Al Salam Bank B.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025

Table of contents | **Page**

بنك السلام
Al Salam Bank

Board of Directors Report

The global economic environment in 2025 was characterized by heightened uncertainty across trade, policy direction, and geopolitical developments. While global growth moderated modestly compared to 2024, economic fundamentals across the GCC remained supportive, underpinned by sustained investment activity and continued economic diversification efforts. These factors continued to support regional resilience and provide a foundation for sustainable growth, despite ongoing global challenges.

In Bahrain, economic growth is expected to stabilize at 3.5% in 2025, up from 3.0% in 2024, supported by the continued expansion of various sectors including infrastructure, logistics, fintech, and tourism. During the year, Bahrain's sovereign credit rating was revised downwards, prompting the implementation of reforms aimed at strengthening fiscal position and furthering revenue diversification. These initiatives reflect a broader commitment to reinforcing the Kingdom's long-term economic resilience and macroeconomic stability.

Against this backdrop, Al Salam Bank navigated the operating environment with discipline and focus, remaining committed to executing its strategy, diversifying revenues, expanding regionally, and delivering sustainable growth. It is our pleasure to present our Annual Report for 2025 to our esteemed shareholders, customers, and partners, outlining the strategic progress achieved during the year and the priorities shaping the group's next phase of growth.

Over recent years, Al Salam Bank strengthened its presence through a combination of organic expansion and strategic inorganic growth, evolving into a diversified regional financial group. In 2025, the focus increasingly shifted towards optimization and performance, ensuring that the scale achieved translates into sustainable profitability, operational efficiency, and balance sheet resilience. This represents a natural and important progression for the group, aligning growth ambitions with long-term financial sustainability.

The group delivered record financial performance during the year with gross operating income of BD 444.2 million (USD 1.18 billion), an increase of 13.3% compared to 2024. Driven by the improved performance of the group's core banking operations, effective asset liability management, and the implementation of group-wide optimization initiatives, net profit attributable to shareholders reached BD 76.8 million (USD 203.8 million), increasing by 30.2% compared to BD 59.0 million (USD 156.5 million) in 2024.

The group also continued to expand its balance sheet, with consolidated assets closing at BD 8.05 billion (USD 21.36 billion), an increase of 14.0% from BD 7.06 billion (USD 18.73 billion) in 2024, supported by higher financing assets and an expanded fixed income portfolio. Growth across business verticals was achieved alongside a continued emphasis on resilience and balance sheet strength. During the year, we further strengthened our capital position through targeted capital-building initiatives, growing total equity by 26.3% to reach BD 749.7 million (USD 1.99 billion), compared to BD 593.4 million (USD 1.57 billion) in 2024. As a result, the group's capital adequacy ratio increased from 24.8% in 2024 to 27.2% in 2025, reinforcing the group's capacity to support future growth while maintaining a strong capital buffer.

In light of the strong 2025 performance, and consistent with our firm commitment to enhance long-term sustainable value for our shareholders, the Board of Directors has recommended a dividend distribution of 15% of the bank's issued and paid-up share capital (8% cash dividends and 7% stock dividends), aggregating to BD 44.1 million (USD 117.0 million). This recommendation remains subject to AGM and regulatory approvals.

Our disciplined approach to balance sheet optimization and funding management served as a key enabler for growth. In response to dynamic market conditions, Al Salam Bank continued to optimize its asset allocation and funding profile through a strategic focus on sovereign fixed income instruments, selective participation in high credit-quality exposures across local and regional markets, and further diversifying the group's funding base. Collectively, these efforts supported income growth during the year, improved risk-adjusted returns, and further enhanced our balance sheet positioning.

Alongside the continued strengthening of its domestic platform, the group made further progress in expanding its regional footprint through its subsidiaries and new growth verticals, including ASB Capital. During the year, the successful listing of the XASB Sukuk ETF on the London Stock Exchange, in partnership with Xtrackers by DWS, represented an important milestone in broadening international access to ethical investment solutions. ASB Capital also launched its global equity fund, global Sukuk fund, global technology fund, and MENA equity fund during 2025. These developments reflect the group's growing regional presence and its ability to connect international capital with high-quality opportunities, while further diversifying its revenue sources.

As part of our strategic roadmap to consistently invest in digital capabilities to support our scale, agility, and disciplined growth, we strengthened our digital foundations this year through a comprehensive infrastructure modernization program, while continuing to roll out digital offerings including our new wealthtech proposition. These capabilities underpin the group's efforts to enhance customer experience, promote financial inclusion, and support growth across its core and emerging business segments.

Throughout the year, the group remained guided by its brand promise, "we nurture relationships by enriching experiences." This commitment is reflected not only in how the bank serves its customers, but also in how it supports its people and contributes to the communities in which it operates. Social responsibility initiatives continued to focus on building capability, inclusion, and opportunity, recognizing that sustainable value creation is shaped as much by societal progress as it is by financial performance.

As we close 2025, I would like to thank the bank's valued customers, shareholders, and partners for their continuing support and loyalty, and in particular, to the entire Al Salam Bank team whose effort and commitment underpins our success and reputation.

In line with the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2023, we are pleased to attach the table below that shows the remuneration of members of the Board and the Executive Management for the year ending 31 December 2025.

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

First: Board of directors' remuneration details:

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	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Mr. Salim Abdullah Al Awadi	140,000	52,000	-	-	192,000	-	-	-	-	-	-	192,000	-
2-Mr. Alhur Mohammed Al Suwaidi	140,000	72,000	-	-	212,000	-	-	-	-	-	-	212,000	-
3-Mr. Tariq Abdul Hafidh Al- Aujaili	140,000	72,000	-	-	212,000	-	-	-	-	-	-	212,000	-
4-Mr. Ahmed Habib Kassim	140,000	60,000	-	-	200,000	-	-	-	-	-	-	200,000	-
Second: Non-Executive Directors:													
1-H. E. Shaikh Khalid Al Mashani	180,000	79,000	-	-	259,000	-	-	-	-	-	-	259,000	-
2-Mr. Matar Mohamed Al Blooshi	140,000	52,000	-	-	192,000	-	-	-	-	-	-	192,000	-
3-Mr. Salman Saleh Al Mahmeed	140,000	44,000	-	-	184,000	-	-	-	-	-	-	184,000	-
4- Mr. Zayed Ali Al-Amin	140,000	68,000	-	-	208,000	-	-	-	-	-	-	208,000	-
5- Mr. Hisham Saleh Al-Saie	140,000	44,000	-	-	184,000	-	-	-	-	-	-	184,000	-
Total	**1,300,000**	**543,000**	**-**	**-**	**1,843,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,843,000**	**-**

Note: All amounts stated in Bahraini Dinars. The Bank does not have any Executive Directors
Other remunerations:
* No in-kind benefits.
** No share of the profits.
Board remuneration represents allocation of proposed remuneration for 2025, subject to approval of the Annual General Meeting

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	2,038,500	1,942,760	1,344,620	5,325,880

Note: All amounts must be stated 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. Paid salaries and allowances exclude indirect staff expenses such as GOSI contributions, leave and indemnity accruals, medical insurance and air travel reimbursements.
2. Other cash remuneration include sales based incentives and board remuneration earned by executive management from their role in investee companies or other subsidiaries.
3. In addition to the benefits reported above, the Bank also operates a long-term share incentive plan (LTIP) that allows employees to participate in a share-ownership plan. Under the terms of the LTIP, employees allocated shares, would vest and acquired by employees over a performance period of 5 years. The non-cash accounting charge for the LTIP is assessed under IFRS 2 - Share-based payment and recognized over the vesting period of 5 years. No new share awards were made during 2025. Refer to the Remuneration related disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.

H.E. Shaikh Khalid Bin Mustahil Al Mashani
Chairman
9 February 2026
Manama, Kingdom of Bahrain

In the name of Allah, the Beneficent and the Merciful

Praise be to Allah; Prayers and peace be upon the most ennoble messenger, our Prophet Muhammad and his companion.

The Report of Shari'a Supervisory Board of Al Salam Bank B.S.C, ("the Board") submitted to the General Assembly on the Bank's activities during the financial year ending 31 December 2025.

First: Memorandum and Articles of Association

Al Salam Bank, B.S.C. operates as an Islamic Bank authorized by the Central Bank of Bahrain. We therefore confirm that the Memorandum and Articles of Association of the Bank are in conformity with the rules and principles of Shari'a.

Second: Activities of the Bank and Board's Guidance

The Board has supervised the activities and transactions of the Bank during the reporting year either directly or through the Sharia Board executive Committee and/or the Sharia Compliance department, it has, therefore, instructed and guided various departments to comply with the rules and principles of Shari'a and fatwas of the Board in relation to such activities and transactions. During the year, the SSB has held four meetings with the senior staff of the Bank, all of which are conducted physically. Also, SSB Executive Committee conducted three meetings.

Third: Contracts and Transactions

The Board studied the operational structures that have been presented to it during the year, approved their contracts and documents, and responded to the questions and inquiries that were raised in respect thereof and issued decisions and fatwas in this regard. These fatwas and decisions have been circulated to the concerned departments of the Bank for execution and implementation. It has also reviewed and studied drafts of the contracts and agreements that were presented to it in respect to sukuks (investment certificates), syndicated financing transactions and investment funds and approved them after its comments were considered.

Fourth: Access to Records

The Management of the Bank has positively cooperated with the Board and based on its request, allowed it to access the records, information and data of the Bank that are necessary for it to perform its tasks or are relevant to Sharia audit and Sharia supervision.

Fifth: Shari'a Audit

The Board has reviewed Internal Shari'a Audit reports and pointed out its observations on the reports. The Board further reviewed and discussed the external Shari'a Auditor observations and took note of these observations.

Sixth: Training

The Board has taken note of the efforts of the Bank's Management in training its employees and recommended that the Management continues to conduct regular training programmes for its employees in order to raise the level of Shari'a performance and compliance.

Seventh: Balance Sheet

The Board has reviewed the balance sheet, profit and loss accounts, accounting policies for the preparation of the financial statement and the basis of distributing dividends and profits to the shareholders and depositors.

The Board believes that the financial information presented in the balance sheet, to the extent of correct presentation and information provided by the Bank's Management and the Bank's compliance with some observations, did not result in non-compliance of the underlying transactions with the rules and principles of Shari'a. The Bank have set-aside and purified non-Sharia compliant earnings by channelling them to relevant accounts established for disbursement of charity amounts. The Board, therefore, approved the balance sheet.

Eighth: Zakah

Since the Articles of Association of the Bank do not oblige the Bank to pay Zakah on behalf of shareholders, and on the invested Shareholder's equity, the Board has reviewed the calculation of the Zakah payable by the shareholders in order to be disclosed in the balance sheet. The Zakah calculation was prepared in line with Shari'a Standards no.35 on Zakah and Financial Accounting Standards no.39 on Financial Reporting for Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). Resultantly, the Board approved the calculation of Zakah and instructed the bank to notify Shareholders of the Zakah for this year as a disclosure in the balance sheet.

Ninth: Charity Fund

The Board has ensured, through its representative in the Social Committee, that all non-Sharia compliant income and dividends are channelled to the Bank's Charity Fund, The amount had been paid to the licensed Charitable organization upon approved of SSB from either the previous transactions due to merger and conversion of conventional banks into Al Salam Bank or any other arising reasons.

Decision of the Board

The Board emphasizes that compliance to the rules and principles of the Shari'a in respect of all the businesses and transactions of the Bank is the responsibility of the Bank's Management. The Board confirms that the transactions executed by the Bank during the year, to the extent of the information and the data made available to it by the Bank's Management, do not conflict, in general, with the rules and principles of Shari'a and standards issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI". The Board also confirms that the accuracy of information, data, numbers, and correctness of the profit distribution are the responsibility of the management.

Allah is the guider to the right path.
The Board wishes for the Bank a continuous success and rectitude in doing things that pleases Allah.

Fatwa and Shari’a Supervisory Board

Shaikh Adnan Abdulla AlQattan	Dr. Fareed Yaqoob AlMeftah
Signature:_	Signature: ________________
Dr. Nedham Mohamed Yaqoobi	Dr. Osama Mohamed Bahar
Signature:____________ _ ____	Signature:_________ _______

Dr. Mohammed Arbouna
Head –Shari’a Compliance Department

KPMG Fakhro
Audit
12th Floor, Fakhro Tower,
P.O. Box 710, Manama,
Kingdom of Bahrain

Telephone +973 17224807
Telefax +973 17227443
Website: www.kpmg.com/bh
CR No. 6220 - 2

Independent auditors' report

To the Shareholders of
Al Salam Bank B.S.C.
Manama
Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Al Salam Bank 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 assets under management 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 its consolidated results of operations, consolidated income and attribution related to quasi-equity, consolidated changes in owners' equity, consolidated cash flows, and consolidated changes in off-balance sheet assets under management 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.

<table>
<tr><th colspan="2">Impairment allowance on financing contracts</th></tr>
<tr><td colspan="2">Refer to accounting policy in Note 3 (e), disclosure on use of estimates and judgment in Note (2.2) and management of credit risk in Note (33.2) to the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We focused on this area because:

▪ of the significance of financing contracts representing 50% of total assets;

▪ impairment of financing contracts involves:
➢ complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias;

➢ use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its expected credit loss ('ECL) models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and

➢ complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses;

▪ 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; and

▪ adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.</td><td>Our procedures included, but not limited to:

▪ Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice.

▪ Confirming our understanding of management's processes, systems and controls over the ECL calculation process

Control testing
We performed process walkthroughs to identify key systems, applications and controls associated with the ECL calculation process.
Key aspects of our control testing involved the following:

▪ Testing controls over the transfer of data between underlying source systems and the ECL models that the Group operates.

▪ Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process.

▪ Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays.

▪ Testing controls over the modelling process, including governance over model monitoring, validation and approval.

Tests of details
Key aspects of our testing involved:

▪ 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.

▪ Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used.

▪ 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.</td></tr>
</table>

	▪ 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 source data.
	
	▪ Assessing the adequacy of provisions against individually impaired financing assets (stage 3) in accordance with the applicable FAS.
	
	Use of specialists
	For the relevant portfolios examined, we have involved our 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 Application Controls over key systems used for data extraction as part of the ECL calculation process.
	
	▪ We involved our credit risk specialists in:
	
	  ▪ Evaluating the appropriateness of the Group's ECL methodologies (including the staging criteria used);
	  ▪ On a test check basis, re-performing the calculation of certain components of the ECL model (including the staging criteria);
	  ▪ Evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weights applied to them; and
	  ▪ 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 disclosure in relation to use of significant estimates and judgement and credit quality of financing assets by reference to the requirements of relevant accounting standards.

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 Board of Directors' report 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained 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.

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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that

achieves fair presentation.

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

We communicate with 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.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) 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 Board of Directors' report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), 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 Jalil Al Aali.

KPMG Fakhro
Partner Registration Number 100
9 February 2026

Al Salam Bank B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 BD '000	2024 BD '000
ASSETS			
Balances with banks and central banks	5	**775,733**	633,611
Placements with financial institutions	6	**456,634**	476,450
Investments in sukuk	7	**1,934,154**	1,447,803
Financing contracts	8	**4,066,788**	3,661,670
Non-trading investments	10	**96,004**	97,944
Takaful and related assets	11	**29,748**	26,353
Investments in real estate	12	**84,129**	129,295
Investments in associates	13	**279,000**	255,008
Other assets	14	**100,767**	129,894
Goodwill and intangible assets	15	**230,939**	204,750
TOTAL ASSETS		**8,053,896**	7,062,778
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
LIABILITIES			
Placements from financial institutions and individuals	16	**117,586**	171,016
Murabaha term financings	17	**1,076,354**	751,062
Customers' current accounts		**1,486,337**	1,279,886
Takaful and related liabilities	11	**93,460**	75,550
Other liabilities	18	**142,366**	127,822
TOTAL LIABILITIES		**2,916,103**	2,405,336
QUASI-EQUITY			
Wakala from financial institutions		**556,945**	420,231
Wakala and mudaraba from customers		**3,831,128**	3,643,830
TOTAL QUASI-EQUITY	19	**4,388,073**	4,064,061
OWNERS' EQUITY			
Share capital	20	**296,760**	274,778
Treasury shares		**(8,684)**	(28,010)
Employees incentive scheme shares		**(2,986)**	(6,617)
Share premium		**209**	209
Retained earnings		**82,111**	60,563
Reserves		**95,037**	59,554
Equity attributable to owners' of the Bank		**462,447**	360,477
Other equity participations	22	**209,124**	159,026
Non-controlling interests		**78,149**	73,878
TOTAL OWNERS' EQUITY		**749,720**	593,381
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		**8,053,896**	7,062,778

H.E. Shaikh Khalid bin Mustahil Al Mashani	Matar Mohamed Al Blooshi	Rafik Nayed
Chairman	Deputy Chairman	Group Chief Executive Officer

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Al Salam Bank B.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Note	2025 BD '000	2024 BD '000
INCOME			
Income from financing contracts	24	**247,786**	236,373
Income from placements with financial institutions		**29,478**	24,888
Income from investments in sukuk		**103,119**	71,568
Finance expense on placements from financial institutions and individuals		**(8,116)**	(11,287)
Finance expense on murabaha term financing		**(46,333)**	(30,851)
Other finance expense		**(4,571)**	(3,470)
Net finance income		**321,363**	287,221
Fees and commissions, net	25	**27,927**	26,267
Share of profit of associates	13	**21,423**	18,169
Income from takaful operations, net	26	**3,424**	5,357
Other income	27	**11,088**	9,437
Total income		**385,225**	346,451
EXPENSES			
Staff cost	28	**46,693**	44,346
Other operating expenses	29	**65,052**	50,019
Total expenses		**111,745**	94,365
Profit before allowances for impairment, income attribution to quasi-equity and tax		**273,480**	252,086
Allowance for impairment on financial instruments	9	**(35,912)**	(21,173)
Profit before income attribution to quasi-equity and tax		**237,568**	230,913
Income attributable to quasi-equity		**(145,046)**	(154,516)
Profit before tax		**92,522**	76,397
Tax expense		**(7,063)**	(6,896)
PROFIT FOR THE YEAR		**85,459**	69,501
ATTRIBUTABLE TO:			
- Owners' of the Bank		**76,834**	59,012
- Non-controlling interest		**8,625**	10,489
		85,459	69,501
Basic and diluted earnings per share (fils)	23	**22.7**	19.2

H.E. Shaikh Khalid bin Mustahil Al Mashani	Matar Mohamed Al Blooshi	Rafik Nayed
Chairman	Deputy Chairman	Group Chief Executive Officer

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025	*2024*
	BD '000	*BD '000*
Profit for the year	**85,459**	69,501
Other comprehensive income		
Items that are or may be reclassified subsequently to the income statement		
Fair value changes on investments carried at fair value through other comprehensive income	**23,262**	7,905
Share of movements in fair value reserve of associates	**3,557**	4,276
Movement in foreign currency translation reserve	**4,528**	1,381
Share in fair value reserve attributable to quasi-equity	**(3,403)**	(5,376)
Total other comprehensive income	**27,944**	8,186
Total comprehensive income for the year	**113,403**	77,687
ATTRIBUTABLE TO:		
- Owners' of the Bank	**103,427**	67,124
- Non-controlling interests	**9,976**	10,563
	113,403	77,687

The attached notes 1 to 43 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

		2025	2024
		BD '000	BD '000
Profit before allowances for impairment, income attribution to quasi-equity and tax		**273,480**	252,086
Adjusted for:			
Income not attributable to quasi-equity		**(51,318)**	(42,086)
Expenses not attributable to quasi-equity		**111,745**	94,365
Share of income for Bank's investments, net		**(80,021)**	(61,054)
Allowance for impairment attributable to quasi-equity		**(11,956)**	(5,635)
Other finance expense		**4,571**	3,470
Total income available for quasi-equity holders		**246,501**	241,146
Mudarib’s share		**(9,098)**	(5,995)
Wakala incentive		**(92,357)**	(80,635)
Profit distributable to quasi-equity	**A**	**145,046**	154,516
Other comprehensive income – attributable to quasi-equity - before recycling to statement of income			
Items that will not be classified to income statement		**3,403**	5,376
Other comprehensive income not subject to immediate distribution		**(3,403)**	(5,376)
Other comprehensive income subject to immediate distribution	**B**	**-**	-
Total income attributable to quasi-equity	**C=A+B**	**145,046**	154,516

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Al Salam Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS EQUITY

For the year ended 31 December 2025

Amounts in BD '000s

	Attributable to owners of the bank														
						Reserves									
	Share capital	*Treasury shares*	*Employee incentive scheme shares*	*Share premium*	*Retained earnings*	*Statutory reserve*	*Share grant scheme*	*Investment fair value reserve*	*Real estate fair value reserve*	*Foreign exchange translation reserve*	*Total reserves*	*Equity Attributable to Bank's owners*	*Other equity participations*	*Non-controlling interest*	*Total owners' equity*
Balance at 1 January 2025	**274,778**	**(28,010)**	**(6,617)**	**209**	**60,563**	**31,883**	**947**	**4,198**	**22,683**	**(157)**	**59,554**	**360,477**	**159,026**	**73,878**	**593,381**
Profit for the year	-	-	-	-	76,834	-	-	-	-	-	-	76,834	-	8,625	85,459
Other comprehensive income	-	-	-	-	-	-	-	23,416	-	3,177	26,593	26,593	-	1,351	27,944
Issuance of other equity participations	-	-	-	-	-	-	-	-	-	-	-	-	51,021	-	51,021
Issuance cost on other equity participations	-	-	-	-	388	-	-	-	-	-	-	388	(923)	(388)	(923)
Profit distribution on other equity participations	-	-	-	-	(11,006)	-	-	-	-	-	-	(11,006)	-	(1,221)	(12,227)
Bonus shares issued	21,982	-	-	-	(21,982)	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2024	-	-	-	-	(16,211)	-	-	-	-	-	-	(16,211)	-	-	(16,211)
Movement of treasury shares, net	-	19,326	-	-	2,208	-	-	-	-	-	-	21,534	-	-	21,534
Shares vested	-	-	3,631	-	-	-	1,207	-	-	-	1,207	4,838	-	-	4,838
Transfer to statutory reserve	-	-	-	-	(7,683)	7,683	-	-	-	-	7,683	-	-	-	-
Appropriation towards charity fund	-	-	-	-	(1,000)	-	-	-	-	-	-	(1,000)	-	-	(1,000)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,096)	(4,096)
Balance at 31 December 2025	**296,760**	**(8,684)**	**(2,986)**	**209**	**82,111**	**39,566**	**2,154**	**27,614**	**22,683**	**3,020**	**95,037**	**462,447**	**209,124**	**78,149**	**749,720**
Balance at 1 January 2024	261,693	(6,799)	(8,770)	209	44,348	25,982	2,120	(2,607)	22,691	(1,464)	46,722	337,403	-	71,247	408,650
Impact of adoption of FAS 42 and 43	-	-	-	-	(1,332)	-	-	-		-	-	(1,332)	-	(1,290)	(2,622)
Restated balance as at 1 January 2024	261,693	(6,799)	(8,770)	209	43,016	25,982	2,120	(2,607)	22,691	(1,464)	46,722	336,071	-	69,957	406,028
Profit for the year	-	-	-	-	59,012	-	-	-	-	-	-	59,012	-	10,489	69,501
Other comprehensive income	-	-	-	-	-	-	-	6,805	-	1,307	8,112	8,112	-	74	8,186
Sale of investment in real estate	-	-	-	-	-	-	-	-	(8)	-	(8)	(8)	-	-	(8)
Issuance of other equity participations	-	-	-	-	-	-	-	-	-	-	-	-	162,464	-	162,464
Issuance cost on other equity participations	-	-	-	-	-	-	-	-	-	-	-	-	(3,438)	-	(3,438)
Profit distribution on other equity participations	-	-	-	-	(4,009)	-	-	-	-	-	-	(4,009)	-	-	(4,009)
Bonus shares issued	13,085	-	-	-	(13,085)	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2023	-	-	-	-	(17,947)	-	-	-	-	-	-	(17,947)	-	-	(17,947)
Movement of treasury shares, net	-	(21,211)	-	-	-	-	-	-	-	-	-	(21,211)	-	-	(21,211)
Shares vested	-	-	2,153	-	(23)	-	(1,173)	-	-	-	(1,173)	957	-	-	957
Transfer to statutory reserve	-	-	-	-	(5,901)	5,901	-	-	-	-	5,901	-	-	-	-
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	-	(500)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,642)	(6,642)
Balance at 31 December 2024	274,778	(28,010)	(6,617)	209	60,563	31,883	947	4,198	22,683	(157)	59,554	360,477	159,026	73,878	593,381

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025	2024
	BD '000	BD '000
OPERATING ACTIVITIES		
Profit for the year	**85,459**	69,501
Adjustments:		
Tax expense	**7,063**	6,896
Depreciation and amortisation	**12,876**	8,056
Amortisation of sukuk, net	**(913)**	(1,324)
Allowance for impairment on financial instruments	**35,912**	21,173
Share of profits from associates	**(21,423)**	(18,169)
Operating income before changes in operating assets and liabilities	**118,974**	86,133
Changes in operating assets and liabilities:		
Mandatory reserve with central banks	**13,990**	(65,703)
Murabaha and Wakala receivables from banks	**(13,594)**	(692)
Financing contracts	**(437,936)**	32,509
Takaful and related assets	**20,028**	41,017
Other assets	**13,589**	(5,033)
Placements from financial institutions and individuals	**(53,430)**	(81,447)
Customers' current accounts	**206,451**	94,096
Takaful and related liabilities	**(28,654)**	(38,943)
Other liabilities	**4,241**	(10,127)
Quasi-equity	**320,609**	110,236
Net cash from operating activities	**164,268**	162,046
INVESTING ACTIVITIES		
Purchase of sukuk, net	**(441,190)**	(199,761)
Cash acquired as part of business combination	**12,254**	77,967
Cash paid for business acquisition	**(69,146)**	(214,488)
Disposal of securities and real estate	**64,781**	14,700
Dividends received from associates	**17,576**	15,052
Purchase of premises and equipment	**(2,207)**	(2,721)
Net cash used in investing activities	**(417,932)**	(309,251)
FINANCING ACTIVITIES		
Drawdown of murabaha term financing	**325,292**	240,214
Dividends paid	**(16,211)**	(17,947)
Issuance of other equity participations, net.	**39,092**	155,017
Movement on treasury shares, net	**21,534**	(21,211)
Net cash from financing activities	**369,707**	356,073
NET INCREASE IN CASH AND CASH EQUIVALENTS	**116,043**	208,868
Cash and cash equivalents at 1 January	**920,511**	711,643
CASH AND CASH EQUIVALENTS AT 31 December	**1,036,554**	920,511
Cash and unrestricted balances with central banks*	**179,021**	267,314
Balances with commercial banks **	**400,891**	176,741
Placements with financial institutions with original maturities of less than 90 days*	**456,642**	476,456
	1,036,554	920,511
Profit received	**359,199**	341,951
Dividends received	**18,926**	15,052
Profit paid	**201,229**	187,091

* Cash and cash equivalents is gross of the expected credit loss of BD 195 thousand (2024: BD 135 thousand).

** Balances with commercial banks is net of restricted cash of BD 28,191 thousand (2024: BD 8,194 thousand) which is not available for day to day operations.

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT
For the year ended 31 December 2025

Amounts in BD '000s

31 December 2025	***Balance at 1 January 2025***	***Movement during the year***				***Balance at 31 December 2025 Total***
		Investment / (withdrawals)	***Revaluation***	***Gross income***	***Bank's fees as an agent***	
Fixed income portfolio	**471,448**	**36,324**	**5,889**	**23,622**	**(1,165)**	**536,118**
Equity and funds portfolio	**33,425**	**100,091**	**-**	**1,909**	**(1,429)**	**133,996**
Real estate portfolio	**140,846**	**(4,965)**	**(2,891)**	**603**	**(143)**	**133,450**
Other portfolio	**5,955**	**-**	**(1,117)**	**-**	**-**	**4,838**
	651,674	**131,450**	**1,881**	**26,134**	**(2,737)**	**808,402**

Amounts in BD '000s

31 December 2024	*Balance at 1 January 2024*	*Movement during the year*				*Balance at 31 December 2024 Total*
		Investment / (withdrawals)	*Revaluation*	*Gross income*	*Bank's fees as an agent*	
Fixed income portfolio	157,647	305,496	-	9,102	(797)	471,448
Equity and funds portfolio	50,396	(16,960)	-	12	(23)	33,425
Real estate portfolio	128,195	4,880	156	8,969	(1,354)	140,846
Other portfolio	5,963	-	-	-	(8)	5,955
	342,201	293,416	156	18,083	(2,182)	651,674

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

1 REPORTING ENTITY

Al Salam Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 (as amended) and registered with Ministry of Industry and Commerce ("MOIC") under Commercial Registration number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the CBB.

The Bank's registered office is at Building 935, Road 1015, Block 410, Sanabis, Kingdom of Bahrain. The Bank's ordinary shares are listed on Bahrain Bourse and Dubai Financial Market.

The principal subsidiaries as follows:

			% holding	
Name of entity	**Country of incorporation**	**Principal activities**	**2025**	2024
Al Salam Bank- Seychelles limited.	Seychelles	Banking services	**70.0%**	70.0%
Solidarity Group Holding B.S.C. (c).*	Kingdom of Bahrain	Holding Company for insurance business	**55.9%**	55.9%
Al Salam Bank Algeria (S.P.A).	Algeria	Banking services	**68.0%**	68.0%
ASB Capital limited.	United Arab Emirates	Assets management	**100.0%**	100.0%
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c)).	Kingdom of Bahrain	Banking services	**100.0%**	100.0%

The Bank and its principal banking subsidiaries operates through 20 branches (2024: 24 branches) in the Kingdom of Bahrain, 26 branches in Algeria (2024: 25 branches) and 1 branch (2024: 1 branch) in Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted under the CBB's Regulated Islamic Banking Services as defined in the licensing framework.

* Its main subsidiary is Solidarity investment company BSC, a takaful insurance company listed on Bahrain Bourse.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries together (the "Group") as at 31 December 2025.

The consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 9 February 2026.

2 BASIS OF PREPARATION

2.1 BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), and in conformity with the Bahrain Commercial Companies Law 2001 (as amended) and the guidelines of CBB and Financial Institutions Law.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI accounting standards the group takes guidance from the relevant International Financial Reporting Standards ("IFRS accounting standards") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Group are prepared on a historical cost basis, except for certain investment in sovereign and corporate sukuk, non-trading investments, investments properties, which are carried at fair value.

These consolidated financial statements are presented in Bahraini Dinars, being the functional and presentation currency of the Bank, rounded to the nearest thousand [BD '000], except where otherwise indicated.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amount of financial assets, financial liabilities and income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to estimates are recognised prospectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment assessment of financial contracts subject to credit risk

In determining expected credit losses ('ECL') on financial contracts subject to credit risk, significant estimates are made in determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. Refer to notes 3(e) and 33.2 for further details.

Impairment of goodwill

Impairment exists when carrying value of asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount of the cash-generating unit's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the Board of Directors, extrapolated for three years projection using nominal projected growth rate. The determination of projected growth rate and discount rate involves judgment whereas, preparation of cash flow projections requires various management assumptions.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates based on the actual loss experience. Refer to note 3(p) and note 15.

2 BASIS OF PREPARATION (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Impairment of investments at fair value through other comprehensive income

The Group determines that investments carried at fair value through other comprehensive income (FVTOCI) are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. The Group generally considers a decline in value below cost of 30%, or a decline that persists for more than 9 months as an indicator of impairment.

Fair value of unquoted equity securities

The Group determines fair value of equity investments that are not quoted in active markets by using well-recognized valuation techniques such as discounted cash flows, net assets value, income approaches 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 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. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited 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.

Valuation of investments in real estate

Valuation of investments in real estate measured at fair value involve judgment and is normally based on one of the following recognised valuation models:

- valuation by independent external valuers of underlying properties / projects;
- recent arm’s length market transactions;
- 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.

Estimating fair value of investment property and net realizable value of development property

Investment properties are carried at their fair values. Development property is stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The Group appoints experienced external valuers under A category approved by Real Estate Regulatory Authority to determine the market value of the investment and development properties at the statement of financial position date. For large development projects, a residual value approach is adopted which forecasts future cost to completion and use of the expected development. The management 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 / forecasted market selling prices for similar properties. Net realizable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property.

Judgments

Going concern

The management has made an assessment of the Group's ability to continue on a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Control over 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 financial statements of special purpose entities are not included in these consolidated financial statements except when the Group controls the entity. 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.

Investment classification

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 equity 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.

Significant judgement is involved in assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method when the acquired set of activities meets the definition of a business. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

In a business combination in which the Bank and the acquiree exchange only equity interests, the acquisition-date fair value of the acquiree's equity interests is used to determine the amount of goodwill.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3(p)). Any gain on a bargain purchase is recognized in consolidated income statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

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 equity of investment accountholders.

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.

Investments acquired that do not meet the definition of business combination are recorded as assets acquisitions e.g. financial assets or investment in properties as appropriate. When such investments are acquired, the Group allocates the cost of acquisition between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Cost of such assets is the sum of all consideration given and any non-controlling interest recognized. If the non-controlling interest has a present ownership interest and is entitled to a proportionate share of net assets upon liquidation, the Group recognizes the non-controlling interest at its proportionate share of net assets.

(ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. The financial statements of the subsidiaries are prepared for the same reporting year. All subsidiaries are using consistent accounting policies of the Bank.

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.
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.

The financial statements of special purpose entities are not included in these consolidated financial statements except when the Group controls the entity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group.

(iv) Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other equity are reclassified to the consolidated income statement.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's profit in the investees. Unrealized losses are also eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(vi) Foreign currency

(a) 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 Bahraini Dinars, which is the Bank's functional and presentation currency.

(b) Foreign currencies

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognized in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Translation gains or losses on non-monetary items classified as "fair value through equity" are included in consolidated statement of changes in equity until the related assets are sold or derecognized at which time they are recognized in the consolidated income statement. Translation gains on non-monetary assets classified as "fair value through consolidated income statement" are directly recognized in the consolidated income statement as part of fair value changes.

(c) Translation of foreign operations

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not Bahraini Dinars are translated into Bahraini Dinars at the rates of exchange prevailing at the reporting date. Income and expense items are translated at average exchange rates prevailing for the reporting year. Any exchange differences arising on translation are included in foreign exchange translation reserve forming part of equity except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognized in foreign exchange translation reserve are recognized in the consolidated statement of changes in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments

Financial assets consist of balances with banks and the Central Bank, Sovereign Sukuk, Corporate Sukuk, placements with financial institutions, Murabaha financing (net of deferred profits), Mudaraba financing, Musharaka financing, Salam financing, Istisna'a financing, receivable under finance lease assets contracts, asset under conversion, non-trading investments in equity securities, tahawwut used for risk management and other receivables.

Financial liabilities consist of placement from financial institutions and individuals, customers' current accounts, murabaha term financings and other payables.

Except for sukuks, non-trading investments and tahawwut used for risk management instruments, carried at fair value all financial assets and financial liabilities are carried at amortised cost.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value Through income statement (FVTIS), transaction costs that are directly attributable to its acquisition or issue. In the case of items of FVTIS, transaction costs are expensed. The fair value of a financial instrument at initial recognition is generally its transaction price.

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

The Group segregates its investment into following categories:

i) Equity-type instruments:

Instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

ii) Debt-type instruments:

Monetary debt-type instruments - instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments - instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah Mawsufah fi al-Dhimmah) or services (service Ijarah) to be delivered in future.

iii) Other investment instruments:

The Group classifies its investments on initial recognition as measured at: (a) amortised cost, (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through income statement ("FVTIS").

c) Trade and settlement date accounting

The Group recognizes financing, investments, deposits and quasi-equity on the date on which they are originated. Purchases and sale of all other financial assets and liabilities are recognized on the trade date, i.e. the date that the Group contracts to purchase or sell the asset or liability.

d) Derecognition

Financial assets are derecognized 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities are derecognized when the obligation specified in the contract is legally discharged, cancelled, or expired.

e) Impairment of exposures subject to credit risk

Impairment of financial assets and commitments

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost which include assets migrated through the following three stages based on the change in credit quality since initial recognition.

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL associated with the probability of default events occurring within next twelve months is recognized.

Twelve-month ECL (Stage 1) is the portion of ECL that results from probable default events on a financial contract within twelve months after the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of exposures subject to credit risk (continued)

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financing contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financing contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract.

Credit-impaired financing contracts

At each reporting date, the Group assesses whether financing contracts are credit impaired.

Evidence that a financing contract is credit-impaired includes the following observable data:

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

Write-offs

Financial assets are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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.

Presentation of allowance for credit losses in the consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision under other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, the Group presents allowance for credit losses for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Allowance for credit losses for the undrawn component is presented as a provision in other liabilities.

f) Cash and cash equivalents

For the purpose of the consolidated cash flows statement, "cash and cash equivalents" consist of cash on hand, balances with the Central Bank of Bahrain excluding mandatory reserve deposits, balances with banks and other financial institutions (excluding restricted balances) and placements with financial institutions with original maturities of 90 days or less when acquired.

g) Financing contracts

Financing contracts comprise of Sharia'a complaint financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Mudaraba, Istisna, Salam, Ijarah contracts and credit card-based receivables. Financing contracts are recognized on the date they are originated and are carried at their amortised cost less allowance for expected credit losses, 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 contracts 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 derecognized and a new financing asset is recognized at fair value plus any eligible transaction cost.

If the modification of a financing contracts 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 recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) financing contracts (continued)

(i) Murabaha financing

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 installment 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.

The Group considers the promise to purchase made by the Purchaser in a Murabaha transaction in favor of the Seller to be binding.

(ii) Mudaraba financing

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.

(iii) Musharaka

Musharaka is used to provide venture or project finance. The Group and customer contribute towards the capital of the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio, but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka.

(iv) Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

(v) 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.

h) Ijara Muntahia Bitamleek (IMB also called as finance lease assets)

Ijarah Mutahia Bitamleek contracts is an agreement with the customers whereby, based on the customer's request and promise to lease, the Group purchases or acquires a specified tangible asset, either from a third-party seller or from the customer. The Group ("Lessor") leases an asset to the customer ("Lessee") against certain rental payments for a specific lease term / year, payable on fixed and / or variable rental basis.

The IMB agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The Lessee provides the Lessor with an undertaking to renew the lease years and pay the relevant rental payment amounts as per the agreed schedule throughout the lease term.

The Lessor retains the ownership of the assets throughout the lease term. At the end of the lease term, the lessor transfers the leased asset to the lessee in line with the promise to purchase provided by the Lessee. upon fulfillment of all the obligations by the Lessee under the IMB agreement, based on sale undertaking given by the Lessor.

Depreciation is provided on a systematic basis on all IMB assets other than land (which is deemed to have an indefinite useful life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

The Group measures at each reporting date whether there is objective evidence that IMB assets are impaired. Impairment loss is recognized when the carrying amount of assets exceeds its recoverable amount. The estimates of future cashflows, when dependent on a single customer, takes into consideration the credit evaluation of the customer in addition to other factors. Impairment losses, if any, are recognized in the income statement.

Modification of IMB assets

If the terms of the IMB assets 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 IMB assets are deemed to have expired. In this case, the original IMB assets is derecognized and a new IMB assets is recognized at fair value plus any eligible transaction cost.

If the modification of a IMB assets measured at amortized cost does not result in the derecognition of the IMB assets then the Group first recalculates the gross carrying amount of the IMB assets using the original effective profit rate of the asset and recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Placements with financial institutions

Placements with financial institutions comprise short-term treasury contracts with financial institutions in the form of Commodity Murabaha receivables, Mudaraba contracts and Wakala investments. These placements are stated at amortised cost net of deferred profits and allowance for credit losses, if any.

j) Sukuk

These investments are in the nature of debt-type instruments that provide fixed or determinable payments of profits and also includes equity type sukuk. Sukuk that are assessed under two distinct business models:

- Held-to-collect business model – This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements and consist of high-quality liquid assets that are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.

- Both held-to-collect and for sale business model: The remaining treasury portfolio will be held under active treasury management to collect both contract cash flows and for sale. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through equity.

k) Assets under conversion

Loans and advances
At amortised cost less any amounts written off and allowance for credit losses, if any.

Non-trading investments
These are classified as fair value through equity and are fair valued based on criteria set out in note 2.2.

l) Non-trading investments

Equity-type investments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual profit in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories: 1) at fair value through income statement ('FVTIS') or 2) at fair value through other comprehensive income ('FVTOCI'), consistent with its investment strategy.

Recognition and de-recognition

Investment securities are recognized at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognized 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.

Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, equity-type investments carried at FVTIS and FVTOCI are re-measured to fair value. Gains and losses arising from a change in the fair value of instruments carried at FVTIS are recognized in the income statement in the year which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTOCI are recognized in the consolidated statement of other comprehensive income. When the investments carried at FVTOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the in the comsolidated statement of other comprehensve income is transferred to the consolidated income statement.

m) Investments in associates and joint ventures

The Group's investments in associates and joint ventures, that are acquired for strategic purposes, are accounted for under the equity method of accounting. Other equity investments in associates and joint ventures (note 2.2) are accounted for at fair value through consolidated income statement by availing the scope exemption under FAS 24, Investments in Associates. An associate is an entity over which the Group has significant influence, but not control or joint control. An entity is considered as an associate if the Group has more than 20% ownership of the entity or the Group has significant influence through any other manner. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and its liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investments in associates and joint ventures (continued)

Under the equity method, investments in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Losses in excess of the cost of the investments in associates are recognized when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the profit in associates.

Foreign exchange translation gains / losses arising out of the translation of net assets of investments in associates are included in the consolidated statement of changes in equity.

n) Investments in real estate

This includes properties held for rental, or for capital appreciation purposes, or both and development properties. The investment in real estate excluding development properties is initially recognized at fair value and subsequently measured based on intention whether the investments in real estate is held-for-use or held-for-sale. The Group has adopted the fair value model for its investments in real estate. Under the fair value model, any unrealized gains are recognized directly in owners' equity under the Real Estate Fair Value Reserve. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these are recognized in the consolidated income statement. In case there are unrealized losses relating to investments in real estate that have been recognized in the consolidated income statement in a previous financial year, the unrealized gains relating to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated income statement. Development properties are measured lower of cost and net realisable value.

o) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is changed on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land and capital work-in-progress.

- Computer hardware	3 to 5 years
- Computer software	3 to 5 years
- Furniture and office equipment	3 to 5 years
- Motor vehicle	4 to 5 years
- Leasehold improvements	Over the lease year

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

p) Goodwill and other intangible assets

(i) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually. Any impairment is recognized immediately in the consolidated income statement. Goodwill is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized immediately in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is / are not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Goodwill and other intangible assets (continued)

(ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in consolidated income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All acquired intangible assets carried on the reporting date have a finite useful life such as the Core Deposits (“CD”) and the Purchased Customer Relationships (“PCR”) and are amortized over a period of 7 to 15 years.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

q) Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the consolidated statement of financial position when there is a religious or legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis or intends to realise the asset and settle the liability simultaneously.

r) Customers’ current accounts

Customers’ current accounts balances are in non-investment accounts and are recognized when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the accounting year, the accounts are measured at their book value, which represents the settlement value to the customers.

s) Quasi-equity

Quasi-equity are funds held by the Group in one common pool of unrestricted investment account, which is invested by the Group's ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts under multi-level investment arrangements. The funds received under the Wakala arrangement is invested in the Mudaraba investment pool and is considered as investment made by an investment account holder ("IAH"). Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Group to invest the accountholder’s funds in a manner which the Group deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Group charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms agreed with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Group and are not charged to investment accounts. Only profits earned on pool of assets funded from IAH are allocated between the owners’ equity and IAH. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Group in arriving at the quasi-equity share of income is total investment income less shareholders' income. In case of Wakala contracts, the Bank does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share in the profits from the Mudaraba investment pool in the capacity of Mudarib.

Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

t) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

u) Employees’ end-of-service 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 recognized 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Employees' end-of-service benefits (continued)

Post employment benefits

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

Eligible employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law, 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.

Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Deferred share-based annual incentives

In line with its variable remuneration policy, the Group awards a component of its annual bonuses for certain covered employees (material risk-takers and approved persons) in the form of deferred incentives that are released proportionately over a period of five years. The deferred incentives include a cash component and a share component. The share component is converted to phantom shares of the Bank based on the book value per share at the award date. The deferred incentives are cash-settled on each release date based on the most recent book value per share of the Bank. The deferred incentive liability is carried at their settlement amounts at each reporting date and any changes in the carrying value of the liability is recognized as an expense or release in the income statement of the reporting period. All deferred incentives are subject to malus and claw back provisions.

v) Revenue recognition

financing contracts

As the income is quantifiable and contractually determined at the commencement of the contract, income is recognized on effective yield basis over the contract term. Recognition of income is suspended when the Group believes that the recovery of these amounts may be doubtful or when the payments of installments are overdue by 90 days, whichever is earlier.

Istisna'a

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognizes Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group recognizes anticipated losses on Istisna'a contract as soon as they are anticipated.

Sukuk

Income on debt-type sukuk is recognized on a time-proportionate basis based on underlying rate of return of the respective type of Sukuk.

Income on equity-type sukuk is recognized when the group's right to receive dividends is established.

Dividend

Dividend income is recognized when the Group's right to receive the dividend is established.

Ijara Muntahia Bitamleek

Ijara income is recognized on a time-proportionate basis over the lease term. Income related to non-performing Ijara deals is suspended. Accrual of income is suspended when the Group believes that the recovery of these amounts may be doubtful or normally when the rental payments are overdue by 90 days, whichever is earlier.

Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

- Fee income on financing transactions: Fee earned on financing transactions including up-front fees and early settlement fees are recognized when earned. To the extent the fees are deemed yield enhancement they are recognized over the year of the financing contracts.
- Fee income from transaction services: Fee arising from corporate finance, corporate advisory, arranging the sale of assets and wealth management are recognized when earned or on a time proportionate basis when the fee is linked to delivery of services over the term of the contract.
- Other fee income: This is recognized when services are rendered.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction on the measurement date.

For investments that are actively traded in organized financial markets, fair value is determined by reference to the prevailing market bid price on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using well-recognized valuation technique such as DCF and recent arm's length market transactions. Alternatively, the estimate would also be based on current market value of another contract, which is substantially the same, or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by calculating the present value of future cash flows at current profit rates for contracts with similar terms and risk characteristics.

For assets having fixed or determinable payments, fair value is based on available active broker quotes or the net present value of estimated future cash flows determined by the Group using current market profit rates for contracts with similar terms and risk characteristics.

x) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group and are accordingly not included in the consolidated statement of financial position. These include assets under management and custodial assets.

y) Dividend on ordinary shares

Dividend payable on ordinary issued and fully paid shares of the Bank is recognized as a liability and deducted from equity when it is approved by the Group's shareholders.

z) 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 recognized from the date of its issue. The liability arising from a financial guarantee contract is recognized at the present value of any expected payment, when a payment under the guarantee has become probable.

aa) Treasury shares

Own equity contracts that are re-acquired, are recognized at cost and deducted from equity. No gain or loss is recognized in consolidated income statement on the purchase, sale, issue or cancellation of the Bank’s own equity contracts. Any difference between the carrying amount and the consideration, if re-issued, is recognized in share premium in consolidated statement of changes in equity.

ab) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 Zakah using the net assets method. Zakah is calculated based on the eligible reserve and retained earnings balances at the end of the year . The Bank calculates and notifies the shareholders of their pro-rata share of the Zakah payable annually. The calculation of Zakah is approved by the Sharia'a Supervisory Board. Payment of Zakah on the unrestricted investment and other accounts is the responsibility of the investment accountholders.

ac) Repossessed assets

In certain circumstances, properties are repossessed following the foreclosure of financial facilities that are in default. Repossessed properties that are held for immediate sale, are measured at the lower of the carrying value on closure and fair value less cost to sell. Other repossessed properties are classified as investment property.

ad) Earnings prohibited by Shari'a

The Group is committed to contributing to charity any income generated from non-Shari'a sources. Accordingly, any earning prohibited by Shari'a is credited to charity funds to be used for charity purposes.

ae) Takaful and retakaful contracts

Takaful contracts
As an Islamic insurance provider, the Group issues contracts that are based on cooperative activity by risk sharing. The Group classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer.

Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Group to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ae) Takaful and retakaful contracts (continued)

Retakaful contracts

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

The participants' takaful funds comprises of general takaful and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognized as revenue in the participants' statement of revenues and expenses.

Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Group. In respect of proportional and non-proportional retakaful contracts, the amounts are recognized in the participants' statement of revenues and expenses as per the terms of these contracts.

Unearned contributions

Unearned contributions represent contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

Gross claims

Gross claims are recognized in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognized when the related gross claims settled are recognized according to the terms of the relevant contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ae) Takaful and retakaful contracts (continued)

Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the participants' statement of revenues and expenses for that year.

Takaful and insurance receivables

Takaful and insurance receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

af) AT1 Mudaraba

The AT1 Mudaraba which meet the criteria for equity under FAS 1 (no contractual obligation to deliver cash or other financial assets) is classified as component of Owners equity. The AT1 Mudaraba is initially recognized at its subscribed amount, net of any directly attributable transaction cost and the related distribution is accounted for as a debit to retained earnings.

ag) New standards, amendments, and interpretations issued but not yet effective.

i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI had 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 unrestricted 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.

The Group does not expect any significant impact on its consolidated financial statements from the adoption of this standard.

3 SIGNIFICANT ACCOUNTNG POLICIES (continued)

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

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

AAOIFI had 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 financial reporting in line with the requirements of the respective AAOIFI FAS.

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 its consolidated financial statements from the adoption of this standard.

iii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI had 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 its consolidated financial statements from 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 its consolidated financial statements from the adoption of this standard.

v) Withdrawal of FAS 26 – Investment in Real Estate

In December 2025, AAOIFI issued guidance on the withdrawal of FAS 26 – Investment in Real Estate, together with related transitional provisions (the "Guidance"). Following the withdrawal, investment in real estate shall be accounted for in accordance with IAS 40- Investment Property.

The Guidance is effective for annual periods beginning on or after 1 January 2027, with early adoption permitted.

The Group does not expect a significant impact on its consolidated financial statements from adopting this standard.

4 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2025			
	At fair value through income statement	***At fair value through OCI***	***At amortised cost***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
ASSETS				
Cash and balances with banks and central banks	**-**	**-**	**775,733**	**775,733**
Placements with financial institutions	**-**	**-**	**456,634**	**456,634**
Investments in sukuk	**-**	**1,234,979**	**699,175**	**1,934,154**
Financing contracts	**-**	**-**	**4,066,788**	**4,066,788**
Non-trading investments	**83,529**	**12,475**	**-**	**96,004**
Takaful and related assets	**-**	**-**	**29,748**	**29,748**
Other assets	**-**	**-**	**47,181**	**47,181**
	83,529	**1,247,454**	**6,075,259**	**7,406,242**
LIABILITIES				
Placements from financial institutions and individuals	**-**	**-**	**117,586**	**117,586**
Murabaha term financings	**-**	**-**	**1,076,354**	**1,076,354**
Customers' current accounts	**-**	**-**	**1,486,337**	**1,486,337**
Takaful and related liabilities	**-**	**-**	**93,460**	**93,460**
Other liabilities	**-**	**-**	**142,366**	**142,366**
	-	**-**	**2,916,103**	**2,916,103**

	2024			
	At fair value through income statement	*At fair value through OCI*	*At amortised cost*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
ASSETS				
Cash and balances with banks and central banks	-	-	633,611	633,611
Placements with financial institutions	-	-	476,450	476,450
Investments in sukuk	-	800,387	647,416	1,447,803
Financing contracts	-	-	3,661,670	3,661,670
Non-trading investments	79,354	18,590	-	97,944
Takaful and related assets	-	-	26,353	26,353
Other assets	-	-	74,443	74,443
	79,354	818,977	5,519,943	6,418,274
LIABILITIES				
Placements from financial institutions and individuals	-	-	171,016	171,016
Murabaha term financings	-	-	751,062	751,062
Customers' current accounts	-	-	1,279,886	1,279,886
Takaful and related liabilities	-	-	75,550	75,550
Other liabilities	847	-	126,975	127,822
	847	-	2,404,489	2,405,336

5 BALANCES WITH BANKS AND CENTRAL BANKS

	2025	2024
	BD '000	BD '000
Mandatory reserves with Central Banks*	167,630	181,620
Other balances with Central Banks	179,208	267,185
Balances with commercial banks	429,082	184,935
Allowance for credit losses	(187)	(129)
	775,733	633,611

* This balance is not available for use in the day-to-day operations of the Group.

6 PLACEMENTS WITH FINANCIAL INSTITUTIONS

These represent short-term interbank placements with financial institutions

	2025	2024
	BD '000	BD '000
Wakala	34,273	34,624
Mudaraba	2,119	5,590
Commodity murabaha	420,250	436,242
Allowance for credit losses	(8)	(6)
	456,634	476,450

7 INVESTMENTS IN SUKUK

	2025	2024
	BD '000	BD '000
Sovereign sukuk	1,823,041	1,401,378
Corporate sukuk	111,113	46,425
	1,934,154	1,447,803

The rating of corporate sukuk are as follows:	2025	2024
	BD '000	BD '000
Investment grade (AAA - BBB+)	84,144	24,842
High Yielding (Below BBB-)	13,827	10,923
Un-rated sukuk	13,180	10,782
Allowance for credit losses	(38)	(122)
	111,113	46,425

	2025			2024
i) Sukuk Carried at FVTOCI	Sovereign Sukuk	Corporate Sukuk	Total	Total
	BD '000	BD '000	BD '000	BD '000
At 1 January	774,079	26,308	800,387	364,518
Purchases	436,891	70,317	507,208	391,333
Acquired through business combination	744	646	1,390	124,365
Sale / redemption	(99,927)	(7,159)	(107,086)	(96,094)
Fair value movement	22,397	865	23,262	7,905
Movement in allowance for credit losses	93	82	175	(106)
Profit accrual	9,023	620	9,643	8,466
At 31 December	1,143,300	91,679	1,234,979	800,387

Corporate Sukuk with carrying value of BD 50,595 thousand (2024: BD 13,916 thousand) are equity-type sukuk and balance is debt-type sukuk.

This includes sukuk with carrying value of BD 699,030 thousand (2024: BD 293,525 thousand) which are pledged against murabaha term financing (note 17).

	2025			2024
ii) Sukuk Carried at Amortised cost	Sovereign Sukuk	Corporate Sukuk	Total	Total
	BD '000	BD '000	BD '000	BD '000
At 1 January	627,299	20,117	647,416	638,321
Purchases	244,115	5,765	249,880	178,116
Reclassified	(187)	187	-	-
Acquired through business combination	12,529	6,604	19,133	102,904
Redemption	(207,678)	(13,378)	(221,056)	(273,594)
Movement in allowance for credit losses	286	2	288	(46)
Amortisation of premium / discount	776	137	913	1,324
Profit accrual	2,601	-	2,601	391
At 31 December	679,741	19,434	699,175	647,416
	1,823,041	111,113	1,934,154	1,447,803

This includes sukuk with carrying value of BD 314,745 thousand (2024: BD 360,813 thousand) which are pledged against murabaha term financing (note 17).

8 FINANCING CONTRACTS

	2025				
	Stage 1: 12 month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Leased-based:					
Ijarah	**1,443,624**	**99,964**	**53,166**	**28,485**	**1,625,239**
Trade-based:					
Murabaha*	**1,268,834**	**23,650**	**20,776**	**9,925**	**1,323,185**
Salam	**234,801**	**3,732**	**27,905**	**146**	**266,584**
Istisnaa	**137,663**	**2,588**	**2,611**	**157**	**143,019**
Participatory-based:					
Mudaraba	**669,268**	**19,080**	**24,773**	**150**	**713,271**
Musharaka	**29,481**	**15**	**2,342**	**-**	**31,838**
Credit cards	**24,936**	**157**	**188**	**-**	**25,281**
Total gross financing contracts	**3,808,607**	**149,186**	**131,761**	**38,863**	**4,128,417**
Allowance for credit losses	**(35,879)**	**(12,748)**	**(48,541)**	**-**	**(97,168)**
Foreign currency translation	**33,003**	**529**	**1,983**	**24**	**35,539**
	3,805,731	**136,967**	**85,203**	**38,887**	**4,066,788**

	2024				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Leased-based:					
Ijarah	1,333,453	105,440	45,999	23,900	1,508,792
Trade-based:					
Murabaha*	1,079,838	41,763	19,435	13,118	1,154,154
Salam	265,419	5,590	25,809	499	297,317
Istisnaa	73,534	1,587	4,722	154	79,997
Participatory-based:					
Mudaraba	581,757	21,613	31,394	55	634,819
Musharaka	30,020	22	2,353	-	32,395
Credit cards	26,251	239	1,421	-	27,911
Total gross financing contracts	3,390,272	176,254	131,133	37,726	3,735,385
Allowance for credit losses	(22,590)	(14,947)	(30,574)	-	(68,111)
Foreign currency translation	(5,202)	(86)	(307)	(9)	(5,604)
	3,362,480	161,221	100,252	37,717	3,661,670

* Murabaha financing is reported net of deferred profits of BD 154,900 thousand (2024: BD 133,184 thousand).

Movement on allowance for credit losses

	2025				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Purchased credit-impaired POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Balance at 1 January	**22,590**	**14,947**	**30,574**	**-**	**68,111**
Movement between stages, net	**1,549**	**(5,196)**	**3,647**	**-**	**-**
Movement in allowance for credit loss	**11,740**	**2,997**	**29,151**	**(7,893)**	**35,995**
Exchange adjustments and other transfers on settlement	**-**	**-**	**-**	**7,893**	**7,893**
Exposures charged off during the year *	**-**	**-**	**(14,831)**	**-**	**(14,831)**
Balance at 31 December	**35,879**	**12,748**	**48,541**	**-**	**97,168**

	2024				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Purchased credit-impaired POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Balance at 1 January	16,334	8,332	23,922	435	49,023
Movement between stages, net	590	2,351	(2,941)	-	-
Movement in allowance for credit loss	5,666	4,264	15,734	(5,319)	20,345
Exchange adjustments and other transfers on settlement	-	-	-	4,884	4,884
Exposures charged off during the year *	-	-	(6,141)	-	(6,141)
Balance at 31 December	22,590	14,947	30,574	-	68,111

* Represent exposures charged off during the year for which recovery efforts will continue.

The non-performing financing ratio at 31 December 2025 exclusive and inclusive of non-performing POCI is 3.2% and 4.2% respectively (31 December 2024: 3.5% and 4.5%).
The POCI assets are currently carried at 37.1% (2024: 33.4%) compared to the original contractual amounts. On a cumulative basis , the impaired assets (Stage 3 and POCI) have a provision coverage of 48.0% (2024: 43.4%) compared to their original contractual amounts. Provision coverage including collateral amounts to 133.2% (2024: 126.6%).

8 FINANCING CONTRACTS (continued)

Ijarah Muntahia Bitamleek (IMB)

This represents assets leased (land and buildings) under a IMB arrangement with customers of the Bank. Under this arrangement the Bank (lessor) undertakes to transfer the leased assets to the customer (lessee) at the end of the lease term upon the lessee fulfilling all the obligations under the IMB agreement.

	2025	*2024*
	BD '000	*BD '000*
Ijarah Muntahia Bitamleek	**1,973,213**	1,752,445
Depreciation	**(347,974)**	(243,653)
Ijarah Muntahia Bitamleek net of depreciation	**1,625,239**	1,508,792
Allowance for credit losses	**(22,786)**	(15,866)
Foreign currency translation	**6,778**	(835)
At 31 December	**1,609,231**	1,492,091

The future minimum lease receivable (excluding future profits) in aggregate are as follows:

	2025	*2024*
	BD '000	*BD '000*
Due within one year	**235,382**	249,689
Due in one to five years	**532,715**	152,223
Due after five years	**841,134**	1,090,179
	1,609,231	1,492,091

9 ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	2025				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Balance at 1 January	**26,133**	**15,088**	**34,300**	**-**	**75,521**
- transfer to Stage 1: 12 month ECL	**2,456**	**(1,084)**	**(1,372)**	**-**	**-**
- transfer to Stage 2: Lifetime ECL not credit-impaired	**(613)**	**2,198**	**(1,585)**	**-**	**-**
- transfer to Stage 3: Lifetime ECL credit-impaired	**(313)**	**(6,268)**	**6,581**	**-**	**-**
Net remeasurement of loss allowance	**10,524**	**3,177**	**29,850**	**(7,893)**	**35,658**
Allowance for credit losses	**12,054**	**(1,977)**	**33,474**	**(7,893)**	**35,658**
Exchange adjustments and other transfers	**-**	**-**	**(1,947)**	**7,893**	**5,946**
Exposures charged off during the year*	**-**	**-**	**(14,831)**	**-**	**(14,831)**
Balance at 31 December	**38,187**	**13,111**	**50,996**	**-**	**102,294**

* Represent exposures charged off during the year for which recovery efforts will continue.

	2025				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Balances with banks and central banks	**168**	**19**	**-**	**-**	**187**
Placements with financial institutions	**8**	**-**	**-**	**-**	**8**
Investments in sukuk	**199**	**-**	**-**	**-**	**199**
Financing contracts	**35,879**	**12,748**	**48,541**	**-**	**97,168**
Financing other assets	**4**	**32**	**1,370**	**-**	**1,406**
Other receivables	**-**	**-**	**236**	**-**	**236**
Financing commitments and financial guarantee contracts	**1,929**	**312**	**849**	**-**	**3,090**
	38,187	**13,111**	**50,996**	**-**	**102,294**

Net impairment charge on financial instruments	***2025***	*2024*
	BD '000	*BD '000*
Balances with banks and central banks	**58**	(198)
Placements with financial institutions	**2**	(12)
Investments in sukuk	**(463)**	152
Financing contracts (note 8)	**35,995**	20,345
Financing other assets	**513**	(946)
Financing commitments and financial guarantee contracts	**(447)**	1,872
Investments	**254**	(40)
	35,912	21,173

9 ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS (continued)

	2024				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Balance at 1 January	19,222	8,487	27,421	435	55,565
- transfer to Stage 1: 12 month ECL	1,434	(757)	(677)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(569)	5,947	(5,378)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(284)	(2,831)	3,115	-	-
Net remeasurement of loss allowance	6,330	4,242	15,960	(5,319)	21,213
Allowance for credit losses	6,911	6,601	13,020	(5,319)	21,213
Exchange adjustments and other transfers on settlement	-	-	-	4,884	4,884
Exposures charged off during the year*	-	-	(6,141)	-	(6,141)
Balance at 31 December	26,133	15,088	34,300	-	75,521

* Represent exposures charged off during the year for which recovery efforts will continue.

	2024				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Cash and balances with banks and central banks	129	-	-	-	129
Placements with financial institutions	6	-	-	-	6
Investments in sukuk	660	-	-	-	660
Financing contracts	22,590	14,947	30,574	-	68,111
Financing other assets	17	1	971	-	989
Other receivables	8	-	2,079	-	2,087
Financing commitments and financial guarantee contracts	2,723	140	676	-	3,539
	26,133	15,088	34,300	-	75,521

10 NON-TRADING INVESTMENTS

	2025	*2024*
	BD '000	*BD '000*
At fair value through income statement:		
Equity securities	**83,206**	78,716
Funds	**323**	638
At fair value through other comprehensive income		
Equity securities	**9,771**	18,577
Funds	**2,704**	13
	96,004	97,944

The Group holds 40% stake (2024: 40%) in Manara Developments Company B.S.C.(c) ("Manara") & Bareeq Al Retaj Real Estate Services WLL ("Bareeq") each, incorporated in the Kingdom of Bahrain and engaged in the business of property development. The investments measured at fair value through income statement using the fair value scope exemption of FAS 24. As part of restructuring, net assets of Manara will be novated to Bareeq, pending legal formalities.

During the year, non-trading investments of BD 17,675 thousand (2024: BD 12,887 thousand) were acquired as part of a business combination.

11 TAKAFUL ASSETS AND LIABILITIES

	2025	*2024*
	BD '000	*BD '000*
Takaful assets	**19,708**	17,140
Investments of participants in units	**10,040**	9,213
Takaful and related assets	**29,748**	26,353
Takaful liabilities	**83,791**	66,273
Other liabilities	**9,669**	9,277
Takaful and related liabilities	**93,460**	75,550

12 INVESTMENTS IN REAL ESTATE

	2025	*2024*
	BD '000	*BD '000*
Land	**73,174**	103,654
Buildings	**10,955**	25,641
	84,129	129,295

13 INVESTMENTS IN ASSOCIATES

The Group has a 20.9% (2024: 20.9%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya in August 2006, licensed by the Central Bank of Kenya.

During 2022, as part of its acquisition of the retail business of Ithmaar Holding, the Group acquired economic interests in a sharia compliant financing arrangement provided to FINCORP W.L.L (formerly Al Salam International W.L.L. ("ASI")), the holder of 26.2% stake in Bank of Bahrain and Kuwait B.S.C. ("BBK"), a retail bank incorporated in Bahrain and licensed by the Central Bank of Bahrain. FINCORP W.L.L's investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. The Bank or its quasi-equity do not directly participate in the underlying business activities of FINCORP W.L.L and are not legal owners of its underlying assets. The returns generated by the Bank are to the extent of the profit and the respective repayment, if any, generated from the sharia compliant financing arrangement only. As per the requirements of the financial accounting standards, the effective economic interest of this arrangement is recognized in these financial statements.

During 2024, Solidarity Bahrain B.S.C., an insurance subsidiary of the Group acquired 28.9% stake in Alliance Insurance P.J.S.C., an insurance company incorporated in UAE and listed on the Dubai Financial Market resulting in the Groups share of bargain purchase of BD 2,681 thousand.

During the year, Solidarity Bahrain B.S.C., acquired additional stake of 10.0% stake in United Insurance B.S.C.(C), an insurance company incorporated in Bahrain, resulting in total stake of 20.0%.

	2025	*2024*
	BD '000	*BD '000*
Balance at 1 January	**255,008**	231,484
Acquisitions during the year	**3,700**	16,131
Additional stake acquired during the year	**3,544**	-
Recognition of associate due to step down acquisition	**9,344**	-
Share of profits	**21,423**	18,169
Share of other changes in equity	**3,557**	4,276
Dividends received from associates	**(17,576)**	(15,052)
Balance at 31 December	**279,000**	255,008

The summary of financial information of the Group's material investments in associates, which is adjusted for changes in accounting policies and fair value adjustments on acquisition.

Reconciliation of financial information to carrying value of Group's interest in BBK.

	2025	*2024*
	BD '000	*BD '000*
Group's holding	**26.2%**	26.2%
Total assets	**4,635,342**	4,215,423
Total liabilities	**3,962,300**	3,567,500
Net assets (100%)	**673,042**	647,923
Group's share of recognised net assets	**176,270**	169,691
Acquisition accounting related adjustments	**65,202**	65,202
Carrying amount of interest in associate	**241,472**	234,893
Revenue	**159,200**	166,700
Profit (100%)	**75,700**	71,700
Other change in equity (comprehensive income)	**13,000**	16,823
Total comprehensive income (100%)	**88,700**	88,523
Group's share of profits	**19,825**	17,859
Groups share of other changes in equity	**3,403**	5,376

The market value of BBK stood at BD 245.0 million as at 31 December 2025 (2024: BD 229.3 million). This fair value was determined using market value per share not adjusted for the size of the holding.

For other associates based on the summarized financial statements, the revenue, profit and Group's share of profit were BD 45,625 thousand (2024: BD 2,797 thousand), BD 6,413 thousand (2024: BD 1,304 thousand) and BD 1,598 thousand (2024: BD 310 thousand), respectively.

14 OTHER ASSETS

	2025	*2024*
	BD '000	*BD '000*
Assets under conversion		
Loans and advances to customers	**-**	10
Non-trading investments - fair value through OCI	**-**	163
Total assets under conversion *	**-**	173
Other receivables and advances	**56,431**	75,933
Prepayments	**18,607**	14,852
Premises and equipment including right of use assets	**25,729**	38,936
	100,767	129,894

*These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. including assets which are carried at nil carrying value (2024: BD 173 thousand). Income derived from these assets are transferred to charity (on collection basis) and as such are not recognised as revenue in the consolidated income statement. During the year, income from this portfolio amounting to BD 40 thousand (2024: BD 217 thousand) has been transferred to charity, recognised under "Accounts payable"

15 GOODWILL AND INTANGIBLE ASSETS

During the year, Solidarity Bahrain, a subsidiary of the Group that engages in Takaful business and listed on Bahrain Bourse entered into agreement with Bahrain National Holding company BSC, a company incorporated in Kingdom of Bahrain and listed on Bahrain Bourse for the purchase of 100% of the issued share capital of its two subsidiaries, BNI and BNL, that resulted in a goodwill of BD 23,990 thousand (refer note 42).

The Bank assesses, on annual basis, whether there are indicators, based on internal and external source of information, that the intangible assets may be impaired in accordance with IAS 36 ('impairment of non-financial assets'). As of 31 December 2025, there was no indicators of impairment of the CGU.

An impairment test is carried out on an annual basis for each CGU to which goodwill has been allocated. The Group's goodwill and acquisition related intangibles primarily relate to the Banking and Insurance business segments. The impairment assessment exercise for the year ended 31 December 2025 indicated that the recoverable amount of the assessed CGU's were above its carrying values with a sizeable headroom.

The recoverable amount of each CGU has been determined based on higher of fair value less cost to sell and value in use. The fair value less cost to sell is calculated using market approaches, which considers trading multiples such as price-to-book and price-to-earnings for comparable entities in the region, adjusted for control premium and illiquidity adjustments. The value in use for the CGU is calculated by estimating the present value of the future cashflow projections from continuing use and disposal of the CGU, discounted at an appropriate rate representative of the risk associated with the CGU. During the period, the valuation of CGUs based on the market approach was higher than the value in use and hence determined to be the recoverable amount for each CGU. A steady growth rate of 2% and discount rate of 13.5% is applied to the estimated cash flows. A sensitivity analysis for reasonable change in market-based inputs by +/ - 5% does not indicate any risk of impairment.

	2025					*2024*
	Goodwill	**License**	**Core deposits**	**Customer Relationship**	**Total**	Total
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***	*BD '000*
Balance at 1 January	**151,919**	**12,000**	**27,468**	**13,363**	**204,750**	78,145
Acquired during the year	**23,990**	**-**	**-**	**7,525**	**31,515**	130,038
Adjustment to acquired goodwill	**-**	**-**	**-**	**-**	**-**	(371)
Amortised during the year	**-**	**-**	**(2,024)**	**(3,302)**	**(5,326)**	(3,062)
Balance as at 31 December	**175,909**	**12,000**	**25,444**	**17,586**	**230,939**	204,750

16 PLACEMENTS FROM FINANCIAL INSTITUTIONS AND INDIVIDUALS

These represent short-term placements from banks, financial institutions and individuals in the form of Murabaha contracts.

	2025	*2024*
	BD '000	*BD '000*
Placement from financial institutions	**117,586**	142,481
Placements from individuals	**-**	28,535
	117,586	171,016

17 MURABAHA TERM FINANCINGS

These represent short-term and long-term financings obtained from various financial institutions and are collateralised by corporate and sovereign sukuk with total carrying value BD 1,013,775 thousand (2024: BD 654,335 thousand) (note 7).

18 OTHER LIABILITIES

	2025	*2024*
	BD '000	*BD '000*
Accounts payable	**77,163**	83,128
Accrued expenses	**28,030**	25,626
Manager cheques	**15,097**	5,534
LC margin deposit	**12,657**	6,604
Project payables	**69**	60
End of service benefits and other employee related accruals	**6,260**	3,331
Allowance for credit losses relating to financing commitments and financial guarantee contracts	**3,090**	3,539
	142,366	127,822

19 QUASI-EQUITY

	2025	*2024*
	BD '000	*BD '000*
Wakala from financial institutions	**556,945**	420,231
Wakala, Mudaraba from customers	**3,831,128**	3,643,830
	4,388,073	4,064,061

Including in Quasi-equity is an amount of BD 8,779 thousand (2024: BD 5,376 thousand) representing the Quasi-equity holders share of movement in fair value reserve.

The Group does not allocate stage 3 assets to quasi-equity pool. All the impairment allowances relating to non performing assets are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to quasi-equity. Only the profits earned on pool of assets funded from quasi-equity are allocated between the owners' equity and quasi-equity. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to quasi-equity and up to 85% is retained by the Group as mudarib share. The Group did not charge any administration expenses to quasi-equity. The average profit rate earned on assets attributed to quasi-equity based on the above ratio for the year ended 31 December 2025 was 5.8% (2024: 6.2%) and the average profit rate distributed to quasi-equity for the year ended 31 December 2025 was 3.4% (2024: 4.0%).

Distribution of assets by ownership	***2025***			*2024*		
	Self-financed	**Quasi equity**	**Total**	Self-financed	Quasi equity	Total
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
Balances with banks and central banks	**524,223**	**251,510**	**775,733**	489,993	143,618	633,611
Placements with financial institutions	**8,018**	**448,616**	**456,634**	8,094	468,356	476,450
Investments in sukuk	**1,934,154**	**-**	**1,934,154**	1,447,803	-	1,447,803
Financing contracts	**634,759**	**3,432,029**	**4,066,788**	469,986	3,191,684	3,661,670
Non-trading investments	**96,004**	**-**	**96,004**	89,676	8,268	97,944
Takaful and related assets	**29,748**	**-**	**29,748**	26,353	-	26,353
Investments in real estate*	**76,283**	**7,846**	**84,129**	112,053	17,242	129,295
Investments in associates	**37,528**	**241,472**	**279,000**	20,115	234,893	255,008
Other assets	**94,167**	**6,600**	**100,767**	129,894	-	129,894
Goodwill and other intangible assets	**230,939**	**-**	**230,939**	204,750	-	204,750
Total Assets	**3,665,823**	**4,388,073**	**8,053,896**	2,998,717	4,064,061	7,062,778

*Real estate investments allocated to quasi-equity are yielding.

19 QUASI-EQUITY (continued)

Distribution of income by ownership	***2025***			*2024*		
	Self-financed	**Quasi equity**	**Total**	Self-financed	Quasi equity	Total
INCOME	***BD '000***	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
Income from financing contracts	**38,568**	**209,218**	**247,786**	33,394	202,979	236,373
Income from placements with financial institutions	**1,015**	**28,463**	**29,478**	67	24,821	24,888
Income from Investments in sukuk	**103,119**	**-**	**103,119**	71,568	-	71,568
Finance expense on placements from financial institutions and individuals	**(8,116)**	**-**	**(8,116)**	(11,287)	-	(11,287)
Finance expense on murabaha term financing	**(46,333)**	**-**	**(46,333)**	(30,851)	-	(30,851)
Other finance expense	**(4,571)**	**-**	**(4,571)**	(3,470)	-	(3,470)
Net finance income	**83,682**	**237,681**	**321,363**	59,421	227,800	287,221
Fees and commission, net	**27,927**	**-**	**27,927**	26,267	-	26,267
Share of profit from associates	**1,598**	**19,825**	**21,423**	310	17,859	18,169
Income from Takaful operations, net	**3,424**	**-**	**3,424**	5,357	-	5,357
Other income	**10,137**	**951**	**11,088**	8,315	1,122	9,437
Total income	**126,768**	**258,457**	**385,225**	99,670	246,781	346,451
EXPENSES						
Staff costs	**46,693**	**-**	**46,693**	44,346	-	44,346
Other operating expenses	**65,052**	**-**	**65,052**	50,019	-	50,019
Total expenses	**111,745**	**-**	**111,745**	94,365	-	94,365
Profit before impairment allowances, tax and income attribution to quasi-equity	**15,023**	**258,457**	**273,480**	5,305	246,781	252,086
Allowance for impairment on financial instruments	**(23,956)**	**(11,956)**	**(35,912)**	(15,538)	(5,635)	(21,173)
Group's share as a mudarib and wakil	**101,455**	**(101,455)**	**-**	86,630	(86,630)	-
Allocated profits	**92,522**	**145,046**	**237,568**	76,397	154,516	230,913

	2025	*2024*
Quasi Equity - by type and maturity	***BD 000***	*BD 000*
Saving accounts (including call accounts)	**1,307,887**	1,048,020
One month up to six months investment accounts	**967,278**	724,209
Six months up to one year investment accounts	**1,319,255**	492,321
One year up to three years investment accounts	**466,621**	965,622
Three years and above	**318,253**	828,513
	4,379,294	4,058,685
Quasi-equity holders share of fair value reserve	**8,779**	5,376
	4,388,073	4,064,061

In case of investment accounts on contractual basis, these can be withdrawn subject to deduction of profit upon management discretion.

20 SHARE CAPITAL

	2025	2024
	BD '000	BD '000
Authorised:		
5,000,000,000 ordinary shares (2024: 5,000,000,000 shares) of BD 0.100 each	**500,000**	500,000
Issued and fully paid: (BD 0.100 per share)		
Number of shares 2,967,598,791 (2024: 2,747,776,658)	**296,760**	274,778

Names and nationalities of the major shareholders and the number of equity shares in which they own 5% or more of outstanding share as of 31 December 2025 is as follows:

Investor Name	Nationality	No. of Shares	% of the outstanding shares
Bank Muscat (S.A.O.G.)	Omani	437,315,389	14.7%
Muscat Overseas Company L.L.C.	Omani	250,246,941	8.4%
Sayacorp B.S.C Closed	Bahraini	186,273,227	6.3%

A distribution schedule of equity shares, setting out the number of holders and the percentages as of 31 December 2025 is presented below:

Categories	No. of Shares	No. of the shareholders	% of the outstanding shares
Less than 1%	**983,153,010**	**22,996**	**33.2**
1% up to less than 5%	**1,110,610,224**	**13**	**37.4**
5% up to less than 10%	**436,520,168**	**2**	**14.7**
10% up to less than 20%	**437,315,389**	**1**	**14.7**
Total	**2,967,598,791**	**23,012**	**100.0**

21 RESERVES AND OTHER CAPITAL INSTRUMENTS

The Board of Directors is proposing a cash dividend of 8 fils per share or 8% (2024: 6%) of the par value of BD 0.100 per share excluding treasury shares and 7% of the paid up capital to be paid by issue of bonus shares (1 share for every 14.3 shares held). This amounts to BD 44,117 thousand (2024: BD 38,193 thousand) for the year ended 31 December 2025.

21.1. Treasury shares

Total number of treasury shares outstanding as of 31 December 2025 was 49,606,561 shares (2024: 155,932,001 shares).

21.2. Employee incentive scheme

The Bank operates a long term share based incentive scheme under which share awards were issued to employees with future performance conditions. As of 31 December 2025, 34,465,669 (2024: 84,523,957 shares) share awards remain unvested.

21.3. Statutory reserve

As required by Bahrain Commercial Companies Law 21/2001 (as amended) and the Bank's articles of association, 10% of the net profit for the year is transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve reaches 50% of the paid up share capital of the Bank. The reserve is not distributable except in such circumstances as stipulated in the Commercial Companies Law and approval of the CBB.

22 OTHER EQUITY PARTICIPATIONS

i) Subordinated Mudaraba issued by the Bank

The Bank issued bilateral subordinated mudaraba, classified as additional Tier 1 mudaraba (AT1) of BD 169,675 thousand (2024: BD 162,464 thousand). The subscription was fully paid in cash, total issuance cost is BD 3,733 thousand (2024: BD 3,438 thousand).

Summary of key terms and conditions of this issue are as follows:
a)Profits on this contract are distributed monthly starting from date of subscription at an expected rate of 6% p.a. Profit payments under the contract are discretionary and non-cumulative and non-payment will not be considered as an event of default.
b)The contract does not have a stated maturity and is perpetual in nature and the Bank has an option to settle the AT1 Mudaraba at its discretion after 5 years from the date of its initial subscription.
c) The AT1 mudaraba has a write-down feature in the event of non-viability as per the terms of the contract.

Accordingly, AT1 mudaraba meets the criteria for classification as equity as per FAS 1 and is recognized under the owners' equity in the consolidated statement of financial position and the profits paid under the contract are accounted for as appropriation of profits. During the year, BD 10,108 thousand (2024 BD 4,009 thousand) was paid as profit on AT1 Mudaraba.

ii) Subordinated Mudaraba issued by a Subsidiary of the Bank

During the year, Solidarity Bahrain BSC, a subsidiary of Solidarity Group Holding issued bilateral subordinated mudaraba of BD 43,000 thousand, classified as upper Tier 2 as per volume 3 of the rule book issued by the CBB. The subscription was fully paid in cash, total issuance cost BD 440 thousand (2024: BD Nil).

Summary of key terms and conditions of the issue are as follows:
a.Profits on this contract are distributed quarterly starting from the date of subscription at an expected rate of 7% p.a. Profit payments under the contract are discretionary and non-cumulative and non-payment will not be considered as an event of default.
b.The contract does not have a stated maturity and is perpetual in nature and the issuer has an option to settle the Mudaraba at its discretion after 5 years from the date of its initial subscription.
c.The mudaraba has a write-down feature in the event of non-viability as per the terms of the contract.

Accordingly, Subordinated mudaraba meets the criteria for classification as equity as per FAS 1 and is recognized under the owners' equity in the consolidated statement of financial position and the profits paid under the contract are accounted for as appropriation of profits. During the year, BD 2,119 thousand was paid as profit on this subordinated Mudaraba.

iii) Musharaka-based participatory shares

During the year, Solidarity Bahrain BSC issued a Musharaka-based, non-voting, non-cumulative perpetual shares of BD 810 thousand, classified as Tier 1 as per volume 3 of the rule book issued by the CBB. Total issue was for BD 12,000 thousand and the subscription was fully paid in cash, total issuance cost BD 188 thousand (2024: BD Nil).

Summary of key terms and conditions of this issue are as follows:
a)The shares are non-cumulative, and the dividend distribution is at the discretion of the issuer.
b)The shares do not have any stated maturity and are perpetual in nature and the issuer has a call option at its discretion after 5 years from the date of its initial subscription.
c)The shares rank pari-passu with the ordinary shares in terms of return to them upon liquidation, however the shares do not carry any voting rights.

Accordingly, these shares meet the criteria for classification as equity as per FAS 1 and is recognized under Owners' equity in the consolidated statement of financial position and the dividends paid to these shares are accounted as appropriation of profits.

23 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments issued by the Bank.

	2025	*2024*
Net profit attributable to Shareholders of the Bank (BD '000)	**76,834**	59,012
Less: Profit on other equity participations (BD '000)	**(11,006)**	(4,009)
Weighted average number of shares (thousand)	**2,899,458**	2,870,399
Basic and diluted earnings per share (fils)	**22.7**	19.2

24 INCOME FROM FINANCING CONTRACTS

	2025	*2024*
	BD '000	*BD '000*
Leased-based:		
Ijarah, net*	**100,158**	88,420
Trade-based:		
Murabaha	**80,851**	77,897
Salam	**18,090**	21,129
Istisna	**8,145**	3,780
Participatory-based:		
Mudaraba	**38,503**	42,933
Musharaka	**2,039**	2,214
	247,786	236,373

* Ijarah income is net of depreciation of BD 202,219 thousand (2024: BD 110,306 thousand).

25 FEES AND COMMISSION, NET

	2025	*2024*
	BD '000	*BD '000*
Transaction related fees and income	**16,244**	13,277
Arrangement fees	**2,906**	3,854
LC and LG commission	**4,947**	5,124
Card income and others, net	**3,830**	4,012
	27,927	26,267

26 INCOME FROM TAKAFUL OPERATIONS, NET

	2025	*2024*
	BD '000	*BD '000*
Takaful revenue	**131,901**	94,502
Takaful service expenses	**(79,015)**	(48,426)
Net from retakaful contracts	**(35,757)**	(29,751)
Net finance expense from takaful contracts	**(1,379)**	(1,283)
Net finance expense from retakaful contracts	**346**	319
Takaful corporate expenses	**(12,672)**	(10,004)
	3,424	5,357

27 OTHER INCOME

	2025	*2024*
	BD '000	*BD '000*
Income from non-trading investments, net	**(1,658)**	2,433
Foreign exchange gains	**5,621**	4,007
Recoveries of previously charged-off financing exposures	**4,833**	1,262
Others	**2,292**	1,735
	11,088	9,437

28 STAFF COST

	2025	2024
	BD '000	BD '000
Salaries and short term benefits	**39,427**	35,146
Employees' social insurance expenses	**3,790**	4,666
Other staff expenses	**3,476**	4,534
	46,693	44,346

In 2022, a long tern incentive plan (LTIP) was introduced where employees are compensated in the form of shares as a percentage 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 five 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 financing features and are entitled to dividends, if any, released along with the vested shares.

29 OTHER OPERATING EXPENSES

	2025	2024
	BD '000	BD '000
Business related expenses	**20,943**	14,024
Information technology expenses	**9,042**	9,619
Professional expenses	**6,042**	3,945
Board of directors related expenses	**4,107**	2,877
Premises cost	**4,738**	4,494
Depreciation and amortisation	**12,876**	8,056
Other expenses	**7,304**	7,004
	65,052	50,019

30 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership with that of the Bank. The transactions with these parties were approved by the board of directors.

The balances with related parties at 31 December 2025 and 31 December 2024 were as follows:

	2025				
	Associates and joint ventures	Major shareholders	Directors and related entities	Senior management	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets:					
Balances with banks and central bank	-	244	-	-	244
Placements with financial institutions	1,480	-	-	-	1,480
Financing contracts	22,905	-	2,002	1,014	25,921
Non-trading investments	68,538	-	-	-	68,538
Takaful and related assets	-	-	2,149	-	2,149
Investments in associates	279,000	-	-	-	279,000
Other assets	-	-	31	6,262	6,293
Liabilities and Quasi-equity:					
Placements from financial institutions and individuals	8,400	-	-	-	8,400
Customers' current accounts	1,807	360	7,134	1,034	10,335
Other liabilities	146	-	55	47	248
Takaful Liabilities	729	-	-	-	729
Quasi-equity	17,166	39,080	7,776	4,856	68,878
Contingent liabilities and commitments	-	-	351	-	351

30 RELATED PARTY TRANSACTIONS (continued)

	2024				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Assets:					
Balances with banksand central bank	-	244	-	-	244
Financing contracts	24,958	-	2,557	2,036	29,551
Non-trading investments	68,854	-	-	-	68,854
Takaful and related assets	-	-	620	-	620
Investments in associates	255,008	-	-	-	255,008
Other assets	-	-	-	2,468	2,468
Liabilities and Quasi-equity:					
Customers' current accounts	1,234	358	3,944	1,795	7,331
Other liabilities	16	-	106	85	207
Takaful Liabilities	372	-	-	-	372
Quasi-equity	12,271	3,407	7,718	7,655	31,051
Contingent liabilities and commitments	8	-	502	191	701

The income and expenses in respect of related parties included in the consolidated income statement are as follows:

	2025				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Income:					
Placements with financial institutions	**38**	**84**	**-**	**-**	**122**
Income from financing contracts	**1,521**	**-**	**137**	**26**	**1,684**
Share of profit from associates, net	**21,423**	**-**	**-**	**-**	**21,423**
Income from takaful operations, net	**-**	**-**	**2,961**	**-**	**2,961**
Expenses:					
Finance expense on placements from financial institutions and individuals	**2,532**	**-**	**-**	**-**	**2,532**
Other operating expenses	**-**	**-**	**3,314**	**166**	**3,480**
Expense from takaful operations	**412**	**-**	**571**	**-**	**983**
Income attributable to quasi-equity	**559**	**1,089**	**345**	**176**	**2,169**

	2024				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Income:					
Income from financing contracts	1,656	1	162	69	1,888
Share of profit from associates, net	18,169	-	-	-	18,169
Income from takaful operations, net	-	-	1,053	4	1,057
Expenses:					
Other operating expenses	-	-	2,701	2,525	5,226
Expense from takaful operations	382	-	196	-	578
Income attributable to quasi-equity	470	142	432	165	1,209
Allowance for impairment	17	-	-	-	17

Key management personnel compensation

Board of Directors' remuneration for the year 2025 amounted to BD 1,300 thousand (2024: BD 1,110 thousand) and sitting fees for the year 2025 amounted to BD 543 thousand (2024: BD 587 thousand).

Sharia Supervisory Boards' remuneration for the year 2025 amounted to BD 113 thousand (2024: BD 113 thousand).

Key management personnel of the Bank comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. Compensation of key management personnel for the year 2025 includes salaries and other benefits of BD 7,550 thousand (2024: BD 7,838 thousand).

31 CONTINGENT LIABILITIES AND COMMITMENTS

	2025	*2024*
	BD '000	*BD '000*
Contingent liabilities on behalf of customers		
Guarantees	**201,996**	155,363
Letters of credit	**135,827**	212,977
Acceptances	**1,573**	1,558
	339,396	369,898
Unutilised commitments		
Unutilised financing commitments	**285,672**	384,562
Unutilised non-funded commitments	**28,501**	46,089
	314,173	430,651

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash outflows.

32 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

The Group enter into Wa'ad based FX transactions to manage its exposures to foreign currency risk. The fair values of FX Wa'ad instruments is as follows;

	2025		*2024*	
	Notional Amount	**Fair Value**	Notional Amount	Fair Value
	BD '000	***BD '000***	*BD '000*	*BD '000*
FX Wa'ad instruments				
Assets position	**56,351**	**261**	49,024	321
Liabilities position	**236,279**	**617**	82,281	847

The above contracts have tenor not more than two years as at the end of the reporting period.

33 FINANCIAL RISK MANAGEMENT

33.1 Introduction - Risk management of Banking operations

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk appetite limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk, information security risk and market risk. It is also subject to early settlement risk.

The Group's risk function is independent of lines of business and the Chief Risk Officer reports to the Audit and Risk Committee with access to the Group Chief Executive Officer.

The independent risk control process does not include business risks such as changes in the environment, technology and industry as they are monitored through the Group's strategic planning process.

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors
The Board of Directors is responsible for setting the overall risk management framework and appetite encompassing the risk strategies and policies.

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Introduction (continued)

Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board of Directors who are non-executive directors of the Group. The Audit and Risk Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Group, reviewing and monitoring the overall risk framework and profile of the Group as well as its adherence to stipulated policies and limits, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

The Audit and Risk Committee reviews Group's accounting and financial practices, risk management reports, integrity of the Group's financial and internal controls and consolidated financial statements. It also reviews the Group's compliance with legal requirements, recommends the appointment, compensation and oversight of the Group’s external and internal auditors. The Committee has the responsibility to review and recommend to the Board for approval the overall risk process and policies within the Bank.

Shari'a Supervisory Board

The Group’s Shari’a Supervisory Board is entrusted with the responsibility to ensure the Group’s adherence to Shari’a rules and principles in its transactions and activities.

Credit Investment Committee

Credit and Investment Committee (CIC) reviews the Credit Risk Policies and Investment Policies to ensure they are consistent with the corporate values and strategy of the Bank. The Committee will discuss, review and approve all investments and financing transactions.
The Committee establishes the framework for setting country, product and sector limits, consider proposals for changes in such limits, review periodic reports to monitor compliance and agree actions to be taken to address exceptions.

It assesses and approves credit risk parameters (including pricing) relating to new products and changes in credit risk for existing products.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) establishes policy and objectives for the asset and liability management of the Group’s financial position in terms of ICAAP, Stress Testing, Step-in Risk, Recovery and Resolution Plan, Risk and Return and its impact on profitability. It also monitors the cash flow, tenor and cost / yield profiles of assets and liabilities and evaluates the Group’s financial position both from profit rate sensitivity and liquidity points of view, making corrective adjustments based upon perceived trends and market conditions, monitoring liquidity, monitoring foreign exchange exposures and positions.

Operational, Market Risk and Compliance Committee (OMAC)

The Operational, Market Risk and Compliance Committee (OMAC) is responsible for the design, implementation and supervision of the compliance risk framework (excluding credit risk) of the Bank. It reviews risk management policies (excluding Credit Risk policies). It ensures Bank’s compliance with applicable regulations with the assistance of relevant stakeholders. It ensures that the Business Continuity Framework is robust and maintained. It reviews the ICAAP, Stress Testing, Resolution and Recovery Plan and Step-in Risk prior to submission to the Board.

Information Security Committee

Information Security Committee is an advisory committee appointed by the Management Executive Committee of the Bank to develop, review and execute a comprehensive Information Security Management System for the Bank. The Committee will regularly review the information security risk exposure of the Bank.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group’s compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Risk Committee.

Risk measurement and reporting systems

The Group's risk management policies aim to identify, measure, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Group's risk management department is also responsible for identifying risk characteristics inherent in new and existing products, activities and setting exposure limits to mitigate these risks.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across respective risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Audit and Risk Committee, Credit and Investment Committee, The Operational, Market Risk and Compliance Committee (OMAC), Information Security Committee and ALCO, whenever required. The reports include aggregate credit quality and exposures, market risk exposures, operational risk metrics, Information Security updates, limit exceptions, liquidity ratios, stress testing, and risk profile changes. A detailed report is produced on a quarterly basis. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Audit and Risk Committee of the Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess the risks of the Group.

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Introduction (continued)

Risk measurement and reporting systems (continued)

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. Briefing is given to all relevant members of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

33.2 Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, setting limits for transactions with counterparties, and continually assessing the creditworthiness of counterparties.

In addition to monitoring credit limits, the Group manages the credit exposures by entering into collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of the exposure.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. 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 customer. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross of provision, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2025	*Gross maximum exposure 2024*
	BD '000	*BD '000*
ASSETS		
Balances with commercial banks	**429,082**	184,935
Placements with financial institutions	**456,642**	476,456
Investment in sukuk	**1,934,353**	1,448,463
Financing contracts	**4,163,956**	3,729,781
Financing contracts under other assets	**2,057**	20,244
Total	**6,986,090**	5,859,879
Contingent liabilities and commitments	**653,569**	800,549
Total credit risk exposure	**7,639,659**	6,660,428

Where financial contracts are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Type of credit risk

Various contracts entered into by the Group comprise Murabaha financing, Mudaraba financing, Musharaka, Credit card receivables, Sukuk and IMB contracts. Murabaha contracts cover financing of land, buildings, commodities, motor vehicles and others non-financial assets. Mudaraba financing consist of financing transactions entered through other Islamic banks and financial institutions. Mudaraba is a partnership agreement in which the Islamic bank acts as the provider of funds (the Rabalmal) while the recipient of the funds (the Mudarib or the manager) provides the professional, managerial and technical know-how towards carrying out the venture, trade or service with an aim of earning profit.

The Group follows an internal rating mechanism for grading relationships for financial assets. All financial assets are assigned a rating in accordance with the defined criteria. The Group utilises a scale ranging from 1 to 10 for credit relationships, with 1 to 7 denoting performing grades and 8 to 10 denoting non-performing grades. Ratings 1 to 4 represent good credit grade, 5 to 7 represents a satisfactory credit grade and 8 to 10 represents default grade.

For externally rated exposures, credit risk ratings of an authorised Credit Rating Agency are converted into internal ratings which are calibrated with the risk appetite of the Bank. Conversion of an external credit risk rating to an internal risk rating is done to ensure consistency across publicly rated and unrated entities.

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Type of credit risk (continued)

The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group.

Considering the pre-prevailing market situation, the Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

Measurement of ECL

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 financial asset.

The key parameters into the measurement of ECL are the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models, historical and projected data. These are further adjusted to reflect forward-looking scenarios as described below.

Definition of default

The Group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the customer is genuinely past due more than 90 days on any credit obligation to the Group. In assessing whether a customer is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default

PDs estimates are estimated at a certain date, which are calculated based on the Bank's default experience, and assessed using rating tools tailored to the segment of counterparties and exposures. These estimations are based on internally compiled data comprising both quantitative and qualitative factors. In case of lack of default history, market data may also be used to derive the PD for selected segment of counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Generating the term structure PD

Credit risk grades are a primary parameters 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 credit risk grading for corporate and days-past-due for retail portfolio. The Group employs credit risk estimation models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time.

Incorporation of forward - looking information

The Group uses industry recognized models to estimate impact of macro-economic factors on historical observed default rates. In case the results of forecasted PDs are significantly different from the expected default rates that may be observed for the forecasted economic conditions, conservative and discretionary overlays shall be used by the management after analyzing the portfolio and impact. The key macro-economic indicators include gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

Incorporating forward-looking information requires continuous assessment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed yearly.

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. The LGD is estimated using below factors:

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

In case of non-availability of recovery data, the Bank uses LGD estimate based on market practice.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value. Where the Group does not have stable or adequate internal loss or recovery experience, an expert judgement measure using market benchmarks as inputs is considered.

Exposure At Default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount. For financing 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 and forward-looking forecasts.

Significant Increase in Credit Risk

A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument. In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'.

When determining whether the risk of default on financial contracts has increased significantly since initial recognition, 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 expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due, restructured status and relative migration in risk rating. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade 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 4 and 5.

The Group continues to assess customer for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of prevailing economic condtions or longer term.

Management overlays are applied to the model outputs consistent with the objective of identifying a significant increase in credit risk.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Backward transition

In accordance with FAS 30 and CBB credit-risk guidelines, backward migration from lifetime ECL (Stage 2/Stage 3) to 12-month ECL (Stage 1) is not automatic when SICR indicators cease. Any stage improvement must follow a controlled, documented assessment demonstrating sustained credit-risk improvement. Factors such as an appropriate cooling-off period, consistent payment performance, and the absence of qualitative or quantitative SICR triggers must be satisfied before reclassification. All backward transitions must be supported by objective evidence and applied in line with the Bank's credit-risk governance and approval framework.

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

Credit Conversion Factor

The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF times for undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioral utilization over the last five years or the CCF considered for capital charge.

The Bank applies regulatory CCF as defined by the Central Bank of Bahrain.

Expected credit Losses

ECLs were estimated based on a range of forecast economic conditions as at that date the Group has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The following table summarizes the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs during the current year.

Key model inputs	Model assumptions
Probability of default (PD's)	Point-in-time PD's updated using latest available macro-economic forecasts by using historical correlation to Oil (Brent) price; General government total expenditure; Domestic credit growth (%); Total investment; Volume of imports of goods and services and General government gross debt as percentage of GDP
Probability weighted outcomes	Probability weights - Base 65, Worst 25, Best 10
Loss Given Default (LGD)	Unsecured LGD is 65% and it is consistent with those used in 2024.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

a) The credit quality of balances with commercial banks and placements with financial institutions subject to credit risk is as follows:

	2025			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Good (R1-R4)	**784,174**	**-**	**-**	**784,174**
Satisfactory (R5-R7)	**101,438**	**112**	**-**	**101,550**
Allowance for credit losses	**(176)**	**(19)**	**-**	**(195)**
	885,436	**93**	**-**	**885,529**

	2024			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Good (R1-R4)	578,618	-	-	578,618
Satisfactory (R5-R7)	82,773	-	-	82,773
Allowance for credit losses	(135)	-	-	(135)
	661,256	-	-	661,256

b) The following tables sets out information about the credit quality of other financial assets. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

i) Investment in sukuk

	2025			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Good (R1-R4)	**1,848,463**	**-**	-	**1,848,463**
Past Due				
Satisfactory (R5-R7)	**85,890**	**-**	-	**85,890**
Allowance for credit losses	**(199)**	**-**	-	**(199)**
	1,934,154	**-**	-	**1,934,154**

	2024			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Good (R1-R4)	1,442,128	-	-	1,442,128
Past Due				
Satisfactory (R5-R7)	6,335	-	-	6,335
Allowance for credit losses	(660)	-	-	(660)
	1,447,803	-	-	1,447,803

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

ii) Financing contracts

	2025				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***		***BD '000***
Good (R1-R4)	**3,585,344**	**23,387**	**172**	**-**	**3,608,903**
Satisfactory (R5-R7)	**256,266**	**126,328**	**451**	**1,444**	**384,489**
Default (D8-D10)	**-**	**-**	**133,121**	**37,443**	**170,564**
Allowance for credit losses and impairment	**(35,879)**	**(12,748)**	**(48,541)**	**-**	**(97,168)**
	3,805,731	**136,967**	**85,203**	**38,887**	**4,066,788**

	2024				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*		*BD '000*
Good (R1-R4)	2,734,529	34,781	1,375	53	2,770,738
Satisfactory (R5-R7)	650,541	141,387	50,843	22,231	865,002
Default (D8-D10)	-	-	78,608	15,433	94,041
Allowance for credit losses and impairment	(22,590)	(14,947)	(30,574)	-	(68,111)
	3,362,480	161,221	100,252	37,717	3,661,670

As 31 December 2025, profit in suspense amounted to BD 24,465 thousand (2024: BD 19,709 thousand).

iii) Other financing

	2025			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Good (R1-R4)	**249**	**2**	**-**	**251**
Satisfactory (R5-R7)	**18**	**146**	**-**	**164**
Default (D8-D10)	**-**	**-**	**1,642**	**1,642**
Allowance for credit losses	**(4)**	**(32)**	**(1,370)**	**(1,406)**
	263	**116**	**272**	**651**

	2024			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Good (R1-R4)	331	-	-	331
Satisfactory (R5-R7)	18,928	14	-	18,942
Default (D8-D10)	-	-	971	971
Allowance for credit losses	(17)	(1)	(971)	(989)
	19,242	13	-	19,255

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

iv) Financing commitments and financial guarantee contracts

	2025			
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Good (R1-R4)	**619,443**	**1,328**	**1**	**620,772**
Satisfactory (R5-R7)	**13,633**	**15,393**	**1,000**	**30,026**
Default (D8-D10)	**-**	**-**	**2,771**	**2,771**
Allowance for credit losses	**(1,929)**	**(312)**	**(849)**	**(3,090)**
	631,147	**16,409**	**2,923**	**650,479**

	2024			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Good (R1-R4)	764,088	59	1	764,148
Satisfactory (R5-R7)	18,849	11,800	1,540	32,189
Default (D8-D10)	-	-	4,212	4,212
Allowance for credit losses	(2,723)	(140)	(676)	(3,539)
	780,214	11,719	5,077	797,010

The aging analysis of financing contracts:

	2025			
	Stage 1	***Stage 2***	***Stage 3 / POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Current	**3,700,635**	**88,016**	**40,299**	**3,828,950**
< 30 days	**140,975**	**14,333**	**5,302**	**160,610**
30 to 90 Days	**-**	**47,366**	**9,194**	**56,560**
> 90 days	**-**	**-**	**117,836**	**117,836**
	3,841,610	**149,715**	**172,631**	**4,163,956**

	2024			
	Stage 1	*Stage 2*	*Stage 3 / POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Current	3,285,362	109,354	29,426	3,424,142
< 30 days	99,708	23,892	10,723	134,323
30 to 90 Days	-	42,922	34,171	77,093
> 90 days	-	-	94,223	94,223
	3,385,070	176,168	168,543	3,729,781

The maximum credit risk, without taking into account the fair value of any collateral and Shari'a-compliant netting agreements, is limited to the amounts on the consolidated statement of financial position plus commitments to customers disclosed in note 31 except capital commitments.

During the year BD 59,563 thousand (2024: BD 86,456 thousand) of financing facilities were restructured. Most of the restructured facilities are performing and are secured.

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Write-off policy

The Group writes off an asset/security balance (net of any related allowances for impairment losses) when it determines that the asset/security are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the counterparty's financial position such that they can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral held and other credit enhancements

The Group accepts the following type of collateral, as defined in CBB rule book. The collateral can be in Bahraini Dinars or other Foreign Currencies-in such cases, haircut as appropriate as per the credit risk policy is applied.

- Cash Margin and deposits
- Sukuk-Long Term – rated & unrated
- Equities listed and not listed in main index
- Units in collective investment schemes
- Other physical assets including real estate

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	*collateral held*	***2025*** ***BD '000***	*2024* *BD '000*
Financing contracts to corporates	Cash, Property, or listed Shares and Sukuk	**2,614,515**	2,620,860
Financing contracts to retail customers	Cash, Property, or listed Shares and Sukuk	**2,021,448**	1,941,496

FTV ratio

Financing to value (FTV) is calculated as the ratio of the gross amount of the financing or the amount committed for financing commitments to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

	2025	*2024*
	BD '000	*BD '000*
Less than 50%	**690,345**	1,411,372
51-70%	**448,981**	107,649
71-90%	**475,077**	156,291
91-100%	**314,804**	177,343
More than 100%	**2,234,749**	1,877,126
	4,163,956	3,729,781

Key drivers of credit risk and credit losses

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or client (which is referred to collectively as "counterparties"). This is the most frequent and substantial risk faced by any financing Bank.

Credit risk may have the following consequences leading to credit losses:

- Delayed fulfilment of a payment obligation
- Partial loss of the credit exposure
- Complete loss of the credit exposure

The various types of credit risk are defined as follows:

- Default Risk
- Country Risk
- Settlement Risk
- Replacement cost-risk
- Concentration risk
- Residual risk (e.g. legal risk, documentation risk, or liquidity risk)

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 included the key indicators for Kingdom of Bahrain such as the gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

33 FINANCIAL RISK MANAGEMENT (continued)

33.3 Legal risk and claims

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the Group. The Group has developed controls and procedures to identify legal risks and believes that losses will be minimised.

As at 31 December 2025, legal suits amounting to BD 293 thousand (2024: BD 6,552 thousand) were pending against the Group. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material as the Group has also filed counter cases against these parties.

33.4 Operational risk management

The BCP was thoroughly tested during the year, including the implemented measures like working from the BCP site and from home. The measures continued to work satisfactorily.

As of 31 December 2025, the Group did not have any significant issues relating to operational risks.

33.5 Risk Management for Takaful operations of the Group

The activity of Solidarity Group Holding BSC (c), one of the principal subsidiaries of the Group is to issue takaful contracts for personal and corporate clients. The risk under Takaful contract is the possibility that an event occurs and the uncertainty of the amount payable under the Takaful contract resulting from such occurrence referred to as the claim. By the very nature of takaful contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of takaful contracts are the frequency of occurrence of the events and the severity of resulting claims. The Group's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected contract provides by a comprehensive retakaful program placed with highly reputable international retakaful contract provider.

(i) Underwriting Policy

The Group principally issues takaful contracts marine (cargo and hull), motor (own damage and third-party liability), property (material damage and business interruption), liability and general accident. These policies usually cover twelve months duration. For the above general takaful contracts, the most significant risks arise from accidents including motor or other incidents causing fire and accidental damage, negligence resulting in accidents or liabilities against third parties, natural disasters and other activities causing damage by riots, civil commotion and terrorist acts. The level of risks vary in relation to the location of the risk covered and type of risk covered and by industry.

(ii) Retakaful Policy

As part of the underwriting process the next risk control measure in respect of the takaful risk is the transfer of the risks to third parties through a retakaful contract or facility. The Group has in place proportional facilities, referred to as treaties, which are used to transfer a proportion of the risks automatically subject to pre-agreed conditions with the retakaful contracts provider. The portion of the risk retained by the Group is also guided by a strict retention policy adopted by the Group. Any claim will be recovered in the same proportion. Furthermore, the Group also has in place non-proportional treaties which pay a proportion of losses above a pre-agreed priority level for each loss or an aggregation of losses arising out of one event. The placements of retakaful contracts are diversified with a panel of internationally reputed reinsurers so that the Group is not dependent on a single retakaful contracts provider or a retakaful contract. The Group also transfers risk on a case-by-case basis referred to as facultative retakaful. This is used in cases when the risk under consideration is either too large for the treaty capacities or else has risks which are excluded from the treaties. In this case the Group seeks internationally rated retakaful contracts providers but also places some small shares in the local markets as exchange of business.

33.6 Concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group manages its exposure through diversification of financing activities to avoid undue concentrations of risks with customers in specific locations or businesses.

33 FINANCIAL RISK MANAGEMENT (continued)

33.6 Concentrations (continued)

The distribution of assets, liabilities and quasi-equity by geographic region and industry sector was as follows:

	2025			*2024*		
	Assets	***Liabilities and quasi-equity***	***Contingent liabilities and Commitments***	*Assets*	*Liabilities and quasi-equity*	*Contingent liabilities and Commitments*
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
Geographic region						
GCC	**6,507,212**	**5,554,219**	**318,250**	5,841,013	4,957,448	278,730
Middle East and North Africa	**1,159,836**	**1,379,285**	**334,555**	1,062,514	1,233,654	311,973
Europe	**114,468**	**241,255**	**-**	30,646	162,213	79,947
Asia	**37,644**	**96,266**	**-**	13,548	60,140	-
America	**220,325**	**-**	**764**	98,950	194	129,899
Others	**14,411**	**33,151**	**-**	16,107	55,748	-
	8,053,896	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

	2025			*2024*		
	Assets	***Liabilities and quasi-equity***	***Contingent liabilities and Commitments***	*Assets*	*Liabilities and quasi-equity*	*Contingent liabilities and Commitments*
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
Industry sector						
Government and public sector	**3,158,071**	**139,449**	**-**	2,078,086	240,595	45,794
Banks and financial institutions	**844,018**	**1,989,917**	**42,088**	778,280	1,655,255	15,851
Real estate	**367,585**	**150,723**	**99,415**	301,316	214,166	146,646
Trading and manufacturing	**769,111**	**539,664**	**236,414**	771,663	553,056	494,851
Individuals	**2,010,178**	**3,844,651**	**158,904**	2,271,388	3,170,714	59,026
Others	**904,933**	**639,772**	**116,748**	862,045	635,611	38,381
	8,053,896	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

33.7 Market risk

Market risk arises from fluctuations in global yields on financial contracts and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

33 FINANCIAL RISK MANAGEMENT (continued)

33.7 Market risk (continued)

a) Equity price risk

Equity price risk arises from fluctuations in equity prices. The Board has set limits on the overall investment exposure of the Bank. This is monitored on an ongoing basis by the Group's Credit and Investment Committee and Risk Management.

The effect on income (as a result of changes in the fair values of non-trading investments held at fair value through profit or loss and fair value through equity investments) solely due to reasonably possible changes in equity indexes, is as follows:

	2025			
	10% increase		***10% decrease***	
	Effect on net profit BD '000	***Effect on equity BD '000***	***Effect on net profit BD '000***	***Effect on equity BD '000***
Quoted investment	**220**	**542**	**(220)**	**(542)**

	2024			
	10% increase		*10% decrease*	
	Effect on net profit BD '000	*Effect on equity BD '000*	*Effect on net profit BD '000*	*Effect on equity BD '000*
Quoted investment	293	1,156	(293)	(1,156)

b) Profit return risk

Profit rate risk arises from the possibility that changes in profit rates will affect the future profitability or the fair values of financial assets. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

The Group manages exposures to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The sensitivity on income solely due to reasonably possible immediate and sustained changes in profit return rates, affecting both floating rate assets and liabilities and fixed rate assets and liabilities with maturities up to one year (re-pricing maturity on cumulative basis) are as follows:

	2025			
	Change in rate %	***Effect on net profit BD '000***	***Change in rate %***	***Effect on net profit BD '000***
Bahraini dinars	**0.10**	**23,308**	**(0.10)**	**(23,308)**

	2024			
	Change in rate %	*Effect on net profit BD '000*	*Change in rate %*	*Effect on net profit BD '000*
Bahraini dinars	0.10	13,894	(0.10)	(13,894)

33 FINANCIAL RISK MANAGEMENT (continued)

33.7 Market risk (continued)

c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly by the Audit and Risk Committee as well as ALCO to ensure positions are maintained within established limits.

Substantial portion of the Group's assets and liabilities are denominated in Bahraini Dinars, US Dollars or Saudi Riyals. As the Bahraini Dinar and Saudi Riyals are pegged to the US Dollars, positions in these currencies are not considered to represent significant currency risk as of 31 December 2025 and 31 December 2024.

The Group's net exposure for denominated in foreign currencies as at 31 December for its financial instruments are as follows:

	Long (short) 2025 BD '000	*Long (short) 2024 BD '000*
Sterling Pounds	**251**	92
Japanese Yen	**203**	96
Euro	**696**	726
Kuwaiti Dinar	**249**	243
Others	**1,844**	231

Standard scenarios that are considered include a 10% increase or decrease 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:

	Change in currency rate %	***Effect on profit 2025 BD '000***	***Effect on equity 2025 BD '000***	*Change in currency rate %*	*Effect on profit 2024 BD '000*	*Effect on equity 2024 BD '000*
Sterling Pounds	**10**	**25.1**	**-**	10	9.2	-
Japanese Yen	**10**	**20.3**	**-**	10	9.6	-
Euro	**10**	**69.6**	**-**	10	72.6	-
Kuwaiti Dinar	**10**	**24.9**	**-**	10	24.3	-
Others	**10**	**184.4**	**-**	10	23.1	-
Total		324.3	-		138.8	-

33.8 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may impact certain sources of funding. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an adequate balance of cash, cash equivalents and readily convertible marketable securities. Liquidity position is monitored on an ongoing basis by the Risk and Audit Committee as well as ALCO of the Group.

The Bank has computed the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as per the requirements of the CBB rulebook. The LCR at the Group level as at 31 December 2025 is 377.8% and the simple average of the daily consolidated LCRs of the last three months is 323.0%. The NSFR as at 31 December 2025 is 125.8%.

The maturity profile of sukuk, placements with or from financial institutions, financing contracts and murabaha term financings has been presented using the contractual maturity year. For other balances, maturity profile is based on expected cash flows / settlement profile of the respective assets and liabilities.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available sources of funding and to drawdown the existing funding sources as and when necessary to maintain enough liquidity at a reasonable cost of funding.

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 Liquidity risk (continued)

As at the reporting date the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of any disruption. Further information on the regulatory liquidity and capital ratios are disclosed in (note 40) to the consolidated financial statements.

	2025				
	Up to 3 months BD '000	***3 months to 1 year BD '000***	***1 to 5 years BD '000***	***Over 5 years BD '000***	***Total BD '000***
ASSETS					
Balances with banks and central banks	**775,733**	**-**	**-**	**-**	**775,733**
Placements with financial institutions	**448,853**	**6,307**	**1,474**	**-**	**456,634**
Investments in sukuk	**45,616**	**142,358**	**321,704**	**1,424,476**	**1,934,154**
Financing contracts	**869,775**	**1,077,354**	**1,112,382**	**1,007,277**	**4,066,788**
Non-trading investments	**-**	**-**	**-**	**96,004**	**96,004**
Takaful and related assets	**-**	**29,748**	**-**	**-**	**29,748**
Investments in real estate	**-**	**-**	**-**	**84,129**	**84,129**
Investments in associates	**-**	**-**	**-**	**279,000**	**279,000**
Other assets	**6,284**	**11,519**	**24,166**	**58,798**	**100,767**
Goodwill and other intangible assets	**-**	**-**	**-**	**230,939**	**230,939**
	2,146,261	**1,267,286**	**1,459,726**	**3,180,623**	**8,053,896**

	2025				
	Up to 3 months BD '000	***3 months to 1 year BD '000***	***1 to 5 years BD '000***	***Over 5 years BD '000***	***Total BD '000***
LIABILITIES AND QUASI-EQUITY					
Placements from financial institutions & individuals	**62,602**	**54,984**	**-**	**-**	**117,586**
Murabaha term financings	**603,765**	**443,092**	**-**	**29,497**	**1,076,354**
Customers' current accounts	**1,486,337**	**-**	**-**	**-**	**1,486,337**
Takaful and related liabilities	**-**	**93,460**	**-**	**-**	**93,460**
Other liabilities	**88,466**	**19,825**	**3,835**	**30,240**	**142,366**
Quasi-Equity	**2,279,734**	**1,241,744**	**295,795**	**570,800**	**4,388,073**
	4,520,904	**1,853,105**	**299,630**	**630,537**	**7,304,176**

	2024				
	Up to 3 months BD '000	*3 months to 1 year BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
ASSETS					
Balances with banks and central banks	633,611	-	-	-	633,611
Placements with financial institutions	459,484	16,966	-	-	476,450
Investments in sukuk	142,514	186,004	513,408	605,877	1,447,803
Financing contracts	844,719	730,360	565,234	1,521,357	3,661,670
Non-trading investments	-	-	-	97,944	97,944
Takaful and related assets	-	-	26,353	-	26,353
Investments in real estate	-	-	-	129,295	129,295
Investments in associates	-	-	-	255,008	255,008
Other assets	27,869	652	33,271	68,102	129,894
Goodwill and other intangible assets	-	-	-	204,750	204,750
	2,108,197	933,982	1,138,266	2,882,333	7,062,778

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 Liquidity risk (continued)

	2024				
	Up to 3 months BD '000	*3 months to 1 year BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
LIABILITIES AND QUASI_EQUITY					
Placements from financial institutions and individuals	105,082	59,901	6,033	-	171,016
Murabaha term financings	404,817	143,275	20,452	182,518	751,062
Customers' current accounts	1,279,886	-	-	-	1,279,886
Takaful and related liabilities	-	75,550	-	-	75,550
Other liabilities	37,728	28,155	22,415	39,524	127,822
Quasi-equity	2,630,242	708,875	127,601	597,343	4,064,061
	4,457,755	1,015,756	176,501	819,385	6,469,397

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted payment obligation:

	2025					
	On demand BD '000	***Up to 3 months BD '000***	***3 months to 1 year BD '000***	***1 to 5 years BD '000***	***Over 5 years BD '000***	***Total BD '000***
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	**-**	**62,748**	**56,328**	**-**	**-**	**119,076**
Customers' current accounts	**1,486,337**	**-**	**-**	**-**	**-**	**1,486,337**
Murabaha term financings	**-**	**607,187**	**451,360**	**-**	**31,806**	**1,090,353**
Other financial liabilities	**33,944**	**-**	**-**	**-**	**-**	**33,944**
Quasi-Equity	**1,316,259**	**969,868**	**1,273,654**	**309,879**	**570,898**	**4,440,558**
	2,836,540	**1,639,803**	**1,781,342**	**309,879**	**602,704**	**7,170,268**

	2025					
	On demand BD '000	***Up to 3 months BD '000***	***3 months to 1 year BD '000***	***1 to 5 years BD '000***	***Over 5 years BD '000***	***Total BD '000***
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	**-**	**202,519**	**225,662**	**132,467**	**92,921**	**653,569**
	-	**202,519**	**225,662**	**132,467**	**92,921**	**653,569**

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 LIQUIDITY RISK (continued)

	2024					
	On demand BD '000	*Up to 3 months BD '000*	*3 months to 1 year BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	-	105,653	60,377	6,303	-	172,333
Customers' current accounts	1,279,886	-	-	-	-	1,279,886
Murabaha term financings	-	407,629	148,845	21,646	183,795	761,915
Other financial liabilities	28,460	-	-	-	-	28,460
Quasi-Equity	1,251,094	1,711,649	742,182	147,152	597,433	4,449,510
	2,559,440	2,224,931	951,404	175,101	781,228	6,692,104

	2024					
	On demand BD '000	*Up to 3 months BD '000*	*3 months to 1 year BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	-	298,855	366,822	113,423	21,449	800,549
	-	298,855	366,822	113,423	21,449	800,549

34 SEGMENT INFORMATION

Primary segment information

For management purposes, the Group is organised into the following primary business segments:

Banking

Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, private banking and wealth management in Kingdom of Bahrain and through the Bank's subsidiaries in Seychelles and Algeria. Banking segment also includes the Group's investments in banking associates which are allocated as assets attributable to the jointly financed pool of investment accountholders. Other overseas associate investments form part of the investment segment.

Treasury

Principally handling Shari'a compliant money market, trading, fixed income products and treasury services including short-term commodity murabaha.

Investments

Principally the Group's proprietary portfolio and asset management services to clients with a range of investment products, funds and alternative investments. These also include the Group's investmet in certain associates and joint ventures.

Takaful

Represents the Group's investment in Solidarity Group Holding BSC (c) which is primarily involved in the business of offering Shari'a compliant takaful contracts. These comprise motor, non-motor, medical, group life and family takaful products. All activities of this business including its investment activities are reported under this segment as they are managed together along with the Takaful business.

Transactions between banking and other segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	2025					
	Banking	***Treasury***	***Investments***	***Takaful***	***Unallocated***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Income						
Income from financing contracts	**246,856**	**930**	**-**	**-**	**-**	**247,786**
Income from placements with financial institutions	**-**	**27,087**	**-**	**2,391**	**-**	**29,478**
Income from Investments in sukuk	**-**	**100,564**	**-**	**2,555**	**-**	**103,119**
Finance expense on placements from financial institutions and individuals	**(977)**	**(4,218)**	**-**	**(2,921)**	**-**	**(8,116)**
Finance expense on murabaha term financing	**-**	**(46,333)**	**-**	**-**	**-**	**(46,333)**
Other finance expense	**(4,571)**	**-**	**-**	**-**	**-**	**(4,571)**
Net finance income	**241,308**	**78,030**	**-**	**2,025**	**-**	**321,363**
Fees and commission, net	**21,629**	**6,298**	**-**	**-**	**-**	**27,927**
Share of profit from associates	**19,826**	**-**	**-**	**1,597**	**-**	**21,423**
Income from Takaful operations, net	**-**	**-**	**-**	**3,424**	**-**	**3,424**
Other income	**7,333**	**3,621**	**(5,166)**	**5,300**	**-**	**11,088**
Total income	**290,096**	**87,949**	**(5,166)**	**12,346**	**-**	**385,225**
Expenses						
Staff costs	**38,580**	**7,665**	**448**	**-**	**-**	**46,693**
Other operating expenses	**48,789**	**9,092**	**1,007**	**6,164**	**-**	**65,052**
Total Expenses	**87,369**	**16,757**	**1,455**	**6,164**	**-**	**111,745**
Profit before allowances for impairment, income attribution to quasi-equity and tax	**202,727**	**71,192**	**(6,621)**	**6,182**	**-**	**273,480**
Allowance for impairment on financial instruments	**(36,008)**	**350**	**(377)**	**123**	**-**	**(35,912)**
Profit before income attribution to quasi-equity and tax	**166,719**	**71,542**	**(6,998)**	**6,305**	**-**	**237,568**
Income attributable to quasi-equity	**(121,918)**	**(23,128)**	**-**	**-**	**-**	**(145,046)**
Profit before tax	**44,801**	**48,414**	**(6,998)**	**6,305**	**-**	**92,522**
Tax	**(7,136)**	**-**	**-**	**73**	**-**	**(7,063)**
Profit for the year	**37,665**	**48,414**	**(6,998)**	**6,378**	**-**	**85,459**
Segment assets	**4,685,478**	**2,920,508**	**171,654**	**224,141**	**52,115**	**8,053,896**
Segment liabilities, and quasi-equity	**5,116,514**	**2,006,901**	**545**	**101,860**	**78,356**	**7,304,176**

34 SEGMENT INFORMATION (continued)

	2024					
	Banking	*Treasury*	*Investments*	*Takaful*	*Unallocated*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Income						
Income from financing contracts	236,088	285	-		-	236,373
Income from placements with financial institutions	-	24,208	-	680	-	24,888
Income from Investments in sukuk	-	69,508	-	2,060	-	71,568
Finance expense on placements from financial institutions and individuals	(2,920)	(8,367)	-	-	-	(11,287)
Finance expense on murabaha term financing	-	(30,851)	-	-	-	(30,851)
Other finance expense	(3,470)	-	-	-	-	(3,470)
Net finance income	229,698	54,783	-	2,740	-	287,221
Fees and commission, net	20,328	5,939	-	-	-	26,267
Share of profit from associates	17,858	-	273	38	-	18,169
Income from Takaful operations, net	-	-	-	5,357	-	5,357
Other income	3,969	2,118	(892)	4,242	-	9,437
Total income	271,853	62,840	(619)	12,377	-	346,451
Expenses						
Staff costs	35,078	8,164	1,104	-	-	44,346
Other operating expenses	33,829	9,047	1,670	5,473	-	50,019
Total Expenses	68,907	17,211	2,774	5,473	-	94,365
Profit before allowances for impairment, income attribution to quasi-equity and tax	202,946	45,629	(3,393)	6,904	-	252,086
Allowance for impairment on financial instruments	(21,244)	31	(17)	57	-	(21,173)
Profit before income attribution to quasi-equity and tax	181,702	45,660	(3,410)	6,961	-	230,913
Income attributable to quasi-equity	(123,245)	(31,271)	-	-	-	(154,516)
Profit before tax	58,457	14,389	(3,410)	6,961	-	76,397
Tax	(6,896)	-	-	-	-	(6,896)
Profit for the year	51,561	14,389	(3,410)	6,961	-	69,501

Segment information for the year ended 31 December 2024 (audited) was as follows:

Segment assets	4,381,587	2,234,185	199,354	156,631	91,021	7,062,778
Segment liabilities, and quasi-equity	4,838,936	1,464,323	679	78,932	86,527	6,469,397

Total assets in the Banking segment includes goodwill and intangibles of BD 190,529 thousand (2024: BD 193,841 thousand) and total assets in the Takaful segment includes goodwill and intangibles of BD 40,410 thousand (2024: 10,909 thousand).

The distribution of assets, liabilities and quasi-equity by geographic segment was as follows:

	2025			*2024*		
	Assets	***Liabilities and Quasi-equity***	***Contingent liabilities and Commitments***	*Assets*	*Liabilities and Quasi-equity*	*Contingent liabilities and Commitments*
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
GCC	**6,507,212**	**5,554,219**	**318,250**	5,841,013	4,957,448	278,730
International	**1,546,684**	**1,749,957**	**335,319**	1,221,765	1,511,949	521,819
Total	**8,053,896**	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

35 SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board ("SSB") consists of four Islamic scholars who review the Bank's compliance with general Shari'a rules and principles, specific fatwas and rulings issued by SSB and the guidelines of the Central Bank of Bahrain ("CBB") in relation to Shari'a governance and compliance. Their review includes examination and approval of products, documentation, procedure manuals and policies, services and related charges and fees that are presented to it to ensure that the Bank's adopted activities are conducted in accordance with Shari'a rules and principles, and consequently, issue report on the bank's compliance following the review and approval of the financial statements.

36 EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

During the year, the Group earned Shari'a prohibited income totaling BD 237 thousand (2024: BD 337 thousand). These include income earned from the conventional financing and investments due to acquiring BMI, ASBS and BSB, penalty charges from customers and interest on balances held with correspondent banks. These funds were allocated to charitable account for disbursement.

37 SOCIAL RESPONSIBILITY

The Group discharges its social responsibility through charity fund expenditures and donations to individuals and organisations which are used for charitable purposes.

Sources and application of Charity fund

	2025	*2024*
	BD '000	*BD '000*
Opening balance	**642**	500
Sources of Charity fund		
Non-Shariah compliant income / late payment charges	**237**	300
Contributions by the Bank for charity	**1,000**	500
Total Sources of Charity	**1,879**	1,300
Uses of charity funds		
Payment to charitable societies	**348**	121
payments to needy families	**41**	27
Others	**1,211**	510
Total uses of funds during the year	**1,600**	658
Closing balance	**279**	642

38 ZAKAH

According to the Bank's articles of association the bank is not obliged to pay Zakah on behalf of shareholders. The bank calculates Zakah per share and informs the shareholders. Zahak payable for 2025 approved by the Group's Shari'a supervisory board as 1.7 fils (2024: 3.5 fils) per share. calculated at 2.577% of the Zakah base of BD 195,210 thousand (2024: BD 368,580 thousand) which was determined on the Net assets method.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received upon the sale an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(i) Financial instruments measured at fair value

The following table shows an analysis of the non-trading investments (equity securities), sukuk and FX waad portfolio carried at fair value in the consolidated statement of financial position:

31 December 2025	***Level 1***	***Level 2***	***Level 3***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Sovereign sukuk at fair value through OCI	**850,216**	**293,084**	**-**	**1,143,300**
Corporate sukuk at fair value through OCI	**91,679**	**-**	**-**	**91,679**
Equity securities at fair value through income statement	**2,196**	**-**	**81,010**	**83,206**
Equity securities at fair value through OCI	**5,419**	**298**	**4,054**	**9,771**
	949,510	**293,382**	**85,064**	**1,327,956**
FX Wa'ad assets position	**-**	**261**	**-**	**261**
FX Wa'ad liabilities position	**-**	**617**	**-**	**617**
	-	**(356)**	**-**	**(356)**

31 December 2024	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Sovereign sukuk at fair value through OCI	679,521	94,559	-	774,080
Corporate sukuk at fair value through OCI	25,001	1,306	-	26,307
Equity securities at fair value through income statement	2,927	-	75,789	78,716
Equity securities at fair value through OCI	11,564	-	7,013	18,577
	719,013	95,865	82,802	897,680
FX Wa'ad assets position	-	321	-	321
FX Wa'ad liabilities position	-	847	-	847
	-	(526)	-	(526)

(ii) Financial instruments measured at amortised cost

31 December 2025	***Level 1***	***Level 2***	***Level 3***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Sovereign sukuk	**467,463**	**212,278**	**-**	**679,741**
Corporate sukuk	**19,434**	**-**	**-**	**19,434**
	486,897	**212,278**	**-**	**699,175**
Fair value	**494,169**	**212,717**	**-**	**706,886**

31 December 2024	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Sovereign sukuk	553,718	73,581	-	627,299
Corporate sukuk	15,865	-	4,252	20,117
	569,583	73,581	4,252	647,416
Fair value	410,145	276,767	4,252	691,164

The movements in fair value of investments in equity securities classified in Level 3 of the fair value hierarchy are as follows:

	2025	*2024*
	BD '000	*BD '000*
At beginning of the year	**82,802**	78,694
Acquired as part of business combination	**1,242**	3,055
Purchases	**5,656**	-
Disposals	**(247)**	-
Transfers	**(3,609)**	-
Fair value changes	**(780)**	1,053
At end of the year	**85,064**	82,802

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(iii) Other Financial instruments not measured at fair value

The estimated fair value of yielding financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.

The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 31 December 2025 and 31 December 2024 due to their short term nature.

40 REGULATORY RATIOS

(i) Capital Adequacy Ratio

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The regulatory capital and risk-weighted assets have been calculated in accordance with Basel III as adopted by the CBB.

	As at	
BD'000	***2025***	*2024*
CET 1 Capital before regulatory adjustments	**452,872**	352,201
Less: regulatory adjustments	**52,620**	48,628
CET 1 Capital after regulatory adjustments	**400,252**	303,573
AT 1 Capital	**171,008**	163,719
T 2 Capital adjustments	**88,400**	63,425
Regulatory Capital	**659,660**	530,717
Risk weighted exposure:		
Credit Risk Weighted Assets	**2,180,268**	1,962,782
Market Risk Weighted Assets	**2,164**	1,357
Operational Risk Weighted Assets	**244,159**	174,544
Total Regulatory Risk Weighted Assets	**2,426,591**	2,138,683
Total Adjusted Risk Weighted Exposures	**2,426,591**	2,138,683
Capital Adequacy Ratio	**27.2%**	24.8%
Common Equity Tier 1 Capital Ratio	**16.5%**	14.2%
Tier 1 Capital Adequacy Ratio	**23.5%**	21.8%
Tier 2 Capital Ratio	**3.6%**	3.0%
Minimum required by CBB	**14.0%**	14.0%

As of 31 December 2025, aggregate of modification loss of BD nil thousand (2024: BD 8,256 thousand) has been added back to Tier 1 capital.

(ii) Liquidity Coverage Ratio (LCR)

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 year. 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. The average consolidated LCR for three months calculated as per the requirements of the CBB rulebook, as of 31 December 2025 and 31 December 2024, is as follows:

	Total weighted value BD'000	
	2025	*2024*
Stock of HQLA	**1,197,284**	1,121,664
Net cashflows	**382,615**	316,329
LCR %	**323.0%**	363.5%
Minimum required by CBB	**100.0%**	100.0%

40 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. 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 is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by CBB and its affective from 2019. The minimum NSFR ratio as per CBB is 100%.

The NSFR (as a percentage) as at 31 December 2025 is calculated as follows:

BD'000	***Unweighted Values (before applying relevant factors)***				
	No specified maturity	***Less than 6 months***	***More than 6 months and less than one year***	***Over one year***	***Total weighted value***
Item					
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	**626,974**	**-**	**-**	**72,338**	**699,312**
Retail deposits and deposits from small business customers:					
Stable deposits	**-**	**604,193**	**35,160**	**7,923**	**615,308**
Less stable deposits	**-**	**2,363,270**	**560,114**	**230,891**	**2,861,936**
Wholesale funding:					
Other wholesale funding	**-**	**2,712,653**	**275,795**	**202,332**	**874,636**
Other liabilities:					
All other liabilities not included in the above categories	**-**	**186,784**	**-**	**-**	**-**
Total ASF	**626,974**	**5,866,900**	**871,069**	**513,484**	**5,051,192**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	**-**	**-**	**-**	**-**	**65,768**
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	**-**	**910,433**	**1,084**	**8,706**	**145,812**
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	**-**	**1,347,296**	**572,625**	**1,499,295**	**2,206,405**
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	**-**	**-**	**-**	**139,784**	**90,860**
Performing residential mortgages, of which:	**-**	**-**	**-**	**511,181**	**332,268**
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	**-**	**-**	**-**	**511,181**	**332,268**
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	**-**	**7,435**	**-**	**-**	**3,717**
Other assets:					
All other assets not included in the above categories	**1,116,671**	**68,742**	**5,607**	**212,846**	**1,227,956**
OBS items	**-**	**652,720**	**-**	**-**	**32,636**
Total RSF	**1,116,671**	**2,986,626**	**579,316**	**2,232,028**	**4,014,562**
NSFR (%)	**-**	**-**	**-**	**-**	**125.8%**

40 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

BD'000	*Unweighted Values (before applying relevant factors)*				
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):					
Capital:					
Regulatory Capital	508,378	-	-	63,425	571,803
Retail deposits and deposits from small business customers:					
Stable deposits	-	571,095	33,455	11,305	585,628
Less stable deposits	-	2,058,395	540,615	219,778	2,558,887
Wholesale funding:					
Other wholesale funding	-	2,421,460	253,136	105,069	756,018
Other liabilities:					
All other liabilities not included in the above categories	-	172,320	-	-	-
Total ASF	508,378	5,223,270	827,206	399,577	4,472,336
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	54,201
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	648,620	210	3,783	101,181
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,341,203	444,796	1,249,265	1,934,973
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	99,508	64,680
Performing residential mortgages, of which:	-	-	-	497,045	323,079
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,045	323,079
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,557	867	-	10,212
Other assets:					
All other assets not included in the above categories	1,108,102	26,366	3,970	101,667	1,131,103
OBS items	-	799,874	-	-	39,994
Total RSF	1,108,102	2,835,620	449,843	1,851,760	3,648,944
NSFR (%)	-	-	-	-	122.6%

41 GLOBAL MINIMUM TAX

The Global Anti-Base Erosion ("Pillar Two") Model Rules issued by the Organisation for Economic Co-operation and Development ("OECD") (the "GloBE Rules") apply to multinational enterprise ("MNE") groups with consolidated annual revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

The Kingdom of Bahrain enacted Decree Law No. (11) of 2024 (the "Bahrain DMTT Law") on 1 September 2024, introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of Bahrain-resident entities within in-scope groups, applicable for fiscal years beginning on or after 1 January 2025.

Based on management's assessment, the Group falls within the scope of the Bahrain DMTT Law. However, no DMTT liability arises for the year ended 31 December 2025 in respect of the Group's Bahrain-resident entities, as the Group qualifies for the Initial Phase of International Activity exclusion under the Bahrain DMTT Law.

42 BUSINESS COMBINATION

i) Acquisition of Bahrain National Insurance Company BSC Closed ("BNI") and Bahrain National Life Assurance Company BSC Closed ("BNL")

During Q1 2025, Solidarity Bahrain, a subsidiary of the Group that engages in Takaful business and listed on Bahrain Bourse had entered into a sale and purchase agreement with Bahrain National Holding company BSC, a company incorporated in Kingdom of Bahrain and listed on Bahrain Bourse for the purchase of 100% of the issued share capital of its two subsidiaries, BNI and BNL. In April 2025, the necessary regulatory and shareholders' approval were obtained and share transfers were completed and accordingly the Group consolidated the results and financial position of BNI and BNL from 1 April 2025.

The fair value of assets, liabilities, equity interests are reported in these disclosures on a provisional basis and will be finalized within a period of 12 months from the date of acquisition. In line with the provisions of IFRS 3 "Business Combinations", if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting will be reflected on a retrospective basis.

a) Total consideration

Total cash consideration paid is BD 69,146 thousand.

b) Fair value of identifiable net assets acquired

ASSETS ACQUIRED	***BD '000***
Balances with banks and central banks	**12,254**
Placements with financial institutions	**6,719**
Investments in sukuk	**20,523**
Non-trading investments	**17,675**
Takaful contract assets	**2,915**
Retakaful contract assets	**20,508**
Investments in associates	**3,700**
Identified Intangible assets	**7,525**
Other assets	**3,460**
Total assets acquired (A)	**95,279**

LIABILITIES ASSUMED	***BD '000***
Takaful contract liabilities	**32,346**
Retakaful contract liabilities	**14,218**
Investment contract liabilities	**1,834**
Other provisions and liabilities	**1,725**
Total liabilities (B)	**50,123**
Total fair value of identifiable net assets acquired (C = A-B)	**45,156**

c) Goodwill

	BD '000
Consideration paid	**69,146**
Fair value of identifiable net assets acquired	**(45,156)**
Goodwill	**23,990**

42 BUSINESS COMBINATION (continued)

ii) Acquisition of Kuwait Finance House (Bahrain) BSC closed

On 1 April 2024, the Bank acquired 100% shareholding in ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c)), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was fully owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Group") a Kuwait incorporated islamic retail bank listed on Kuwait stock exchange, after obtaining the requisite regulatory approvals. The Group consolidated the results and financial position of KFH Bahrain from 1 April 2024.

a) Total consideration

Total cash consideration paid is BD 214,488 thousand.

b) Fair value of identifiable assets acquired and liabilities assumed

ASSETS ACQUIRED

	BD '000
Balances with banks and central banks	**77,967**
Placements with financial institutions	**48,583**
Investments in sukuk	**227,269**
Financing contracts	**977,930**
Non-trading investments	**12,887**
Investments in real estate	**47,090**
Identified Intangible assets	**15,000**
Other assets	**15,190**
Total assets acquired (A)	**1,421,916**

LIABILITIES ASSUMED

	BD '000
Placements from financial institutions and individuals	**23,019**
Customers' current accounts	**119,759**
Other liabilities	**31,348**
Total liabilities	**174,126**
Quasi-equity	**1,148,340**
Total liabilities and Quasi-equity (B)	**1,322,466**
Total fair value of identifiable net assets acquired (C = A-B)	**99,450**

c) Goodwill

	BD '000
Consideration paid	**214,488**
Fair value of identifiable net assets acquired	**(99,450)**
Goodwill	**115,038**

43 COMPARATIVE FIGURES

Certain of the prior period figures have been regrouped to conform to the current year presentation. Such re-grouping did not affect previously reported profit for the year or total owners' equity of the Group.