obligations*

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group as at 31 December 2025 due to the performance of any of its projects.

*Litigations and claims*

The Group has a number of claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, the management is of the opinion that the Bank has strong grounds to successfully defend itself against these claims. Appropriate provision have been made in the books of accounts. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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US\$ 000's

**35 FINANCIAL RISK MANAGEMENT****Overview**

Financial assets of the Group comprise bank balances, placements with financial and other institutions, investment securities and other receivable balances. Financial liabilities of the Group comprise investors' funds, placements from financial and other institutions, term financing and other payable balances. Accounting policies for financial assets and liabilities are set out in note 4.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The material subsidiaries consolidated in these financial statements have independent risk management frameworks which is monitored by the respective Board of Directors of the subsidiaries. Accordingly, such risk management policies, procedures and practices are not included in these consolidated financial statements.

**Risk management framework**

The key element of our risk management philosophy is for the Risk Management Department ('RMD') to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The Head of Risk Management reports to the Board Audit and Risk Committee.

The Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place. The Board has delegated its authority to the Board Audit and Risk Committee (ARC), which is responsible for implementing risk management policies, guidelines and limits and ensuring that monitoring processes are in place. The RMD, together with the Internal Audit and Compliance Departments, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

The RMD submits a quarterly Risk Overview Report along with a detailed Liquidity Risk Report to the Board of Directors. The Risk Overview Report describes the potential issues for a wide range of risk factors and classifies the risk factors from low to high. The Liquidity Risk Report measure the Group's liquidity risk profile against policy guidelines and regulatory benchmarks. An additional report is prepared by the respective investment units that give updated status and impairment assessment of each investment, a description of significant developments on projects or issues as well as an update on the strategy and exit plan for each project.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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*35 FINANCIAL RISK MANAGEMENT (continued)***a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's placements with financial institutions, Financing contracts and other receivables from project companies. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, sector risk and sector concentration risk, related party exposure, etc.).

The Group had updated its inputs and assumptions for computation of ECL (refer note 4 n).

**Management of investment and credit risk**

The Board of Directors has delegated responsibility for the management of credit risk to its Board Investment Committee (BIC). This committee establishes operating guidelines and reviews and endorses the Management Investment and Credit Committee recommendations for investment strategies, products and services. Its actions are in accordance with the investment policies adopted by the Board of Directors.

The RMD is responsible for oversight of the Group's credit risk, including:

- Ensuring that the Group has in place investment and credit policies, covering credit assessment, risk reporting, documentary and legal procedures, whilst the Compliance Department is responsible for ensuring compliance with regulatory and statutory requirements.
- Overseeing the establishment of the authorisation structure for the approval and renewal of investment and credit facilities. Authorisation limits are governed by the Board approved Delegated Authority Limits (DAL) Matrix.
- Reviewing and assessing credit risk. Risk Management department assesses all investment and credit exposures in excess of designated limits, prior to investments / facilities being committed. Renewals and reviews of investments / facilities are subject to the same review process.
- Ongoing review of credit exposures. The credit review of the commercial banking exposure is managed and governed by the Board of Directors of Khaleeji and is consistent with the practices appropriate for retail banks. The risk assessment approach is used by the Parent Bank in determining where impairment provisions may be required against specific investment / credit exposures at its board. The current risk assessment process classifies credit exposures into two broad categories "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. Risk is assessed on an individual basis for each investment / receivable and is reviewed at least once a year. The Group does not perform a collective assessment of impairment for its credit exposures as the credit characteristics of each exposure is considered to be different. Risk profile of exposures are subject to regular reviews.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment / credit risk.

The Risk Management Department works alongside the Investment Department at all stages of the deal cycle, from pre-investment due diligence to exit, and provides an independent review of every transaction. A fair evaluation of investments takes place periodically with inputs from the Investment department. Quarterly updates of investments are presented to the Board of Directors or their respective committees. Regular audits of business units and Group credit processes are undertaken by Internal Audit.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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US\$ 000's

## 35 FINANCIAL RISK MANAGEMENT (continued)

**Exposures subject to credit risk****31 December 2025****Balances with banks and placements with financial**

	Stage 1	Stage 2	Stage 3	Total
Grade 1-6 Low-Fair-Risk	1,330,614	360	-	1,330,974
Gross carrying amount	<b>1,330,614</b>	<b>360</b>	-	<b>1,330,974</b>
Less expected credit losses	67	-	-	67
<b>Net carrying amount</b>	<b>1,330,547</b>	<b>360</b>	-	<b>1,330,907</b>

**Financing contracts**

Grade 8 -10 Impaired	-	-	128,613	128,613
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*Past due but not impaired*

Grade 1-6 Low-Fair Risk	194,326	95,915	-	290,241
Grade 7 Watch list	-	16,995	-	16,995
Past due comprises:				
Up to 30 days	150,297	188,141	-	338,438
30-60 days	44,016	13,122	-	57,138
60-90 days	13	4,653	-	4,666

*Neither past due nor impaired*

Grade 1-6 Low-Fair Risk	2,003,413	37,634	-	2,041,047
Grade 7 Watch list	-	7,462	-	7,462
Gross carrying amount	<b>2,197,739</b>	<b>251,011</b>	<b>128,613</b>	<b>2,577,363</b>
Less expected credit losses	8,831	10,201	28,414	47,446
<b>Net carrying amount</b>	<b>2,188,908</b>	<b>240,810</b>	<b>100,199</b>	<b>2,529,917</b>

**Investment in Sukuk**

Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	3,583,814	49,790	-	3,633,604
Gross carrying amount	<b>3,583,814</b>	-	<b>3,496</b>	<b>3,637,100</b>
Less: expected credit losses	6,285	9,067	3,496	18,848
<b>Net carrying amount</b>	<b>3,577,529</b>	<b>40,723</b>	-	<b>3,618,252</b>

**Commitments and financial guarantees**

Grade 8 -10 Impaired	-	-	16	16
Grade 1-6 Low-Fair Risk	297,171	3	-	297,174
Grade 7 Watch list	-	-	-	-
Gross carrying amount (note 36)	<b>297,171</b>	<b>3</b>	<b>16</b>	<b>297,190</b>
Less: expected credit losses	-	-	-	-
<b>Net carrying amount</b>	<b>297,171</b>	<b>3</b>	<b>16</b>	<b>297,190</b>

**Total net carrying amount**

<b>7,394,155</b>	<b>281,896</b>	<b>100,215</b>	<b>7,776,266</b>
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US\$ 000's

## 35 FINANCIAL RISK MANAGEMENT (continued)

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Balances with banks and placements with financial institutions				
Grade 1-6 Low-Fair Risk	1,450,204	361	-	1,450,565
Gross carrying amount	1,450,204	361	-	1,450,565
Less expected credit losses	93	2	-	95
Net carrying amount	1,450,111	359	-	1,450,470
Financing contracts				
Grade 8 -10 Impaired	-	-	153,056	153,056
Past due but not impaired				
Grade 1-6 Low-Fair Risk	179,873	49,679	-	229,552
Grade 7 Watch list	170	23,279	-	23,449
<u>Past due comprises:</u>				
Up to 30 days	157,240	46,867	-	204,107
30-60 days	22,265	21,586	-	43,851
60-90 days	538	24,401	-	24,939
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	1,564,321	115,594	-	1,679,915
Grade 7 Watch list	9,180	-	-	9,180
Gross carrying amount	1,753,544	208,448	153,056	2,115,048
Less expected credit losses	3,032	12,230	41,629	56,891
Net carrying amount	1,750,512	196,218	111,427	2,058,157
Investment in Sukuk				
Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	3,340,203	236,651	-	3,576,854
Gross carrying amount	3,340,203	236,651	3,496	3,580,350
Less: expected credit losses	15,000	9,067	3,496	27,563
Net carrying amount	3,325,203	227,584	-	3,552,787
Commitments and financial guarantees				
<i>Grade 8 -10 Impaired</i>	-	-	16	16
<i>Grade 1-6 Low-Fair Risk</i>	252,955	469	-	253,424
<i>Grade 7 Watch list</i>	-	-	-	-
Gross carrying amount (note 35)	252,955	469	16	253,440
Less: expected credit losses	-	3	-	3
Net carrying amount	252,955	466	16	253,437
Total net carrying amount	3,578,158	228,050	16	3,806,224

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35 *FINANCIAL RISK MANAGEMENT (continued)*

**Significant increase in credit risk**

When determining whether the risk of default on an exposure subject to credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:

- Downgrade in risk rating according to the approved ECL policy;
- Facilities restructured during previous twelve months;
- Qualitative indicators; and
- Facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances.

**Credit risk grades**

The Group allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Exposers are rated 1 to 10 with 1 to being good and 7 being watch list and 8, 9 and 10 default grades. The monitoring typically involves use of the following data.

**Corporate exposures**

- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies. press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

**Retail exposures**

- Internally collected data on customer behaviour -e.g. utilisation of credit card facilities
- Affordability metrics
- External data from credit reference agencies including industry-standard credit scores

**All exposures**

- Payment record this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

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*35 FINANCIAL RISK MANAGEMENT (continued)****Generating the term structure of PD***

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark profit rates and oil price. For exposures to specific industries and/or regions. The analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

***Determining whether credit risk has increased significantly.***

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Qualitative indicators, including different criteria used for different portfolios credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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*35 FINANCIAL RISK MANAGEMENT (continued)****Definition of default***

The Group considers an exposure subject to credit risk to be in default 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 more than 90 days past due on any material obligation to the Group; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligation.

In assessing whether the borrower is in default, the Group considers qualitative and quantitative indicators. The definition of default aligns with that applied by the Group for regulatory capital purposes.

***Incorporation of forward-looking information***

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information. The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2025 included the key indicators for the selected countries such as the unemployment rates, profit rates and the GDP growth.

***Modified exposures subject to credit risk***

The contractual terms of an exposure subject to credit risk may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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**35 FINANCIAL RISK MANAGEMENT (continued)**

The Group renegotiates financing to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, forbearance of Financing contracts is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time (12 months) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

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. For Financing contracts secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

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35 *FINANCIAL RISK MANAGEMENT (continued)*

The following tables show reconciliations from the opening to the closing balance of the loss allowance: 12-month ECL, lifetime ECL and credit-impaired.

2025	12 month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECLCredit impaired (Stage3)	Total
Balance at 1 January	22,339	21,338	75,881	119,558
Transfer to 12-month ECL	10,721	(10,109)	(613)	0
Transfer to lifetime ECL non-credit-impaired	(1,968)	(4,235)	6,203	-
Transfer to lifetime ECL credit-impaired	(1,798)	(459)	2,257	-
Write-off	-	-	(49,901)	(49,901)
Charge for the period	5,090	8,808	12,948	26,846
<b>Balance at 31 December</b>	<b>34,384</b>	<b>15,343</b>	<b>46,775</b>	<b>96,503</b>

Breakdown of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

2025	12 month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECLCredit impaired (Stage3)	Total
Balances with banks	33	19	-	52
Treasury portfolio	13,624	750	4,474	18,848
Financing contracts	8,398	10,761	28,287	47,446
Other financial receivables	12,233	3,814	13,999	30,046
Investment securities	-	-	-	-
Financing commitments and financial guarantees	95	-	16	111
<b>Balance at 31 December</b>	<b>34,384</b>	<b>15,343</b>	<b>46,776</b>	<b>96,503</b>

2024	12 month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECLCredit impaired (Stage3)	Total
Balance at 1 January	13,558	43,389	48,677	105,624
Transfer to 12-month ECL	13,821	(17,233)	3,412	-
Transfer to lifetime ECL non-credit-impaired	(605)	1,321	(716)	-
Transfer to lifetime ECL credit-impaired	(1,723)	(3,910)	5,633	-
Write-off	-	-	(2,231)	(2,231)
Charge for the period	(2,712)	(2,229)	21,106	16,165
Balance at 31 December	22,339	21,338	75,881	119,558

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35 *FINANCIAL RISK MANAGEMENT (continued)*

Break down of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

2024	12 month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECLCredit impaired (Stage3)	Total
Balances with banks	16	14	-	30
Treasury portfolio	7,958	9,067	10,738	27,763
Financing contracts	3,329	12,239	48,000	63,568
Other financial receivables	13,749	3	13,999	27,751
Investment securities	-	-	-	-
Financing commitments and financial guarantees	167	3	(11)	159
Balance at 31 December	25,219	21,326	72,726	119,271

**Renegotiated facilities**

During the year, facilities of US \$ 118,571 thousand (2024: US\$ 108,151 thousand) were renegotiated, out of which US\$ 110,486 thousand (2024: US\$ 79,005 thousand) are classified as neither past due nor impaired as of 31 December 2025. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD.

**Post model adjustments**

The Group's Expected Credit Loss (ECL) model fully incorporates historical data, current conditions, and forward-looking macroeconomic scenarios. Based on management's review, no post-model adjustments (PMAs) were required, as the model was considered robust in capturing all material risks, including those related to macroeconomic uncertainties.

**Allowances for impairment**

The Group makes provisions for impairment on individual assets classified under grades 8,9 and 10. This is done on the basis of the present value of projected future cash flows from the assets themselves and consideration of the value of the collateral securities available. On a collective basis, the Bank has provided for impairment losses based on management's judgment of the extent of losses incurred but not identified based on the current economic and credit conditions.

**Non-accrual basis**

The Group classifies financing facility/Sukuk as non-accrual status, if the facility/Sukuk is past due greater than 90 days or there is reasonable doubt about the collectability of the receivable amount. The profits on such facilities are not recognized in the income statement until there are repayments from the borrower or the exposure is upgraded to regular status.

**Write-off policy**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. 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. During the year, the Group has written off financing facilities amounting to US \$ 7,647 thousand (2024: US \$ nil thousand) which were fully impaired. The Group has recovered US \$ 568 thousand from a financing facility written off in previous years (2024: US \$ 11,000 thousand)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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## 35 FINANCIAL RISK MANAGEMENT (continued)

**Collaterals**

The Group holds collateral against Financing contracts and receivables from assets acquired for leasing in the form of mortgage/ pledge over property, listed securities, other assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. Collateral generally is not held against exposure to other banks and financial institutions. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. This includes the value of financial guarantees from banks, but not corporate and personal guarantees as the values thereof are not readily quantifiable. The collateral values considered for disclosure are restricted to the extent of the outstanding exposures.

**31 December 2025**

	<b>Financing contracts</b>	<b>Assets acquired for leasing (including lease rentals receivable)</b>	<b>Total</b>
<u>Against impaired</u>			
Property	65,170	18,865	84,034
Other	1,393	-	1,393
<u>Against past due but not impaired</u>			
Property	69,488	71,347	140,836
Other	16,663	-	16,663
<u>Against neither past due nor impaired</u>			
Property	449,050	333,851	782,902
Other	63,202	-	63,202
<b>Total</b>	<b>664,966</b>	<b>424,063</b>	<b>1,089,030</b>

## 31 December 2024

	<b>Financing contracts</b>	<b>Assets acquired for leasing (including lease rentals receivable)</b>	<b>Total</b>
<u>Against impaired</u>			
Property	60,528	17,520	78,048
Other	1,294	-	1,294
<u>Against past due but not impaired</u>			
Property	64,538	66,265	130,803
Other	15,477	-	15,477
<u>Against neither past due nor impaired</u>			
Property	417,066	310,074	727,140
Other	58,700	-	58,700
<b>Total</b>	<b>617,603</b>	<b>393,859</b>	<b>1,011,462</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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35 *FINANCIAL RISK MANAGEMENT (continued)*

**Concentration risk**

The industry sector and geographical wise distribution of assets and liabilities are set out in notes 31 (a) and (b).

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

An analysis of concentrations of credit risk of Financing contracts of the Group's business at the reporting date is shown below:

**Concentration by Sector**

	<b>2025</b>	<b>2024</b>
Banking and finance	144,576	131,769
Real estate	1,202,169	814,996
Construction	173,400	145,683
Trading	156,501	171,586
Manufacturing	25,247	32,780
Others	1,149,290	880,115
<b>Total carrying amount</b>	<b>2,851,183</b>	<b>2,176,930</b>

**b) Liquidity risk**

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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35 *FINANCIAL RISK MANAGEMENT (continued)*

**Management of liquidity risk**

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then aims to maintain a portfolio of short-term liquid assets, largely made up of short-term placements with financial and other institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity requirements of business units are met through treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors. Daily reports cover the liquidity position of the Bank and is circulated to Management Committee (MANCOM). Moreover, quarterly reports are submitted to the Board of Directors on the liquidity position by RMD.

To manage the liquidity risk arising from financial liabilities, the Group aims to hold liquid assets comprising cash and cash equivalents, investment in managed funds and treasury shares for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Further, the Group is focussed on developing a pipeline of steady revenues and has undertaken cost reduction exercises that would improve its operating cash flows.

**Measures of liquidity**

Liquidity is managed at an entity level and is not a Group wide measure. The Bank follows certain internal measures of liquidity. These metrics are intended to better reflect the liquidity position from a cash flow perspective and provide a target for the Group. These are liquidity coverage ratio, net stable funding ratio and stock of liquid assets.

For this purpose, the liquidity coverage ratio is based on an internally defined management criteria which identifies the amount of liquid assets (including inter-bank placements) the Bank holds that can be used to offset the net cash outflows for 30, 60 and 90 days time horizon. The net stable funding ratio measures the amount of long-term, stable sources of funding employed by an institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Details of the ratio of liquid assets to total assets at the reporting date and during the year were as follows:

	Liquid asset / Total asset	
	2025	2024
At 31 December	45.41%	48.46%
Average for the year	47.62%	46.61%
Maximum for the year	49.06%	48.46%
Minimum for the year	45.41%	45.07%

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35 *FINANCIAL RISK MANAGEMENT (continued)*

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days.

	Balance for the year	
	31 December 2025	31 December 2024
Stock of HQLA	398,370	611,954
Net cashflows	223,924	314,670
LCR %	178%	194%
Minimum required by CBB	100%	100%

NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". As of 31 December 2025, the Bank had an consolidated NSFR ratio of 135%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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## 35 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2025

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
<b>Available Stable Funding (ASF):</b>						
1	Capital:					
2	Regulatory Capital	986,030	-	-	44,085	1,030,114
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	112,793	8,652	619	115,992
6	Less stable deposits	-	2,700,808	847,283	155,987	3,349,269
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	5,045,215	662,642	1,091,031	5,963,045
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	218,665	-	428,629	428,629
13	Total ASF					10,887,049
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	108,633
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:					
17	Performing financial to financial institutions by level 1 HQLA	-	1,375,918	-	1,414,700	1,408,883
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	3,365	15,037	972,620	835,928
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	195,589	226,103	579,278	587,377

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## 35 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2025 (continued)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	1,044,439	-	558,870	1,081,089
24	Other assets:					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	7,324
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation		-	-	-	-
29	All other assets not included in the above categories	3,926,482	-	-	-	3,926,482
30	OBS items		-	-	-	118,854
31	Total RSF		2,619,311	241,140	3,530,578	8,079,679
32	NSFR(%)					135%

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## 35 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2024

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	970,191	-	-	37,669	1,007,860
3	Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:						
5	Stable deposits	-	65,905	29,479	867	91,481
6	Less stable deposits	-	2,545,891	707,728	94,156	3,022,413
Wholesale funding:						
8	Operational deposits					
9	Other Wholesale funding	-	4,192,610	626,516	1,228,072	5,314,678
Other liabilities:						
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	493,681	-	31,852	31,852
13	Total ASF					9,468,285
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,966,526	-	-		96,049
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/ securities:	-	1,327,483	-	1,089,511	1,125,207
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	83,116	-	1,221,817	1,080,103
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	353,642	97,683	456,441	522,349
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-

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## 35 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2024 (continued)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	700,060	-	487,126	837,156
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	3,536
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation		-	-	-	-
29	All other assets not included in the above categories	3,354,998	-	-	-	3,354,998
30	OBS items		-	-	-	97,366
31	Total RSF		2,464,301	97,683	3,254,896	7,116,764
32	NSFR(%)					133%

**c)Market risks**

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income, future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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35 *FINANCIAL RISK MANAGEMENT (continued)*

**Management of market risks**

As a matter of general policy, the Group shall not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio. All foreign exchange risk within the Group is transferred to Treasury. The Group seeks to manage currency risk by continually monitoring exchange rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. Overall authority for market risk is vested in the Board Audit and Risk Committee ('BARC'). RMD is responsible for the development of detailed risk management policies (subject to review and approval of the BARC).

**Exposure to profit rate risk**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Majority of the Group's profit based asset and liabilities are short term in nature, except for certain long term liabilities which have been utilised to fund the Group's strategic investments in its associates.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

<b>31 December 2025</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>Assets</b>						
Treasury portfolio	1,150,877	929,391	448,512	506,673	2,256,470	5,291,923
Financing contracts	433,664	104,891	120,099	559,945	1,311,318	2,529,917
<b>Total assets</b>	<b>1,584,541</b>	<b>1,034,282</b>	<b>568,611</b>	<b>1,066,618</b>	<b>3,567,788</b>	<b>7,821,840</b>
<b>Liabilities</b>						
Clients Accounts	84,942	-	24,352	-	226,106	335,400
Placements from financial institutions	1,627,510	733,781	628,765	54,011	-	3,044,067
Placements from non-financial institutions and individuals	571,430	202,095	36,651	89,115	380,800	1,280,091
Term financing	690,496	348,136	3,647	982,664	498,573	2,523,516
<b>Total liabilities</b>	<b>2,974,378</b>	<b>1,284,012</b>	<b>693,415</b>	<b>1,125,790</b>	<b>1,105,479</b>	<b>7,183,074</b>
<b>Quasi Equity</b>	1,016,175	407,823	302,783	323,335	1,267,813	3,317,929
<b>Profit rate sensitivity gap</b>	<b>(2,406,012)</b>	<b>(657,553)</b>	<b>(427,587)</b>	<b>(382,507)</b>	<b>1,194,496</b>	<b>(2,679,163)</b>

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## 35 FINANCIAL RISK MANAGEMENT (continued)

31 December 2024	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
<b>Assets</b>						
Treasury portfolio	1,098,149	869,530	295,129	1,147,694	1,441,132	4,851,634
Financing contracts	193,600	228,294	105,369	352,584	1,178,310	2,058,157
<b>Total assets</b>	<b>1,291,749</b>	<b>1,097,824</b>	<b>400,498</b>	<b>1,500,278</b>	<b>2,619,442</b>	<b>6,909,791</b>
<b>Liabilities</b>						
Client's fund	143,772	-	60,420	-	-	204,192
Placements from financial institutions	917,786	767,814	678,009	80,850	-	2,444,459
Placements from non-financial institutions and individuals	574,931	133,285	224,136	4,888	455,564	1,392,804
Term financing	583,329	256,290	2,554	1,249,867	57,718	2,149,758
<b>Total liabilities</b>	<b>2,219,818</b>	<b>1,157,389</b>	<b>965,119</b>	<b>1,335,605</b>	<b>513,282</b>	<b>6,191,213</b>
Quasi Equity	1,776,009	197,079	139,945	292,655	575,129	2,980,817
Profit rate sensitivity gap	(2,704,078)	(256,644)	(704,566)	(127,982)	1,531,031	(2,262,239)

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

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35 *FINANCIAL RISK MANAGEMENT (continued)*

100 bps parallel increase / (decrease)	<b>2025</b>	2024
At 31 December	± 11,477	± 8,694
Average for the year	± 11,902	±11,235
Maximum for the year	± 12,620	±12,717
Minimum for the year	± 11,318	± 8,694

Overall, profit rate risk positions are managed by Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

The effective average profit rates on the financial assets, liabilities and unrestricted investment accounts are as follows:

	<b>2025</b>	2024
Placements with financial institutions	6.15%	6.32%
Financing contracts	8.27%	7.02%
Debt type investments - Sukuk	6.05%	5.53%
Placements from financial institutions, other entities and individuals	5.48%	5.85%
Term financing	5.86%	6.20%
Quasi Equity	5.76%	6.01%

***Exposure to foreign exchange risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Groups major exposure is in GCC currencies, which are primarily pegged to the US Dollar. The Group had the following significant net exposures denominated in foreign currency as of 31 December from its financial instruments except for exposure in GCC currencies:

	<b>2025</b> US\$ '000 Equivalent	2024 US\$ '000 Equivalent
Sterling Pounds	24,759	5,412
Euro	(625)	-
Kuwaiti Dinar	10,735	-
Turkish Lira	30,000	57,633
Egypt Pound	-	36,742
Jordanian Dinar	6	-

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus / minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) is as follows:

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35 *FINANCIAL RISK MANAGEMENT (continued)*

	<b>2025</b> US\$ '000 Equivalent	2024 US\$ '000 Equivalent
Sterling Pounds	± 24,759	± 5,412
Euros	± (625)	± (1,237)
Egyptian Pound	-	-
Kuwaiti dinar	± 10,735	± 6,975
Turkish Lira	± 30,000	± 30,000

**Derivative financial instruments**

The Group utilises derivative and foreign exchange instruments to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management (ALM) activity to hedge its own exposure to market risk. Derivative instruments are contracts whose value is derived from one or more financial instruments or indices. The Group has appropriate and comprehensive Board-approved policies and procedures for the control of exposure to both market and credit risk from its derivative and foreign exchange activities. The Group primarily participates in over-the-counter contract arrangements for derivatives. The notional amount of foreign exchange forward contracts amount to US\$ 3,711,497 thousand (2024: US\$ 1,974,787 thousand) and fair value of these derivative contracts amount to US\$ 7,324 thousand (2024: US\$ 3,533 thousand) as at the year end. There were no derivative contracts that were designated as qualifying hedge instruments for the purpose of hedge accounting and the positions were considered as economic hedges.

***Exposure to other market risks***

Equity price risk on quoted investments is subject to regular monitoring by the Group. The price risk on managed funds is monitored using specified limits (stop loss limit, stop loss trigger and overall stop loss limit cap) set within the portfolio management contract for fund managers. The Group's equity type instruments carried at cost are exposed to risk of changes in equity values.

The significant estimates and judgements in relation to impairment assessment of fair value through comprehensive income investments carried at cost are included in note 5b(ii). The Group manages exposure to other price risks by actively monitoring the performance of the equity securities.

**d)Operational risk**

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of Operational Risk by way of assisting in the identification of, monitoring and managing of operational risk in the Group.

During 2025, the Group did not have any significant issues relating to operational risks.

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US\$ 000's

**36 CAPITAL MANAGEMENT**

The Group's regulator Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The total regulatory capital base is net of prudential deductions for large exposures based on specific limits agreed with the regulator. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Group does not have a trading book.

The Group aims to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. Capital adequacy regulations of CBB is based on the principles of Basel III and the IFSB guidelines.

The Bank's regulatory capital is analysed into two tiers:

***Tier 1 capital: includes CET1 and AT1.***

CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

**Tier 2 capital**

This includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

The regulatory adjustments are subject to limits prescribed by the CBB requirements, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceeds materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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US\$ 000's

## 36 CAPITAL MANAGEMENT (continued)

The Bank's regulatory capital position was as follows:

	<b>31 December 2025</b>	31 December 2024
CET 1 Capital before regulatory adjustments	1,038,618	989,543
Less: regulatory adjustments	(37,017)	-
CET 1 Capital after regulatory adjustments	1,001,601	989,543
T 2 Capital adjustments	47,135	37,669
Regulatory Capital	1,048,736	1,027,212
Risk weighted exposure:		
Credit Risk Weighted Assets	5,475,931	5,317,410
Market Risk Weighted Assets	116,782	130,673
Operational Risk Weighted Assets	716,397	584,364
Total Regulatory Risk Weighted Assets	6,309,110	6,032,447
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	6,309,105	6,309,105
Capital Adequacy Ratio	16.62%	17.03%
Tier 1 Capital Adequacy Ratio	15.88%	16.40%
Minimum required by CBB	12.50%	12.50%
	12.50%	12.50%

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Group's capital management policy seeks to maximise return on risk adjusted capital while satisfying all the regulatory requirements. The Group's policy on capital allocation is subject to regular review by the Board of Directors. The Group has complied with the externally imposed capital requirements set by the regulator for its consolidated capital adequacy ratio throughout the year.

## 37 DOMESTIC MINIMUM TOPUP TAX

The Ultimate Parent Entity of the MNE group is domiciled and operates in the Kingdom of Bahrain which has issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the MNE group for fiscal years commencing on or after 1 January 2025.

As per the group's assessment of applicability of the DMTT law, it has assessed and concluded that it is not in scope for the Bahrain DMTT law or the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules'). The reason for this conclusion is that it does not have total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Accordingly, it does not expect to be subject to the Bahrain DMTT law and GloBE rules for the current fiscal year.