

KHALEEJI 

Structuring customer
engagement

Annual Report 2025

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**His Majesty
King Hamad bin Isa Al Khalifa**

The King of Bahrain

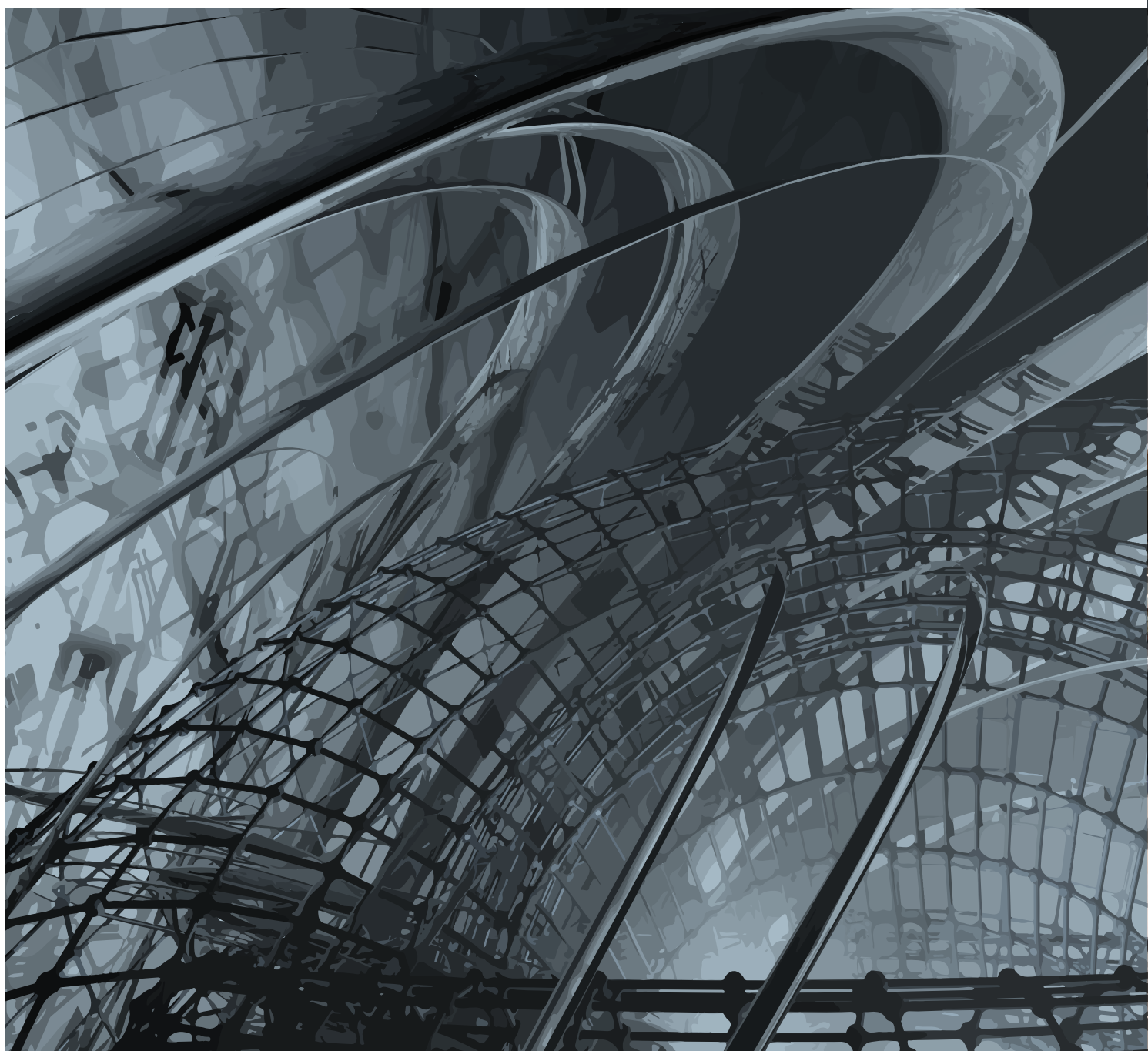


**His Royal Highness
Prince Salman bin Hamad Al Khalifa**

The Crown Prince and Prime Minister

During the past year, Khaleeji has embarked on a program of taking banking and our services closer to our clients. This has witnessed the development of banking kiosks and stands in retail environments, resulting in significant client engagement.

Structuring customer engagement



Our Vision -

To help ambitious people prosper.

Our Mission -

To become Bahrain's most trusted Islamic bank and a notable regional rising star in our sector.

Our Aim -

To become recognized as 'the Bank of Choice for the Ambitious'. We will create our own niche and transform the perception of Islamic Banking from a badge of compliance to an authentic system for prosperity.





Yousif Abdullah Taqi
Chairman of the Board of Directors

The Total Comprehensive Income attributable to shareholders increased by 2.96% compared to the previous year, while Total Income grew by 27.91%, reflecting the effectiveness of operational initiatives and the quality of services provided.

Board of Directors' Report

**In the name of Allah, the Most Gracious, the Most Merciful
Peace and blessings be upon our Prophet Muhammad,
and upon all his family and companions**

**Dear Shareholders,
May the peace, mercy and blessings of Allah be upon
you.**

On behalf of the Members of the Board of Directors, I am pleased to present to you the Board of Directors' Report on the performance of Khaleeji Bank for the financial year ended 31st December 2025. This year unfolded amid changing economic and financial conditions and represented an important and distinguished milestone in the Bank's journey towards consolidating a more flexible, innovative and sustainable Islamic banking model.

During the past year, the Board of Directors placed particular emphasis on strengthening strategic oversight and long-term planning, and on embedding a balanced approach that combines growth with enhanced financial stability and institutional discipline, ensuring the sustainability of the Bank's operations and its ability to adapt to evolving conditions.

Throughout 2025, Khaleeji Bank continued to deliver positive performance supported by a clear strategy centred on balanced growth, financial discipline and measured expansion in financing activities, alongside continued investment in digital transformation and the enhancement of the customer experience. This was reflected in the achievement of stable financial results, with the Bank recording growth in Net Profit attributable to shareholders of 10.27% for the financial year ended 31st December 2025 compared to the year ended 31st December 2024. This growth was driven by increased income from financing contracts and improved operational efficiency, underscoring the resilience of the Bank's business model and its ability to adapt to economic changes.

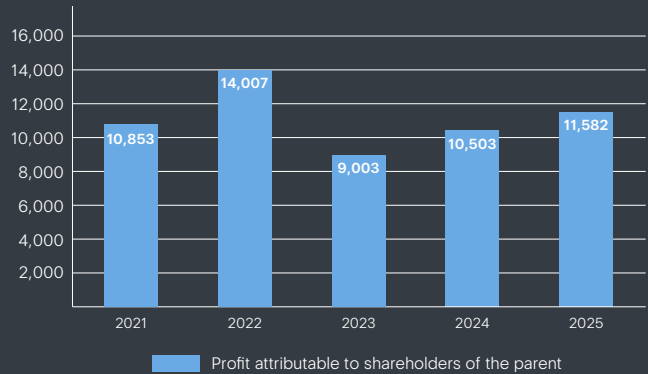
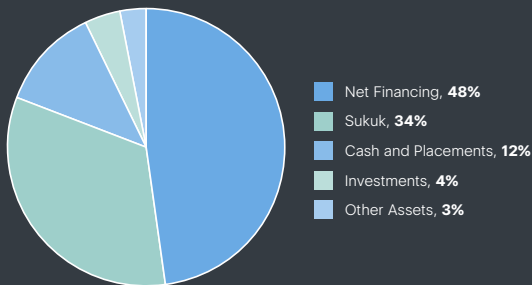
Khaleeji Bank also achieved a number of milestones that strengthened its presence in the banking market and expanded its clientele base. The Bank recorded a notable increase of 16% in the number of clients, which positively reflected on overall financial performance. Total Comprehensive Income attributable to shareholders increased by 2.96% compared to the previous year, while Total Income grew by 27.91%, reflecting the effectiveness of operational initiatives and the quality of services provided. The year 2025 also witnessed the continued implementation of the Bank's approved strategic directions, supporting the strengthening of its financing portfolio and the diversification of income sources, in addition to improving asset quality and applying advanced risk management frameworks in line with best practices and approved regulatory standards. The past year represented a key milestone in the Bank's strategic planning journey, as the Board focused on reviewing priorities, enhancing the flexibility of the operating model, and aligning the Bank's future plans with economic and regulatory developments, thereby supporting the achievement of sustainable growth over the medium and long term.

Within this strategic direction, the Bank continued to enhance its investments in developing its institutional and technological infrastructure, supporting greater operational efficiency, improved operational readiness and business continuity, while adhering to the highest standards of governance, cybersecurity and regulatory compliance.

As part of its efforts to support institutional stability and strengthen its role within the financial ecosystem, Khaleeji Bank was keen to consolidate its relationships with regulatory authorities, strategic partners and relevant institutions, contributing to the stability of the financial sector, enhancing confidence in the banking system, and supporting national economic and development priorities in

In December 2025, Khaleeji Bank continued its active engagement with clients through a dedicated promotional stand for the Al Waffer account at Marassi Galleria – Diyar Al Muharraq. December marked the month featuring the largest prizes in the Al Waffer account’s 2025 edition, reflecting the Bank’s commitment to combining direct client engagement with the provision of distinctive Shari’a compliant saving opportunities.

Assets Composition



*Connecting with
our clients*



Board of Directors' Report

(continued)

line with broader national directions and sustainable development objectives.

With regard to supporting and qualifying national talent, the Bank focused on investing in human capital through specialised training programs, most notably the organisation of field visits for students and programs conducted in cooperation with the Central Bank of Bahrain, enhancing their professional readiness and providing broader exposure to the financial ecosystem. The Bank also continued to foster a culture of excellence by recognising outstanding employees through dedicated incentive programs, in appreciation of their contributions and role in achieving the Bank's objectives.

In terms of social responsibility and sustainability, the Bank continued to integrate ESG principles into its policies and decisions, reflecting its role as a responsible banking institution that contributes to the longterm support of society and the national economy.

In conclusion, we look forward with confidence and optimism to the next phase, underpinned by a solid financial base, a clear strategy, effective partnerships and a highly competent team. We will continue to enhance our business model, support institutional innovation and deliver sustainable value to our shareholders, reinforcing Khaleeji Bank's position as a leading Islamic banking institution in the Kingdom of Bahrain and the region.

On this occasion, I extend, in my name and on behalf of Members of the Board of Directors, executive management and employees of Khaleeji Bank, our highest appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their continued support of the banking sector and the national economy. We also express our appreciation to the Central Bank of Bahrain and all official authorities for their ongoing cooperation, and we extend our sincere thanks to our shareholders and valued clients for their trust, continued support and lasting loyalty.

I would also like to convey my sincere appreciation to the Khaleeji Bank team, whose dedication, professional competence and positive spirit played a pivotal role in achieving the accomplishments of the year, and in embedding a culture of outstanding performance and commitment to delivering a high-quality banking experience that meets client expectations and strengthens their trust in the Bank.



Khaleeji Bank's promotional platform at Al Liwan Mall - Riffa and Marassi Galleria - Muharraq (on the previous page)

In line with the Bank's commitment to the provisions of the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to Article (188) of the Commercial Companies Law and Article (125) of the Executive Regulations of Resolution No. (3) of 2022, and in the interest of reinforcing the principle of transparency with our esteemed shareholders, we are pleased to attach below the table outlining the remuneration of the Members of the Board of Directors and executive management for the financial year ended 31st December 2025.

Board of Directors' Report

(continued)

Board of Directors & Executive Management compensation

The Bank has both a short-term and long-term compensation structure for its executive management which has been developed based on current market surveys and industry norms. The Bank also had an incentive scheme where eligible employees were awarded a combination of shares and cash incentives on achievement of pre-determined performance targets. During 2025, the total remuneration of top 6 executives, including CEO, Senior Financial Officer and other allowances and benefits was BD 2,114,834.

The Bank's board remuneration is determined in line with the provisions of Article (188) of the Companies Law, and their annual remuneration is subject to the approval of the shareholders during the AGM at the end of each year. The Board of Directors is also entitled to sitting fees. The table below illustrates a full account of everything paid to the members of the board of directors during the financial year in the form of salaries, dividends, allowance for attendance (sitting fees), allowance for representation and other expenses:

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

Executive Management	Fixed paid salaries and allowances	Variable remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Remuneration of top 6 executives, including CEO* and Senior Financial Officer**	1,156,251	818,124	140,459	2,114,834

Note: All amounts are 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.)

Note 1 - The variable remuneration includes cash and shares based remuneration. Significant portion of variable remuneration is subject to deferral over 3 years as per the Central Bank of Bahrain regulations.

Note 2 - Remuneration details include compensation earned by executive management in their role as Board members of investee companies or other subsidiaries.

• **Board of Directors' Remuneration Details:**

Name	Fixed remunerations				Variable remunerations					Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Total allowance for attending Board and committee meetings	Remunerations of the chairman and BOD	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total	End-of-service award		
First: Independent Directors:											
1- Sh. Ahmed Bin Isa Al Khalifa	22,500	27,500	-	50,000	-	-	-	-	-	50,000	-
2- Reyadh Eid Al Yaqoob	36,000	27,500	-	63,500	-	-	-	-	-	63,500	-
3- Sh. Isa Bin Khalid Al Khalifa	36,000	15,000	-	51,000	-	-	-	-	-	51,000	-
4- Dawood Alghoul	23,000	15,000	-	38,000	-	-	-	-	-	38,000	-
Second: Non-Executive Directors:											
1- Ali Murad	23,000	15,000	-	38,000	-	-	-	-	-	38,000	-
2- Mazen Ibrahim Abdulkarim	24,000	15,000	-	39,000	-	-	-	-	-	39,000	-
3- Yousif Abdulla Taqi	25,500	27,500	25,500	78,500	-	-	-	-	-	78,500	-
4- H.E. Ayman Al Moayed	24,000	15,000	-	39,000	-	-	-	-	-	39,000	-
Third: Executive Directors:											
1- Hisham Ahmed Al Rayes	5,000	11,500	-	16,500	-	-	-	-	-	16,500	-
2- Salah Abdulla Sharif	33,000	15,000	-	48,000	-	-	-	-	-	48,000	-
3- Razi Abdulghafar Al Murbati	11,000	10,000	-	21,000	-	-	-	-	-	21,000	-
Total	263,000	194,000	25,500	482,500	-	-	-	-	-	482,500	-

Note: All amounts are stated in Bahraini Dinars

Other remunerations:

* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits - Granted shares (if any).

Notes:

- The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
- Board remuneration represents payments proposed for the year 2025 which are subject to the approval of the shareholders in upcoming Annual General Meeting dated 12th March 2026.



Yousif Abdullah Taqi
Chairman of the Board of Directors



Sheikh Ahmed bin Isa Al Khalifa
Vice Chairman of the Board of Directors

Board of Directors



Yousif Abdullah Taqi
Chairman



Sh. Ahmed Bin Isa Khalifa Al Khalifa
Vice Chairman



Ali-Murad Ali Murad
Board Member



Mazen Ibrahim Abdulkarim
Board Member



Riyadh Eid Al Yaqoob
Board Member



H.E. Ayman Tawfiq Almoayed
Board Member



Sh. Isa bin Khalid Al Khalifa
Board Member



Salah Abdulla Sharif
Board Member



Dawod Mohammad Al Ghoul
Board Member



Razi Al Merbati
Board Member



Sattam Sulaiman Algosaibi
Chief Executive Officer

Khaleeji Bank has continued integrating environmental and social governance principles into its operations, as well as supported community initiatives that promote positive and sustainable impacts. This reflects our commitment to serving as a responsible banking institution that contributes to the national economy.

Executive Management Report

2025 marked a significant milestone for Khaleeji Bank as we continued to operate within a clear strategic framework focused on enhancing operational efficiency and establishing a more resilient and sustainable business model. Despite the challenges posed by the economic environment at local, regional, and global levels, the bank successfully maintained its momentum and achieved positive results that reflect the strength of its foundations.

Economically, the year was characterised by volatility in global financial markets, persistent inflationary pressures, and tightening monetary policies in several major economies, which impacted liquidity levels and funding costs. Regionally, geopolitical challenges continued to influence the business environment, yet GCC economies have demonstrated resilience supported by economic reforms and strategic investments. In this context, the Bank adopted a prudent approach to risk and liquidity management, enhancing its ability to adapt to these changes.

Internally, our focus was on improving asset quality, enhancing balance sheet efficiency, and diversifying revenue streams. These efforts resulted in a 10.27% increase in Net Profit attributable to the Shareholders, reaching BD 11.582 million, along with a notable 27.91% growth in Total Revenue. Khaleeji has also expanded its clientele base and witnessed increased deposits, reflecting client confidence in our products & services.

We also continued implementing strategic initiatives to develop the Bank's operational and technological infrastructure. Our efforts included increasing automation, improving process efficiency, and enhancing integration across banking channels, all of which contributed to a smoother banking experience for our clients. Simultaneously, we placed particular emphasis on developing human capital and fostering a culture of corporate performance, supporting the achievement of our long-term strategic goals.

Regarding sustainability and corporate responsibility, Khaleeji has continued integrating environmental and social governance principles into its operations, as well as supported community initiatives that promote positive and sustainable impacts. This reflects our commitment to serving as a responsible banking institution that contributes to the national economy.

In the next stage, we will build on our achievements by further enhancing operational efficiency, expanding digital banking services, and diversifying our product offerings. This will support revenue growth and improve the quality of returns. Additionally, we will continue to develop a more flexible and adaptable business model to ensure sustainable value for our shareholders, while also strengthening Khaleeji Bank's position in the banking sector.

On this occasion, we extend our deepest gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their ongoing support of the banking sector and their endeavours to bolster the Kingdom's economic development. We also sincerely thank the Government of Bahrain and the Central Bank of Bahrain for their vital roles in maintaining financial stability and developing the regulatory environment. Our appreciation also goes to our valued shareholders and loyal clients for their continued trust, as well as to the Khaleeji Bank team whose dedication and efforts are the cornerstone of our achievements and continued success.

Sattam Sulaiman Algosaihi

Chief Executive Officer

Management Team



Sattam Sulaiman Algosaiabi
Chief Executive Officer



Mohammed Abdulla Saleh
Assistant General Manager
Legal, Regulatory, and
Corporate Affairs



**Abdulkarim Mohamed
Al Zakari**
Chief Financial Officer



**Dr. Abdalnasser Omar
Al Mahmood**
Head of Shari'a
Coordination &
Implementation



Amit Yashpal
Chief Risk Officer



Muna Ghuloom Al Bastaki
Head of Credit Management



**Mohamed Ebrahim
Al Hashimi**
Head of Operations



Fatima Ahmed Al Bin Ali
Head of Human Resources



**Ahmed Mohamed
Burashid**

Head of Corporate Banking,
Investments & Debt Capital
Markets



Osama Ali Hassan

Chief Technology Officer



Ameera Ahmed Al Abbasi

Head of Retail Banking



Mohammed Hamad Fakhri

Head of Internal Audit



**Nawaf Abdulsalam
Al Hosani**

Head of Internal Shari'a
Audit and Shari's Board
Secretary



Roomi Siddiqui

Head of Treasury

Corporate Governance Report

Corporate Governance Structure

Khaleeji Bank's Corporate Governance framework focuses on Board responsibility, oversight, and management accountability vis-à-vis governing regulations and better practices. The framework is in line with global best practices and regulatory requirements which seek to balance entrepreneurship, control, and transparency, while creating value for all stakeholders.

Corporate Governance, the way the Board and Management are organized and how they operate in practice, ultimately aims at leading the Bank towards successfully meeting its strategic objectives. The Board of Directors is accountable to Khaleeji's shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board approves and monitors the Bank's strategy and financial performance, within a framework of sound Corporate Governance and effective Risk Management.

Khaleeji is in compliance with the Corporate Governance Code (CGC), the Public Disclosure Module, and the Stock Exchange Disclosure Standards set by the Central Bank of Bahrain (CBB). The Corporate Governance philosophy of the Bank is to be fully ethical and transparent in all dealings. In pursuit of this goal, the Board of Directors have approved a Corporate Governance framework, Director's Conflict of Interest Policy, and the Bank Key Persons' Dealing Policy. Through its Board and Committees, Khaleeji endeavours to deliver the highest governing standards for the benefit of its stakeholders.

The Bank is committed to continuously reviewing and developing its Corporate Governance standards to ensure compliance with the requirements of the revised Corporate Governance framework being implemented by the CBB and other regulatory bodies, as well as to keep abreast with international best practices.

Board of Directors

The Board of Directors comprises of 10 members. The Chairman of the Board is charged with regular supervision and assessment of the Executive Management and is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Chief Executive Officer and maintaining a dialogue with the Bank's stakeholders. The Board has constituted certain committees with specific delegated authorities to oversee and guide the Management in specific areas of Khaleeji's operations and decision-making. The Board, either directly or through its various committees, will oversee the Bank's Management.

Board Committees Structure

The Board of Directors has constituted three permanent committees with specific delegated authorities.

- **Board Audit and Risk Management Committee (BARMC)** Responsible for internal & external audit, compliance, and anti-money laundering, as well as ensure that the Bank's overall risk management framework is effective and that key risks are managed within parameters established by the Board.
- **Board Investment & Credit Committee (BICC)** Responsible for investment and credit approvals, setting limits and tolerances for different risks, asset liability management, monitoring asset impairment and creation of loss provisions, maintaining banking relationships, and oversight of the off-balance sheet vehicles.
- **Board Nominations, Remunerations, and Governance Committee (BNRGC)** Responsible for setting policies for compensation, incentives, human resources, administration, corporate governance, and ESG.

The Bank is committed to continuously reviewing and developing its Corporate Governance standards to ensure compliance with the requirements of the revised Corporate Governance framework being implemented by the CBB and other regulatory bodies, as well as to keep abreast with international best practices.

The Chairman, the Board of Directors, and the Board Committees have direct access to the Corporate Secretary, in addition to Heads of Internal Audit, Risk Management, Regulatory Compliance, Anti Financial Crimes (the MLRO), Internal Shari'a Audit, and Shari'a Coordination and Implementation.

Meetings of the Board are held as and when required. In accordance with CBB regulations, the Board meets at least once a quarter. The Board of Directors met six times in 2025. The Bank held its Annual General Assembly (AGM) and the Extraordinary General Meeting (EGM) on 17th March 2025. In addition to physical meetings, several written resolutions were circulated to the Directors during 2025 for approval by email.

During the year, the Board Audit and Risk Management Committee (BARMC) held five meetings (minimum 4 per year), the Board Investment & Credit Committee (BICC) held seven meetings (minimum 4 per year), and the Board Nominations, Remunerations, and Governance Committee (BNRGC) held nine meetings (minimum 2 per year).

Executive Management Committees

The Board of Directors delegates the authority for day-to-day management of the business to the CEO, who is responsible for implementing the Bank's strategic plan. The CEO manages Khaleeji through the following key management committees:

Committee	Primary responsibilities
Management Committee	Strategy, Performance review, Budget, and Administration.
Asset Liability Management Committee	Balance Sheet management, Funding, Liquidity, and Banking Relationships.
Executive Credit & Investment Committee	Review of Credit proposals, Investments, and Exits. Monitoring of Investments, Risk Management policies, Risk review, Provisions, and impairment.
Executive Risk Management Committee	Risk Management policies, Risk review, and Compliance.
Human Resources Committee	Approving the policies and strategies of Human Resources.
Provisioning Committee	Review provisioning levels for defaulted financing, assess account staging and approve upgrades, and endorse action plans and provisioning recommendations submitted by the Remedial Management Committee.
Remedial Management Committee	Evaluate and manage defaulted clients, guide remedial actions, monitor progress and legal cases, review asset quality reports, and recommend restructuring and provisioning measures.
IT Steering Committee	Review, monitor and prioritize major IT projects from a cross-functional perspective. The Committee sets the direction for the Bank's use of IT, approves the IT strategic plan, and other IT-related policies.

Risk Management

Risk Management remained a fundamental pillar of Khaleeji Bank's strategy in 2025. We continued to embed a strong risk culture across the organization, emphasizing accountability, transparency, and proactive risk awareness. While all employees are responsible for managing risk, ultimate oversight rests with the Board of Directors through the Board Audit & Risk Management Committee (BARMC).

Our Enterprise Risk Management (ERM) Framework ensures an integrated approach to identifying, assessing, mitigating, and monitoring risk across the Bank's operations. It is closely aligned with our Risk Appetite, and is supported by capital and liquidity planning, as well as forward-looking stress testing.

Owing to the nature of the business and the complexity of the transactions involved, Khaleeji is exposed to a range of material risks including Credit, Market, Liquidity, Operational, and Cybersecurity risks. Increasing digitalization and the adoption of advanced technologies have further expanded the Bank's risk landscape to include emerging technology and fintech-related risks. Business decisions are guided by careful analysis of potential risks and returns, ensuring sustainability and resilience within an Islamic Shari'a-compliant framework.

The ERM Framework is supported by a dynamic risk identification and assessment process, incorporating inputs from internal and external environments, including macroeconomic developments, geopolitical conditions, and evolving client and market dynamics. This enables proactive portfolio management and timely responses to emerging risks.

The Board of Directors retains primary responsibility for risk governance and discharges its duties through BARMC. Day-to-day risk management is overseen by the Risk Management & Credit Division, headed by the Chief Risk Officer who reports directly to BARMC. The division is responsible for identifying, assessing, and controlling all material risks affecting Khaleeji.

Risk Management practices are guided by key principles:

- Alignment of business strategy with risk appetite
- Risk identification and measurement
- Risk prioritization
- Continuous monitoring
- Risk mitigation and control

2025 – KEY DEVELOPMENTS

In 2025, the Bank continued to enhance its risk management capabilities to address an increasingly complex, digital, and volatile operating environment, while building on the strong foundations established in prior years:

- Strengthened portfolio analytics, early warning systems, and sector monitoring to proactively manage emerging risks. Continued close monitoring of financing portfolios, including segments previously impacted by economic slowdowns, while enhancing asset quality through prudent underwriting standards and disciplined risk practices.
- Ongoing enhancement of key risk models, including credit risk rating models, stress testing frameworks, ICAAP, and risk-adjusted performance metrics such as RAROC and Fund Transfer Pricing (FTP).
- In 2025, the Bank implemented a fully integrated fraud risk management system, enabling automated monitoring, case tracking, and reporting of fraud-related incidents, thereby enhancing detection capabilities, response efficiency, and governance oversight. Khaleeji has also continued the rollout of awareness programs and system-driven risk dashboards covering key risk areas, as well as integrated ESG considerations into risk assessments and worked towards alignment with Bahrain's Vision 2030 and international sustainability standards.
- Continued strengthening of crisis management, recovery planning, and business continuity frameworks, building on the ISO 22301-certified Business Continuity Management System.
- Delivered targeted risk training across functions, including Risk Analytics, Information Security, and Credit Risk.

Khaleeji Bank remains focused on delivering sustainable stakeholder value through a disciplined risk approach, continuous improvement of our risk frameworks, and adherence to ethical and Shari'a-compliant principles.



Our Enterprise Risk Management (ERM) Framework ensures an integrated approach to identifying, assessing, mitigating, and monitoring risk across the Bank's operations. It is closely aligned with our Risk Appetite, and is supported by capital and liquidity planning, as well as forward-looking stress testing.

Shari'a Supervisory Board Report to the Shareholders

On the Activities of Khaleeji Bank B.S.C.

For the financial year ending 31 December 2025

02 February 2026
14 Shaban 1447 AH

Prayers and Peace upon the Last Apostle and Messenger, Our prophet Mohammed, His Family and companions.

In compliance with our terms of appointment, the Shari'a Supervisory Board ("SSB") hereby presents the following report to the Shareholders on the activities of Khaleeji Bank and its subsidiaries for the financial year ending 31st December 2025.

Respective responsibility of the Board of Directors and the SSB

The SSB confirms that as a general principle and practice, Khaleeji Bank's management is responsible for ensuring that it conducts its business in accordance with Islamic Shari'a rules and principles. The SSB's responsibility is to form an independent Shari'a opinion based on our review of the Bank's operations and to prepare this report.

Basis of opinion

In compliance with the Shari'a Governance and based on SSB's Fatwas, decisions and the AAOIFI standards, the SSB through its periodic meetings and its executive committee have reviewed the internal Shari'a audit plan and Shari'a audit reports and examined the documents and transactions by conducting a sample-test method to ensure its compliance with the Shari'a rules and principles. In addition, the SSB has reviewed the IESCA report. The SSB in collaboration with Shari'a coordination and implementation department has reviewed contracts, agreements, financings and investment structures, products, related policies, consolidated Financial Statements and attached notes for the year ended 31st December 2025.

Opinion

Based on our review, The SSB is satisfied that:

1. The contracts, agreements and transactions entered into by the Bank that have been reviewed by the SSB are in compliance with the Shari'a rules and principles.
2. The allocation of profits and charging of losses 'if any' on investment accounts conform to the basis that had been approved by the SSB and in accordance with Shari'a rules and principles.
3. Any earnings resulted by means prohibited by the Shari'a rules and principles have been channeled to charity account.
4. Zakah was calculated in accordance with Shari'a rules and principles based on net assets method according to AAOIFI standards. Each shareholder is responsible to pay their relevant zakah portion related to their respected shares as per zakah guide.
5. The Bank is in compliance with Shari'a rules and principles, SSB's Fatwas and decisions, Shari'a related policies and procedures, AAOIFI's Shari'a standards, relevant rulings of the CSSB and the regulations, resolutions and directives issued by the CBB.

We pray to Allah the almighty to grant us all success and prosperity.



Shaikh
Dr. Fareed Al-Muftah
Chairman



Shaikh
Dr. Fareed Hadi
Vice-Chairman & Executive
Member



Shaikh
Dr. Nizam Yaqoobi
Board Member



Shaikh
Dr. Mohammed A. Salam
Executive Member

Independent Auditor's Report

To the Shareholder of Khaleeji Bank B.S.C.

PO Box 60002, Manama, Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Khaleeji 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, 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 the 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.

Independent Auditors Report to the Shareholders *(continued)*

31 December 2025

Key Audit Matters (continued)

Impairment allowance on Financing contracts	
Refer to accounting policy in note 5 (i), use of estimates and judgements in note 30 and management of credit risk in note 40 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> Of the significance of financing contracts representing 48% of total assets (by value). The estimation of expected credit losses ("ECL") on financing contracts involves significant judgment and estimates. The key areas where we identified greater level of management judgment and estimates are: <ul style="list-style-type: none"> Use of complex models Use of inherently judgmental complex models to estimate ECL which involves determining Probabilities of default ("PD"), Loss Given Default ("LGD") and Exposure At default ("EAD"). The PD models are considered the drivers of the ECLs. Economic scenarios 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. Management overlays Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts. 	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> 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 <p>Control testing We performed process walkthroughs to identify key systems, applications and controls associated with the ECL calculation process.</p> <p>Key aspects of our control testing involved the following:</p> <ul style="list-style-type: none"> 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. <p>Tests of details Key aspects of our testing involved:</p> <ul style="list-style-type: none"> 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.

Independent Auditors Report to the Shareholders *(continued)*

31 December 2025

Key Audit Matters (continued)

Impairment allowance on Financing contracts (continued)	
Refer to accounting policy in note 5 (i), use of estimates and judgements in note 30 and management of credit risk in note 40 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified. • Selecting a sample of post model adjustments and management overlays to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data. • Assessing the adequacy of provisions against individually impaired financing contracts (stage 3) in accordance with the applicable FAS. <p>Use of specialists</p> <p>For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following:</p> <ul style="list-style-type: none"> • 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 Financial Risk Management (FRM) specialists in: <ul style="list-style-type: none"> • 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. <p>Disclosures</p> <p>We assessed the adequacy of the Group's disclosure in relation to use of significant estimates and judgement and credit quality of financing contracts by reference to the requirements of relevant accounting standards.</p>

Independent Auditors Report to the Shareholders *(continued)*

31 December 2025

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.

- 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.

Independent Auditors Report to the Shareholders *(continued)*

31 December 2025

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

- 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 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

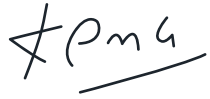
As required by the Commercial Companies Law 2001 (as amended) and Volume 2 of the Rulebook issued by the Central Bank of Bahrain ("CBB"), we report that:

- 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.

Independent Auditors Report to the Shareholders *(continued)*

31 December 2025

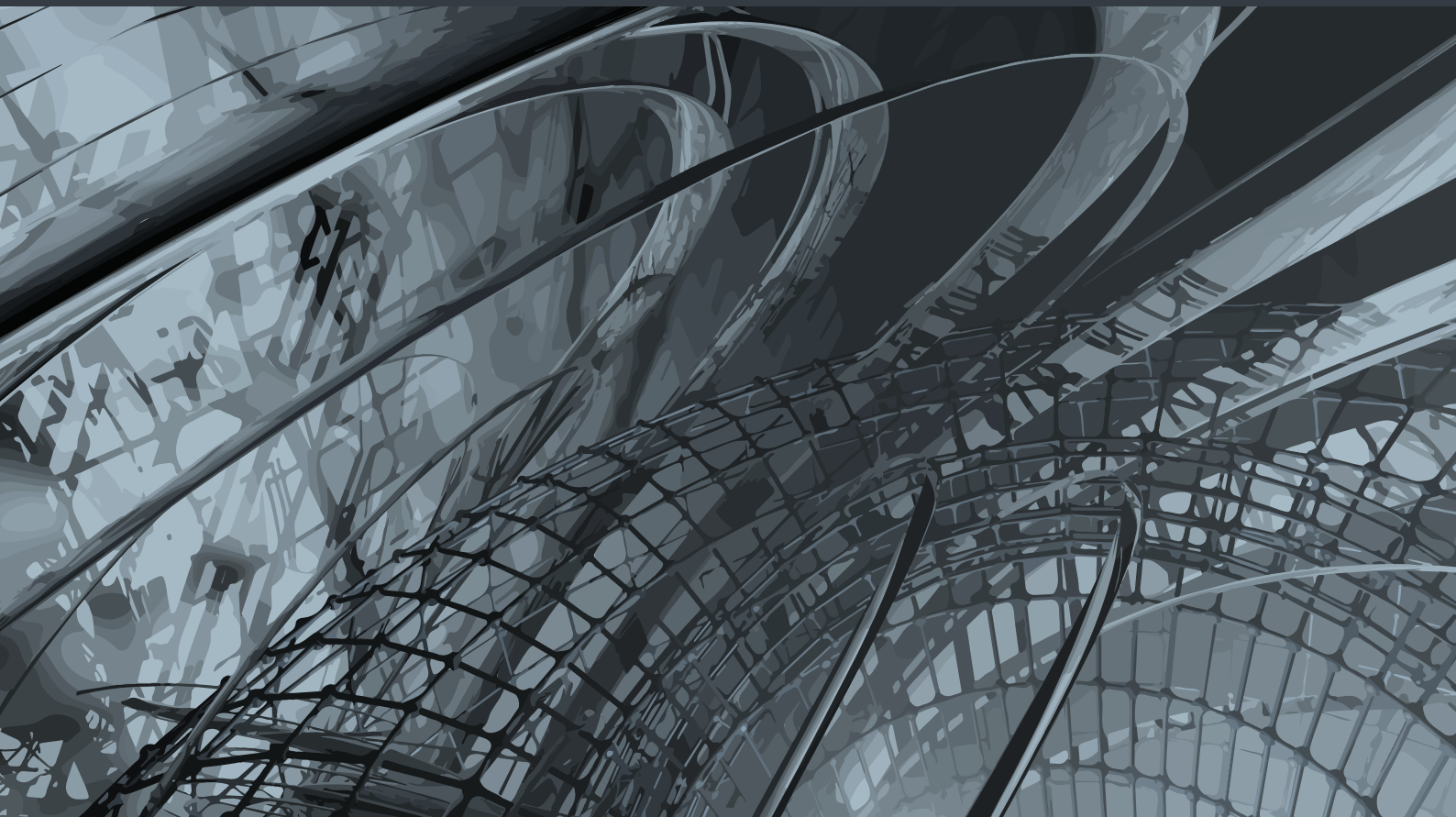
The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.



KPMG Fakhro
Partner Registration Number 137
10 February 2026

KHALEEJI 

*Consolidated Financial
Statements
31 December 2025*



Consolidated Statement of Financial Position

As at 31 December 2025

BD '000s

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and bank balances	6	51,484	105,446
Placements with financial institutions	7	153,038	71,017
Investment in sukuk and other yielding investments	8	568,599	502,139
Financing contracts	9	830,206	721,167
Investment securities	10	17,453	20,895
Investment in real estate	11	45,933	39,838
Equity accounted investees	12	6,948	6,516
Other assets	13	23,243	25,549
Property and equipment	14	28,220	3,562
TOTAL ASSETS		1,725,124	1,496,129
LIABILITIES			
Placements from financial institutions		196,899	134,971
Placements from non-financial institutions and individuals	15	343,983	329,815
Term financing from financial institutions	16	222,005	245,526
Customers' current accounts		95,842	117,372
Other liabilities	17	28,674	20,602
TOTAL LIABILITIES		887,403	848,286
QUASI-EQUITY			
- From financial institutions		142,458	10,662
- From non-financial institutions and individuals		553,393	508,534
TOTAL QUASI-EQUITY	18	695,851	519,196
OWNERS' EQUITY			
Share capital	19	113,044	113,044
Statutory reserve		14,618	13,460
Treasury shares		(5,907)	(6,254)
Investment fair value reserve		(5,195)	(5,816)
Retained earnings		17,710	13,626
Equity attributable to Bank's shareholders		134,270	128,060
Non-controlling interest		7,600	587
TOTAL OWNERS' EQUITY		141,870	128,647
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		1,725,124	1,496,129

The consolidated financial statements were approved by the Board of Directors on 10 February 2026 and signed on its behalf by:



Yusuf Abdulla Taqi
Chairman



Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman



Sattam Sulaiman Algoaibi
Chief Executive Officer

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2025

BD '000s

	Note	2025	2024
Income from financing contracts	21	54,892	47,834
Income from placements with financial institutions		4,482	7,733
Income from sukuk and other yielding investments	22	28,948	24,993
Finance expense on placements from financial institutions, non-financial institutions and individuals		(20,022)	(29,904)
Finance expense on term financing from financial institutions		(15,095)	(15,448)
Net finance income		53,205	35,208
Income from investment securities	23	2,126	6,158
Income from investment in real estate, net	24	5,036	1,808
Share of result from equity-accounted investees, net	12	432	(504)
Fees and other income, net	25	3,104	7,290
TOTAL INCOME		63,903	49,960
Staff cost	26	9,479	7,127
Other operating expenses	27	11,122	9,387
TOTAL EXPENSES		20,601	16,514
Profit before impairment allowances and attribution to quasi-equity		43,302	33,446
Allowances for impairment and expected credit losses, net	28	(6,023)	(1,924)
Profit before attribution to quasi-equity		37,279	31,522
Less: Net profit attributable to quasi-equity	18	(25,698)	(21,019)
PROFIT FOR THE YEAR		11,581	10,503
Attributable to:			
Bank's shareholders		11,582	10,503
Non-controlling interest		(1)	-
		11,581	10,503
Earnings per share			
Basic and diluted earnings per share (fils)	33	10.67	10.33



Yusuf Abdulla Taqi
Chairman



Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman



Sattam Sulaiman Algosaiabi
Chief Executive Officer

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

BD '000s

	2025	2024
Profit for the year	11,581	10,503
Other comprehensive income		
Items that are or may subsequently be classified to income statement		
- Fair value changes on debt investments carried at fair value through other comprehensive income	260	1,512
- Fair value changes on equity investments carried at fair value through other comprehensive income	477	(903)
- Less: Attributable to quasi-equity	(116)	740
Total other comprehensive income for the year	621	1,349
Total comprehensive income	12,202	11,852
Attributable to:		
Owners' of the parent	12,203	11,852
Non-controlling interest	(1)	-
	12,202	11,852

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Income Statement and Attribution related to Quasi-Equity

For the year ended 31 December 2025 BD '000s

	2025	2024
Profit before impairment allowances and attribution to quasi-equity	43,302	33,446
Adjusted for:		
Less: Income not attributable to quasi-equity	(10,698)	(14,752)
Add: Finance expense on due to FIs and non-FIs	35,117	45,352
Add: Expenses not attributable to quasi-equity	20,601	16,514
Less: Institution's share of income for its own/ share of investments	(53,123)	(56,877)
Less: Allowances for impairment and expected credit losses, net - attributable to quasi-equity	(809)	732
Total income available for quasi-equity holders	34,390	24,415
Profit equalization reserve – net movement	-	-
Total income attributable to quasi-equity holders	34,390	24,415
Less: Mudarib's share	(7,655)	(3,142)
Less: Wakala incentive	(1,037)	(254)
Net income attributable to quasi-equity	25,698	21,019
Investment risk reserve – net movement	-	-
Profit attributable to quasi-equity	25,698	21,019
Other comprehensive income that may subsequently be classified to income statement – attributable to quasi-equity	116	(740)
Total comprehensive income – attributable to quasi-equity	25,814	20,279
Less: Other comprehensive income not subject to immediate distribution	(116)	740
Total comprehensive income subject to immediate distribution	25,698	21,019

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2025

BD '000s

2025	Equity attributable to parent's shareholders						Total	Non-Controlling Interest	Total owners' equity
	Share Capital	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings				
Balance at 1 January 2025	113,044	13,460	(6,254)	(5,816)	13,626	128,060	587	128,647	
Profit for the year	-	-	-	-	11,582	11,582	(1)	11,581	
Other comprehensive income	-	-	-	621	-	621	-	621	
Total comprehensive income for the year	-	-	-	621	11,582	12,203	(1)	12,202	
Transfer to Statutory reserve	-	1,158	-	-	(1,158)	-	-	-	
Transfer to Zakah fund	-	-	-	-	(827)	(827)	-	(827)	
Dividend declared for 2024	-	-	-	-	(5,414)	(5,414)	-	(5,414)	
Issue of shares under staff incentive scheme	-	-	347	-	(164)	183	-	183	
Parent's contribution towards staff incentive scheme	-	-	-	-	65	65	-	65	
Purchase of shares in subsidiary (Note 45)	-	-	-	-	-	-	7,014	7,014	
Balance at 31 December 2025	113,044	14,618	(5,907)	(5,195)	17,710	134,270	7,600	141,870	

2024	Equity attributable to parent's shareholders						Perpetual Mudaraba (AT1)	Non-Controlling Interest	Total owners' equity
	Share Capital	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings	Total			
Balance at 1 January 2024	84,783	12,410	(6,254)	(7,165)	17,719	101,493	47,222	8,679	157,394
Profit for the year	-	-	-	-	10,503	10,503	-	-	10,503
Other comprehensive income	-	-	-	1,349	-	1,349	-	-	1,349
Total comprehensive income for the year	-	-	-	1,349	10,503	11,852	-	-	11,852
Transfer to Statutory reserve	-	1,050	-	-	(1,050)	-	-	-	-
Transfer to Zakah fund	-	-	-	-	(768)	(768)	-	-	(768)
Redemption of AT1 (Note 20)	-	-	-	-	(12,778)	(12,778)	(18,961)	-	(31,739)
Conversion of AT1 (Notes 19,20)	28,261	-	-	-	-	28,261	(28,261)	-	-
Sale of shares in subsidiary (Note 24)	-	-	-	-	-	-	-	(8,092)	(8,092)
Balance at 31 December 2024	113,044	13,460	(6,254)	(5,816)	13,626	128,060	-	587	128,647

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

BD '000s

	Note	2025	2024
OPERATING ACTIVITIES			
Profit for the year		11,581	10,503
Adjustments:			
Depreciation		1,384	1,808
Finance expense on term financing		15,095	15,448
Allowances for impairment and expected credit losses, net		6,023	1,924
Amortization of premium on sukuk and other yielding investments, net		494	2,248
Fair value (gains) / losses, net		(1,917)	49
Foreign exchange revaluation, net		(1,215)	67
Amortization of right-of-use assets		416	390
Investment securities income, net		-	(301)
Gain on sale of Investment in sukuk and other yielding investments		(4,099)	(975)
Gain on sale of investment in real estate		(4,441)	(7,612)
Share of results from equity-accounted investees, net		(432)	504
Operating profit before changes in operating assets and liabilities		22,889	24,053
Mandatory reserve with Central Bank of Bahrain		(3,208)	(3,566)
Financing contracts		(109,039)	(90,885)
Other assets		2,306	729
Customers' current accounts		(21,530)	39,492
Other liabilities		(3,082)	(2,124)
Placements from financial institutions		49,928	(102,802)
Placements from non-financial institutions and individuals		14,168	123,297
Quasi-equity		176,655	(16,466)
Net cash generated from / (used in) operating activities		129,087	(28,272)
INVESTING ACTIVITIES			
Purchase of sukuk and other yielding investments		(335,312)	(117,581)
Proceeds from sale / redemption of sukuk		276,042	137,770
Proceeds from sale of investment in real estate		-	180
Proceeds from disposal / redemption of investment securities		-	7,623
Purchase of property and equipment, net		(533)	(990)
Net movement in margin call		(4,239)	4,209
Net cash (used in) / generated from investing activities		(64,042)	31,211

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2025

BD '000s

	Note	2025	2024
FINANCING ACTIVITIES			
Drawdown of term financing, net		(23,521)	(18,835)
Finance expense paid on term financing		(15,095)	(15,448)
Redemption of AT1 Capital		-	(31,739)
Payments of lease liabilities		(403)	(384)
Dividends paid		(5,414)	-
Net cash used in financing activities		(44,433)	(66,406)
Net increase / (decrease) in cash and cash equivalents			
		20,612	(63,467)
Cash and cash equivalents at beginning of the year		138,904	202,371
Cash and cash equivalents at end of the year		159,516	138,904
Cash and cash equivalents comprises:			
Cash and bank balances (excluding CBB reserve)	6	16,318	73,488
Placement with financial institutions with original maturities of 90 days or less ⁷ (excluding margin call account) *		143,198	65,416
		159,516	138,904

* Cash and cash equivalents are net of the expected credit loss of BD 12 thousand (31 December 2024: BD 1 thousand).

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of Off-Balance-Sheet Assets Under Management

For the year ended 31 December 2025 BD '000s

Investment in real estate	2025	2024
Balance at 1 January	1,533	1,533
Additions	-	-
Recoveries / disposals / withdrawals / expenses	-	-
Net movement	1,533	1,533
Bank's management share	-	-
Distributions	-	-
Balance at 31 December	1,533	1,533

The accompanying notes 1 to 46 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. REPORTING ENTITY

Khaleeji Bank B.S.C. (the "Bank"), a public shareholding company, was incorporated on 24 November 2004 in the Kingdom of Bahrain under Commercial Registration No. 55133. The Bank operates under an Islamic retail license granted by the Central Bank of Bahrain ("CBB"). The Bank's shares are listed on the Bahrain Bourse.

82.95% (31 December 2024: 82.95%) of the ordinary shares of the Bank are held by GFH Financial Group B.S.C. (the "Parent"), a Bahraini incorporated investment bank operating under an Islamic wholesale banking license issued by the Central Bank of Bahrain ("CBB") and whose shares are listed on Bahrain Bourse, Boursa Kuwait, Dubai Financial Markets ("DFM") and Abu Dhabi Securities Exchange ("ADX").

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board to ensure adherence to Shari'a rules and principles in its activities.

The consolidated financial statements as at and for the year ended 31 December 2025 comprises results of the Bank and its subsidiaries (together the "Group").

The principal activities of the Bank include retail and corporate banking, consumer finance, wealth management, structured investment products and project financing facilities which comply with Islamic Shari'a rules and principles as determined by the Bank's Shari'a Supervisory Board.

The consolidated financial statements include the results of the Bank and its subsidiaries (together "the Group"). The significant subsidiaries of the Bank are as follows:

Name	Country of incorporation	% holding As at 31 December 2025	% holding As at 31 December 2024	Nature of business
Surooh Limited	Cayman Islands	75.70%	75.70%	To construct and sell properties at "Oryx Hills".
KHCB Tier 1 Sukuk Limited	Cayman Islands	100.00%	100.00%	To issue additional tier 1 certificates
GFH Tower Group Limited	Cayman Islands	71.95%	-	To offer High-standard head office building and specialized real estate

2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) and applicable rules and regulations issued by the Central Bank of Bahrain ("CBB").

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

3. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for certain equity, other yielding investments and debt securities that are measured 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 Bahraini Dinars thousand (BD), except where otherwise indicated.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

4. USE OF SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 30.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for change in operating segments cost allocations (note 36).

i) **New Standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2025.**

There were no new standards, amendments to the standards, which became effective as of 1 January 2025, that were relevant and had a material impact on the consolidated financial statements of the Group.

ii) **New Standards, amendments to Standards issued but not yet effective and not early adopted**

The following new standards and amendments to standards are effective for financial years beginning after 1 January 2025 with an option to early adopt. However, the Group did not early adopt any of these standards.

1) **FAS 45: Quasi-Equity (Including Investment Accounts)**

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

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

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

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

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

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

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

The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and an investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

Notes to the Consolidated Financial Statements *(continued)*

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) New Standards, amendments to Standards issued but not yet effective and not early adopted (continued)

2) FAS 46: Off-Balance-Sheet Assets Under Management (continued)

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

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

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

3) FAS 47: Transfer of Assets Between Investment Pools

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

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

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

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

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

4) FAS 48: Promotional Gifts and Prizes

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) New Standards, amendments to Standards issued but not yet effective and not early adopted (continued)

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

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

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

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

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

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

6) FAS 51 - Participatory Ventures

FAS 51 replaces FAS 3 (Mudaraba Financing) and FAS 4 (Musharaka Financing), it provides guidance for accounting in the books of the working partner and the venture. The scope of this standard is expanded to include additional venture types, for example, Running Musharaka, Diminishing Musharaka and restricted Mudaraba.

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

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

7) FAS 52 - Deferred Delivery Sales: Salam and Istisna

The replaces FAS 7 "Salam and Parallel Salam" and FAS 10 "Istisna'a and Parallel Istisna'a". This standard introduces guidance for accounting in the book of buyers and sellers including the treatment of parallel Salam and Istisna. This standard is aligned with the requirements of FAS 30 "Impairment, credit losses and onerous commitments".

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable tangible and intangible assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank.

The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

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

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights.

When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its Quasi-equity.

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.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Subsidiaries (continued)

Funds under management

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of SPE are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fiduciary assets under management is set out in note 31. These assets and income arising thereon are not included in the Group's consolidated financial statements as they are not assets of the Group.

(iii) Equity accounted investees

The Group's interests in equity accounted investees comprise interests in associates and a joint venture.

Associates are those entities over which the Group holds exercises significant influence, but not control or joint control, over the financial and operating policies. 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 obligations for its liabilities. These are accounted for using the equity method.

Investments in associates and joint ventures are initially recognised at cost including transactions cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in the investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

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 being the difference between the recoverable amount of the associates and the carrying value and recognises this amount in the consolidated statement of income.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised 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 interest in the investees.

Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency transactions

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Bank has identified Bahraini dinars (BD) as its functional currency.

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through other comprehensive income, are included in investments fair value reserve. The other Group companies functional currencies are either denominated in Bahraini dinars or US dollars; however, the Bahraini dinar is effectively pegged to the US dollar. Hence, the translation of financial statements of the group entities that have a functional currency different from the presentation currency do not result in an exchange difference.

(c) Investment securities

Investment securities comprise investments in equity-type instruments and investments in debt-type instruments. Investment securities exclude investments in subsidiaries and equity accounted investees (refer to note 5(a)).

(i) Classification

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.

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

Amortised cost

An investment shall be measured at amortised cost if both of the following conditions are met:

- a) the investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
- b) the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.
- c) The Bank invests into other yielding instruments using structured vehicles to primarily hold them to maturity. As per sharia approval on the structure, any gain on sale of such instruments, exceeding the financing Murabaha contract (principle and profit), would be required to be transferred for charity. Accordingly, these instruments are considered to be part of the hold to collect business model and are classified at amortised cost.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(i) **Classification** *(continued)*

Fair value through OCI

An investment shall be measured at fair value through OCI if both of the following conditions are met:

- a) the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
- b) the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

Irrevocable classification at initial recognition

On initial recognition, an institution may make an irrevocable election to designate a particular investment, at initial recognition, being

- a) an equity-type instrument that would otherwise be measured at fair value through income statement – to present subsequent changes in fair value in equity.
- b) a non-monetary debt-type instrument or other investment instrument – as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or quasi-equity or recognizing the gains and losses on them on different bases. This shall, however, be subject to the Shari'a requirements with regard to the attribution of, and distribution of such gains to the respective stakeholders.

Fair value through income statement

All other investments are measured at FVTIS.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit, maintaining practical profit rate profile and realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Investments that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTIS.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(ii) Recognition and de-recognition

Investment securities are recognised 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 derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

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

Subsequent to initial recognition, investments carried at FVTIS and FVOCI are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVOCI are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. The fair value gains/losses are recognised taking into consideration the split between portions related to owners' equity and Quasi-equity. When the investments carried at FVOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the income statement.

Subsequent to initial recognition, debt-type securities, other than those carried at FVTIS, are measured at amortised cost using the effective profit method less any impairment allowances.

Following measurement principles are followed:

A. Amortised cost measurement

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

B. Fair value measurement

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

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(iii) Measurement *(continued)*

B. Fair value measurement *(continued)*

If a market for a financial instrument is not active or there is no market, the Group establishes fair value using well-recognised valuation techniques that may include recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flows or market multiples for similar instruments.

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

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

In determining fair valuation, the Group in many instances relies on the financial data of investees and on estimates by the management of the investee companies as to the effect of future developments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(d) Financing contracts

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

Modification of financing contracts

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financing contracts (continued)

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

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller has purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on 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.

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

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide certain amount of funds (Mudaraba Capital), to the other party (Mudarib).

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

(iii) Ijarah asset (lease-based contracts)

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

(iv) POCI financial assets

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

(e) Placements with and from financial institutions, non-financial institutions and individuals

These comprise inter-bank and over the counter customer placements made/received using Shari'a compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances (excluding CBB reserve account), and placement with financial institutions (excluding margin calls) with original maturities of three months or less when acquired which are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment in real estate

Investment property

Real estate properties held for rental, or for capital appreciation purposes, or both, are classified as investment property. Investment property are carried at cost less depreciation and impairment allowances. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Investment property includes plots of land held for undetermined use and property leased to third parties. Land is not depreciated.

Development property

Development property is measured at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses.

Trading properties

Trading properties are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses. Trading properties include properties for the sale in the ordinary course of business.

(h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment allowances, if any. Property includes land which is not depreciated. Other equipment is depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

Asset Class	Useful life
Buildings	Up to 25 years
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Motor vehicles	3 to 5 years
Hotels	Up to 40 years
Other equipment's	3 to 5 years

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

(i) Impairment of financial instruments

i) Exposures subject to credit risk

The Group recognises loss allowances for ECLs on:

- Cash and bank balances;
- Placements with financial institutions;
- Financing contracts;
- Investments in Sukuk - debt-type securities and other yielding investments (amortised cost and FVOCI); and
- Undrawn financing commitments and financial guarantee contracts issued; and
- Other financial assets

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial instruments (continued)

i) Exposures subject to credit risk (continued)

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due (refer to note 40).

The Group considers a financial asset to be in default when:

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to A- or higher as per the banks relevant approved external credit rating agencies. Zero percent risk weighted entities are considered have low credit risk.

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

Stage 1: 12-months ECL

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

Stage 2: Lifetime ECL - not credit impaired

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

Stage 3: Lifetime ECL - credit impaired

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial instruments (continued)

i) Exposures subject to credit risk (continued)

Measurement of ECLs

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

- Financing contracts that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Financing contracts that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- Purchased or originated credit-impaired financial assets are those assets that are credit-impaired on initial recognition. Their ECL is measured on a lifetime basis (stage 3).

ECLs are discounted at the effective profit rate of the financial instrument.

Credit-impaired exposures

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and ijarah assets are deducted from the gross carrying amount of the assets. Loss on undrawn commitments and financial guarantees are disclosed in other liabilities. For debt instruments and other yielding investments measured at FVOCI no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, loss allowances are recognized in statement of income, with a corresponding adjustment recorded in other comprehensive income.

ii) Impairment of equity investments classified at fair value through other comprehensive income (FVOCI)

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets (other than development property and trading properties covered in 5(g) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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

(k) Customers' current accounts

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

(l) Quasi equity

Quasi equity are funds held by the Group in unrestricted investment accounts, which it can invest at its own discretion. The quasi equity holders authorise the Group to invest the quasi equity funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. Quasi equity assets include unrestricted Mudarabah and comingled wakala funds in the Mudarib pool of the Bank.

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

The Group allocates collective provision on stage 1 and stage 2 customers to quasi equity holders and owners' equity whereas allocate specific provision only to owners' equity. Amounts recovered from these impaired assets is not subject to allocation between the quasi equity and owners' equity.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Quasi equity (continued)

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

(m) Assets under management

Assets under management include funds provided by holders on a restricted investment account, and their equivalent measured using similar accounting policies as the Group and managed by the Group as an investment manager based on either a Mudaraba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects / assets as directed by the investments accountholders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements, and as presented in the statement of off-balance-sheet assets under management.

(n) Financial guarantees

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

(o) Treasury shares

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

(p) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires that 10 per cent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 per cent of the paid up share capital.

(q) Revenue recognition

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

Income from sukuk and other yielding investments and structured note and income/expenses on placements is recognised at its effective profit rate over the term of the instrument.

Dividend income is recognised when the right to receive is established.

Rental income is recognised on a straight line basis over the term of the contract.

Gain on sale of investment in equity, debt securities, other yielding investments and structured note is recognised on trade date at the time of derecognition of the investments. The gain or loss is the difference between the carrying value on the trade date and the consideration received or receivable.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

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

Income on disposal of real estate is recognized at the time of sale as the difference between the carrying value and the consideration received or receivables.

(r) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-shari'a compliant sources. Accordingly, all income prohibited by shari'a is credited to a charity account where the Group uses these funds for social welfare purposes.

(s) 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 and paid by the Group based on the eligible reserve and retained earnings balances at the end of the year and the remaining Zakah is payable by individual shareholders. The Group calculates and notifies the shareholders of their pro-rata share of the Zakah payable annually. The Group also pays Zakah on the balance of treasury shares held at the year-end based on the pro-rata share of Zakah. The calculations of Zakah is approved by the Shari'a Supervisory Board. Payment of Zakah on the unrestricted investment and other accounts is the responsibility of the relevant account holders. As Zakah is not required to be paid by law or by virtue of its constitution documents of the Banks, the Bank considers itself as an agent to pay Zakah on behalf of its shareholders, and any amount paid in respect of Zakah is adjusted within equity of the owners of the Bank.

(t) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefits

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

Expatriate 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.

Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Post-employment benefits (continued)

Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Bank.

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

(iii) 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 three years.

The deferred incentives include a cash component and a share component. 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. The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised 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 recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. All deferred incentives are subject to malus and clawback provisions.

(u) Dividends and board remuneration

Dividends to shareholders and board remuneration are recognised as liabilities in the period in which they are declared.

(v) Trade date accounting

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

(w) Offsetting

Financial assets and liabilities are offset only when there is a legal or Shari'a based enforceable right to set-off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Provisions

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

(y) URIA Protection Scheme

Funds held with the Group in investment accounts and current accounts are covered by the Deposit and URIA Protection Scheme ('the Scheme') established by the Central Bank of Bahrain regulation in accordance with Resolution No (34) of 2010. An annual contribution is made to the scheme and is recognised as an expense when due.

The Scheme applies to all eligible accounts held with the Group subject to certain specific exclusions, maximum total amount entitled and other regulations governing the establishment of a Deposit and URIA Protection Scheme and a Deposit Protection Board.

(z) Repossessed assets

In certain circumstance, properties are repossessed following the foreclosure on financing facilities that are in default. Repossessed properties are measured at the lower of carrying value and fair value less cost to sell. Repossessed properties that are not held-for-sale and remain unsold for more than 12 months are classified as investment in real estate based on its intended use.

(aa) Term financing from financial institutions

Term financing from financial institutions represents borrowing obtained through murabaha contract recognized on the origination date and carried at amortized cost. Expense on such contracts are recognized on a time-apportioned basis using the effective profit method.

(bb) Onerous contracts

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

(cc) Ijarah

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration. For Ijarah contracts with multiple components, the Group accounts for each Ijarah component within a contract separately from non-Ijarah components of the contract (e.g. service fee, maintenance charges, toll manufacturing charges etc.).

Measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Group allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee. At the commencement date, a lessee shall recognise a right-of-use (usufruct) asset and a net Ijarah liabilities.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) Ijarah (continued)

Measurement (continued)

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

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

- the prime cost of the right-of-use asset;
- initial direct costs incurred by the lessee; and
- dismantling or decommissioning costs.

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

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

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

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

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

The Group carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

The net Ijarah liabilities comprises of the gross Ijarah liabilities, plus deferred Ijarah cost (shown as a contra-liability). The gross Ijarah liabilities is initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) Ijarah (continued)

Measurement (continued)

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

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

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

- increasing the net carrying amount to reflect return on the Ijarah liabilities (amortisation of deferred Ijarah cost)
- reducing the carrying amount of the gross Ijarah liabilities to reflect the Ijarah rentals paid
- re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals

The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Group recognises the following in the income statement:

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

Ijarah contract modifications

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

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

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

The Group recalculates the Ijarah liabilities, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) Ijarah (continued)

Expenses relating to underlying asset

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

Recognition exemptions and simplified accounting for the lessee

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

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

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

6. CASH AND BANK BALANCES

	31 December 2025	31 December 2024
Cash	3,151	3,729
Balances with banks	13,138	5,491
Balances with the Central Bank:		
- Reserve account*	35,166	31,958
- Current account	29	892
Other short-term balances	-	63,376
	51,484	105,446

*The reserve account with the Central Bank of Bahrain is not available for day-to-day operational purposes. Other short-term balances represents balances with maturities of 7 days or less.

7. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
Gross Murabaha receivable	143,272	65,532
Margin call accounts	9,840	5,601
Less: Deferred profits on Murabaha	(62)	(115)
Less: Impairment allowance	(12)	(1)
	153,038	71,017

The margin call accounts requirement is against term financing from financial institutions and investment in sukuk held at fair value through other comprehensive income and is not available for day-to-day operational purposes.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

8. INVESTMENT IN SUKUK AND OTHER YIELDING INVESTMENTS

	31 December 2025	31 December 2024
Debt type instruments - at amortised cost		
- Quoted sukuk*	232,210	419,267
- Unquoted sukuk	1,317	1,317
- Other quoted yielding investments	85,700	-
Less: impairment allowance	(1,796)	(2,096)
Debt type instruments - at fair value through other comprehensive income		
- Quoted sukuk*	196,732	54,502
- Other quoted yielding investments	25,287	-
Equity type instruments - at fair value through other comprehensive income		
- Quoted sukuk	29,149	29,149
	568,599	502,139

* As of 31 December 2025, out of debt type instruments of BD 428,942 thousand (31 December 2024: BD 419,267 thousand), BD 286,113 thousand (31 December 2024: BD 272,028 thousand) were pledged against term financing from financial institutions of BD 222,005 thousand (31 December 2024: BD 245,526 thousand).

Fair value loss reserve amounted to BD 4,635 thousand (31 December 2024: BD 4,895 thousand). The expected credit losses impairment expense on debt type instrument at fair value through other comprehensive income amounted to BD 1 thousand (31 December 2024: Nil). The expected credit losses impairment expenses are recognised in the investment fair value reserve in the statement of changes in owners' equity.

9. FINANCING CONTRACTS

	31 December 2025	31 December 2024
Murabaha (net of deferred profit)*	522,737	491,297
Mudaraba	-	6,818
Ijarah assets (note 9.1)	324,213	244,043
Gross financing contracts	846,950	742,158
Less: Impairment allowance (note 9.3)	(16,744)	(20,991)
Net financing contracts	830,206	721,167

* Murabaha financing contracts are net of deferred profits of BD 29,277 thousand (31 December 2024: BD 15,178 thousand).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

9. FINANCING CONTRACTS (continued)

9.1 Movement in ijarah assets is as follows:

	31 December 2025	31 December 2024
Cost		
At 1 January	244,043	271,331
Additions during the year	173,155	48,746
Settlements during the year	(15,915)	(5,984)
At 31 December	401,283	314,093
Accumulated depreciation / amortization		
At 1 January	70,050	60,513
Charge for year	24,580	23,616
Settlements during the year	(17,560)	(14,079)
At 31 December	77,070	70,050
Net book value at 31 December	324,213	244,043

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

	31 December 2025	31 December 2024
Due within one year	24,969	19,071
Due in one to five years	170,259	24,205
Due after five years	128,985	201,127
	324,213	244,403

9.3 The movement on impairment allowances is as follows:

2025	Stage 1	Stage 2	Stage 3	POCI*	Total
At 1 January 2025	933	4,364	15,242	452	20,991
Net movement between stages	(592)	86	506	-	-
Net charge	1,845	(396)	2,799	301	4,549
Write-off	-	-	(5,291)	-	(5,291)
Settlement	-	-	(3,505)	-	(3,505)
At 31 December 2025	2,186	4,054	9,751	753	16,744

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

9. FINANCING CONTRACTS (continued)

9.3 The movement on impairment allowances is as follows (continued):

2024	Stage 1	Stage 2	Stage 3	POCI*	Total
At 1 January 2024	1,709	5,717	15,200	325	22,951
Net movement between stages	3,442	(4,224)	782	-	-
Net charge	(4,218)	2,871	2,652	127	1,432
Write-off	-	-	(3,392)	-	(3,392)
At 31 December 2024	933	4,364	15,242	452	20,991

* Purchased or originated credit impaired (POCI) assets are initially recognised at their fair values and subsequently remeasured for any change in ECL or expected recoverable amounts. The POCI assets are currently carried at 17.27% (31 December 2024: 24.17%) compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) are carried at 73.65% (31 December 2024: 69.39%) compared to their original contractual outstanding amounts.

10. INVESTMENT SECURITIES

	31 December 2025	31 December 2024
Equity type instruments:		
<i>At fair value through income statement - Structured notes</i>		
At 1 January	-	14,796
Accrued profit	-	371
Redemption	-	(15,118)
Changes in fair value	-	(49)
	-	-
<i>At fair value through other comprehensive income - Unquoted equity securities*</i>	17,453	20,895
	17,453	20,895

* During the year, the Bank sold one of its unquoted equity investment resulting in a gain of BD 2,087 thousand (refer to note 45).

11. INVESTMENT IN REAL ESTATE

	31 December 2025	31 December 2024
Development property*	9,223	7,774
Investment property**	36,710	32,064
	45,933	39,838

* Includes Bank's share in real estate properties with carrying value of BD 1,852 thousand (31 December 2024: BD 3,207 thousand) for which the title deeds are in the name of a third party held for beneficial interest of the Bank.

** Includes Bank's share in real estate properties with carrying value of BD 26,000 thousand (31 December 2024: BD 16,201 thousand) for which the title deeds are in the name of a third party held for beneficial interest of the Bank.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

11. INVESTMENT IN REAL ESTATE (continued)

(i) *Development property*

Development property comprise mainly properties under construction in the Kingdom of Bahrain, and residential units that were repossessed.

(ii) *Investment property*

Investment property comprise plots of land in the Kingdom of Bahrain, Kingdom of Saudi Arabia and United Arab Emirates held for capital appreciation.

The fair value of investment property as of 31 December 2025 was BD 38,994 thousand (31 December 2024: BD 34,530 thousand), determined by an external independent real estate valuer based on sales comparison approach and accordingly has been categorised as level 2 in the fair value hierarchy. Based on management assessment, there are no indicators of impairment as of year-end; hence, no impairment provision have been considered.

12. EQUITY ACCOUNTED INVESTEEES

	31 December 2025	31 December 2024
At 1 January	6,516	24,689
Addition	-	3,128
Sale	-	(20,797)
Share of result for the year	432	(504)
At 31 December	6,948	6,516

Name	Country of incorporation	% holding		Nature of business
		31 December 2025	31 December 2024	
Capital Real Estate Projects Company	Kingdom of Bahrain	30%	30%	Real estate development
Amlak II Company	Cayman Islands	37%	37%	To hold real estate property
Seef Um Al Hassam Real Estate Co. W.L.L.*	Kingdom of Bahrain	31.28%	31.28%	To hold real estate property

*In 2024, the Group acquired shares in an associate as an in-kind settlement of a financing exposure.

Summarised financial information of associates that have been equity accounted for in these consolidated financial statements, not adjusted for percentage of ownership held by the Group:

	2025	2024
Total assets	26,616	26,665
Total liabilities	828	418
Total revenues	2,007	37
Total net profit	2,020	10

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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13. OTHER ASSETS

	31 December 2025	31 December 2024
Repossessed assets	1,794	5,465
Profit accrued on Sukuk	6,479	6,428
Receivable from customers*	10,703	7,412
Right-of-use asset	1,280	1,069
Prepaid expenses	897	803
Due from investments	409	454
Other receivables	1,681	3,918
	23,243	25,549

*Includes receivables of BD 4,600 thousand (31 December 2024: BD 4,600 thousand) upon the in-kind settlement of stage 3 financing exposures. The process of transfer of the collateral real estate was not completed as at 31 December 2025. However, beneficial interest has been transferred to the Bank. During the year 2025, the Group has taken a provision against those receivables in the amount of BD 1,310 thousand (31 December 2024: Nil).

Below are further details related to the right-of-use asset:

	2025	2024
Balance as at 1 January	1,069	1,378
Additional right-of-use assets for the year, net	627	81
Amortisation charge during the year	(416)	(390)
Balance as at 31 December	1,280	1,069

14. PROPERTY AND EQUIPMENT

	Head office	Furniture and fixtures	Computers	Motor vehicle and Other equipment	Work-in- progress	2025 Total	2024 Total
Cost							
At 1 January	-	6,246	7,539	728	1,336	15,849	14,859
Additions	-	13	321	2	197	533	990
Addition due to acquisition of subsidiary (note 45)	24,867	228	-	-	-	25,095	-
Transfer	-	392	66	2	(460)	-	-
At 31 December	24,867	6,879	7,926	732	1,073	41,477	15,849
Accumulated Depreciation							
At 1 January	-	5,059	6,613	616	-	12,288	11,370
Charge for year (note 27)	-	394	538	37	-	969	917
At 31 December	-	5,453	7,151	653	-	13,257	12,287
Net book value							
At 31 December 2025	24,867	1,426	775	79	1,073	28,220	
At 31 December 2024	-	1,187	926	113	1,336		3,562

Notes to the Consolidated Financial Statements *(continued)*

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15. PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS

	31 December 2025	31 December 2024
Individuals	146,376	160,095
Non-financial institutions	197,607	169,720
	343,983	329,815

These represent placements in the form of Murabaha contracts and are net of deferred profit of BD 4,507 thousand (31 December 2024: BD 6,150 thousand).

16. TERM FINANCING FROM FINANCIAL INSTITUTIONS

Represents term Murabaha facilities of BD 222,005 thousand (31 December 2024: BD 245,526 thousand) secured by pledge over sukuk with carrying value of BD 286,113 thousand (31 December 2024: BD 272,028 thousand) (refer to note 8). The average rate of term financing is 5.07% p.a. p.a. (2024: 5.95% p.a.) with an average maturity / repricing periods ranging up-to six months.

17. OTHER LIABILITIES

	31 December 2025	31 December 2024
Mudaraba profit accrual	6,103	5,706
Payable to Investors	5,478	5,738
Net ijarah liabilities	766	1,042
Advance received from customers	274	276
Zakah and charity payable*	1,155	352
Employee related accruals (note 17.1)	2,187	1,196
Payable for Istisna'a contracts	27	27
Other payables and accrued expenses**	12,684	6,265
	28,674	20,602

* During the year ended 31 December 2025, BD 836 thousand (31 December 2024: BD 779 thousand) was transferred into the Zakah and charity fund and BD 33 thousand (31 December 2024: BD 811 thousand) was utilised from the Zakah and charity fund (Refer to note 35).

** Includes impairment allowance on commitments and financial guarantees of BD 29 thousand (31 December 2024: BD 75 thousand) (Refer to note 41).

Notes to the Consolidated Financial Statements *(continued)*

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17. OTHER LIABILITIES (continued)

The breakup of the Net Ijarah liabilities per maturity analysis is as follows:

Net Ijarah Liability

Maturity analysis	31 December 2025		
	Gross Ijarah liability	Deferred Ijarah	Net Ijarah liability
Less than one year	422	(5)	417
One to five years	372	(23)	349
Total	794	(28)	766

Maturity analysis	31 December 2024		
	Gross Ijarah liability	Deferred Ijarah	Net Ijarah liability
Less than one year	387	(5)	382
One to five years	699	(39)	660
Total	1,086	(44)	1,042

17.1 EMPLOYEES' END OF SERVICE BENEFITS

Employee related accruals include employee end of service benefits, movement of the balance is as follows:

	31 December 2025	31 December 2024
At beginning of the year	359	345
Charge for the year	185	113
Paid during the year	(6)	(86)
Transferred to SIO during the year *	(21)	(13)
At 31 December	517	359

*As per the changes in end-of-service benefits system for expatriate employees introduced by SIO effective from 1 March 2024, employers are required to pay the monthly end-of-service contributions electronically through the SIO portal in relation to the expatriate employees. SIO would be responsible to settle leaving indemnities for expat employees at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Bank.

Total number of employees at 31 December:

	31 December 2025	31 December 2024
Bahrainis	181	174
Expatriates	12	11
	193	185

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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18. QUASI-EQUITY

	31 December 2025	31 December 2024
Participatory-based		
Mudaraba	696,475	519,936
Fair value reserve attributable to Quasi-equity	(624)	(740)
	695,851	519,196

The funds received from investment accountholders have been commingled and jointly invested with the Group in the following asset classes:

	31 December 2025	31 December 2024
CBB reserve account	35,166	31,958
Investment in sukuk and other yielding investments*	67,371	67,438
Financing contracts**	575,042	391,712
Investment securities	11,169	11,630
Investment in real estate	7,103	16,458
	695,851	519,196

*Impairment allowance as at 31 December 2025 amounts to BD 444 thousand (BD 461 thousand 31 December 2024).

**Impairment allowance as at 31 December 2025 amounts to BD 4,467 thousand (BD 3,024 thousand 31 December 2024).

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

The Group does not allocate non-performing assets to quasi equity pool. All the impairment allowances are allocated to the owners' equity. Recoveries from non-performing financial assets are also not allocated to quasi equity holders.

Only profits earned on pool of assets funded from quasi equity are allocated between the owners' equity and quasi equity. The Group did not charge any administration expenses to quasi equity.

During the year, the assets allocated to Quasi equity accounts earned a return of 5.17% of which 3.71% was distributed to the IAH and balance was retained as mudarib fees.

During the year, average mudarib share as a percentage of total income allocated to quasi equity was 27.96% (2024: 24.00%) as against the average mudarib share contractually agreed with quasi equity. Hence the Group sacrificed average mudarib fees of 35.61% (2024: 40.44%) in the form of hiba or reduction of mudarib share.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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18. QUASI-EQUITY (continued)

The Group does not share profits resulting from the assets funded through current accounts and other funds received on the basis other than mudaraba contract.

The funds raised from quasi equity are deployed in the assets on a priority basis after setting aside certain amount in cash and placement with Banks for liquidity management purposes.

The distribution of asset by ownership is as follows:

	2025		2024	
	Self	Quasi equity (jointly financed)	Self	Quasi equity (jointly financed)
Balances with banks	16,318	-	73,488	-
CBB reserve account	-	35,166	-	31,958
Placements with financial institutions	153,038	-	71,017	-
Investment in sukuk and other yielding investments	501,228	67,371	434,701	67,438
Financing contracts	255,164	575,042	329,455	391,712
Investment securities	6,284	11,169	9,265	11,630
Investment in real estate	38,830	7,103	23,380	16,458
Equity accounted investees	6,948	-	6,516	-
Other assets	23,243	-	25,549	-
Property and equipment	28,220	-	3,562	-
Total	1,029,273	695,851	976,933	519,196

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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18. QUASI-EQUITY (continued)

The distribution of income by ownership is as follows:

	2025		2024	
	Self	Quasi equity (jointly financed)	Self	Quasi equity (jointly financed)
Income				
Income from financing contracts	22,089	32,803	29,031	18,803
Income from placements with financial institutions	4,482	-	7,733	-
Income from sukuk and other yielding investments	28,510	438	21,203	3,790
Finance expense on placements from financial institutions, non-financial institutions and individuals	(20,022)	-	(29,904)	-
Finance expense on term financing from financial institutions	(15,095)	-	(15,448)	-
Net finance income	19,964	33,241	12,615	22,593
Income from investment securities	168	1,958	5,806	352
Income from investment in real estate, net	5,036	-	1,070	738
Share of result from equity accounted investees, net	432	-	(504)	-
Fees and other income, net	3,104	-	7,290	-
TOTAL INCOME	28,704	35,199	26,277	23,683
Staff cost	9,479	-	7,127	-
Other operating expenses	11,122	-	9,387	-
TOTAL EXPENSES	20,601	-	16,514	-
Profit before impairment allowances and attribution to quasi-equity	8,103	35,199	9,763	23,683
Allowances for impairment and expected credit losses, net	(5,214)	(809)	(2,656)	732
Profit before attribution to quasi-equity	2,889	34,390	7,107	24,415
Group's share as a mudarib and wakil	8,692	(8,692)	3,396	(3,396)
PROFIT FOR THE YEAR	11,581	25,698	10,503	21,019

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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18. QUASI-EQUITY (continued)

The below is the break up of quasi equity per original contractual maturity:

	31 December 2025	31 December 2024
Savings accounts	170,541	187,294
One to six months investment accounts	180,455	210,629
Six to twelve months investment accounts	343,365	106,176
One to two years investment accounts	1,894	15,140
Two to three years investment accounts	220	697
Total	696,475	519,936

19. SHARE CAPITAL

The shareholders, in their Extraordinary General Assembly meeting on 4 March 2024 resolved to convert 47% of the AT1 Sukuk with a par value of BD 28,261 thousand into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. As a result, the issued and paid-up capital increased to 1,130,441 thousand shares of BD 0.100 each (excluding 47,588 thousand treasury shares).

	31 December 2025	31 December 2024
Authorised:		
3,000,000,000 ordinary shares of BD 0.100 each	300,000	300,000
Issued and fully paid up:		
1,130,440,712 ordinary shares (2024: 1,130,440,712 shares) of BD 0.100 each	113,044	113,044

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

31 December 2025

Categories*	Number of Shares	Number of Shareholders	% of total outstanding shares
Less than 1%	67,296,367	338	5.95%
1% up to less than 5% **	56,430,775	2	4.99%
5% up to less than 10%	69,057,399	1	6.11%
50% and above	937,656,171	1	82.95%
	1,130,440,712	342	100%

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

** Includes treasury shares.

Notes to the Consolidated Financial Statements *(continued)*

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19. SHARE CAPITAL (continued)

31 December 2024

Categories*	Number of Shares	Number of Shareholders	% of total outstanding shares
Less than 1%	76,139,052	322	6.73%
1% up to less than 5% **	47,588,090	1	4.21%
5% up to less than 10%	69,057,399	1	6.11%
50% and above	937,656,171	1	82.95%
	1,130,440,712	325	100%

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

** Includes treasury shares.

Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares:

31 December 2025

	Nationality	Number of shares	% of total outstanding shares
GFH Financial Group*	Bahrain	937,656,171	82.95%
Royal Humanitarian Foundation	Bahrain	69,057,399	6.11%

* These shares are held by KHCB Asset Company & SICO B.S.C on behalf of GFH Financial Group, the Parent.

31 December 2024

	Nationality	Number of shares	% of total outstanding shares
GFH Financial Group*	Bahrain	937,656,171	82.95%
Royal Humanitarian Foundation	Bahrain	69,057,399	6.11%

* These shares are held by KHCB Asset Company & SICO B.S.C on behalf of GFH Financial Group, the Parent.

19.1 APPROPRIATIONS

The Board of Directors is proposing a cash dividend of 6 fils per share or 6% (2024: 5%) of the par value of BD 0.100 per share excluding treasury shares and 6% of the paid-up capital to be paid in cash. This amounts to BD 6,512 thousand for the year ended 31 December 2025 (2024:BD 5,400 thousand). The Board of Directors' recommendations for the proposed cash dividends are subject to the approval of the Central Bank of Bahrain and the General Assembly.

Notes to the Consolidated Financial Statements *(continued)*

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20. PERPETUAL MUDHARABA (AT1)

In 2020, the Bank issued a Perpetual Mudharaba (Basel III compliant Additional Tier 1 capital securities) of face value of US\$ 159 million (BD 60 million). During the year 2024, the Group redeemed and converted the AT1 security (refer to note 19) after obtaining required regulatory, shareholder and investor approval. During the year 2024, profit distribution on AT1 to its holders amounted to BD Nil.

21. INCOME FROM FINANCING CONTRACTS

	2025	2024
Murabaha	32,468	31,154
Mudaraba	215	483
Ijarah assets	22,209	16,197
	54,892	47,834

22. INCOME FROM SUKUK AND OTHER YIELDING INVESTMENTS

	2025	2024
Profit income	24,849	23,854
Gain on sale*	4,099	1,139
	28,948	24,993

*During the year, the Bank sold certain Sukuk measured at amortised cost as part of normal treasury and balance sheet optimisation to enhance portfolio efficiency and maintain a strong, well-diversified liquidity buffer in line with the Bank's risk appetite and policies. The Sukuk were derecognised on sale and the resulting gain (sale proceeds less carrying amount) was recognised in profit or loss.

23. INCOME FROM INVESTMENT SECURITIES

	2025	2024
Gain on disposal of equity accounted investees	-	5,792
Income from investment securities	2,086	371
Loss on disposal of investment securities	-	(49)
Dividend income	40	44
	2,126	6,158

24. INCOME FROM INVESTMENT IN REAL ESTATE, NET

	2025	2024
Gain on disposal of investment in real estate	4,441	1,820
Rental income, net	595	(12)
	5,036	1,808

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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25. FEES AND OTHER INCOME, NET

	2025	2024
Fee income, net	1,164	1,563
Foreign exchange gain, net	1,412	1,462
Recoveries	514	4,147
Others	14	118
	3,104	7,290

26. STAFF COST

	2025	2024
Salaries and short-term benefits	8,003	5,914
Social insurance	1,241	1,045
Indemnity expenses	185	113
Other staff expenses	50	55
	9,479	7,127

27. OTHER OPERATING EXPENSES

	2025	2024
Professional fees	1,520	1,408
Distribution channel expenses	1,823	2,223
Information technology expenses	1,469	1,131
Net ijarah cost	442	741
Board expenses	501	397
Depreciation expense (note 14)	969	917
Advertisement and marketing expenses	836	657
Premises cost	355	17
Communication expenses	510	247
Other operating expenses	2,697	1,649
	11,122	9,387

28. ALLOWANCES FOR IMPAIRMENT AND EXPECTED CREDIT LOSSES, NET

	2025	2024
Financing contracts (note 9)	4,549	1,432
Investments in sukuk held at amortised cost (note 8)	(295)	486
Investments in sukuk held at FVOCI (note 8)	(4)	(4)
Balances and placements with banks and financial institutions (note 6 & 7)	12	(4)
Commitments and financial guarantees (note 41)	(45)	14
Investment in real estate	19	-
Other assets	1,787	-
	6,023	1,924

Notes to the Consolidated Financial Statements *(continued)*

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29. SHARE-BASED EMPLOYEE INCENTIVE SCHEME

In 2024, the group has incorporated a trust, Khaleeji Bank Employee Benefit Trust ("Trust"), to hold the beneficial interest of the shares under the scheme.

The shareholders, in their annual general meeting held on 25 March 2024, approved the employee share based incentive scheme (the "scheme") which is in line with the CBB's Sound Remuneration Practices. Under the share incentive scheme, certain covered employees are granted the Bank's shares as compensation of their performance.

As per the scheme, the share awards from each performance year will vest immediately but will be released over three years period from the date of grant. The share awards are subject to an additional retention period of six months from the date of completion of deferred period, after which the employee is unconditionally allowed to sell the shares in the market. The scheme allows the Bank's Nomination, Remuneration and Governance Committee ("BNRGC") to determine that, if appropriate, un-awarded shares can be forfeited or clawed back in certain situations. Share awards to employees under the terms of the scheme shall commence from 2025.

As at 31 December 2025, 2,328,928 shares (31 December 2024: Nil shares) were held by The Khaleeji Bank Employee Benefit Trust. During the 2025, year 2,500,927 shares (2024: Nil shares) shares were awarded to the employees as deferred share awards under the terms of the scheme. During the year, the Trust transferred 171,999 shares (2024: Nil shares) to the employees.

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties.

I. Judgements

Establishing the criteria for determining whether credit risk on an exposure subject to credit risk has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection and approval of models used to measure ECL is set out in Note 5 (i) and Note 40.

Impairment allowance on financing portfolio at amortised cost

In determining the appropriate level of expected credit losses (ECLs) the Group considered the macro-economic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at 31 December 2024.

The re-assessed model inputs, including forward-looking information, scenarios and associated weightings, were revised to reflect the current outlook. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how the social and economic factors will materialize, these scenarios represent reasonable and supportable forward-looking views as at the reporting date. The Group's models are calibrated periodically to consider past performance and macrocosmic forward-looking variables as inputs.

The Group considers both qualitative and quantitative information in the assessment of significant increase in credit risk. The Group continues to assess borrowers 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 or longer term.

Notes to the Consolidated Financial Statements *(continued)*

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30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *(continued)*

I. Judgements *(continued)*

a. *Classification of investments*

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as 1) monetary or non-monetary debt-type instruments carried at fair value through other comprehensive income or at amortised cost, or 2) equity-type instruments carried at fair value through other comprehensive income or at fair value through income statement. The classification of each investment is based on business model assessment by management and is subject to different accounting treatments based on such classification (refer to note 5 (c) (i)).

b. *Impairment of equity investments at fair value through other comprehensive income – (refer to Notes 5 (i) (ii))*

II. Estimations

a) *Impairment of financing contracts at amortised cost*

- Determining inputs into ECL measurement model including incorporation of forward-looking information is set out in Note 5 (i) and Note 40; and
- Key assumptions used in estimating recoverable cash flows

b) *Measurement of fair value of unquoted equity investments (level 3) -refer to Note 5 (c) (iii) and Note 39.*

c) *Assessment of impairment of investment in real estate (Note 5(g),5(j)) and Note 11)*

31. FUNDS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its investment entities, which involves making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements.

No income or expenses has been recognized from the funds under management during the year. At the reporting date, the Group had Funds under management of having net asset value of BD 67,187 thousand (2024: BD 158,930 thousand). As at 31 December 2025, the Bank transferred the management of BD 77,388 thousand of AUM to its Parent's affiliate based on approvals from fund investors.

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the parent company, other significant shareholders and entities over which the Group and the shareholders exercises significant influence, directors, sharia board members and executive management of the Group. The transactions with these parties were made on agreed commercial terms.

Details of Directors' interests in the Bank's ordinary shares as at the end of the year were Nil (2024: Nil).

Compensation of key management personnel

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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32. RELATED PARTY TRANSACTIONS (continued)

The key management personnel compensation during the year is as follows:

	2025	2024
Board member fees and allowances	483	353
Sharia Supervisory Board fees	53	50
Salaries and other short-term benefits	2,115	1,867
Post employment benefits	147	88

The key management personnel balances as of the end the year is as follows:

	31 December 2025	31 December 2024
Balances due to key management as compensation	639	560

The related party balances and transactions included in these consolidated financial statements are as follows:

31 December 2025	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Assets				
Financing contracts	-	4,509	86,591	91,100
Investment securities	-	-	2,284	2,284
Equity accounted investees	6,948	-	-	6,948
Investment in sukuk and other yielding investments	-	-	58,297	58,297
Other assets	-	-	153	153
Liabilities and Quasi-equity				
Placement from financial institutions, Non-FIs and individuals	-	4,096	119,629	123,725
Customers' current accounts	243	879	21,537	22,659
Other liabilities	-	639	-	639
Quasi-equity	313	1,805	133,974	136,092

Notes to the Consolidated Financial Statements *(continued)*

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32. RELATED PARTY TRANSACTIONS (continued)

31 December 2024	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Assets				
Financing contracts	-	3,995	23,091	27,086
Investment securities	-	-	2,284	2,284
Equity accounted investees	6,516	-	-	6,516
Investment in sukuk and other yielding investments	-	-	58,297	58,297
Other assets	-	-	66	66
Liabilities and Quasi-equity				
Placement from financial institutions, Non-FIs and individuals	-	2,439	61,908	64,347
Customers' current accounts	699	350	13,687	14,736
Other liabilities	-	560	-	560
Quasi-equity	318	2,147	29,855	32,320

2025	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Income				
Income from financing contracts	-	266	2,500	2,766
Income from investment securities	-	-	-	-
Share of results from equity accounted investees	432	-	-	432
Income from sukuk and other yielding investments	-	-	1,749	1,749
Fees and other income, net	-	-	14	14
Expenses				
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	88	925	1,013
Net income attributable to quasi-equity	15	56	2,432	2,503
Staff cost	-	2,262	-	2,262
Other expenses	-	536	-	536

Notes to the Consolidated Financial Statements *(continued)*

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32. RELATED PARTY TRANSACTIONS (continued)

2024	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Income				
Income from financing contracts	-	224	2,044	2,268
Income from investment securities	5,792	-	-	5,792
Share of results from equity accounted investees	(504)	-	-	(504)
Income from sukuk and other yielding investments	-	-	2,394	2,394
Fees and other income, net	-	-	-	-
Expenses				
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	105	5,837	5,942
Net income attributable to quasi-equity	18	84	3,952	4,054
Staff cost	-	1,956	-	1,956
Other expenses	-	405	-	405

During the year 2024, 47% of the AT1 Sukuk with a par value of BD 28,261 thousand were converted into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. Furthermore, the Shareholders resolved to approve the redemption of the remaining 53% of the AT1 Sukuk of BD 31,739 thousand in cash.

Additionally, during 2024, the Group disposed of its share in HH Hotel Properties W.L.L. & Al Areen Hotels W.L.L. through a financing arrangement during the year.

Also, during the 2024, BD 438 thousand paid to related parties relating to donations.

Notes to the Consolidated Financial Statements *(continued)*

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33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year adjusted for impact arising from shares issued under the employee share incentive scheme.

Basic EPS	2025	2024
Profit attributable to shareholders of parent for the year	11,582	10,503
Less: Profit distribution on AT1 Capital	-	-
Profit attributable to the shareholders of the parent for basic and diluted earnings per share computation for the year	11,582	10,503
Weighted average number of shares outstanding during the year, net of treasury shares (thousand)	1,085,002	1,016,447
Basic and diluted earnings per share (in fils)	10.67	10.33

The Group did not have any dilutive instruments as of 31 December 2025 and 31 December 2024.

34. SHARI'A SUPERVISORY BOARD

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

35. ZAKAH

Zakah is directly borne by the shareholders on distributed profits and investment accountholders. The Group currently does not collect or pay Zakah on behalf of its shareholders and investors in restricted investment accounts. Zakah payable by the shareholders is computed by the Group on the basis of the method prescribed by the Group's Shari'a Supervisory Board and notified to shareholders annually. The Zakah balance amounting to BD 727 thousand or 670 fils per share (2024: BD 211 thousand or 186 fils per share) is due and payable by the shareholders. The Group will pay Zakah of BD 30 thousand (2024: BD 9 thousand) on the treasury shares held as of 31 December 2025 based on 670 fils per share (2024: 186 fils per share).

The movement in the zakah and charity fund is as follows:

	2025	2024
Sources of zakah and charity fund		
At 1 January	352	384
Contributions by the Bank	828	768
Non-shari'a compliant income	8	11
Total sources	1,188	1,163
Uses of zakah and charity fund		
Contributions to charitable organisations	(33)	(811)
Total uses	(33)	(811)
Undistributed zakah and charity fund at 31 December	1,155	352

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36. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker (Board of Directors) to make decisions about resource allocation to each segment and assess its performance and for which discrete financial information is available. An operating segment is divided into business segment and geographic segments. For management purposes, the Group is organised into two major business segments:

Banking

This mainly covers licensed activities of providing customer services such as accepting Mudharaba deposits, savings account and current account facilities, fund transfer facilities, bill payment facilities. This business deploys the funding to provide financing facilities (in the form of Commodity Murabaha, Mudharaba, Musharaka, Istisna'a and for Ijarah facilities) to corporate clients and High-Networth-Individuals and consumer finance products. This segment also includes liquidity management through money market and treasury services in the form of short term Commodity Murabaha and Wakala to banks, financial institutions and investments in sukuk and other yielding investments to manage funding profile of the Group's banking business.

Investments

Primarily relates to conceptualising of investment deals and performing roles of an arranger, lead manager, and administrator of the funds (involves structuring of deals, raising of funds through private placement and fund administration). Also involves carrying out strategic investments in the form of equity contribution (either in the funds created and managed by the Group or other institutions).

Segment performance is measured based on results for each department as mentioned in the internal management reports that are reviewed by the Board of directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate in these industries.

The Group reports directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment cost respectively. Indirect costs and corporate overheads are treated as unallocated. The group does not use a transfer pricing mechanism between its segments. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures.

The Group primarily operates from Bahrain and does not have any overseas branches/divisions. The geographic concentration of assets and liabilities is disclosed in note 38 (b) to the consolidated financial statements.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments (if any) are conducted on agreed terms.

Notes to the Consolidated Financial Statements *(continued)*

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36. SEGMENT REPORTING (continued)

31 December 2025	Investments	Banking	Unallocated	Total
Cash and bank balances	-	51,484	-	51,484
Placements with financial institutions	(326)	153,364	-	153,038
Investment in sukuk and other yielding investments	-	568,599	-	568,599
Financing contracts	-	830,206	-	830,206
Investment securities	17,453	-	-	17,453
Investment in real estate	45,933	-	-	45,933
Equity accounted investees	6,948	-	-	6,948
Other assets	1,183	6,816	15,244	23,243
Property and equipment	-	-	28,220	28,220
Total segment assets	71,191	1,610,469	43,464	1,725,124
Placements from financial institutions	-	196,899	-	196,899
Placements from non- financial institutions and individuals	-	343,983	-	343,983
Term financing from financial institutions	-	222,005	-	222,005
Customers' current accounts	(326)	96,168	-	95,842
Other liabilities	6,773	14,131	7,770	28,674
Total segment liabilities	6,447	873,186	7,770	887,403
Quasi equity	-	695,851	-	695,851
Assets under management	1,533	-	-	1,533

Notes to the Consolidated Financial Statements *(continued)*

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36. SEGMENT REPORTING (continued)

2025	Investments	Banking	Total
Income from financing contracts	-	54,892	54,892
Income from placements with financial institutions	(9)	4,491	4,482
Income from sukuk and other yielding investments	-	28,948	28,948
Income from investment securities	2,126	-	2,126
Share of results from equity accounted investees, net	432	-	432
Fees and other income, net	608	7,532	8,140
Less: Finance expense on placements from financial institutions, non-financial institutions and individuals	-	(20,022)	(20,022)
Finance expense on term financing from financial institutions	-	(15,095)	(15,095)
Total segment income	3,157	60,746	63,903
Staff cost	433	9,046	9,479
Other expenses	603	10,519	11,122
Total segment expenses	1,036	19,565	20,601
Segment results before impairment allowances	2,121	41,181	43,302
Impairment allowance, net	280	(6,303)	(6,023)
Less: Net income attributable to quasi-equity	-	(25,698)	(25,698)
Segment results	2,401	9,180	11,581

Notes to the Consolidated Financial Statements *(continued)*

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36. SEGMENT REPORTING (continued)

These segments are the basis on which the Group reports its primary segment information. Transactions between segments (if any) are conducted on agreed terms.

31 December 2024	Investments	Banking	Unallocated	Total
Cash and bank balances	-	105,446	-	105,446
Placements with financial institutions	(43)	71,060	-	71,017
Investment in sukuk and other yielding investments	-	502,139	-	502,139
Financing contracts	-	721,167	-	721,167
Investment securities	20,895	-	-	20,895
Investment in real estate	39,838	-	-	39,838
Equity accounted investees	6,516	-	-	6,516
Other assets	5,953	6,933	12,663	25,549
Property and equipment	-	-	3,562	3,562
Total segment assets	73,159	1,406,745	16,225	1,496,129
Placements from financial institutions	-	134,971	-	134,971
Placements from non- financial institutions and individuals	-	329,815	-	329,815
Term financing from financial institutions	-	245,526	-	245,526
Customers' current accounts	(43)	117,415	-	117,372
Other liabilities	5,831	7,537	7,234	20,602
Total segment liabilities	5,788	835,264	7,234	848,286
Quasi equity	-	519,196	-	519,196
Assets under management	1,533	-	-	1,533

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

36. SEGMENT REPORTING (continued)

2024	Investments	Banking	Total
Income from financing contracts	-	47,834	47,834
Income from placements with financial institutions	-	7,733	7,733
Income from sukuk and other yielding investments	-	24,993	24,993
Income from investment securities	6,278	-	6,278
Share of results from equity accounted investees, net	(504)	-	(504)
Fees and other income, net	(12)	8,990	8,978
Less: Finance expense on placements from financial institutions, non-financial institutions and individuals	-	(29,904)	(29,904)
Finance expense on term financing from financial institutions	-	(15,448)	(15,448)
Total segment income	5,762	44,198	49,960
Staff cost	281	6,846	7,127
Other expenses	356	9,031	9,387
Total segment expenses	637	15,877	16,514
Segment results before impairment allowances	5,125	28,321	33,446
Impairment allowance, net	(482)	(1,442)	(1,924)
Less: Net income attributable to quasi-equity	-	(21,019)	(21,019)
Segment results	4,643	5,860	10,503

During the year, the Group amended its cost allocation policies for segment transactions for the after conducting a detailed fund transfer pricing study. Accordingly, the comparative segment results for the year ended 31 December 2024 have been re-presented in accordance with the revised cost allocation policies.

Notes to the Consolidated Financial Statements *(continued)*

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37. MATURITY PROFILE

The maturity profile of placements with and from financial institutions, financing contracts, term financing and term quasi equity has been presented using their contractual maturity period. For other balances, maturity profile is based on expected cash flows/ settlement profile of the respective assets and liabilities.

31 December 2025	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	30,375	7,757	10,428	199	2,725	51,484
Placements with financial institutions	153,038	-	-	-	-	153,038
Investment in sukuk and other yielding investments	-	335,280	51,441	-	181,878	568,599
Financing contracts	160,543	29,718	16,625	191,332	431,988	830,206
Investment securities	-	-	-	-	17,453	17,453
Investment in real estate	-	-	-	-	45,933	45,933
Equity accounted investees	-	-	-	-	6,948	6,948
Other assets	2,102	5,247	331	9,390	6,173	23,243
Property and equipment	-	-	-	-	28,220	28,220
Total assets	346,058	378,002	78,825	200,921	721,318	1,725,124
Liabilities						
Placements from financial institutions	184,899	-	-	-	12,000	196,899
Placements from non-financial institutions and individuals	170,501	23,304	6,573	43	143,562	343,983
Term financing from financial institutions	-	-	-	222,005	-	222,005
Customers' current account	11,927	-	-	-	83,915	95,842
Other liabilities	17,883	2,087	1,772	4,187	2,745	28,674
Total liabilities	385,210	25,391	8,345	226,235	242,222	887,403
Quasi equity	114,958	25,000	11,609	102,018	442,266	695,851
Assets under management	-	-	-	1,533	-	1,533

Notes to the Consolidated Financial Statements *(continued)*

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37. MATURITY PROFILE (continued)

31 December 2024	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	90,310	6,352	8,402	382	-	105,446
Placements with financial institutions	71,017	-	-	-	-	71,017
Investment in sukuk and other yielding investments	27,124	314,178	32,877	86,440	41,520	502,139
Financing contracts	65,387	76,255	38,966	132,924	407,635	721,167
Investment securities	-	-	-	-	20,895	20,895
Investment in real estate	-	-	-	-	39,838	39,838
Equity accounted investees	-	-	-	-	6,516	6,516
Other assets	5,112	2,342	295	12,134	5,666	25,549
Property and equipment	-	-	-	-	3,562	3,562
Total assets	258,950	399,127	80,540	231,880	525,632	1,496,129
Liabilities						
Placements from financial institutions	95,095	38,191	1,685	-	-	134,971
Placements from non-financial institutions and individuals	101,736	40,196	15,985	150	171,748	329,815
Term financing from financial institutions	-	-	-	245,526	-	245,526
Customers' current account	56,033	974	1,831	3,663	54,871	117,372
Other liabilities	13,327	2,008	1,145	1,766	2,356	20,602
Total liabilities	266,191	81,369	20,646	251,105	228,975	848,286
Quasi equity	199,829	30,643	28,064	46,287	214,373	519,196
Assets under management	-	-	-	1,533	-	1,533

Notes to the Consolidated Financial Statements *(continued)*

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38. CONCENTRATION

(a) Industry sector

31 December 2025	Banks and financial institutions	Real estate	Government / Sovereign	Others	Total
Assets					
Cash and bank balances	51,484	-	-	-	51,484
Placements with financial institutions	153,038	-	-	-	153,038
Investment in sukuk and other yielding investments	-	66,339	502,260	-	568,599
Financing contracts	54,505	298,791	116,930	359,980	830,206
Investment securities	-	15,173	-	2,280	17,453
Investment in real estate	-	45,933	-	-	45,933
Equity accounted investees	-	6,948	-	-	6,948
Other assets	6,525	14,721	62	1,935	23,243
Property and equipment	-	-	-	28,220	28,220
Total assets	265,552	447,905	619,252	392,415	1,725,124
Liabilities					
Placements from financial institutions	196,899	-	-	-	196,899
Placements from non-financial institutions and individuals	1,849	92,703	27,874	221,557	343,983
Term financing from financial institutions	222,005	-	-	-	222,005
Customers' current accounts	938	4,241	-	90,663	95,842
Other liabilities	-	-	-	28,674	28,674
Total liabilities	421,691	96,944	27,874	340,894	887,403
Quasi equity	122,415	31,513	12,775	529,148	695,851
Assets under management	-	1,533	-	-	1,533
Commitments and financial guarantees	-	25,382	-	79,506	104,888

Notes to the Consolidated Financial Statements *(continued)*

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38. CONCENTRATION (continued)

(a) Industry sector (continued)

31 December 2024	Banks and financial institutions	Real estate	Government / Sovereign	Others	Total
Assets					
Cash and bank balances	105,446	-	-	-	105,446
Placements with financial institutions	71,017	-	-	-	71,017
Investment in sukuk and other yielding investments	53,725	78,649	349,588	20,177	502,139
Financing contracts	49,677	271,299	113,159	287,032	721,167
Investment securities	-	15,463	-	5,432	20,895
Investment in real estate	-	39,838	-	-	39,838
Equity accounted investees	-	6,516	-	-	6,516
Other assets	3,338	4,929	17	17,265	25,549
Property and equipment	-	-	-	3,562	3,562
Total assets	283,203	416,694	462,764	333,468	1,496,129
Liabilities					
Placements from financial institutions	134,971	-	-	-	134,971
Placements from non-financial institutions and individuals	1,516	60,282	67,928	200,089	329,815
Term financing from financial institutions	196,569	-	48,957	-	245,526
Customers' current accounts	130	4,017	2,100	111,125	117,372
Other liabilities	-	-	-	20,602	20,602
Total liabilities	333,186	64,299	118,985	331,816	848,286
Quasi equity	6,284	41,931	43,001	427,980	519,196
Assets under management	-	1,533	-	-	1,533
Commitments and financial guarantees	-	12,852	-	61,098	73,950

Notes to the Consolidated Financial Statements *(continued)*

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38. CONCENTRATION (continued)

(b) Geographic sector

31 December 2025	GCC countries	Europe	America	Asia	Australia	Total
Assets						
Cash and bank balances	39,175	307	11,971	31	-	51,484
Placements with financial institutions	142,124	10,914	-	-	-	153,038
Investment in sukuk and other yielding investments	568,599	-	-	-	-	568,599
Financing contracts	813,736	16,437	33	-	-	830,206
Investment securities	17,453	-	-	-	-	17,453
Investment in real estate	45,933	-	-	-	-	45,933
Equity accounted investees	6,948	-	-	-	-	6,948
Other assets	23,243	-	-	-	-	23,243
Property and equipment	28,220	-	-	-	-	28,220
Total assets	1,685,431	27,658	12,004	31	-	1,725,124
Liabilities						
Placements from financial institutions	108,730	88,169	-	-	-	196,899
Placements from non-financial institutions and individuals	332,511	11,472	-	-	-	343,983
Term financing from financial institutions	190,611	31,394	-	-	-	222,005
Customers' current accounts	72,601	23,209	-	32	-	95,842
Other liabilities	28,674	-	-	-	-	28,674
Total liabilities	733,127	154,244	-	32	-	887,403
Quasi equity	652,703	43,082	4	57	5	695,851
Funds under management	1,533	-	-	-	-	1,533
Commitments and financial guarantee	91,321	7,540	6,027	-	-	104,888

Concentration by location for financing contracts is measured based on the location of the counterparty, which has a high correlation with the location of the collateral for the exposure.

Notes to the Consolidated Financial Statements *(continued)*

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38. CONCENTRATION (continued)

(b) Geographic sector (continued)

31 December 2024	GCC countries	Europe	America	Asia	Australia	Total
Assets						
Cash and bank balances	101,781	3,623	-	42	-	105,446
Placements with financial institutions	43,005	28,012	-	-	-	71,017
Investment in sukuk and other yielding investments	447,637	54,502	-	-	-	502,139
Financing contracts	715,106	6,061	-	-	-	721,167
Investment securities	17,744	-	-	-	3,151	20,895
Investment in real estate	39,838	-	-	-	-	39,838
Equity accounted investees	6,516	-	-	-	-	6,516
Other assets	25,304	59	30	155	1	25,549
Property and equipment	3,562	-	-	-	-	3,562
Total assets	1,400,493	92,257	30	197	3,152	1,496,129
Liabilities						
Placements from financial institutions	134,971	-	-	-	-	134,971
Placements from non-financial institutions and individuals	326,788	3,027	-	-	-	329,815
Term financing from financial institutions	211,107	34,419	-	-	-	245,526
Customers' current accounts	98,001	19,307	-	64	-	117,372
Other liabilities	20,602	-	-	-	-	20,602
Total liabilities	791,469	56,753	-	64	-	848,286
Quasi equity	465,654	52,006	-	1,528	8	519,196
Assets under management	1,533	-	-	-	-	1,533
Commitments and financial guarantee	74,544	-	-	-	-	74,544

Notes to the Consolidated Financial Statements *(continued)*

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39. FAIR VALUE

a) Fair value

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

The fair value of quoted Sukuk carried at amortised cost of BD 378,544 thousand (31 December 2024: BD 419,266 thousand) is BD 381,593 thousand as at 31 December 2025 (31 December 2024: BD 411,228 thousand).

The estimated fair values of the Group's other tradable financial instruments other than receivables are not significantly different from their carrying values due to their short-term nature.

b) Fair value hierarchy

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

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

31 December 2025	Level 1	Level 2	Level 3	Total
Debt-type sukuk at fair value through other comprehensive income	170,579	51,441	-	222,020
Equity-type sukuk at fair value through other comprehensive income	-	29,149	-	29,149
Equity-type securities carried at fair value through other comprehensive income	-	-	17,453	17,453
	170,579	80,590	17,453	268,622
31 December 2024	Level 1	Level 2	Level 3	Total
Debt-type sukuk at fair value through other comprehensive income	-	54,502	-	54,502
Equity-type sukuk at fair value through other comprehensive income	-	29,149	-	29,149
Equity-type securities carried at fair value through other comprehensive income	-	-	20,895	20,895
	-	83,651	20,895	104,546

Notes to the Consolidated Financial Statements *(continued)*

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39. FAIR VALUE (continued)

b) Fair value hierarchy (continued)

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

	2025	2024
At 1 January	22,724	23,774
Fair value change in equity	477	(993)
Sales	(6,000)	-
Settlements	(57)	(57)
Other movements	309	-
At 31 December	17,453	22,724

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

31 December 2025

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2025	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Price to book value	2,506	+/- 10%	368 / (368)
Adjusted Net Asset Value	Change in net asset value	14,947	+/- 10%	1,495 / (1,495)
		17,453		

31 December 2024

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2024	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Enterprise value to EBITDA	2,817	+/- 10%	246 / (246)
Market multiples approach	Price to book value	5,101	+/- 10%	726 / (726)
Market multiples approach	Price to total assets	1,142	+/- 10%	24 / (24)
Discounted cash flow	Cost of equity and terminal growth rate	735	+/- 10%	70 / (70)
Adjusted Net Asset Value	Change in net asset value	13,979	+/- 10%	1,398 / (1,398)
		23,774		

Notes to the Consolidated Financial Statements *(continued)*

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40. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various committees with responsibilities for managing the overall risks associated with the Group. The committees also continuously monitors consistent implementation of the Board approved policies in the Group and reports deviations, if any, to the Board. The committees consists of heads of business and other functional units in the Group. The committees comprise the following: Executive Risk Management, Executive Credit and Investment Committee (credit and investment risks), and Assets and Liabilities Committee (market and capital risks). In addition to the Committees, the Board has established an independent Risk Management Department with an overall responsibility to identify, measure, control risks and recommend policies and corrective actions. Risk Management Department reports directly to the Board Audit and Risk Management Committee.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group's Audit and Risk Management Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

CREDIT RISK

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

The Group manages its credit risks through its various business units, an independent Risk Management Department, Board Audit & Risk Management Committee ("BARMC"), and the Executive Credit & Investment Committee ("ECICOM"). The Credit risk management framework comprises the following:

- Formulating credit risk strategies policies and risk appetite which are developed after careful assessment of the market, capital requirement, regulatory rules, and the Board's risk appetite. The risk strategies and risk appetites are coded into policies approved by the Board. The Group's credit policy framework includes, inter alia, the following: credit risk management framework, credit risk mitigations, credit risk rating, credit risk pricing, expected credit loss, cross border business policy, personal finance product programs, approval authorities' matrix, and many others.

Notes to the Consolidated Financial Statements *(continued)*

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BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

- Credit granting process. All credit exposures are assumed after careful assessment of the risks. Business proposals are initiated by the business units through formal credit applications. Such credit application provide adequate information about the proposed exposure including description of possible risks and mitigating factors. Credit applications are independently reviewed by a Credit Review Unit to assess the adequacy of the due diligence conducted, independent assessment of the risks and mitigants, ensure compliance with limits and policies. Credit Review Unit issue formal opinion in respect of the proposals which may include recommendations for enhancing the Group's position. Proposals are then presented to approving authorities for their considerations (see proceeding point below). Where applicable and necessary, credit applications are also independently reviewed by the Sharia Compliance Officer to ensure adherence to Islamic principles.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Approval authorities are documented in the Credit Authorities Policy of the Group which describes the various approval authorities, conditions, and limits for approving business transactions arising from investment and credit activities within the Group. There are 5 main levels of credit and investment authorities within the Group: Board of Directors, Board Investment & Credit Committee, Executive Credit & Investment Committee, Chief Executive Officer, and Heads of Business Units. Approval authorities are decided based on the magnitude of the risk and transactions size while at the same time allowing for smooth business operations.
- Managing concentrations. The Group places significant emphasis on diversifying its portfolio through applying a portfolio strategy in which the Group spreads its assets and liabilities' businesses so that results from volatility or fluctuations in such businesses become subdued, controlled, and assist in the consistent long-term growth of the shareholders' interests.

An important element of such portfolio strategy is to establish limits within which the Management may conduct business. In principle, the Group shall adhere to all maximum limits established by regulatory authorities. At the same time, the Group has defined its own internal limits to control the following: Credit risk concentration, Counterparty limits, Industry limits, Country limits, Collateral concentration limits, Product mix, Maturity limits, amongst others. These internal limits are reviewed on periodic basis taking into considerations the following factors: The Group's risk appetite, Business and budget plans, Counterparty's risk rating, Risk rating of the Counterparty's country, the Group's financial positions including liquidity and Capital adequacy, General market condition; and other factors as determined by the Board of Directors or the Board Audit & Risk Management Committee. In general, the Group adopts a negative correlation between risks and limits in that lower limits are defined for higher risks.

- Credit Measurement Methodologies. The Group quantifies its credit risk using two main metrics: expected loss (EL) and economic capital (EC). The expected loss reflects the average value of the estimated losses (i.e. the cost of the business) and is associated with the Group's policy on provisions, while economic capital is the amount of capital necessary to cover unexpected losses (i.e. if actual losses are higher than expected losses). As part of its measurement techniques, the Group conducts adequate stress testing on its portfolio.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

- Credit risk rating (CRR). An important tool in monitoring the quality of individual credits, as well as the total portfolio, is the use of Credit Risk Rating systems. The Group adopts a well-structured internal CRR system as a mean of differentiating the degree of credit risk in the different credit exposures of the Group to allow more accurate determination of the overall characteristics of the asset portfolio, concentrations, limits management, problem assets, pricing, and the adequacy of loss reserves (provisions). As well as identifying the risks associated with a counterparty and a credit facility, CRRs provide a key input for the capital charges and risk weights. The Group's approach to credit risk rating is documented in the Credit Risk Rating Policy which aims at achieving the following: (a) create a benchmark for assessing relative creditworthiness of the graded entity and measure credit risk in relation to the market, (b) arrive at a system of risk-based pricing for credit facilities granted by the Group, (c) monitor the overall credit risk inherent in the Group's Credit portfolio, (d) create a benchmark for recognition of accrued income on credit assets, (e) link asset review frequency and approval authority levels to Credit risk and emphasize focus on effective management of weak assets, and (f) provide a means to link Internal Capital Adequacy to the portfolio credit risk.
- Classifications and identification of non-performing exposures. The Group has adopted FAS 30 / IFRS 9 standards for classifying exposures into three stages. Accounts are moved into higher staging depending on occurrence of Significant Increase in Credit Risks. Exposures with past due 90 days or more are classified as non-performing.

Credit risk grades

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

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

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Exposures are rated 1 to 10 with 1 to 3 being good, 4 to 6 being satisfactory and 7 being watch list and 8, 9 and 10 default grades. The monitoring typically involves use of the following data.

Corporate exposures

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

Retail exposures

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

All exposures

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

Remedial management

All credit exposures assumed by the Group are considered after thorough risk and reward analysis adequate for the size and nature of business being considered. However, despite all due diligence exercised to minimize the risks involved, it is inevitable that certain exposures may experience setbacks due to various reasons such as: fundamental changes in the market conditions, changes in regulations and laws, changes in the status of counterparties (such as death, loss of job, sanctions, seizure of business, or bankruptcy), delays in deliverables (such as delays in completion of projects), or Unintentional errors in the initial assumptions. From business impact point of view, such exposures would have high costs due to suspension of profits, provisioning, liquidity, reputational, or opportunity costs. To prevent such adverse business impact, the Group has developed a prudent remedial strategy appropriate for the size, nature, and delinquency period. Such strategy is documented in the Remedial Management Policy. The Group, through its Remedial and Collection department pursue various recovery techniques including dunning, rescheduling, restructuring, collateral foreclosure, legal actions, and cash settlement amongst others.

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
Assets		
Balances with banks	51,484	105,446
Placements with financial institutions	153,050	71,018
Investment in sukuk and other yielding investments	570,394	504,235
Financing contracts	846,950	742,158
Other assets*	20,840	9,376
Total	1,642,718	1,432,233
Commitments and financial guarantees	104,888	73,950
Total credit risk exposure	1,747,606	1,506,183

*Other assets do not carry any ECL that is material for recognition purposes due to their low credit other than BD 1,679 thousands related to receivables from customers.

As of 31 December 2025, the provision coverage ratio on non-performing financing contracts amounted to 117% (31 December 2024: 93%) after taking into account the estimated recoverable value of collateral held.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Exposures subject to credit risk

31 December 2025	Stage 1	Stage 2	Stage 3**	Total
Financing contracts				
Grade 8 -10 Impaired	-	-	47,837	47,837
Past due but not impaired:				
<i>Grade 1-3 Low Risk</i>	53,485	1,634	-	55,119
<i>Grade 4-6 Satisfactory</i>	47,504	34,256	-	81,760
<i>Grade 7 Watch list</i>	-	6,407	-	6,407
Past due comprises:				
<i>Up to 30 days</i>	100,419	35,596	-	136,015
<i>30-60 days</i>	565	4,947	-	5,512
<i>60-90 days</i>	5	1,754	-	1,759
Neither past due nor impaired:				
<i>Grade 1-3 Low Risk</i>	256,667	304	-	256,971
<i>Grade 4-6 Satisfactory</i>	382,159	13,884	-	396,043
<i>Grade 7 Watch list</i>	-	2,813	-	2,813
Gross carrying amount	739,815	59,298	47,837	846,950
Less: expected credit losses	(2,186)	(4,054)	(10,504)	(16,744)
Net carrying amount	737,629	55,244	37,333	830,206

* Includes facilities under cooling off period of BD 10,910 thousand.

** includes BD 1,506 thousand of purchased or originated credit impaired assets (POCI).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Exposures subject to credit risk (continued)

31 December 2025	Stage 1	Stage 2	Stage 3	Total
Investment in sukuk and other yielding investments				
Grade 8 - 10 Impaired	-	-	1,317	1,317
Grade 1-3 Low Risk	569,077	-	-	569,077
Gross carrying amount	569,077	-	1,317	570,394
Less: expected credit losses	(478)	-	(1,317)	(1,795)
Net carrying amount	568,599	-	-	568,599
Balances with banks and placements				
Grade 1-3 Low Risk	204,534	-	-	204,534
Grade 4-6 Satisfactory	-	-	-	-
Gross carrying amount	204,534	-	-	204,534
Less: expected credit losses	(12)	-	-	(12)
Net carrying amount	204,522	-	-	204,522
Commitments and financial guarantees				
Grade 8 - 10 Impaired	-	-	6	6
Grade 1-3 Low Risk	45,080	-	-	45,080
Grade 4-6 Satisfactory	59,802	-	-	59,802
Grade 7 Watch list	-	-	-	-
Gross carrying amount	104,882	-	6	104,888
Less: expected credit losses	(23)	-	(6)	(29)
Net carrying amount	104,859	-	-	104,859
Total net carrying amount	1,615,609	55,244	37,333	1,708,186

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Exposures subject to credit risk (continued)

31 December 2024	Stage 1	Stage 2	Stage 3*	Total
Financing contracts				
Grade 8 -10 Impaired	-	-	57,702	57,702
Past due but not impaired:				
Grade 1-3 Low Risk	9,952	903	-	10,855
Grade 4-6 Satisfactory	57,860	17,826	-	75,686
Grade 7 Watch list	64	8,776	-	8,840
Past due comprises:				
Up to 30 days	59,279	10,169	-	69,448
30-60 days	8,394	8,137	-	16,531
60-90 days	203	9,199	-	9,402
	-			
Neither past due nor impaired:				
	-			
Grade 1-3 Low Risk	196,418	6,216	-	202,634
Grade 4-6 Satisfactory	345,617	37,363	-	382,980
Grade 7 Watch list	3,461	-	-	3,461
Gross carrying amount	613,372	71,084	57,702	742,158
Less: expected credit losses	(933)	(4,364)	(15,694)	(20,991)
Net carrying amount	612,439	66,720	42,008	721,167

* Includes facilities under cooling off period of BD 10,768 thousand.

** includes BD 1,506 thousand of purchased or originated credit impaired assets (POCI).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Exposures subject to credit risk (continued)

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Investment in sukuk and other yielding investments				
Grade 8 -10 Impaired	-	-	1,318	1,318
Grade 1-3 Low Risk	502,917	-	-	502,917
Gross carrying amount	502,917	-	1,318	504,235
Less: expected credit losses	(778)	-	(1,318)	(2,096)
Net carrying amount	502,139	-	-	502,139
Balances with banks and placements				
Grade 1-3 Low Risk	176,464	-	-	176,464
Grade 4-6 Satisfactory	-	-	-	-
Gross carrying amount	176,464	-	-	176,464
Less: expected credit losses	(1)	-	-	(1)
Net carrying amount	176,463	-	-	176,463
Commitments and financial guarantees				
Grade 8 -10 Impaired	-	-	6	6
Grade 1-3 Low Risk	56,042	95	-	56,137
Grade 4-6 Satisfactory	17,725	82	-	17,807
Grade 7 Watch list	-	-	-	-
Gross carrying amount	73,767	177	6	73,950
Less: expected credit losses	(67)	(2)	(5)	(74)
Net carrying amount	73,700	175	1	73,876
Total net carrying amount	1,364,741	66,896	42,009	1,473,646

Significant increase in credit risk

When determining whether the risk of default on a financial instrument and ijarah assets 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 and including forward-looking information.

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Generating the term structure of PD

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

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

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

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

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is 90 days or more past due on any material obligation to the Group.
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligation.

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

Incorporation of forward-looking information

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Incorporation of forward-looking information (continued)

The scenario probability weightings applied in measuring ECL are based on weights - Base 70%, Improved 15% and Stressed 15%.

The following table compares the ECL (stages 1 and 2) used by the Group against alternative scenarios (Best:Base:Worst) which apply a more conservative weighting to the base case or worst case:

As at 31 December 2025	Actual mix (15:70:15)	Scenario 1 (10:60:30)	Scenario 2 (10:50:40)
Financing contracts	16,744	19,513	19,779
Investment in sukuk and other yielding investments	1,795	1,835	1,854
Balances with banks and placements	12	15	16
Commitments and financial guarantees	29	32	35
	18,580	21,395	21,684
As at 31 December 2024	Actual mix (15:70:15)	Scenario 1 (10:60:30)	Scenario 2 (10:50:40)
Financing contracts	20,990	26,389	26,706
Investment in sukuk and other yielding investments	2,096	2,161	2,195
Balances with banks and placements	1	1	1
Commitments and financial guarantees	74	84	90
	23,161	28,635	28,992

Macroeconomic variables are checked for correlation with the probability of default for the past five years and only those variables for which the movement can be explained are used. Management judgement is exercised when assessing the macroeconomic variables.

Modified financial contracts

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

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BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Modified financial contracts (continued)

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default (refer to Note 5). A customer needs to demonstrate consistently good payment behaviour over a period of time (3 months for retail customers and 6 months for corporate inline with the CM module under volume 2 issued by CBB) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs

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

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

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters using various approaches which includes the history of recovery rates of claims against defaulted counterparties and regulatory haircuts on collaterals as a basis to determine the LGD. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing contracts secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Measurement of ECLs (continued)

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

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3 + POCI)	Total
Balance at 1 January 2025	1,779	4,366	17,016	23,161
Transfer to 12-month ECL	466	(235)	(231)	-
Transfer to lifetime ECL non-credit-impaired	(394)	492	(98)	-
Transfer to lifetime ECL credit-impaired	(678)	(173)	851	-
Net transfers	(606)	84	522	-
Net re-measurement of loss allowance	1,526	(396)	4,765	5,895
Write-offs	-	-	(5,291)	(5,291)
Settlements	-	-	(3,505)	(3,505)
Balance at 31 December 2025	2,699	4,054	13,507	20,260

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

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3 + POCI)	Total
Balances and placements with banks and financial institutions	12	-	-	12
Investment in sukuk and other yielding investments (note 8)	478	-	1,318	1,796
Financing contracts (note 9)	2,186	4,054	10,504	16,744
Commitments and Contingencies (note 41)	23	-	6	29
Other assets	-	-	1,679	1,679
	2,699	4,054	13,507	20,260

Notes to the Consolidated Financial Statements *(continued)*

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Measurement of ECLs (continued)

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

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3 + POCI)	Total
Balance at 1 January 2024	2,032	5,440	17,162	24,634
Transfer to 12-month ECL	4,026	(3,674)	(352)	-
Transfer to lifetime ECL non-credit-impaired	(112)	382	(270)	-
Transfer to lifetime ECL credit-impaired	(441)	(1,474)	1,915	-
Net transfers	3,473	(4,766)	1,293	-
Net re-measurement of loss allowance	(3,726)	3,692	1,955	1,921
Write-offs	-	-	(3,395)	(3,395)
Settlements	-	-	-	-
Balance at 31 December 2024	1,779	4,366	17,015	23,160

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

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3 + POCI)	Total
Balances and placements with banks and financial institutions	1	-	-	1
Investment in sukuk and other yielding investments (note 8)	778	-	1,318	2,096
Financing contracts (note 9)	933	4,364	15,693	20,990
Commitments and Contingencies (note 41)	67	2	5	74
	1,779	4,366	17,016	23,161

Notes to the Consolidated Financial Statements *(continued)*

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40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Impaired financial assets

Impaired financial assets are those for which the Group determines that it is probable that it will be unable to collect all or part of the principal and profit due according to the contractual terms of the exposure and these fall under risk grades 8, 9 and 10. For other financial assets impairment is assessed on an individual basis for each exposure by considering various factors.

Past due but not impaired exposures

The exposure pertains to financing contracts where contractual profit or principal payments are past due but the Group believes that impairment is not appropriate on the basis of subsequent collections, the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Renegotiated facilities

During the year, facilities of BD 13,026 thousand (2024: BD 40,773 thousand) were renegotiated, out of which BD 9,978 thousand (2024: BD 29,785 thousand) are classified as neither past due nor impaired as of 31 December 2025. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD.

Allowances for impairment

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

Write-off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. During the year, the Group has written off financing facilities amounting to BD 5,291 thousand (2024: BD 3,392) which were fully impaired. The Group has recovered BD 214 thousand from a financing facility written off in previous years (2024: BD 4,147 thousand).

Collaterals

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Collaterals (continued)

	As at 31 December 2025			As at 31 December 2024		
	Financing assets	Ijarah assets	Total	Financing assets	Ijarah assets	Total
Against impaired						
Property	7,717	9,351	17,068	22,819	6,605	29,424
Other	1,499	91	1,590	488	-	488
Against past due but not impaired						
Property	45,652	13,336	58,988	24,331	24,982	49,313
Other	4,226	-	4,226	5,835	-	5,835
Against neither past due nor impaired						
Property	127,299	177,125	304,424	157,234	116,898	274,132
Other	20,163	376	20,539	22,130	-	22,130
Total	206,556	200,279	406,835	232,837	148,485	381,322

For analysis of concentration of total assets and liabilities refer to note 38.

Further, for financing contracts, the Group monitors concentrations of credit risk by sector and by geographic location.

An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by Sector	As at 31 December 2025			As at 31 December 2024		
	Financing assets	Ijarah assets	Total	Financing assets	Ijarah assets	Total
Banking and finance	54,505	-	54,505	49,677	-	49,677
Real estate	46,327	215,543	261,870	44,683	198,000	242,683
Construction	40,617	-	40,617	28,616	-	28,616
Trading	59,001	-	59,001	64,688	-	64,688
Manufacturing	9,518	-	9,518	12,358	-	12,358
Consumer	79,296	-	79,296	35,185	-	35,185
Others	219,403	105,996	325,399	246,113	41,847	287,960
Total carrying amount	508,667	321,539	830,206	481,320	239,847	721,167

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from RMD.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

Management of liquidity risk

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

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 this disruption. Further information on the regulatory liquidity and capital ratios as at 31 December 2024 have been disclosed below.

Financial Control Department (FCD) collates data from treasury and other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. FCD communicates the information to the treasury who manages the Group's portfolio of short-term liquid assets, largely made up of short-term placements with other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by FCD. The Group has in place a Liquidity Contingency Plan, the elements of which are periodically tested. Tools for implementation of regular stress testing under various scenarios are in place. All liquidity policies and procedures are subject to review by ALCO and approval by appropriate authorities. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO members.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For computation of this, net liquid assets are considered as including cash and bank balances and placements with financial Institutions and investments in sukuk net of sukuk pledged against term financing from financial institutions less placements from financial institution, and deposits comprise current accounts, placements from non-financial institutions and individuals, and quasi-equity.

For maturity profile of assets and liabilities refer to note 37.

The Central Bank of Bahrain introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) during 2019.

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

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days. As at 31 December 2025, the Bank is required to maintain LCR greater than 100% as per the CBB. As of 31 December 2025, the Bank had LCR ratio of 429.62% (31 December 2024: 182.02%).

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

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". As at 31 December 2025, the Bank is required to maintain NSFR ratio greater than 100%. As of 31 December 2025, the Bank had NSFR ratio of 102.67% (31 December 2024: 105.34%).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 31 December 2025 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	134,068	-	-	6,497	140,565
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	42,563	3,264	234	43,770
Less Stable deposits	-	324,053	140,120	8,340	426,095
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	950,752	48,980	37,693	255,852
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	27,586	-	766	766
Total ASF	134,068	1,344,954	192,364	53,530	867,048
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	588,854	-	-	-	26,247
Performing financing and sukuk/securities:					
Performing financing to financial institutions secured by level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	113,036	-	-	16,955
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	72,419	74,585	461,437	465,723
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	117,866	76,613
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	72,806	47,324
Securities / sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	44,181	18,135	-	58,522	102,992
All other assets not included in the above categories	103,305	-	-	-	103,305
OBS items	106,421	-	-	-	5,321
Total RSF	842,761	203,590	74,585	710,631	844,480
NSFR%					102.67%

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 31 December 2024 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	131,214	-	-	6,581	137,795
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	24,870	11,124	327	34,521
Less Stable deposits	-	311,967	101,958	8,252	380,785
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	763,459	75,000	51,019	284,346
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	22,161	-	-	-
Total ASF	131,214	1,122,456	188,082	66,180	837,447
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	409,422	-	-	-	19,612
Performing financing and sukuk/securities:					
Performing financing to financial institutions secured by level 1 HQLA					
	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions					
	-	135,212	-	-	20,282
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	86,424	36,861	452,870	433,794
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	63,940	41,561
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	108,302	70,396
Securities / sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	29,241	23,735	-	111,012	136,169
All other assets not included in the above categories	110,986	-	-	-	110,986
OBS items	76,423	-	-	-	3,821
Total RSF	626,071	245,372	36,861	672,183	795,060
NSFR%					105.34%

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income, future cash flows or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk, profit rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Exposure to profit rate risk–non–trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Group's Risk Management Department in its day-to-day monitoring activities.

A summary of the Group's profit rate gap position at 31 December 2025 is as follows:

31 December 2025	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Balances with banks & Placements with financial institutions	153,038	-	-	-	-	153,038
Investment in sukuk and other yielding investments	262,729	-	-	115,070	190,800	568,599
Financing contracts	86,121	29,112	71,213	99,613	544,147	830,206
Total profit rate sensitive assets	501,887	29,112	71,213	214,683	734,947	1,551,843
Liabilities and investment accounts						
Placements from financial institutions	191,814	5,085	-	-	-	196,899
Placements from non-financial institutions and individuals	212,192	56,216	75,422	154	-	343,983
Term financing from financial institutions	-	-	-	222,005	-	222,005
Customers' current accounts	1,093	-	-	-	-	1,093
Quasi-equity	396,780	124,564	152,233	22,272	1	695,851
Total profit rate sensitive liabilities and investment accounts	801,879	185,865	227,655	244,431	1	1,459,831
Profit rate gap	(299,992)	(156,753)	(156,442)	(29,748)	734,946	92,011
Cumulative profit rate gap	(299,992)	(456,745)	(613,186)	(642,934)	92,011	

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Exposure to profit rate risk–non-trading portfolios (continued)

31 December 2024	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Balances with banks & Placements with financial institutions	134,393	-	-	-	-	134,393
Investment in sukuk and other yielding investments	64,782	-	86,878	110,904	239,575	502,139
Financing contracts	41,233	13,764	9,420	66,764	589,986	721,167
Total profit rate sensitive assets	240,408	13,764	96,298	177,668	829,561	1,357,699
Liabilities and investment accounts						
Placements from financial institutions	95,095	38,191	1,685	-	-	134,971
Placements from non-financial institutions and individuals	184,002	54,091	82,380	9,342	-	329,815
Term financing from financial institutions	-	-	-	245,526	-	245,526
Customers' current accounts	1,043	-	-	-	-	1,043
Quasi-equity	334,826	61,512	106,954	15,904	-	519,196
Total profit rate sensitive liabilities and investment accounts	614,966	153,794	191,019	270,772	-	1,230,551
Profit rate gap	(374,558)	(140,030)	(94,721)	(93,104)	829,561	127,148
Cumulative profit rate gap	(374,558)	(514,588)	(609,309)	(702,413)	127,148	

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise across all yield curves and a 50 bp rise or fall of all yield curves.

An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	100bp increase/ decrease	50bp increase/ decrease
At 31 December 2025	± 1,082	± 541
At 31 December 2024	± 637	± 319

Overall non-trading profit rate risk positions are managed by Treasury department, which uses short term investment securities, placement with banks and placement from banks to manage the overall position arising from the Group's non-trading activities.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Exposure to foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group had the following significant net exposures denominated in foreign currency as of 31 December.

	2025 BD Equivalent	2024 BD Equivalent
US Dollars*	307,787	1,095,249
Other GCC Currencies *	(118,479)	(140,569)
Euros	(53)	52
Australian Dollars	-	5,019
Kuwaiti Dinars	3,123	3,602
Sterling Pounds	1,246	(555)
Indian Rupee	34	46

(*) The exposure in US dollars and other GCC currencies does not create any foreign exchange risk for the Group since Bahrain Dinars and other GCC currencies except for Kuwaiti Dinars are effectively pegged to the US Dollars.

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered on a monthly basis include a 5% plus/minus increase in exchange rates, for currencies other than US Dollars, other GCC 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:

	2025 BD Equivalent	2024 BD Equivalent
Euros	±3	±3
Australian Dollars	-	±251
Kuwaiti Dinars	±156	±180
Sterling Pounds	±62	±28
Indian Rupees	±2	±2

Exposure to other price risks–non–trading portfolios

Credit spread risk on debt securities is subject to regular monitoring by RMD, but is not currently significant in relation to the overall financial position of the Group.

The Group's unquoted equity securities are exposed to risk of changes in equity values. Refer to note 30 for significant estimates and judgments in relation to impairment assessment of unquoted equity investments carried at FVOCI. The Group manages exposure to other price risks by actively monitoring the performance of the equity securities. The performance assessment is performed on a quarterly basis and is reported to the Board Investment and Credit Committee.

Notes to the Consolidated Financial Statements *(continued)*

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BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

OPERATIONAL RISK

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department is in charge of identifying, monitoring and managing operational risk in the Group. The Group already has an approved policy for doing this and all required organisational and physical infrastructure are in place.

The Group has completed conducting Risk Control Self-Assessment (RCSA) of Operational risk for the departments of the Group to identify the important Key Risk Areas, Key Risk Indicators and Key Risk Triggers. The RCSA process is a continuous process and will be conducted at regular frequencies across the Group. It will be an annual process to review all the KRI's. A software for monitoring these triggers and recording actual and near miss losses is already in place. The medium-term objective of the Group is to generate statistically reliable data to upgrade to more sophisticated modes of Operational Risk Control both to manage the risk better and to reduce capital commitment.

CAPITAL MANAGEMENT

The Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The capital adequacy regulations of CBB is based on the principles of Basel III and the IFSB guidelines, with an agreed level of application for each Bank.

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

- *Tier 1 capital: includes CET1 and AT1.*
CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

AT1 comprise instruments comprise the Mudharaba Sukuk issued by the Bank which meet the criteria of AT1 and is perpetual with a loss absorbing / conversion feature.

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

The regulations prescribe higher risk weights for certain exposures that exceeds materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the Group does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

40. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

- *Tier 2 capital (continued)*

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

To counter the effect of COVID 19, the CBB had allowed the aggregate of modification loss and incremental ECL of BD 10,083 thousand for the period from March to December 2020 to be added back to Tier 1 capital for the three years commencing 1 January 2023.

The Group's regulatory capital position at 31 December was as follows:

	31 December 2025	31 December 2024
Total risk weighted exposure	618,466	604,964
Tier 1 capital:		
- CET 1 capital prior to regulatory adjustments	134,068	131,214
- Less: regulatory adjustments	-	-
CET 1 after regulatory adjustments	134,068	131,214
AT1	-	-
Tier 2 capital:	6,467	6,145
Total regulatory capital	140,535	137,359
Total regulatory capital expressed as a percentage of total risk weighted assets	22.72%	22.71%
Liquidity coverage ratio	429.62%	182.02%
Net stable funding ratio	102.67%	105.34%
Leverage ratio	10.44%	11.11%

The Group has complied with all externally imposed capital requirements throughout the year.

Capital allocation

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Group's capital management policy seeks to maximise return on risk adjusted while satisfying all the regulatory requirements. The Group's policy on capital allocation is subject to regular review by the Board. All dividends are subject to approval by the CBB.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

41. COMMITMENTS AND CONTINGENCIES

The commitments contracted in the normal course of business of the Group:

	2025	2024
Undrawn commitments to extend finance *	64,862	35,188
Financial guarantees	40,026	38,762
	104,888	73,950

* The Group has a right to revoke the undrawn commitment to extend finance prior to expiry of its tenor.

As of 31 December 2025, impairment allowance of BD 29 thousand (2024: BD 14 thousand) has been recorded on account of the credit risk on these for commitments and contingent liabilities.

Performance obligations

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

Litigations and claims

In the normal course of business, legal cases are filed by the Bank against its customers and against the Bank by its customers or investors. The Group's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of directors.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

42. CLASSIFICATION OF ASSETS AND LIABILITIES

31 December 2025	At fair value through income statement	At fair value through OCI	At amortised cost/others	Total
Assets				
Cash and bank balances	-	-	51,484	51,484
Placements with financial institutions	-	-	153,038	153,038
Investment in sukuk and other yielding investments	-	251,169	317,430	568,599
Financing contracts	-	-	830,206	830,206
Investment securities	-	17,453	-	17,453
Investment in real estate	-	-	45,933	45,933
Equity accounted investees	-	-	6,948	6,948
Other assets	-	-	23,243	23,243
Property and equipment	-	-	28,220	28,220
Total assets	-	268,622	1,456,502	1,725,124
Liabilities				
Placements from financial institutions	-	-	196,899	196,899
Placements from non-financial institutions and individuals	-	-	343,983	343,983
Term financing from financial institutions	-	-	222,005	222,005
Customers' current accounts	-	-	95,842	95,842
Other liabilities	-	-	28,674	28,674
Total liabilities	-	-	887,403	887,403

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

42. CLASSIFICATION OF ASSETS AND LIABILITIES (continued)

31 December 2025	At fair value through income statement	At fair value through OCI	At amortised cost/others	Total
Assets				
Cash and bank balances	-	-	105,446	105,446
Placements with financial institutions	-	-	71,017	71,017
Investment in sukuk and other yielding investments	-	83,651	418,488	502,139
Financing contracts	-	-	721,167	721,167
Investment securities	-	20,895	-	20,895
Investment in real estate	-	-	39,838	39,838
Equity accounted investees	-	-	6,516	6,516
Other assets	-	-	25,549	25,549
Property and equipment	-	-	3,562	3,562
Total assets	-	104,546	1,391,583	1,496,129
Liabilities				
Placements from financial institutions	-	-	134,971	134,971
Placements from non-financial institutions and individuals	-	-	329,815	329,815
Term financing from financial institutions	-	-	245,526	245,526
Customers' current accounts	-	-	117,372	117,372
Other liabilities	-	-	20,602	20,602
Total liabilities	-	-	848,286	848,286

43. SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations from its zakah and charity fund.

44. GLOBAL MINIMUM TAX

Khaleeji Bank B.S.C (the Bank) is part of a multinational enterprise ("MNE") group whose parent is domiciled and operates in the Kingdom of Bahrain. The tax authorities in the Kingdom of Bahrain have issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the MNE group for fiscal years commencing on or after 1 January 2025.

As per the group's assessment of applicability of the DMTT law, it has assessed and concluded that it is not in scope for the Bahrain DMTT law or the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') for 2025. The reason for this conclusion is it does not have total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2025

BD '000s

45. ACQUISITION OF SUBSIDIARY

On 30 December 2025, the Group acquired a 71.95% equity stake in GFH Tower Group Limited from its Parent via a swap transaction for a total consideration of BD 18 million. This consideration was settled through payment of BD 12 million in cash and the transfer of an equity investment valued at BD 6 million. The purpose of acquisition was to acquire a head office building for the Bank.

The transaction was accounted for as an asset acquisition rather than a business combination.

As the acquisition occurred on 30 December 2025, the assets and liabilities were consolidated into the Group's Statement of Financial Position as of year-end. There was no impact on the consolidated statement of income for the year ended 31 December 2025.

	31 December 2025
ASSETS	
Placements with financial institutions	781
Other assets	627
Property and equipment	25,095
TOTAL ASSETS	26,503
LIABILITIES	
Other liabilities	1,489
TOTAL LIABILITIES	1,489

As a result of the subsidiary acquisition, NCI recognised on the subsidiary amounted to BD 7,014 thousand.

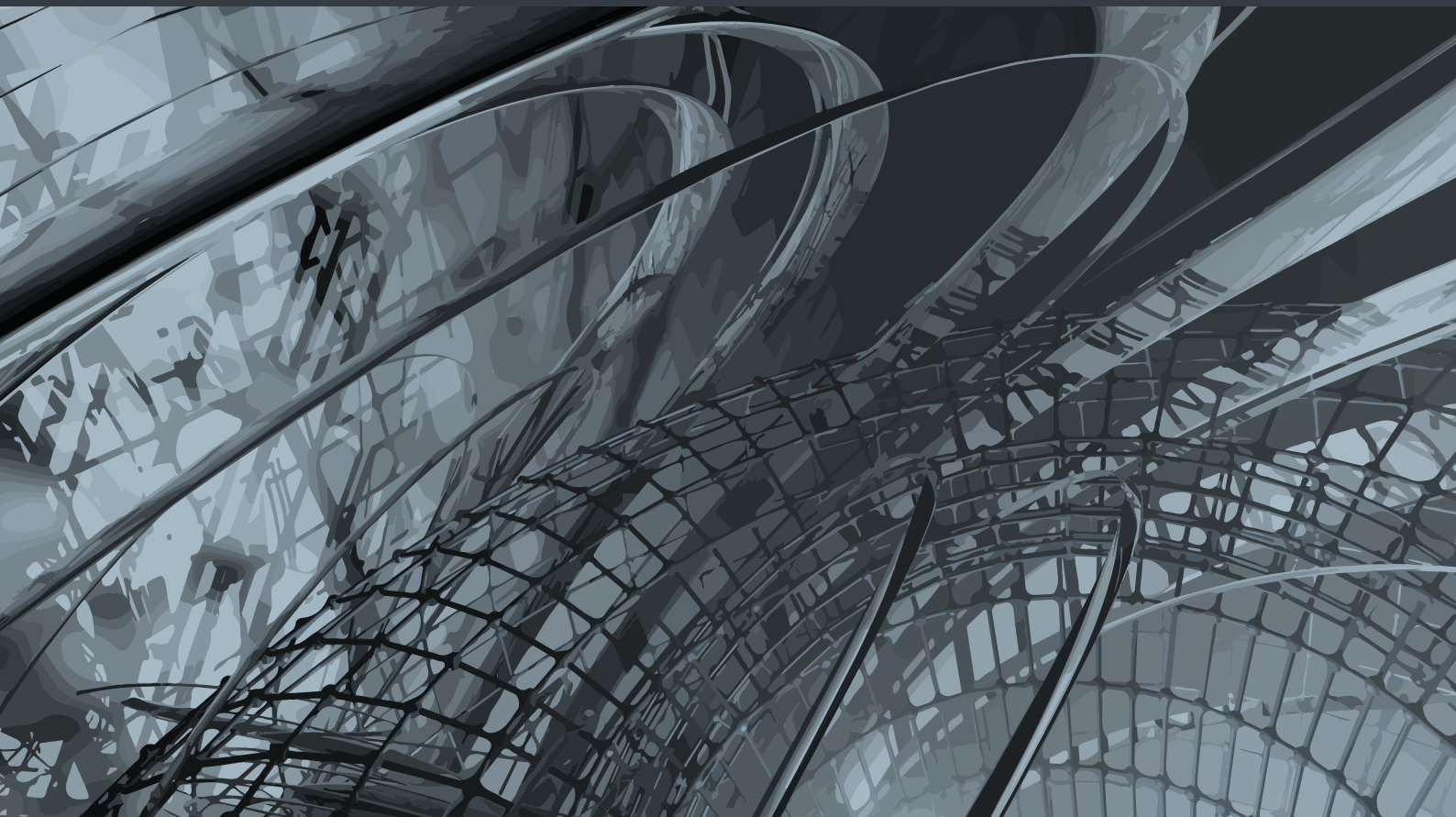
As at 31 December 2025, the Bank's equity stake in GFH Tower is held in the name of the Parent Bank for beneficial interest of the Bank, pending legal transfer.

46. COMPARATIVES

Certain prior year amounts have been regrouped to conform the current year's presentation. Such regrouping did not affect previously reported profit for the year or owner's equity.

KHALEEJI 

*Public Disclosure
(Based on CBB Guidelines)
31 December 2025*



Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports, CBB Rule Book Volume II for Islamic Banks. To avoid any duplication, information required under PD module but already disclosed in other sections of annual report has not been reproduced. These disclosures are part of the annual report for the year ended 31 December 2025 and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2025 and other sections of the annual report.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

INTRODUCTION

The Public Disclosures made under this section have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports, of the CBB Rule Book, Volume II for Islamic Banks. Section PD-1.3: Disclosures in Annual Reports.

The disclosures in this report are in addition to or in some cases, serve to clarify the disclosures set out in the consolidated financial statements for the year ended 31 December 2025, presented in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). To avoid any duplication, information required under PD module but already disclosed in other sections of the annual report has not been reproduced in these disclosures.

All figures presented in this section are reported in Bahraini Dinars (in thousand) and are as of 31 December 2025 unless otherwise stated.

Khaleeji Bank B.S.C. ("the Bank" or "KHALEEJI") common equity tier I (CET1), Additional tier I (AT1) and total capital adequacy ratios comply with the minimum capital requirements under the CBB's Basel III framework.

At 31 December 2025, Bank's CET1, AT1 and total adequacy ratios were 21.68%, 21.68% and 22.72% respectively.

1 GROUP STRUCTURE

The Bank operates under a retail banking license granted by the CBB on 20 October 2003. The Bank has 3 subsidiaries. These are not significant to the Bank. The subsidiaries set-up is primarily special purpose entities with nominal capital to execute specific investment transactions. The subsidiaries qualify as commercial entities as per the CBB guidelines and are risk weighted as investments for capital adequacy computation purposes.

2 THE RISK MANAGEMENT FUNCTION

The Board of Directors has overall responsibility for risk management in the Bank. The Board lays down the risk management policies of the Bank and quantifies its risk appetite through appropriate definitions of various risk limits and tolerances. The Bank reviews and redefines its risk appetite according to the evolving business plans considering fluctuations in economic and market conditions and future forecasts. The Bank also assesses on a regular basis its tolerance for specific risk categories in term of limits structures for various risks and its strategy to manage these risks. The Board discharges its risk management responsibilities through the Board Audit & Risk Management Committee ("BARMC").

The risk management objective for each area of risk is to adopt the best practices as provided by Basel Committee of the Banking Supervision ("BCBS"), IFSB guidelines and adhering to CBB requirements. The Bank's aim is to protect the asset values and income streams, and hence, optimising the Bank's shareholder returns, while maintaining its risk exposure within defined parameters.

The Risk Management Department ("RMD") prepares various risk reports and aids the BARMC and Board in the monitoring and managing of these limits. The RMD has also implemented various risk management tools and system to aid in this exercise.

The Bank has established an Executive Credit and Investment Committee ("ECICOM") to assist the Chief Executive and the Executive Management in discharging their credit-risk responsibilities. The ECICOM's principal objectives are to review and approve transactions within their discretionary powers. It is also responsible for assessing and mitigating the credit risk of the Bank as well as directing the Bank's credit strategy.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

2 THE RISK MANAGEMENT FUNCTION (continued)

The day to day risk management functions are performed by the Risk Management Department of the Bank. RMD is responsible to ensure that the policies laid down by the Board are consistently implemented across the Bank and to review the adequacy of these policies periodically. It monitors all risk taking activities and ensures that the risk limits defined by the Board are complied with. The department has specialized personnel dealing with Credit, Market, and Operational Risks. It is independent of all risk taking functions in the Bank and reports to the BARMC.

The Asset Liability Management Committee ("ALCO") of the Bank acting through the Treasury Department monitors the Bank's liquidity position and recommends appropriate action to the Board where necessary. There is a high level of coordination between the RMD, ECICOM and ALCO. The ALCO of the Bank assist the Management with its risk oversight with its primary responsibility being the Market & Liquidity risks of the Bank.

The RMD prepares a risk overview report on a regular basis which covers in detail the various risks faced by the Bank and the same is discussed at the ECICOM, BARMC and the Board.

The Bank considers that its overall risk management strategies have been effective throughout the reporting period.

All policies having significant impact on the overall internal control framework existing in the Bank are subject to periodic review and approval by the Board of Directors.

The RMD, together with the Internal Audit and Compliance Departments, provides independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO

3.1 Capital management

The Bank's policy is to maintain a strong capital base to develop and retain investor, creditor and market confidence and to sustain business growth. The Bank recognises the impact of a high level of capital on shareholders' returns, while not losing sight of the security and market confidence afforded by a sound capital base. The Bank aims to maintain a minimum total capital adequacy ratio significantly in excess of that mandated by the CBB.

3.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank has an established ICAAP as per the requirements under Pillar II of Basel II. ICAAP prescribes procedures and measures designed to ensure appropriate identification, measurement, aggregation and monitoring of the Bank's risks. It also defines an appropriate level of internal capital in relation to the Bank's overall risk profile and business plan.

The ICAAP program quantifies the economic capital requirements from the following key risks, credit risk, market risk, investment risk, operational risk, liquidity risk, profit rate risk, concentration risk, reputational risk, and other risks such as strategic risks. The Bank also performs stress testing on its various risk portfolios using multiple scenarios in a forward looking manner while taking into consideration the business growth projections and strategies.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.3 Statement of Financial position under the regulatory scope of consolidation

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
ASSETS			
CASH AND BANK BALANCES	51,484	51,484	
OF WHICH ECL (STAGE 1&2)	-	-	a
OF WHICH CASH AND BANK BALANCES TO SUBSIDIARY (COMMERCIAL ENTITY)	0	-	
PLACEMENTS WITH FINANCIAL INSTITUTIONS	153,038	152,269	
OF WHICH ECL (STAGE 1&2)	(12)	-	b
OF WHICH PLACEMENTS WITH FINANCIAL INSTITUTIONS OF SUBSIDIARY (COMMERCIAL ENTITY)	781	-	
FINANCING CONTRACTS	830,206	836,446	
OF WHICH ECL (STAGE 1&2)	(6,240)	-	c
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
INVESTMENT IN SUKUK	568,599	569,077	
OF WHICH ECL (STAGE 1&2)	(478)	-	d
INVESTMENT SECURITIES	17,453	37,233	
OF WHICH ECL (STAGE 1&2)	-	-	
OF WHICH INVESTMENT SECURITIES TO SUBSIDIARY (COMMERCIAL ENTITY)	(19,780)	-	
OF WHICH RELATED TO INSIGNIFICANT INVESTMENTS IN FINANCIAL ENTITIES	-	-	e
OF WHICH CAPITAL ADJUSTMENTS RELATED TO INVESTMENT IN FINANCIAL ENTITIES WHERE OWNERSHIP IS < 10% OF ISSUED COMMON SHARE CAPITAL (AMOUNT ABOVE 10% CET1A)	-	-	
OF WHICH RELATED TO OTHER INVESTMENTS	17,453	37,233	
INVESTMENT IN REAL ESTATE	45,933	45,933	
OF WHICH INVESTMENT IN REAL ESTATE OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
EQUITY ACCOUNTED INVESTEEES	6,948	6,948	
OF WHICH EQUITY ACCOUNTED INVESTEEES OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
OTHER ASSETS	23,243	22,632	
OF WHICH RECEIVABLE FROM SUBSIDIARY (COMMERCIAL ENTITY)	611	-	
PROPERTY AND EQUIPMENT	28,220	3,128	
OF WHICH PROPERTY AND EQUIPMENT OF SUBSIDIARY (COMMERCIAL ENTITY)	25,092	-	
TOTAL ASSETS	1,725,124	1,725,150	

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)**3.3 Statement of Financial position under the regulatory scope of consolidation** (continued)

	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
LIABILITIES			
PLACEMENTS FROM FINANCIAL INSTITUTIONS	196,899	196,899	
PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS	343,983	343,983	
TERM BORROWING	222,005	222,005	
CUSTOMERS' CURRENT ACCOUNTS	95,842	97,261	
OF WHICH ACCOUNT OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,419)	-	
OTHER LIABILITIES	28,674	28,330	
OF WHICH ECL (STAGE 1&2)	23	-	f
OF WHICH PAYABLES OF SUBSIDIARY (COMMERCIAL ENTITY)	322	-	
TOTAL LIABILITIES	887,403	888,478	
QUASI-EQUITY	695,851	695,851	
OWNERS' EQUITY			
SHARE CAPITAL	113,044	113,044	h
STATUTORY RESERVE	14,618	14,618	i
TREASURY SHARES	(5,907)	(5,907)	j
INVESTMENT FAIR VALUE RESERVE	(5,195)	(5,195)	k
RETAINED EARNINGS BEFORE MODIFICATION LOSS	17,710	17,508	l
LESS: MODIFICATION LOSS NET OF GOVERNMENT GRANT AND ECL ADD BACK	-	-	
RETAINED EARNINGS	17,710	17,508	
OF WHICH RETAINED EARNINGS OF SUBSIDIARY (COMMERCIAL ENTITY)	203	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	134,270	134,068	
ECL (STAGE 1&2)	-	6,753	a+b+c+d-f
NON-CONTROLLING INTEREST	7,600	-	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	1,725,124	1,725,150	

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.4 Composition of Capital as at 31 December 2025

Source based on
reference letters of
the statement of
financial position
under the regulatory
scope of consolidation

Composition of Capital as at 31 December 2025

Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital plus related stock surplus	107,137 h+j
2.	Retained earnings	32,126 i+l
3.	Accumulated other comprehensive income (and other reserves)	(5,195) k
4.	Not applicable	
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6.	Common Equity Tier 1 capital before regulatory adjustments	134,068
Common Equity Tier 1 capital: regulatory adjustments		
7.	Prudential valuation adjustments	-
8.	Goodwill (net of related tax liability)	-
9.	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
10.	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11.	Cash-flow hedge reserve	-
12.	Shortfall of provisions to expected losses	-
13.	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14.	Not applicable	
15.	Defined-benefit pension fund net assets	-
16.	Investments in own shares	-
17.	Reciprocal cross-holdings in common equity	-
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19.	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20.	Mortgage servicing rights (amount above 10% threshold)	-
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22.	Amount exceeding the 15% threshold	-
23.	of which: significant investments in the common stock of financials	-
24.	of which: mortgage servicing rights	-
25.	of which: deferred tax assets arising from temporary differences	-
26.	CBB specific regulatory adjustments	-
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28.	Total regulatory adjustments to Common equity Tier 1	-
29.	Common Equity Tier 1 capital (CET1)	134,068

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)**3.4 Composition of Capital as at 31 December 2025** (continued)

Composition of Capital as at 31 December 2025	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Additional Tier 1 capital: instruments	
30. Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31. of which: classified as equity under applicable accounting standards	-
32. of which: classified as liabilities under applicable accounting standards	-
33. <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-
34. Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35. <i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36. Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	
37. Investments in own Additional Tier 1 instruments	-
38. Reciprocal cross-holdings in Additional Tier 1 instruments	-
39. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40. Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41. CBB specific regulatory adjustments	-
42. Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43. Total regulatory adjustments to Additional Tier 1 capital	-
44. Additional Tier 1 capital (AT1)	-
45. Tier 1 capital (T1 = CET1 + AT1)	134,068
Tier 2 capital: instruments and provisions	
46. Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47. <i>Directly issued capital instruments subject to phase out from Tier 2</i>	-
48. Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49. <i>of which: instruments issued by subsidiaries subject to phase out</i>	-
50. Provisions	6,467
51. Tier 2 capital before regulatory adjustments	6,467

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.4 Composition of Capital as at 31 December 2025 (continued)

Source based on
reference letters of
the statement of
financial position
under the regulatory
scope of consolidation

Composition of Capital as at 31 December 2025

Tier 2 capital: regulatory adjustments	
52. Investments in own Tier 2 instruments	-
53. Reciprocal cross-holdings in Tier 2 instruments	-
54. Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55. Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56. National specific regulatory adjustments	-
57. Total regulatory adjustments to Tier 2 capital	-
58. Tier 2 capital (T2)	6,467
59. Total capital (TC = T1 + T2)	140,535
60. Total risk weighted assets	618,446
Capital ratios and buffers	
61. Common Equity Tier 1 (as a percentage of risk weighted assets)	21.68%
62. Tier 1 (as a percentage of risk weighted assets)	21.68%
63. Total capital (as a percentage of risk weighted assets)	22.72%
64. Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	9%
65. of which: capital conservation buffer requirement	2.5%
66. of which: bank specific countercyclical buffer requirement	N/A
67. of which: D-SIB buffer requirement	N/A
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	21.68%
National minima including CCB (where different from Basel III)	
69. CBB Common Equity Tier 1 minimum ratio	9.0%
70. CBB Tier 1 minimum ratio	10.5%
71. CBB total capital minimum ratio	12.5%
Amounts below the thresholds for deduction (before risk weighting)	
72. Non-significant investments in the capital of other financials	-
73. Significant investments in the common stock of financials	-
74. Mortgage servicing rights (net of related tax liability)	-
75. Deferred tax assets arising from temporary differences (net of related tax liability)	-

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.4 Composition of Capital as at 31 December 2025 (continued)

Composition of Capital as at 31 December 2025		Source based on reference letters of the statement of financial position under the regulatory scope of consolidation	
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	6,753	a+b+c+d-f
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	6,467	
78.	N/A	-	
79.	N/A	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80.	Current cap on CET1 instruments subject to phase out arrangements	NA	
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82.	Current cap on AT1 instruments subject to phase out arrangements	NA	
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84.	Current cap on T2 instruments subject to phase out arrangements	NA	
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

3.5 Unconsolidated legal entities for regulatory purposes

- a) Legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation as of 31 December 2025:

Legal Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financial information as at 31 December 2025	
			Total assets	Total equity
Surooh LTD	Commercial entity	Risk weighted	2,505	2,351
KHCB Tier 1 Sukuk Limited	Trust	Risk weighted	4	0.09
GFH Tower Group Limited	Commercial entity	Risk weighted	17,665	16,170

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.6 Disclosure template for main feature of regulatory capital instruments

1.	Issuer	Khaleeji Bank B.S.C
2.	Unique identifier	KHALEEJI
3.	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
Regulatory treatment		
4.	Transitional CBB rules	Common Equity Tier 1
5.	Post-transitional CBB rules	Common Equity Tier 1
6.	Eligible at solo/group/group & solo	Group and solo
7.	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8.	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 113 million
9.	Par value of instrument	BD 0.100
10.	Accounting classification	Shareholders' Equity
11.	Original date of issuance	Various
12.	Perpetual or dated	Perpetual
13.	Original maturity date	No Maturity
14.	Issuer call subject to prior supervisory approval	No
15.	Optional call date, contingent call dates and redemption amount	Not applicable
16.	Subsequent call dates, if applicable	Not applicable
Coupons / dividends		
17.	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders
18.	Coupon rate and any related index	Not applicable
19.	Existence of a dividend stopper	Not applicable
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21.	Existence of step up or other incentive to redeem	No
22.	Noncumulative or cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible
24.	If convertible, conversion trigger (s)	Not applicable
25.	If convertible, fully or partially	Not applicable
26.	If convertible, conversion rate	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable
30.	Write-down feature	No
31.	If write-down, write-down trigger(s)	Not applicable
32.	If write-down, full or partial	Not applicable
33.	If write-down, permanent or temporary	Not applicable
34.	If temporary write-down, description of write-up mechanism	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36.	Non-compliant transitioned features	No
37.	If yes, specify non-compliant features	Not applicable

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)**3.7 Capital structure, minimum capital requirements and capital adequacy**

Eligible capital	31 December 2025
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	113,044
Less: Treasury shares	(5,907)
Statutory reserve	14,618
Retained earnings	5,920
Other reserve	(5,195)
Current interim cumulative net profit	11,587
Total CET1 capital prior to the regulatory adjustments	134,068
Less: Investment in own shares	-
Less: Investments in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a)	-
Total Common Equity Tier 1 capital after the regulatory adjustments	134,068
Other Capital	
AT1	-
General financing loss provision – (Tier 2)	6,467
Total available AT1 & T2 Capital	6,467
Total Capital	140,535
RISK WEIGHTED ASSETS	
Credit risk weight exposures	517,344
Market risk weight exposures	10,193
Operational risk weight exposures	90,909
Total risk weighted assets	618,446
Capital adequacy ratio (CET1)	21.68%
Capital adequacy ratio (T1)	21.68%
Capital adequacy ratio (Total capital)	22.72%

The above capital adequacy ratios are calculated by dividing the respective regulatory capital base by the total RWA's.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)

3.7 Capital structure, minimum capital requirements and capital adequacy (continued)

Risk weighted assets

Credit risk

For regulatory reporting purposes, the Bank calculates the capital requirements for credit risk based on the standardised approach. Under this approach, the on and off-balance sheet credit exposures are assigned risk weights based on the type of counterparty, type of the exposure, and source of funding (quasi equity or own funds). Further for capital adequacy computations, 100% of the RWA's is used for self-financed assets while only 30% is considered for assets funded through Quasi Equity. The risk weights for types of counterparties and exposures are prescribed by CBB.

Market risk

The Bank uses the standardised approach to measure market risk. Market risk for the Bank is primarily on account of the foreign exchange exposures that are considered as specific risks. As per the CBB guidelines, capital for foreign exchange risk is computed at 8% of overall net open foreign currency positions of the Bank and this is multiplied by 12.5 to derive the market RWA's.

Operational risk

The Bank adopts the Basic Indicator Approach to evaluate operational risk charge in accordance with the CBB Capital Adequacy Module for Islamic Banks. According to this approach, the Bank's average gross income for the past three financial years is multiplied by a fixed coefficient alpha of 15% set by the CBB to arrive at the capital required and a multiple of 12.5 is used to arrive at the RWA's that are subject to capital charge.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

3 CAPITAL MANAGEMENT & CAPITAL ADEQUACY RATIO (continued)**3.7 Capital structure, minimum capital requirements and capital adequacy** (continued)

Break-up of capital requirement in accordance with the Capital Adequacy Module of the CBB for the year ended 31 December 2025 is as follows:

Exposure classification	Regulatory Exposure			Risk Weighted Assets [1]			Capital requirement @ 12.5%		
	Self-financed [2]	Quasi Equity [3]	Total	Self-financed	Quasi Equity	Total	Self-financed	Quasi Equity	Total
Cash and collection items	3,151	-	3,151	-	-	-	-	-	-
Sovereigns	460,784	35,166	495,950	-	-	-	-	-	-
Claims on PSEs	178,557	-	178,557	14,869	-	14,869	1,859	-	1,859
Banks	122,899	-	122,899	45,865	-	45,865	5,733	-	5,733
Corporates	84,048	360,013	444,061	168,171	110,280	278,451	21,021	13,785	34,806
Regulatory Retail Portfolio	1,378	26,695	28,073	1,034	6,006	7,040	129	751	880
Mortgages	61,979	49,613	111,592	21,693	5,209	26,902	2,712	651	3,363
Past due facilities	33,997	-	33,997	46,790	-	46,790	5,849	-	5,849
Investment in equities/sukuks/funds	2,281	-	2,281	3,422	-	3,422	428	-	428
Holdings of real estate	70,013	18,273	88,286	70,013	5,482	75,495	8,752	685	9,437
Other assets	18,510	-	18,510	18,510	-	18,510	2,314	-	2,314
Credit Risk	1,037,597	489,760	1,527,357	390,367	126,977	517,344	48,797	15,872	64,669
Market Risk	10,193	-	10,193	10,193	-	10,193	1,274	-	1,274
Operational Risk	90,909	-	90,909	90,909	-	90,909	11,364	-	11,364
Total	1,138,699	489,760	1,628,459	491,459	126,977	618,446	61,435	15,872	77,307

1 For capital adequacy computations, 100% of the RWAs are used for self-financed assets while only 30% is considered for assets funded through quasi equity.

2 Net of credit risk mitigants of BD 27,823 thousand.

3 Net of credit risk mitigants of BD 206,091 thousand.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK

4.1 Credit risk management

Credit Risk is the risk that counterparty fails to meet its obligations in accordance with agreed terms and conditions. The major sources of credit risk in the Bank are under the following classes of assets:

- Placements and exposures of financial institutions,
- Financing assets,
- Ijarah assets (including lease rentals receivable), and
- Investments in Sukuk.

The Bank follows the CBB classification of credit risk for the purpose of capital adequacy computation (as well as certain other tables below).

The Bank has the necessary internal processes for assessing, monitoring and controlling credit risk both at the individual credit and portfolio levels. Credit limits are approved after a thorough assessment which takes into account the financial strength of the counterparty, the technical feasibility and economic viability of the business being financed, the adequacy and quality of the cash flow available for repayment, etc. in addition to availability of collateral security by way of physical assets or guarantees. The RMD reviews the credit proposals and incorporates its remarks on the proposal before the same is considered by the appropriate authority as per delegated approval levels granted by the Bank's Board of Directors.

At the portfolio level, the Board has established risk concentration limits for single counterparties and related counterparties forming a business group, geographical and economic sectors as well as exposures to counterparties related to the Bank and/or its major shareholders. The RMD regularly monitors compliance with these limits and deviations if any are reported regularly to the Senior Management, Executive Credit & Investment Committee and the Board of Directors.

4.2 Levels of exposure

The table below shows gross credit exposure along with average credit exposure broken down under different exposure classes as at 31 December 2025:

Gross/ Average Credit Exposures	Average	Gross Exposure		
	Exposure ¹	Self-financed	Quasi Equity	Total
Cash and bank balances	73,889	16,318	35,166	51,484
Placement with financial institutions	75,761	152,269	-	152,269
Financing contracts	811,092	261,403	575,042	836,445
Investment in sukuk	530,376	501,706	67,371	569,077
Investment in equity securities	26,893	26,064	11,169	37,233
Investment in real estate	44,401	22,785	7,103	29,888
Investments in associates	6,576	6,948	-	6,948
Other assets (Including property and equipment)	33,024	41,806	-	41,806
Total funded exposures	1,602,011	1,029,299	695,851	1,725,150
Financial guarantees	45,249	40,026	-	40,026
Undrawn commitments to extend finance	57,497	64,862	-	64,862
Total unfunded exposures	102,746	104,888	-	104,888

¹ Represents quarterly average balances for the year ended 31 December 2025.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.3 Concentration of credit risk

4.3.1 Geographic distribution

For disclosure of Geographic distribution, please refer to note 38 of the consolidated financial statements for the year ended 31 December 2025.

4.3.2 Industry/ sector-wise distribution

For disclosure of Geographic distribution, please refer to note 38 of the consolidated financial statements for the year ended 31 December 2025.

4.3.3 Transactions with related counterparties

Related counterparties are those entities which are related to the Bank through significant shareholding, control, or both. Wherever the Bank has entered into business transactions with such counterparties, such transactions have been done at an arm's length basis and on commercial terms that bring no disadvantage to the Bank. For the purpose of identification of related counterparties, the Bank strictly follows the guidelines issued by CBB.

Detailed break up is presented in note 32 of the consolidated financial statements for the year ended 31 December 2025.

4.3.4 Exposures exceeding materiality thresholds

The Bank is required to carry out capital adjustments (deduction) for its exposure to significant investments in capital of banking and financial entities that are outside the scope of regulatory consolidation subject to certain materiality thresholds as defined in the Capital Adequacy Module ("CA Module") of the CBB Rule Book.

Further, the exposures in excess of limits prescribed by Credit Risk Management Module ("CM Module") (single obligor limit of 15% of total capital, aggregate limit for connected counterparty exposure of 25% of total capital and 0% limit exposures to controllers) are subject to risk weight of 800%. For investment in a financial entity where ownership is < 10% of the issued common capital, 100% of the amount exceeding 10% of CET1 (a) is subject to deduction from CET1 (a). The following table summarises the exposures exceeding regulatory limits as of 31 December 2025:

Counterparty	Exposure type	Total exposure	Total Exposure as a % of eligible capital	Exposures exceeding Threshold
Single Obligor	Financing	27,913	19.86%	6,833
Exposure to controller	Financing	6,973	4.96%	6,973

4.3.5 Exposures in highly leveraged counterparties

The following balances represent the financing facilities to highly leveraged or other high risk counterparties as of 31 December 2025:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	1,631	1,109	522

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.3 Concentration of credit risk (continued)

4.3.6 Residual contractual maturity of the credit portfolio and investment in sukuks

The Bank's policy provides guidelines for the appropriate tenor for corporate clients and retail customers. These guidelines are reviewed on a periodic basis. The Bank constantly monitors the residual maturity profile of its assets to ensure that any mismatch with the maturity of its liabilities is kept within acceptable limits. The contractual residual maturity profile by type of financing contract of the Bank's credit portfolio and investment in sukuks is given in the table below:

Maturity Scale	< 1 M	1 - 3 M	3 - 6 M	6M - 1Y	1 - 3Y	3 - 5Y	5 - 10Y	10 - 20Y	Over 20Y	Total
Credit portfolio:										
Murabaha	93,637	22,616	21,163	29,372	118,058	126,952	84,372	11,073	780	508,023
Ijarah	13,194	6,186	6,752	10,416	64,470	90,143	63,299	53,752	13,971	322,183
Total	106,831	28,802	27,915	39,788	182,528	217,095	147,671	64,825	14,751	830,206
Investment in sukuk	-	1,885	-	51,436	77,575	112,690	184,876	-	140,136	568,598
Grand Total	106,831	30,687	27,915	91,224	260,103	329,785	332,547	64,825	154,887	1,398,804

4.4 Equity risk in banking book

The Bank has certain equity investments classified in the banking book and are subject to credit risk weighting under the capital adequacy framework. For regulatory capital computation purposes, the Bank's equity investments in the banking book include unquoted equity investments, and investments in associates being non-financial entities.

Please refer to notes 5 of the consolidated financial statements for policies covering the accounting of equity holdings, including the accounting policies and valuation methodologies used, key assumptions and practices affecting valuation.

The RMD provides an independent review of investment transactions. An impairment assessment of investments takes place every quarter with inputs from the Investment department and RMD. Quarterly updates of investments are reviewed by the Board of Directors and are submitted to the CBB.

The Bank's equity investments are predominantly in its own products, which includes private equity and infrastructure development projects. The intent of such investments is a later stage exit along with the investors, by means of strategic sell outs at the project level or through initial public offerings. The Bank also has a strategic investment portfolio which is aligned with the long term investment objectives of the Bank.

Information on equity investments	Amount
Privately held	37,233
Unrealised gains recognized during the year through other comprehensive income	361
Total unrealised losses as of the year end	(1,303)
Dividend income, net of amortization	40
Gain on sale of equity securities, net	2,087

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.4 Equity risk in banking book (continued)

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

	Gross exposure		Risk weighted exposure		Capital charge @ 12.5%	
	Self-financed	Quasi Equity	Self-financed	Quasi Equity	Self-financed	Quasi Equity
Equity investments in banking book						
Unlisted	2,281	-	3,422	-	428	-
Investments in unlisted real estate companies	23,783	11,169	23,783	3,351	2,973	419
Investments in unrated funds - unlisted	-	-	-	-	-	-
All holding of real estate	-	-	-	-	-	-
Total	26,064	11,169	27,205	3,351	3,401	419

4.5 Risk grading of exposures

The Bank adopts a well-structured internal Credit Risk Rating/Grading system as a means of differentiating the degree of credit risk in the different credit exposures of the Bank to allow more accurate determination of the overall characteristics of the asset portfolio, concentrations, limits management, problem assets, pricing, and the adequacy of loss reserves ("provisions"). Credit Risk Ratings ("CRRs") provides a key input in identifying the risks associated with a counterparty and a credit facility, and the relevant expected credit loss. The Bank's approach to credit risk rating is documented in the Credit Risk Rating Policy which aims at achieving the following: (a) create a benchmark for assessing relative credit-worthiness of the graded entity and measure credit risk in relation to the market, (b) arrive at a system of risk-based pricing for credit facilities granted by the Bank, (c) monitor the overall credit risk inherent in the Bank's Credit portfolio, (d) create a benchmark for recognition of accrued income on credit assets, (e) link asset review frequency and approval authority levels to Credit risk and emphasize focus on effective management of weak assets, and (f) provide a means to link Internal Capital Adequacy to the portfolio credit risk.

The Bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The grading sheets are prepared by the Business Department and reviewed by the RMD. Grades are continuously monitored by the Bank's Credit Management Department and exposures are downgraded depending on the days past due, if any, based on clear criteria laid out in the Bank's credit policy. Further, the grading for corporate customers is also subject to review at least once on an annual basis. Movement of grades for credit exposures is reported quarterly to the Board.

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

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

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.5 Risk grading of exposures (continued)

The Bank relies on credit/risk ratings for financial institutions, as they are generally rated by an ECAI, as per the following guidelines:

- The Bank will use ratings issued by ECAIs approved by the Central Bank of Bahrain ("CBB") only. These currently comprise S&P, Moody's, Fitch, Capital Intelligence ("C.I."), and Islamic International Rating Agency ("IIRA").
- Ratings will be used consistently for risk assessment purposes from selected ECAIs;
- If there are two assessments by eligible ECAIs chosen by Bank which map into different risk weights, the higher risk weight will be applied.
- If there are three or more assessments by eligible ECAIs chosen by the Bank which map into different risk weights, the assessments corresponding to the two lowest risk weights is referred to and the higher of those two risk weights is applied.
- The Bank will use the issuer or issue specific rating depending on the guideline issued by the CBB. The Bank will not use the issue specific risk rating of an un-rated financial institutions except in case of specific investment in that financing instrument or bank claim pari passu to the issuer;
- Domestic currency ratings will be used to assess claims in domestic currency while foreign currency rating would be used for foreign currency exposures;
- Short-term rating of the financial institutions cannot be used for risk assessments of un-rated long-term claims.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.5 Risk grading of exposures (continued)

Different ECAs issue different coding-references to refer to the risk rating of the financial institutions. The following rating equalization table, provided by CBB, is to be used to map the ECAs ratings into the Bank's internal ratings:

S&P	Moody's	Fitch	C.I.	IIRA	Internal		Class
					Grade		
AAA	Aaa	AAA	AAA	AAA	1	Prime	Investment Rated
AA+	Aa1	AA+	AA+	AA+	2	Excellent	
AA	Aa2	AA	AA	AA	2		
AA-	Aa3	AA-	AA-	AA-	2		
A+	A1	A+	A+	A+	3		
A	A2	A	A	A	3		
A-	A3	A-	A-	A-	3		
BBB+	Baa1	BBB+	BBB+	BBB+	4	Good	
BBB	Baa2	BBB	BBB	BBB	4		
BBB-	Baa3	BBB-	BBB-	BBB-	4		
BB+	Ba1	BB+	BB+	BB+	5	Satisfactory	Non-Investment Rated
BB	Ba2	BB	BB	BB	5		
BB-	Ba3	BB-	BB-	BB-	5		
B+	B1	B+	B+	B+	6	Average	
B	B2	B	B	B	6		
B-	B3	B-	B-	B-	6		
CCC+	Caa1	CCC+	C+	CCC+	7	Watch List	
CCC	Caa2	CCC	C	CCC	7		
CCC-	Caa3	CCC-	C-	CCC-	7		
CC	Ca	CC	D	CC	8	Sub-Standard	
C	C	C	-	C	9	Doubtful	
D	-	D	-	D	10	Loss	

Please refer to note 40 of the consolidated financial statements for the year ended 31 December 2025, for details of the grading profile of credit exposures of the Bank.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.6 Past dues, impaired accounts, provisions

Customers may occasionally fail to meet their obligations to the Bank on due dates. Any amount not paid when due is classified as past due and the Bank initiates focused recovery efforts on such accounts.

The Bank adopted FAS 30 / IFRS 9 standards that classify exposures into three stages to measure ECL on exposures subject to credit risk. Accounts are moved into higher staging depending on occurrence of Significant Increase in Credit Risks. Exposures classified in Stage 3 are considered Credit impaired, this includes exposures with past dues 90 days or more.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank applies the relevant ECL related rules in line with the CBB instructions, if any, which may change from time to time.

The Bank considers a financial asset to be in default when:

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

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets 1) Credit Losses approach, 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The Bank recognises loss allowances for ECLs on:

- Cash and bank balances;
- Placements with financial institutions;
- Financing contracts;
- Investments in Sukuk - debt-type securities at amortised cost
- Investments in Sukuk - debt-type securities at FVTE; and
- Undrawn financing commitments and financial guarantee contracts issued.
- Other receivables

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

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

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be BBB- or higher per S&P or equivalent as per other acceptable external rating agencies.

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 Bank expects to receive). ECLs are discounted at the effective profit rate of the financial asset.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.6 Past dues, impaired accounts, provisions (continued)

The Bank makes provisions for impairment on individual assets classified under grades 8, 9 and 10. This is done on the basis of the present value of projected future cash flows from the assets themselves and consideration of the value of the collateral securities available.

For a detailed policy on impairment of financial assets, please refer to note 5 (i) of the consolidated financial statements for the year ended 31 December 2025.

For the quantitative disclosures relating to exposures which were past due or impaired as of 31 December 2025, please refer to note 40 of the consolidated financial statement for the year ended 31 December 2025.

4.6.1 Geographical and sector-wise break-up of impairment allowances and Credit impaired (stage 3) and past due but not credit impaired

	GCC Countries	Total
Credit Impaired:		
3 months to 1 year	28,900	28,900
1 year to 3 years	11,354	11,354
More than 3 years	7,583	7,583
	47,837	47,837
Less: Stage 3 impairment allowance:		
At 1 January 2025	15,694	15,694
Net Transfer	506	506
Charge during the year	3,100	3,100
Write off during the year	(5,291)	(5,291)
Disposals	(3,505)	(3,505)
	10,504	10,504
Carrying amount	37,333	37,333
Past due but not credit impaired:		
Up to 3 months	143,286	143,286
3 months to 1 year	-	-
More than 1 year	-	-
	143,286	143,286
Stage 1 and Stage 2 impairment allowance	6,240	6,240

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.6 Past dues, impaired accounts, provisions (continued)

4.6.1 Geographical and sector-wise break-up of impairment allowances and Credit impaired (stage 3) and past due but not credit impaired (continued)

	Real estate	Others	Total
Credit Impaired:			
3 months to 1 year	7,221	21,679	28,900
1 year to 3 years	755	10,600	11,354
More than 3 years	5,519	2,063	7,583
	13,495	34,342	47,837
Less: Stage 3 impairment allowance:			
At 1 January 2025	2,176	13,518	15,694
Net Transfer	(42)	548	506
Charge during the year	2,122	977	3,100
Write off during the year	-	(5,291)	(5,291)
Disposals	(2,304)	(1,201)	(3,505)
	1,953	8,551	10,504
Carrying amount	11,542	25,791	37,333
Past due but not credit impaired:			
Up to 3 months	58,039	85,248	143,286
3 months to 1 year	-	-	-
More than 1 year	-	-	-
	58,039	85,248	143,286
Stage 1 and Stage 2 impairment allowance	879	5,361	6,240

4.7 Renegotiated facilities

For disclosure of renegotiated facilities, please refer to note 40 of the consolidated financial statements for the year ended 31 December 2025.

4.8 Legal action and write-off of exposures

The Bank has policy for initiation and prosecution of legal action when all amicable avenues for settlement of dues from a customer have been exhausted. The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means.

As of 31st December 2025, the Bank did not have any material legal contingency from pending legal actions. Based on management estimates there is no potential liability arising from these pending legal actions.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.9 Penalties for delayed payments

In cases where customers delay the payment of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy, such penalties are maintained in a separate account and used for charity purposes approved by the Bank's Shari'a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the year ended 31 December 2025, an amount of BD 8 thousand was thus transferred to Charity and Zakah fund.

For quantitative disclosures, please refer to note 35 in the consolidated financial statements for the year ended 31 December 2025.

4.10 Credit risk mitigation

The Bank uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collateral. While existence of collateral security is not a policy precondition for financing, in practice a large part of existing exposures are at least partially supported by collateral. The Bank has clear policies on the type of assets that can be accepted as collateral security and the mode of valuation of these assets. In general, all assets accepted as collateral are valued at least once in a year. The legal validity and enforceability of the documents used for creating these collaterals have been established by external legal experts.

The position of collateral cover for all credit exposures categorised on the basis of the type of security as on 31 December 2025 is given in the table below:

Collateral Type	Murabaha	Ijara	Value of collateral ¹	Gross Exposure ²	% of cover	% of Total
Real estate	338,393	344,145	682,538	516,986	132%	93%
Cash collateral	32,010	3,413	35,423	43,672	81%	5%
Others	17,169	-	17,169	9,988	172%	2%
Unsecured	-	-	-	276,303	0%	0%
Total	387,572	347,558	735,130	846,949		

¹ Represents collateral values based on the last valuation carried out based on the Bank's valuation policy including collaterals which exceed the book value of facility.

² The amounts are gross of ECL of BD 16,744 thousand.

Real estate properties are reckoned at values certified by qualified valuers. Other physical assets like machinery are valued at book value, invoice value or as certified by an outside expert. Listed securities are valued at market price while un-listed ones are carried at cost less impairment. The Bank has an approved panel of valuers for real estate property. Valuation exercises are supervised by the credit department, independent of the business units.

Financing facilities are also often secured by personal/ corporate guarantees, joint ownership of vehicles, assignment of contract proceeds, assignment of insurance policies, etc. However under the Bank's credit policy these are not treated as tangible securities and the value of such guarantees/ assignments, though significant in many cases, are taken as nil for the purpose of the above analysis.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

4 CREDIT RISK (continued)

4.10 Credit risk mitigation (continued)

Assets financed under Ijara Muntahia Bittamleek are considered at par with physical collateral and included under Real Estate or Others in the above calculations.

The declared value of exposures in all cases is the gross exposure before any provisions. The Bank does not carry out any on or off balance sheet netting for the securities held. The Bank claimed capital relief for Credit Risk Mitigation under Section CA 4.7 of the Capital Adequacy Module of CBB rule book and hence not all exposures are risk weighted at their gross values for the purpose of computation of capital adequacy ratio.

The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities.

4.11 Regulatory capital requirements by type of financing contracts

Financing contract	Exposure		Credit Risk Weighted Assets		Capital Requirement @ 12.5%	
	Self-financed	Quasi Equity	Self-financed	Quasi Equity	Self-financed	Quasi Equity
Murabaha	157,483	355,864	129,480	91,975	16,185	11,497
Ijara assets	103,922	219,178	57,042	10,439	7,130	1,305
Total	261,405	5757,042	186,522	102,414	23,315	12,802

5 MARKET RISK

5.1 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates, equity prices, and commodity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

CBB rules require that the Bank separates its exposure to market risk between trading and non-trading portfolios. The Bank has no trading positions in equity or commodities and the main source of market risk for the Bank is its foreign exchange exposure and Sukuk exposure, although this is quite limited. There is also an extent of profit rate risk in the banking book arising out of mismatches in its asset liability structure. The Bank has well-defined policies approved by the Board with clear risk limits and thresholds to effectively manage its market risk.

The Sukuk risk is monitored by marking to market of the portfolio on a daily basis. The pricing of the sukuk is based on acceptable market pricing norms.

The ALCO committee reviews these investments as part of the overall monitoring of cash management and treasury and investment activities of the Bank.

Details on market risk management, net exposures and sensitivities are given as part of note 40 of the consolidated financial statements for the year ended 31 December 2025.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

5 MARKET RISK (continued)

5.2 Regulatory capital allocation against market rate risk

The table below shows the market risk position for each category of the market risk as at 31 December 2025 along with the maximum and minimum values during the period:

	As at 31 December	Max	Min
Equity position risk	-	-	-
Market risk on trading positions in sukuk	-	-	-
Foreign exchange risk	815	815	685
Commodity risk	-	-	-
Total (A)	815	815	685
Risk Weighted Assets (A x 12.5)	10,193	10,193	8,563
Capital requirement @ 12.5%	1,274	1,274	1,070

6 OPERATIONAL RISK

6.1 Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, and/ or from external events which includes but is not limited to, legal risk and Shari'a compliance risk. Operational risk is an inherent part of normal business operations. Whilst operational risk cannot be eliminated entirely, the Bank endeavors to minimise it by ensuring that a strong control infrastructure is in place throughout the organisation. Various procedures and processes used to manage operational risk including effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting.

Details on operational risk management are given as part of note 40 of the consolidated financial statements for the year ended 31 December 2025.

The Bank implements an operational risk control framework and monitors and responds to potential risks. Controls to limit the impact of operational risk include but are not limited to effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, and the internal audit process.

The ultimate responsibility of managing operational risk rest with the Board. This responsibility is further discharged to the BARMC. The Board approves the operational risk policies and procedures. The Bank has implemented Risk Controls and Self-Assessment (RCSA) and departments report the incidents and Key Risk Indicators (KRIs) values to the operational risk unit for monitoring and reporting the key operational risks in the Bank.

RMD monitors the key operational processes, through the RCSA framework and KRI reporting, to ensure that the Board directives are fully implemented and deviations are reported if any to the Senior Management and to the Board. The department has specialised personnel engaged in this process. The Bank has implemented an Operational Risk Management System which monitors Key Risk Indicators and controls across all major areas of operation and generates appropriate triggers as and when pre-defined risk events occur (through breach of triggers set) and also generates periodical update report to the Board and to the Management. In addition, the Bank's policy dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff that are independent of the individuals initiating the transactions.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

6 OPERATIONAL RISK (continued)

6.1 Operational risk management (continued)

The Bank's operational risk management framework includes components such as Key Risk Indicators ("KRI's"), operational loss data and Risk & Control Self-Assessment across the Bank. These are monitored periodically which helps in quickly detecting and correcting deficiencies in processes and procedures. The collected data is maintained to create a loss database which could be the starting point for a more advanced operational risk measurement approach in future.

6.2 Litigation

As of the reporting date, the Bank has no material legal contingencies including pending legal actions except as reported in Para 4.8 above. The Bank has a dedicated legal team which provides legal advice and services to all business units of the Bank.

6.3 Shari'a compliance

The Shari'a Supervisory Board ("SSB") is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Islamic Shari'a. The Bank also has a dedicated internal Shari'a reviewer, who performs an ongoing review of the compliance with the fatwas and rulings of the SSB on products and processes and also reviews compliance with the requirements of the Shari'a standards prescribed by AAOFI. The SSB reviews and approves all products and services before launching and offering to the customers and also conducts periodic reviews of the transactions of the Bank. An annual audit report is issued by the SSB confirming the Bank's compliance with Shari'a rules and principles.

6.4 Regulatory capital allocation against operational risk

The Bank uses the Basic Indicator Approach in calculating its regulatory capital requirement for operational risk.

The risk weighted assets and capital requirement for operational risk as at 31 December 2025 is as given below:

Average gross income for 3 years (A)	48,485
Operational Risk Weighted Assets (B) = A x 15% x 12.5	90,909
Capital requirement = B x 12.5%	11,364

7 OTHER RISKS

7.1 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its financial obligations on account of a maturity mismatch between assets and liabilities. The Bank's approach to manage liquidity is to ensure that it will always have sufficient funds and high quality liquid assets to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank has a liquidity risk policy in place, which describes the roles and responsibilities of the Asset Liability Management Committee ("ALCO"), Treasury and other concerned departments in management of liquidity. It also stipulates various liquidity ratios to be maintained by the bank, as well as gap limits under each time bucket of the maturity ladder. It is the Bank's policy to keep adequate level of high quality liquid assets such as cash and Sukuk to ensure that funds are available to meet maturing Mudharaba deposits, current accounts and other liabilities, as and when they fall due. The day-to-day management of liquidity risk is the responsibility of the Treasury Department, which monitors the sources and maturities of assets and liabilities closely, and ensures that limits stipulated by the ALCO are complied with. RMD and Financial Control Department ("FCD") monitors the liquidity position and any violations are reported to ALCO, ECICOM and the Board of Directors.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

7 OTHER RISKS (continued)

7.1 Liquidity risk (continued)

For maturity profile of assets and liabilities, please refer to note 37 of the consolidated financial statements for the year ended 31 December 2025.

The following are the key liquidity ratios which reflect the liquidity position of the Bank:

	Figures in %				
	2025	2024	2023	2022	2021
Interbank assets to interbank liabilities	84.40%	56.69%	66.77%	60.86%	59.12%
Liquid assets to total assets	28.23%	27.18%	32.08%	34.32%	27.61%
Liquid assets to total deposits	36.55%	36.92%	45.56%	44.01%	35.32%
Net liquid assets to total deposits	21.77%	24.66%	23.09%	22.42%	21.03%

7.2 Profit rate risk in the banking book

The other principal risk to which the banking book is exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the RMD in its day-to-day monitoring activities.

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis points (bps) parallel fall or rise across all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	200bp parallel increase/ decrease
At 31 December 2025	±2,164
At 31 December 2024	±1,274

7.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. The Bank does not engage in proprietary trading of equity, foreign exchange or its derivatives. However, the Bank manages such risk through natural hedges to hedge its risks arising out of mismatch in its asset liability portfolios. Clear policies for such transactions are in place. For other credit market transactions (primarily interbank placements), the Bank has established a matrix of counterparty limits based on external credit rating of such counterparties. Such limits are constantly monitored by the RMD.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

7 OTHER RISKS (continued)

7.4 Concentration risk

Concentration risks arises when a number of obligors, counterparties or investees 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. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region. To manage this risk, the Bank has established exposure limits to various geographic regions and industry sectors. Such limits are monitored by the RMD and deviations, if any, are reported to the Board on quarterly basis. As at 31 December 2025, there have been some concentration to few clients that have been within the Bank's strategy and within Board and CBB approvals. For break-up of exposure geography and industry/sector wise, please refer to notes 4.3.1 and 4.3.2 above.

7.5 Reputational risk

Reputational risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base that could have an adverse impact on liquidity or capital of the Bank. This may also lead to litigation against the bank which apart from avoidable legal expenses will also damage Bank's credibility which in turn will adversely affect business growth and profitability. Being an Islamic Bank, reputation is an important asset and one of the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments, growth of non-performing asset portfolio and poor communication to investors. The Bank has a well-developed and coherently implemented communication strategy to cover such contingencies. The Bank also allocates additional capital for such risks under its ICAAP.

7.6 Displaced commercial risk

Displaced commercial risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by quasi equity. This can be due to the return on such assets being lower than that of competitors. The Bank has adequate policies and procedures in place to identify, monitor and address all potential risks that may arise from such activities. Please refer to the section on Quasi Equity for further details.

7.7 Other risks

Other risks include strategic risk, fiduciary risks, and regulatory risks, etc. which are inherent in all business and are not easily measurable or quantifiable. The Bank's Board has overall responsibility for approving and reviewing the risk strategies and amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board. The management also ensures that internal systems of corporate governance and regulatory compliance for management of fiduciary and reputational risks are robust and effective. The Bank also allocates additional capital for such risks under its ICAAP.

8 PRODUCT DISCLOSURES

8.1 Product descriptions & consumer awareness

The Bank has a disclosure policy which applies to all modes of communication to the public including written, oral and electronic communications. These disclosures are made on a timely basis in a manner required by applicable local and regulatory requirements.

The Bank offers a comprehensive mix of Shari'a compliant commercial and investment banking products. This include, apart from traditional financing products, a range of innovative structured investment products like funds, repackaged investments and restricted Mudharaba's. The Investment Department of the Bank has expertise in creating innovative high-end and value added products offering a wide range of structures, expected returns, tenors and risk profiles.

Proposal for any new product is initiated by individual business lines within the Bank. The Executive Credit & Investment Committee ("ECICOM") and Management Committee ("ManCom") of the Bank reviews such proposal to ensure that the new product/ business are in line with the Bank's business and risk strategy. All new products will need the approval of the Board of Directors and the Shari'a Supervisory Board of the Bank.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.1 Product descriptions & consumer awareness (continued)

Information on new products or any change in existing products will be placed on the Bank's website khaleeji.bank and/or published in the media. Product details are also shared with customers and the general public through brochures and/or, advertisements.

8.2 Complaint handling

The Bank takes disputes and complaints from all customers very seriously. These have the potential for a breakdown in relationships and can adversely affect the Bank's reputation. Left unattended these can also lead to litigation and possible censure by the regulatory authorities. The Bank has a comprehensive policy on handling of external complaints, approved by the Board. All employees of the Bank are aware of and abide by this policy.

The Bank has a designated an officer for handling of all external complaints and his contact details are displayed on the website and also at the Branch and in all printed publicity materials. Complaints are normally investigated by persons not directly related to the subject matter of the complaint. The Bank endeavors to address all complaints within five working days. Wherever this is not possible, the customer is contacted directly and a time frame for rectification of his complaint is advised. A periodical report on status of complaints is also submitted to the Board.

8.3 Quasi Equity

The Bank accepts funds in the form of Mudharaba from small investors and high net worth individuals and other entities. Quasi Equity represents funds offered by customers to the Bank to be invested in a Shari'a compliant manner, at the Bank's discretion as Mudharib. All Quasi Equity accounts are on profit sharing basis, but the Bank does not guarantee any particular level of return. Any loss arising from the investment will be borne by the customer except in the case of the Bank's negligence or misconduct. The Bank charges a Mudharib fee as its share of profit.

The Bank accepts Quasi Equity funds in Bahraini Dinar, US Dollar and other international and GCC currencies for maturity periods ranging from 1 month to 36 months including saving accounts. The Bank completes its full range of KYC due diligence prior to accepting any investment. The customer also signs a written agreement covering all terms and conditions of the investment including tenor, basis of profit allocation, early withdrawal, etc.

Since 2009, the Bank offers a savings account product called "Al-Waffer" which entitles the investors to certain prizes in cash and in kind, decided based on a raffle draws held on monthly, quarterly and annual basis apart from the normal share of profits declared and distributed after reducing the Mudharib fees.

The Group uses Wakala structure to raises funds from interbank market and from customers, and these were reported as liabilities under placements from financial institutions and placements from non-financial institutions and individuals, respectively as of 31 December 2025. All funds raised using Wakala structure, together called "Wakala pool" are comingled with the Bank's jointly financed pool of funds based on an underlying equivalent Mudaraba arrangement.

This comingled pool of funds is invested in a common pool of assets of in the manner which the Group deems appropriate without any restrictions as to where, how and for what purpose the funds should be invested.. The Wakala pool is now classified as part of the Mudaraba pool of funding under quasi equity and the profit paid on these contracts is reported as part of determination of return on the quasi equity.

Quasi Equity is a significant funding source for the Bank and the returns offered to investors are in line with the market. However, any shortfall in yield on the investments made out of these funds exposes the Bank to displaced commercial risk. The Bank regularly monitors rate of return offered by competitors to evaluate the expectations of its Quasi Equity's. Bank's policy also provides for whole or partial waiver of the Mudharib share of income from investments due to it, to provide a reasonable return to its investors. The Bank also has other profit smoothing mechanisms that is approved by the Board in the bank's policies such as Profit Equalization Reserves ("PER") and Investment Risk Reserve ("IRR").

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.3 Quasi Equity (continued)

The Bank comingles its own funds and Quasi Equity funds and these are invested together. The Bank has identified two pools of assets where the Quasi Equity funds are invested and the income from which is allocated to such accounts. One pool is short term in nature to meet Quasi Equity short term investment requirements. The other pool is long term in nature to meet their long term investment requirements. Out of the gross income the investor's share is computed after deducting the Mudharib share. The profit allocation schedule signed by the customer prior to investment contains the scheme of allocation of the Mudharib share. Administrative expenses incurred for management of the funds are borne directly by the Bank and are not charged separately to investment accounts. Quasi Equity accounts are carried at their book value.

Subject to the provisions thereof, deposits held with the Bank are covered by the Deposit Protection Scheme established by the CBB regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board.

The details of income distribution to (Quasi Equity) for the last five years are given below:

	2025	2024	2023	2022	2021
Allocated income to Quasi Equity	34,390	24,415	28,364	29,862	25,939
Distributed profit	25,698	21,019	21,558	14,345	11,955
Mudharib fees *	7,655	3,142	6,806	15,517	13,985
Wakala Incentive*	1,037	254	-	-	-
As at 31 December Quasi Equity ¹	605,029	474,984	529,243	568,986	462,999
Profit Equalisation Reserve (PER)	-	-	-	-	-
Investment Risk Reserve (IRR)	-	-	-	-	-
Profit Equalisation Reserve-to-Quasi Equity(%)	-	-	-	-	-
Investment Risk Reserve-to-Quasi Equity (%)	-	-	-	-	-

¹ Represents average balance.

* Net of contribution towards deposit protection scheme.

Ratio of financing of the Quasi Equity by type of Quasi Equity contracts as at 31 December 2025:

Type of Quasi Equity contracts	Ratio of financing
1 Month Mudharaba ¹	28.6%
3 Months Mudharaba	3.6%
6 Months Mudharaba	6.9%
12 Months Mudharaba	27.0%
18 Months Mudharaba	0.0%
24 Months Mudharaba	0.3%
36 Months Mudharaba	0.0%
VIP Mudharaba	21.7%
Wakala	11.9%
Total	100.0%

¹ Includes saving account, Al-Wafer account and call mudharaba accounts.

Public Disclosure (continued)

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.3 Quasi Equity (continued)

Ratio of profit distributed to PSIA by type of Quasi Equity (based on tenor):

Mudharaba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
1 Month ¹	6,637	4,920	6,693	5,267	2,712	25.8	23.4	31.0	36.7	22.7
3 Months	977	372	500	597	852	3.8	1.8	2.3	4.2	7.1
6 Months	2,081	1,586	1,173	550	601	8.1	7.5	5.4	3.8	5.0
12 Months	7,631	5,344	4,020	2,653	3,024	29.7	25.4	18.6	18.5	25.3
18 Months	-	26	43	13	6	-	0.1	0.2	0.1	0.1
24 Months	143	404	1,887	1,508	1,131	0.6	1.9	8.8	10.5	9.5
36 Months	40	48	52	22	19	0.2	0.2	0.2	0.2	0.2
VIP	7,007	6,747	7,171	3,735	3,610	27.3	32.2	33.4	26.0	30.1
Wakala	1,182	1,572	19	-	-	4.6	7.5	0.1	-	-
Total	25,698	21,019	21,558	14,345	11,955	100	100	100	100.0	100.0

¹ Includes saving account, Al-Wafer account and call mudharaba accounts.

Distribution of profits by type of Quasi Equity products:

Year	Avg. profit earned from Quasi Equity assets (%age of asset)	PER set aside as a %age of Quasi Equity assets	IRR set aside as a %age of Quasi Equity assets	Mudharib fees as a %age of Quasi Equity assets	Profit paid as a %age of Quasi Equity assets
2025	5.69	-	-	1.27	4.42
2024	5.14	-	-	0.71	4.43
2023	5.36	-	-	1.29	4.07
2022	5.25	-	-	2.73	2.52
2021	5.60	-	-	3.02	2.58

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.3 Quasi Equity (continued)

Following are the average profit rates declared and distributed to the investors by the Bank:

	2025	2024	2023	2022	2021
1 Month Mudharaba ¹	2.95%	2.29%	2.56%	1.80%	1.42%
3 Months Mudharaba	4.44%	4.74%	4.69%	2.77%	2.80%
6 Months Mudharaba	4.89%	5.54%	5.33%	2.71%	2.93%
12 Months Mudharaba	4.92%	5.33%	4.84%	3.02%	3.27%
18 Months Mudharaba	-	5.71%	4.70%	3.23%	3.39%
24 Months Mudharaba	4.74%	5.24%	5.56%	4.27%	3.98%
36 Months Mudharaba	4.22%	4.51%	4.24%	3.38%	3.74%
VIP Mudharaba	5.00%	5.57%	5.40%	3.15%	3.40%
Wakala	2.39%	6.13%	3.34%	-	-

¹ Includes saving account, Al-Wafer account and call mudharaba accounts.

The Bank refers to the group of commercial Islamic banks incorporated in the Kingdom of Bahrain so as to benchmark the rate of return on Quasi-equity.

Quasi Equity account by type of assets:

The following table summarises the movement in type of assets in which the Quasi Equity funds are invested and allocated among various type of assets for the year ended 31 December 2025:

Particular	Allocation		Allocation at 31 December 2025	Proportion of total assets (%)	% of funding by Quasi Equity as at 31 December 2025
	at 1 January 2025	Movement			
Cash and bank balances	31,958	3,208	35,166	5.05%	68.30%
Placements with financial institutions	0	-	0	0.00%	0.00%
Financing assets (Murabaha)	391,712	183,330	575,042	82.64%	69.26%
Investment in Sukuk	67,438	(67)	67,371	9.68%	11.85%
Investment securities	11,630	(461)	11,169	1.61%	30.00%
Investment in real estate	16,458	(9,355)	7,103	1.02%	15.46%
Other assets	-	-	-	0.00%	0.00%
Total	519,196	176,655	695,851		

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.3 Quasi Equity (continued)

Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio

	2025	2024	2023	2022	2021
Average mudarib share as a percentage of total income allocated to Quasi Equity	27.96%	24.00%	28.13%	45.06%	53.73%
Average mudarib share contractually agreed with Quasi Equity	63.57%	64.44%	66.57%	68.56%	63.70%
Average mudarib fees sacrificed by the Bank	35.61%	40.44%	38.44%	23.50%	9.97%

8.4 Restricted Investment Accounts (RIA's)

The Bank offers Restricted Investment Accounts ("RIA's") to both small investors and high net worth individuals in the GCC. The Bank structures its RIA products to offer its customers an opportunity to choose from a wide range of returns, maturity periods, sectors, asset classes and risk levels. No RIA product was introduced/ marketed by the Bank in 2025.

All RIA offering documents ("Offering Document") are drafted and issued with input from the Bank's Investment Banking, Shari'a, Financial Control, Legal and Risk Management Departments to ensure that the Investors have sufficient information to make an informed decision after considering all relevant risk factors.

The Board of Directors is responsible for providing clear guidelines for the development, management and risk mitigation of its RIA investments and to ensure that there exist sound management and internal control systems to ensure that the interests of the Quasi Equity's are protected at all times. Wherever it is necessary for the Bank to establish Special Purpose Vehicles ("SPV's") for management of the investment, the Board ensures that the management of such SPV's is conducted in a professional and transparent manner by a duly appointed Board.

The Bank is aware of its fiduciary responsibilities in management of the RIA investments and has clear policies on discharge of these responsibilities. The Bank's Policy regarding its fiduciary responsibilities to the RIA investors and their funds, includes the following:

- Ensuring that the investment structure, Offering Documents and the investment itself are fully compliant with Islamic Shari'a principles and the CBB regulations;
- Appropriately advising investors, as part of the RIA Offering Document, of all the relevant and known risk factors and making it clear that the investment risk is to be borne by the investor before accepting the investment funds;
- Completing all necessary legal and financial due diligence on investments undertaken on behalf of the investors with the same level of rigor as the Bank requires for its own investments;
- Ensuring that the funds are invested strictly in accordance with the provisions outlined in the Offering Documents;
- Putting in place suitable resources and systems to manage and administer the investment and any necessary RIA SPV(s) and to proactively manage all risks;
- Preparing and disseminating periodical investment updates to investors on a regular basis during the tenor of the investment;

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.4 Restricted Investment Accounts (RIA's) (continued)

- Distributing the capital and profits to the investor in a just and equitable manner as Mudharib; and
- In all matters related to the RIA, RIA SPV(s) and the investment, act with the same level of care, good faith and diligence as the Bank would apply in managing its own investments.

Within the Bank, the above mentioned responsibilities and functions are provided, managed and monitored by the Board of Directors along with qualified and experienced professionals from the Investment Banking, Shari'a, Financial Control, Legal, Investment Administration and the Risk Management Departments.

Investment update reports are prepared and disseminated by the Bank to the RIA Investors on a periodic (at least on a half yearly) basis outlining any material contracts/decisions, investment performance, distribution (if any) or exit criteria/information. The Group has outsourced the day to day management of the assets under management to its Parent.

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					2025	2024	2023	2022	2021
RIA 1 – Safana	An investment structure designed to participate in the equity interest of Safana Investment WLL. A company established for the purpose of acquiring reclaimed land to subdivide and sell. In 2011, the Bank made an offer to buy back < BD 20,000 of each investors funds in RIA 1 at par. This offer was formalized in a letter to investors dated 25 May 2011. A total of 74 of the 95 RIA 1 investors accepted the offer at a cost of BD 1,220,000 to the Bank and resulting in a total of 39 investors being fully exited from the RIA. As a result, total investors funds have reduced to BD 8.34 million.	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-
	KHALEEJI and NS12 (special purpose vehicle incorporated by the Bank on behalf of investors with the principle purpose of holding plots of lands in the Nurana Project) recently appointed Key Point to work out an in-kind exit scheme for the RIA investors by offering the 19 plots. Scheme documents has been received from Key Point and approved by KHALEEJI and NS 12 management to be circulated to investors.								

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.4 Restricted Investment Accounts (RIA's) (continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					2025	2024	2022	2021	2020
	<p>Approved Scheme Documents have been circulated by Key Point to all investors and followed by a workshop conducted at KHALEEJI offices on the 24th August 2016, to explain and answer any queries or information needed to exercise the Plots Application Forms.</p> <p>Last date of returned Application Forms was 7th September 2016, along with the Opening Date which was held at 24th Floor, KHALEEJI Offices managed and monitored by Key Point and witnessed By KHALEEJI employs; the result was 6 plots were allotted out of 19 plots.</p> <p>The in-kind exit scheme has been completed and an open auction held on 22nd November, 2016 to allow maximum opportunities to the Investors to re-participate once again on the remaining plots. KPMG was engaged By KHALEEJI to audit the whole In-kind exit process.</p> <p>Following the 3 allotment rounds of which RIA 1 investors participated, 6 plots have been allocated.</p> <p>Total revise fund BD 5,176,246 which included KHALEEJI and total remaining NS 12 BD 6,979,665 as at 31 December 2020. The Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund.</p> <p>As of 31 December 2025, the Group has acquired shares in RIA-1 amount BD 2.22mn, which will be part of the assets to be transferred to Infracorp.</p>								

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.4 Restricted Investment Accounts (RIA's) (continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					2025	2024	2023	2021	2020
RIA 5 – North Gate	A restricted investment product which owns a 6.0% stake in Shaden Real Estate Investment WLL which in turn (through its subsidiaries), holds a parcel of reclaimed land measuring approximately 3.875 million Sq. Meters (located in Al-Hidd, Muharraq). The mixed-use plot will be sold to end users subsequent to the completion of infrastructure works.	2008	90.66% over product tenor	Bullet return on maturity	-	-	-	-	-

During Q1 2015, the Bank effected a buy-back option to all RIA investors for up to an amount of BD 30,000 plus 5% premium for all investors. RIA investors holding BD 30,000 and below was exited in full. A detailed letter was sent to all RIA investors in this regard. The offer was made valid up to 15 June 2015 AND during Q3 2015 the Bank paid 5.62% as partial redemption to the remaining investors.

Moreover, during December 2018 dividend declared amount of BD 259,500 to all RIA investors and it was paid by following quarter.

the Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund.

As of 31 December 2025, the Group has acquired shares in RIA-6 amounting to BD 2.938mn, which will be part of the assets to be transferred to Infracorp.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

8 PRODUCT DISCLOSURES (continued)

8.4 Restricted Investment Accounts (RIA's) (continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					2025	2024	2023	2021	2020
	Exit in Kind Scheme ("EIK Scheme") has been explored as an exit option by Amar 1. During H1 2024, an EIK Process Document with high level details of the EIK Scheme was prepared by Amar 1 and was presented to all the stakeholders of the IGB Project for their approval. Subsequently, the respective stakeholders of IGB Project have approved the EIK Process Document. The EIK Scheme will be implemented based on the outcome of the approval process on the final master plan with residential classification. The expected revised timelines on proposed EIK Scheme are given below								

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES

9.1 Corporate governance structure

Khaleeji Bank B.S.C. ("the Bank" or "Khaleeji") is governed by the Bahrain Commercial Companies Law No. 21 of 2001 and its amendments (the "Companies Law"), the Kingdom of Bahrain Corporate Governance Code (the "CGC"), volume 2 and volume 6 of the Rulebook of the CBB (and in particular the High-Level Controls ("HC Module")), and the Bahrain Stock Exchange Law of 1987 (collectively, the "Regulations").

The Bank acknowledges its responsibility to all its stakeholders and is committed to the highest standards of corporate governance. The Bank believes good corporate governance enhances stakeholder value and provides an appropriate guidance to the Board, its committees, and the Bank's Executive Management to carry out their duties in the best interest of the Bank and its stakeholders. The Bank maintains the highest levels of transparency, accountability and good management, through the adoption of the highest standards of corporate governance, and monitoring of corporate strategies, goals and policies to comply with its regulatory and ethical responsibilities.

9.2 Code of conduct

The Board has approved a code of conduct for all staff of the Bank and the Board members. The Code includes the process of dealing with conflict of interests. It also binds the Directors, Executive Management and staff to the highest standard of professionalism and diligence on discharging their duties. All Board members and senior management of the Bank have affirmed compliance with the Code of Conduct. A declaration is made by the Board members prior to each Board meeting confirming that they have disclosed all external appointments and notified the Chairman if there have been any changes to their external appointments since the previous meeting. Board members are excluded from dealings in matters related to an external entity where they hold an appointment at that entity.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.3 Compliance with regulations

The Bank always ensures compliance with the regulations applicable to an Islamic licensed bank. It would report any non-compliance with the guidelines should there be any. The Bank's obligations to comply with the Regulations have been addressed through following a Corporate Governance Handbook in accordance with the corporate governance ("CG") and the High-Level Controls Module of the CBB Rulebook. The CG Handbook was developed to manage the Board and committees Charter, Management Committee Charters, Board and Management Code of Conduct, Conflict of Interest Policy, Whistle Blowing Policy, Corporate Governance Guidelines, Social Responsibility, Directors' Appointment Agreement, Board and Directors' Evaluation, and a Key Persons' Dealing Policy.

The Bank is committed to continuously review and develop its corporate governance policies to ensure compliance with the changing requirements of the Regulations and to ensure compliance with the international corporate governance best practice. The Bank, through its Board and Board Committees, endeavors to deliver the highest standards of governance for the benefit of its stakeholders.

9.4 Board of directors

As at 31 December 2025, the Bank's Board of Directors comprise of ten members (six appointed as representatives of major shareholders in the bank, three independent members elected by shareholders at the Ordinary General Meeting ("OGM") meeting for a renewable three-year term), and a fourth independent member appointed pursuant to paragraph (a) of Article (197) of the Commercial Companies Law, whose appointment was later ratified by shareholders during the General Assembly meeting held on March 17, 2025, with an absence of women representation in the Board.

The current composition of the Board complies with the requirements of the Regulations, except for the requirements stated in paragraph 16 below.

The Board Nominations, Remunerations and Governance Committee ("BNRGC") reviews the skills and qualifications required of directors on periodic basis for potential nominee director. A nominee director may be elected by the shareholders upon receiving majority of votes during the election process. Positions at the Board are filled in compliance with the Bank's Articles of Association and the Commercial Companies Law. A Director's membership to the Board shall terminate in the cases provided for by the Companies Law and the Articles of Association of the Bank.

The Chairman of the Board of Directors is charged with regular supervision and assessment of executive management and is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Chief Executive Officer (the CEO), and maintaining a dialogue with the Bank's stakeholders. The Board has constituted certain committees with specific delegated authorities to oversee and guide the management in specific areas of the Bank's operations and decision-making. The Board, either directly or through its various committees, will oversee the management of the Bank.

The Board has formalized the division of work responsibilities between the Board and the Bank's management. Working in consultation with the Bank's management team, the Board provides oversight for the overall management of the Bank's business. The Board reviews and approves the corporate strategy for the Bank and has overall responsibility for risk management, financial reporting and corporate governance issues. Matters that specifically require Board approval include, amongst other things, the financial statements and the acquisition and disposal of companies. The Board also ensures that the Bank upholds the Bank's core values including the values set out in the Bank's internal policies.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.4 Board of directors (continued)

The Board Audit and Risk Management Committee ("BARMC") in addition to the functions of control, ensures that all policies prescribed are reviewed and updated on annual basis. The Risk management department in conjunction with the Internal Audit and Control unit ensures the policies and procedures are updated and adhered to under the oversight of the related management committees. The Board is also responsible for approving any related party transaction as per the Bank's authority matrix. In addition, any material transaction defined by the Bank (10% of the Banks' capital) should be approved by the Board. The preparation of the consolidated financial statements of the Bank and the Group's undertaking to operate in accordance with Islamic Sharia rules and principles is the responsibility of the Board of Directors. The duties, functions, and responsibilities are detailed in the Bank's Corporate Governance Framework.

In compliance with the CBB requirements, the position of the Chairman and that of the CEO are segregated and there is no amalgamation of responsibilities in these two positions.

Members of the Board always have access to the Bank's management. The CEO together with the Bank's senior management monitors the Bank's performance against pre-set corporate objectives and manages the Bank's day-to-day affairs based upon the policies, objectives, strategies and guidelines lay down and approved by the Board from time to time.

The Board of Directors of the Bank comprises of Executive and Non-Executive Directors. The Board has four independent members (out of a total of ten Directors).

Upon appointment, each Director is provided with a comprehensive, formal and tailored induction which includes, amongst other things, a review of the Board's role and duties and the relevant Director's roles and duties to the Bank; meetings with the bank's senior management; visits to the Bank's branches and other sites if needed; presentations to explain the Bank's strategic plans and significant financial, accounting, risk and legal issues and compliance programs; and meetings with internal and external auditors and legal counsel. In compliance with requirements of CBB's Rulebook, the Board and its committees are also individually evaluated and assessed for their performance effectiveness. The Board has conducted an evaluation of its performance and the performance of each committee and each individual director during the year 2025.

Each independent Director of the Bank is a professional in their field and possesses a background in the financial and banking field.

The Board of Directors and its committees receive regular reports on various aspects of the Bank's business from senior management as well as from Internal Audit, Risk Management, Financial Control, Compliance & AML, Sharia Coordination and Implementation Department, Internal Sharia Audit, and Operations Departments.

The Chairman, the Board of Directors, and the Board Committees have direct access to the Corporate Secretary, Heads of Internal Audit, Risk Management, Regulatory Compliance, Internal Sharia Audit, and Shari'a Sharia Coordination and Implementation.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.4 Board of directors (continued)

The names, title, and other positions held by the Board of Directors are set out below:

Yousif Abdulla Taqi
Chairman

Experience:

- Director since March 2024 (Non-Independent and Non-Executive).
- Over 36 Years of experience in the fields of Islamic Banking, Audit, and Advisory Services.
- Board member in Bapco Refining BSC
- Board member in Bahrain Marina Development Company W.L.L
- Board member in Infinity Capital W.L.L

Qualification:

- Honorary Doctoral Degree from Husson University – USA
- Bachelor of Science in Accounting from Husson University – USA
- Certified Public Accountant "CPA"

Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman

Experience:

- Director since March 2017 (Independent and Non-Executive)
- Over 36 years of experience in governance and Project & information management

Qualification:

- Master Certificate in Project Management from the George Washington University – USA.
- BSc in Computer Science from Saint Edwards University – USA.

Ali Murad Ali Murad
Board Member

Experience:

- Director since April 2022 (Non-Independent and Non-Executive).
- Over 24 years of experience in the Banking and Private Sectors, as well as the fields of Credit Analysis, Treasury, Private Banking, and Investment
- Vice Chairman and Co-Founder of Pinnacle W.L.L. – Bahrain
- Board Member of GFH Financial Group
- Board Member in several companies such as GFH Capital SA, GFH Partners Ltd. Dubai, Al Areen Holding Company, and EAT app

Qualification:

- BSc and BA in Marketing from Suffolk University, Boston, Massachusetts – USA

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES *(continued)*

9.4 Board of directors *(continued)*

Mazen Ibrahim Abdulkarim

Board Member

Experience:

- Director since September 2020 (Non-Independent and Non-Executive).
- Over 31 Years of experience in the fields of Banking and financial Investments.
- Board Member of Esterad Investment Company B.S.C. – Kingdom of Bahrain.
- Board Member of Gulf Investment Corporation G.S.C. – Kuwait.
- Board Member of Sayacorp Aqar W.L.L. – Kingdom of Bahrain.

Qualification:

- BSc with Honours in Finance from Bentley University – USA.

Reyadh Eid Al Yaqoob

Board Member

Experience:

- Director since October 2018 (Independent and Non-Executive)
- 36 Years of experience in the field of Leadership, Management & Project Supervision within the Government Sector

Qualification:

- MSc in Systems Management from the Naval Postgraduate School, USA
- National Diploma in Aerospace Studies from the Brunel
- Certificate in Operation Research (OR) from the Royal Military College of Science – UK
- Successfully completed a Workshop on the Future of Corporate Governance - American University - KOGOD School of Business
- Successfully completed a Workshop on Principles of Financial Restructuring - Executive Education Academy
- Successfully completed a Workshop on Global Corporate Governance Challenges - Executive Education Academy
- Successfully completed a Workshop on Digital Business Strategy Harnessing Our Digital Future - Massachusetts Institute of Technology

H.E. Ayman Tawfiq Almoayed

Board Member

Experience:

- Director since March 2024 (Non- Independent and Non-Executive)
- Over 22 Years of experience in the public and private sectors
- Secretary General of the Supreme Council for Youth and Sports, after spending close to 4 years as Minister of Youth and Sports Affairs (2018 – 2022)
- Chairman of Arab Shipbuilding and Repair Yard Company "ASRY"
- Chairman of Hope Fund
- Chairman of Chambers & Guilds WLL
- Chairman of Sports Cities Company
- Chairman of Arabian Gulf Capital
- Supervisory Board Chairman of Kempinski Hotel – Germany
- Board Member of the General Sports Authority

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.4 Board of directors (continued)

Qualification:

- Master's in Business Administration focused on Business of Law from the University of Cambridge – UK
- Bachelor of Laws from the University of Kent – UK College – USA

Sh. Isa Bin Khalid Al Khalifa

Board Member

Experience:

- Director since March 2024 (Independent and Non-Executive).
- Over 21 Years of experience in the fields of Corporate Banking and Investment
- Board Member & Audit Committee Chairman of Alba BSC "ALBA"
- Founder and Managing Director of Seaspring WLL

Qualification:

- Master's in Science in Global Financial Analysis from Bentley College – USA
- Bachelor of Science in Economics & Finance from Bentley College – USA

Salah Sharif

Board Member

Experience:

- Director since December 2024 (Non-Independent and Executive)
- Over 38 Years of experience in many fields in the Banking Sector
- COO of GFH Financial Group – Bahrain
- Chairman of Student Quarters – USA
- Chairman of Big Sky Asset Management – USA
- Board Member in several Projects and Operating Companies that fall under the GFH Financial Group Brand
- Board Member of Infracorp B.S.C.c - Bahrain

Qualification:

- MBA with Distinction from Glamorgon University – Wales

Dawod Mohamed Alghoul

Board Member

Experience:

- Director since December 2024 (Independent and Non-Executive).
- Over 21 years of experience in Financial Planning, Strategy, Investment, and Financial Restructuring
- CEO Financial Services and Group Chief Investment Officer, Ethmar International Holding – UAE
- Board Member of Solidarity First Insurance – Jordan

Qualification:

- Certified Public Accountant "CPA"
- Master's in accounting from the University of Colorado – USA
- BSc In Accounting from the University of Jordan – Jordan

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.4 Board of directors (continued)

Mr. Razi Abdulghafar Al Merbati Board Member

Experience:

- Director since May 2025,
- Over 23 Years of experience in banking and finance including Islamic investments, advisory, private banking and wealth management
- CEO of GFH Capital – S.A. and the Group Chief Placement Officer of GFH Financial Group,
- Board Member of Esterad Investment Company – Kingdom of Bahrain
- Board Member of Gulf Central Company – Kingdom of Saudi Arabia

Qualification:

- BSc. In Business Informatics, AMA International University, Kingdom of Bahrain

* The qualifying criteria for 'Independent Directors' are as per the Corporate Governance guidelines of the CBB.

9.5 Quorum required for adoption of Board resolutions

The required quorum for the meetings of the BOD and AGM shall be in accordance with the provisions of the Articles of Association of the Bank. The BOD may pass its resolutions by post, e-mail, fax, conference calls, video calls or any other means of audio or video communication.

9.6 Refraining from voting on any decision or anything subject to a possible conflict of interest

As per Bahrain Commercial Companies Law and CBB's regulations, Board members are required to disclose potential conflicts as well as refrain from participating in any conflicted decisions. This includes potential conflicts that may arise when a Director takes up a position with another company or has any material transactions with the Bank. In addition, exposures to major shareholders, directors and senior management are governed by the regulations of the CBB.

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law. Details of related party transactions, carried out at arm's length, are disclosed in Note 32 of the financial statements.

Khaleeji is committed to professionally managing potential conflicts of interest which may arise during business to meet the Bank's obligations. As such, the Bank maintains a conflict-of-interest policy outlining clear and transparent procedures for dealing with instances falling under the abovementioned scenarios, in line with CBB Rulebook Volume 2 and Volume 6 in addition to the provisions of the Bahrain Commercial Companies Law. In the event of a conflict of interest occurring, the individual must promptly disclose any matter that may result, or has already resulted, in a conflict of interest.

The conflicted individual must additionally abstain from getting involved in or voting on any matter where they may have a conflict of interest or where their objectivity or ability to properly fulfil duties may otherwise be compromised. Any decision to enter into a transaction in which an approved person appears to have a material conflict of interest must be formally or unanimously approved by the entire Board. These events are recorded in the applicable Board or subcommittees meeting minutes.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)**9.6 Refraining from voting on any decision or anything subject to a possible conflict of interest** (continued)

Below illustrates the instances whereby a Board Member has abstained from voting because of conflict of interest. It is to be noted the below is inclusive of the Board and its Subcommittees.

Ser.	Board Member Name	Abstaining from Voting Instances	Approval Authority	Status
1	Yousif Taqi	6	Board of Directors	Approved
2	Sh. Ahmed Bin Isa Al Khalifa	2	Board of Directors	Approved
3	HE Ayman Almoayed	6	Board of Directors	Approved
4	Reyadh Al Yaqoob	1	Board of Directors	Approved
5	Ali Murad	4	Board of Directors	Approved
6	Mazen Abdulkarim	3	Board of Directors	Approved
7	Salah Sharif	4	Board of Directors	Approved
8	Hisham Al Rayes	2	Board of Directors	Approved
9	Razi Almerbati	1	Board of Directors	Approved

9.7 Board of directors' interests

As of the year ended 31 December 2025, the members of the Board collectively held zero shares in the Bank.

Director's name	No. of Shares As of Dec. 2024	No. of Shares As of Dec. 2025	Movement During the Year	% of SubTotal Shares
Yousif Abdulla Taqi	-	-	-	-
Sh. Ahmed Bin Isa Al Khalifa	-	-	-	-
HE Ayman Tawfiq Almoayed	-	-	-	-
Razi Almerbati	-	-	-	-
Reyadh Eid Al Yaqoob	-	-	-	-
Ali Murad Ali Murad	-	-	-	-
Sh. Isa Bin Khalid Al Khalifa	-	-	-	-
Mazen Ibrahim Abdulkarim	-	-	-	-
Dawod Mohamed Alghoul	-	-	-	-
Salah Abdulla Sharif	-	-	-	-
Total	-	-	-	-

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.8 Board committees

The Board of Directors has constituted three Committees with specific delegated authorities.

Committee	Members	Primary responsibilities
Board Nominations, Remunerations and Governance Committee (BNRGC)	<ul style="list-style-type: none"> Reyadh Eid Al Yaqoob (Independent and Non-Executive) Sh. Isal Al Khalifa (Independent and Non-Executive) Salah Sharif (Non-Independent and Non-Executive) 	<ul style="list-style-type: none"> Human Resources. Compensation and incentives. Administration. Corporate Governance. ESG.
Board Audit and Risk Management Committee (BARMC)	<ul style="list-style-type: none"> Sh. Ahmed Bin Isa Al Khalifa (Independent and Non-Executive) Reyadh Eid Al Yaqoob (Independent and Non-Executive) Sh. Isa Al Khalifa (Independent and Non-Executive) Mazen Ibrahim Abdulkarim (Non-Independent and Non-Executive) Salah Sharif (Non-Independent and Non-Executive) 	<ul style="list-style-type: none"> Internal Audit. External Audit. Compliance. Anti-Money Laundering. Risk management. Policies related to risk management.
Board Investment and Credit Committee (BICC)	<ul style="list-style-type: none"> Yousif Taqi (Non-Independent and Executive) Ali Murad Ali Murad (Non-Independent and Non-Executive) Ayman Almoayed (Non-Independent and Non-Executive) Dawod Alghoul (Independent and Non-Executive) Sattam Sulaiman Algosaibi (non-voting member) Razi Almerbati (Non-Independent and Non-Executive) 	<ul style="list-style-type: none"> Investment & credit approval. Setting limits. Investment policies. Asset Liability Management. Banking relationship. Oversight of Off-Balance Sheet Vehicles.

Meetings of the Board and its committees are held as and when required but in accordance with the Regulations the Board meets at least once a quarter. The Board of Directors met six times in 2025. The Bank held its Annual General Assembly (AGM) and the Extraordinary General Meeting (EGM) on 17 March 2025. In addition to physical meetings, several written resolutions were circulated to the Directors during 2025 for approval by email.

During the year, the Board Audit and Risk Management Committee (BARMC) held five meetings (minimum 4 per year), the Board Investment and Credit Committee (BICC) held seven meetings (minimum 4 per year), the Board Nominations, Remunerations and Governance Committee (BNRGC) held nine meetings (minimum 2 per year).

9.9 Election system of directors and any termination arrangements

The system for the election and termination of Directors is governed by the Companies Law and Articles 18-20 of the Bank's AOA. Also, Articles 28 and 29 of the AOA define the cases in which the Bank may terminate the Director's membership. Furthermore, in line with the Article 179 of Companies Law and Articles 21 of AOA, in case of vacancy for one or more Board members, the Board shall elect by a secret ballot or otherwise, a substitute amongst certain number of candidates, proposed by at least two Board members until the first General Meeting is held.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.10 Board and Subcommittees meeting dates and attendance

- **Board of Directors meetings**

	Meetings dates during the year 2025						Attendance %
	10 Feb.	11 May	13 Jul.	24 Sep.	6 Nov.	30 Dec.	
Yousif Taqi	✓	✓	✓	✓	✓	✓	100%
Sh. Ahmed Bin Isa Al Khalifa	✓	✓	✓	✓	✓	✓	100%
HE Ayman Almoayed	✓	✓	✓	✓	✓	✓	100%
Reyadh Al Yaqoob	✓	✓	✓	✓	✓	✓	100%
Ali Murad	✓	✓	-	✓	✓	✓	75%
Sh. Isa Bin Khalid Al Khalifa	✓	✓	✓	✓	✓	✓	100%
Mazen Abdulkarim	✓	✓	✓	✓	✓	✓	100%
Dawod Alghoul	✓	✓	✓	✓	✓	-	75%
Salah Sharif	✓	✓	✓	✓	✓	✓	100%
Hisham Al Rayes ¹	✓	✓	-	-	-	-	100%
Razi Almerbati ²	-	-	✓	-	✓	-	50%

¹ Resigned from the Board on 11 May 2025

² Joined the Board on 28 May 2025

- **BNRGC meetings**

	9 Feb.	6 Mar.	13 Mar.	27 Mar.	7 May	10 July	24 July	23 Sep.	5 Nov.
Reyadh Eid Al Yaqoob	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sh. Isa Al Khalifa	✓	✓	✓	✓	✓	✓	✓	✓	✓
Salah Sharif ¹	✓	✓	✓	-	✓	✓	✓	✓	-
Mazen Abdulkarim ²	-	-	-	-	-	-	-	-	✓

* The committee was reconstituted on 19 October 2025

¹ Left the committee on 19 October 2025

² Joined the committee on 19 October 2025

- **BARMC meetings**

	5 Nov.	23 Sep.	7 May.	9 Feb.	23 Jan.
Sh. Ahmed Bin Isa Al Khalifa	✓	✓	✓	✓	✓
Mazen Ibrahim Abdulkarim	✓	✓	✓	✓	✓
Sh. Isa Al Khalifa	✓	✓	✓	✓	✓
Reyadh Alyaqoob	✓	✓	✓	✓	✓
Salah Sharif	✓	✓	✓	✓	✓

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.10 Board and Subcommittees meeting dates and attendance (continued)

- **BICC meetings**

	10 Feb.	14 Apr.	8 May	10 Jul.	28 Aug.	24 Sep.	6 Nov.
Yousif Taqi	✓	✓	✓	✓	✓	✓	✓
Ali Murad Ali Murad	✓	✓	✓	✓	✓	✓	✓
Ayman Almoayed	✓	✓	✓	✓	✓	-	✓
Dawod Alghoul	✓	✓	✓	✓	✓	✓	✓
Sattam Algosaibi	✓	✓	✓	✓	✓	✓	✓
Razi Almurbati ¹	-	-	-	✓	✓	✓	✓

¹ Joined the committee on 10 July 2025

9.11 Shari'a Supervisory Board (SSB)

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

Sh. Dr. Fareed Yaqoob Al-Miftah Chairman

Experience:

- Member of the Supreme Council of Islamic Affairs.
- Undersecretary – Court of Cassation, Supreme Judicial Council – Bahrain.
- Member, International Islamic Fiqh Academy.
- Former judge of the high Shari'a Court.
- Former Lecturer at the University of Bahrain.

Qualification:

- BA & Master degree from Imam Muhammad ibn Saud University – KSA.
- Ph.D. from the University of Edinburgh – United Kingdom

Sh. Dr. Fareed Mohammed Hadi Vice Chairman and Executive Member

Experience:

- Assistant Professor at the College of Business Administration, University of Bahrain.
- Founder of Islamic Banking and Finance B.Sc. and Master Programs, University of Bahrain.
- Member – Board of Directors BCC Waqf Fund, Central Bank of Bahrain.
- Chairperson and member of a number of Shari'a Supervisory Board in Islamic banks & insurance companies.

Qualification:

- BA & Master degree from Imam Muhammad ibn Saud University – KSA
- Ph.D. in Ibn Hazm's Methodology of Jahala, University of Edinburgh – UK.
- Ph.D. in Al-Bukhari's Methodology, University of Mohammed V – Morocco. Ph.D. in Islamic Studies.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.11 Shari'a Supervisory Board (SSB) (continued)

Sh. Dr. Nizam Mohammed Saleh Yaqoobi Member

Experience:

- Member of the Shari'a Council of AAOIFI, Bahrain.
- Member of Centralized Shari'a Supervisory Board of the Central Bank of Bahrain.
- Chairperson and member of a number of Shari'a Supervisory Board in Islamic banks & insurance companies.

Qualification:

- BA in Economics and Comparative Religion from the McGill University – Canada.
- Ph.D. in Islamic Studies.

Sh. Dr. Mohamed Yousif Abdulsalam Executive Member

Experience:

- Head of Shari'a and Corporate Secretary at GFH.

Qualification:

- Ph.D. in Islamic Accounting from the American University – USA
- MBA in Islamic Accounting and Financial Control from the American University – USA
- Bachelor's in Islamic Accounting from Imam Mohammad ibn Saud Islamic University – KSA

9.12 Executive management committees

The Board of Directors delegates the authority for day-to-day management of the business to the Chief Executive Officer (CEO) who is responsible for implementing the Bank's strategic plan. The CEO manage the Bank through the following management committees:

Committee	Primary responsibilities
Management Committee	Strategy, Performance review, Budget, Administration
Asset Liability Management Committee	Balance sheet management, Funding, Liquidity, Banking Relationships
Executive Credit & Investment Committee	Review of Credit proposal, Review of investments, Exit and credit proposals, Monitoring of investments, Risk Management policies, Risk review, Provisions and impairment.
Executive Risk Management Committee	Risk Management policies, Risk review, and Compliance.
Human Resources Committee	Approving the policies and strategy of human resources
Provisioning Committee	Review provisioning levels for defaulted financing, assess account staging and approve upgrades, and endorse action plans and provisioning recommendations submitted by the Remedial Management Committee.
Remedial Management Committee	Evaluate and manage defaulted clients, guiding remedial actions, monitoring progress and legal cases, reviewing asset quality reports, and recommending restructuring and provisioning measures.
IT Steering Committee	Reviews, monitors and prioritizes major IT projects from a cross-functional perspective. The Committee sets the direction for the Bank's use of IT. Approves the IT strategic plan, and other IT-related policies.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.13 Executive management & other senior management

Mr. Amit Yashpal has been appointed as Chief Risk Officer of the Bank.

The names and title of each member of executive and other Senior Management are set out below:

Sattam Sulaiman Algosaihi **Chief Executive Officer**

Experience:

- Over 28 years of experience in the Islamic Banking industry.
- Joined the Bank in 2018.

Qualification:

- Master of Business Administration from DePaul University – USA.
- BSc in Accounting Science from King Fahad University of Petroleum & Minerals – KSA.

Mohamed Ebrahim Al Hashimi **Head of Operations**

Experience:

- Over 24 years of experience in Islamic Banking Operations.
- Joined the Bank in 2006.

Qualification:

- BSc in Business Information System from University of Bahrain.
- Certified Islamic Professional Accountant Program "CIPA".
- Attended Executive Leadership Development Program at Darden School of Business in the University of Virginia – USA.

Dr. Abdunasser Omar Al Mahmood **Head of Shari'a Coordination & Implementation**

Experience:

- Over 36 years of experience in Shari'a Audit and Islamic Banking.
- Joined the Bank in 2008.

Qualification:

- Doctor of Philosophy in Islamic Banking & Finance -International Islamic University Malaysia
- Master's in Business Administration with thesis in Shari'a Control and Review in Islamic Banks from Gulf University – Kingdom of Bahrain.
- BSc in Shari'a and Islamic Studies from Qatar University.
- Associate Diploma in Shari'a Control from Cambridge University of Training – UK.
- Advanced Diploma in Islamic Commercial Jurisprudence "ADICJ" from Bahrain Institute of Banking and Finance "BIBF".

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.13 Executive management & other senior management (continued)

Mohammed Abdulla Saleh

Assistant General Manager - Legal, Regulatory, and Corporate Affairs

Experience:

- Over 25 years of experience in Management, Islamic Banking, Law, Corporate Governance, Compliance, Anti-Money Laundering, and Human Resources.
- Joined the Bank in 2009.

Qualification:

- Masters in IT, Media, and eCommerce Law from the University of Essex – UK.
- BSc in Law from Dubai Police Academy – UAE.
- Advanced Diploma in Islamic Finance from Bahrain Institute of Banking and Finance "BIBF".
- Diploma in Business Management from the University of Bahrain.
- Diploma in Police Sciences from Dubai Police Academy – UAE.
- ICA International Diploma in Compliance from the International Compliance Association "ICA".
- Attended the Waqf Fund - Leadership Grooming Program for Islamic Banks at Ivey Business School in Western University (Canada & Hong Kong).
- Certified Board Secretary.

Abdulkarim Mohamed Al Zakari

Chief Financial Officer

Experience:

- Over 19 years of experience in Risk Management, Quantitative Modeling & Analytics, and Credit Review Management in Islamic Banking.
- Joined the Bank in 2020.

Qualification:

- Master of Business Administration from London Business School - UK
- BSc in Investment and Financial Risk Management from City University, CASS Business School – UK.
- Chartered Financial Analyst "CFA" from the CFA Institute – USA.
- Certificate in Quantitative Finance "CQF" from the CQF Institute – UK.
- Holder of the Professional Risk Manager "PRM" certificate from the PRMIA Institute – USA.
- Attended a Transformational Leadership Program at Harvard Business School – USA.
- Attended an Executive Program at INSEAD University – France.

Osama Ali Hasan

Chief Technology Officer

Experience:

- Over 28 years of experience in the field of Information Technology and Banking.
- Joined the Bank in 2021.

Qualification:

- Master of Science in Information Systems Management from the University of Liverpool – UK.
- B.Sc. in Computer Science from Isra University – Hashemite Kingdom of Jordan.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.13 Executive management & other senior management (continued)

Mohammed Hamad Fakhri **Head of Internal Audit**

Experience:

- Over 20 years of experience in Internal Audit, Risk Management, Governance, and controls both in Islamic Retail and Investment Banking.
- Joined the Bank in 2012.

Qualification:

- BSc in Accounting from University of Bahrain.
- Chartered Financial Analyst "CFA" from the Chartered Financial Analyst Institute "CFA" – USA.
- Certified Internal Auditor "CIA" from the Institute of Internal Auditors – USA.
- Attended the Waqf Fund Internal Auditor Grooming Program at (Turkiye).

Nawaf Abdulsalam Al Hosani **Head of Internal Shari'a Audit and Shari'a Board Secretary**

Experience:

- Over 18 years of experience in Shari'a Audit, Compliance, and Governance of Islamic Banks and Investment Structures.
- Joined the Bank in 2008.

Qualification:

- Master's in Business Administration with concentration on Islamic Finance from University College of Bahrain.
- BA in Islamic Studies "Shari'a" from the University of Bahrain.
- Certified Shari'a Advisor & Auditor "CSAA" from Accounting & Auditing Organization for Islamic Financial Institution "AAOIFI".
- Certified Islamic Professional Accountant "CIPA" from Accounting and Auditing Organization for Islamic Financial Institution "AAOIFI".
- Advanced Diploma in Islamic Commercial Jurisprudence "ADICJ" from Bahrain Institute of Banking and Finance "BIBF".

Ahmed Mohamed Burashid **Head of Corporate Banking, Investments, and Debt Capital Markets**

Experience:

- Over 20 years of experience in. Corporate Banking, Treasury, and Investment Portfolio Management
- Joined the Bank in 2018.

Qualification:

- Master's in Finance from DePaul University – USA.
- BSc in Commerce with Honours from DePaul University – USA.
- Attended the Waqf Fund Corporate Banking Leadership Grooming Program at Ivey Business School in Western University (United Kingdom).

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.13 Executive management & other senior management (continued)

Ameera Ahmed Alabbasi **Head of Retail Banking**

Experience:

- Over 22 years of experience in Corporate and Retail Banking.
- Joined the Bank in 2008.

Qualification:

- Master of Business Administration Concentration in General Business from DePaul University – USA.
- BSc in Marketing from the University of Bahrain.
- Associate Professional Risk Manager “APRM” from Professional Risk Managers’ International Association “PRMIA” – USA.
- Attended Islamic Finance Management Development Program at Coventry University – UK.
- Attended the Waqf Fund Retail Banking Leadership Grooming Program at Ivey Business School in Western University (Canada & Hong Kong).

Roomi Siddiqui **Head of Treasury**

Experience:

- Over 31 years of experience in Treasury and Investments
- Joined the Bank in 2024

Qualification:

- Master’s in Business Administration from the Institute of Business Management – Pakistan
- Bachelors of Commerce from D.H.A Degree College, Karachi – Pakistan

Amit Yashpal **Chief Risk Officer**

Experience:

- Over 33 years of experience in Commercial, Retail, Investment Conventional, Islamic Banks, and Consulting in all areas of risk and banking – Retail, Corporate Credit, Credit Review and Treasury/Investment.
- Joined the Bank in 2025.

Qualification:

- Master of Information Management and Systems from University of California, Berkeley, USA
- Chartered Financial Analyst, CFA Charter Holder, CFA Institute, USA
- Chartered Alternative Investment Analyst, CAIA Charter Holder, CAIA Association, USA
- Financial Risk Manager, FRM, Global Association of Risk Professionals, GARP, USA
- Project Management Professional, PMP, Project Management Institute, PMI, USA

Fajer Sami Albusmait **Head of Compliance**

Experience:

- Over 15 years of experience in Compliance and supervising Islamic Banks and Financial Institution in the Kingdom of Bahrain.
- Joined the Bank in 2019.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.13 Executive management & other senior management (continued)

Qualification:

- BSc in Banking & Finance from University of Bahrain.
- International Compliance Association (ICA).
- Certified Shari'a Advisor and Auditor (CSAA).
- Advance Diploma in Islamic Finance "ADIF" from Bahrain Institute of Banking and Finance "BIBF".
- Islamic Shari'a Studies from Bahrain Institute for Shari'a Studies.

Mohamed Abbas Radhi
Head of Anti-Financial Crimes

Experience:

- Over 19 years of experience in Anti-Financial crimes and compliance.
- Joined the Bank in 2019.

Qualification:

- Master of Arts in International Management from Bournemouth University - UK.
- BSc in Systems Engineering and Management (International Management with Combined Studies) from Open University – UK.
- ICA International Diploma in Compliance.
- Certified Anti-Money Laundering Specialist (CAMS)
- Certified International Compliance Officer.
- Chain Analysis Cryptocurrency Fundamentals Certification (CCFC).

9.14 Executive and senior management interests

The following table indicates the executive and senior management shareholding as 31 December 2025:

Executive and senior management	Number of outstanding shares at 31 December 2025	Number of outstanding shares at 31 December 2024
Sattam Sulaiman Algosaibi	-	-
Mohammed Abdulla Saleh	-	-
Abdul-Nasser Omar Al-Mahmood	-	-
Mohamed Ebrahim Alhashimi	-	-
Abdulkarim Mohamed Alzakri	5,008	-
Osama Ali Hassan	29,794	-
Mohamed Hamad Fakhri	19,582	-
Nawaf Abdulsalam Al Hosani	-	-
Ahmed Mohamed Burashid	-	-
Ameera Ahmed Al Abbasi	-	-
Roomi Siddiqui	-	-
Fajer Sami Albusmait	-	-
Mohamed Abbas Radhi	-	-
Total	54,384	-

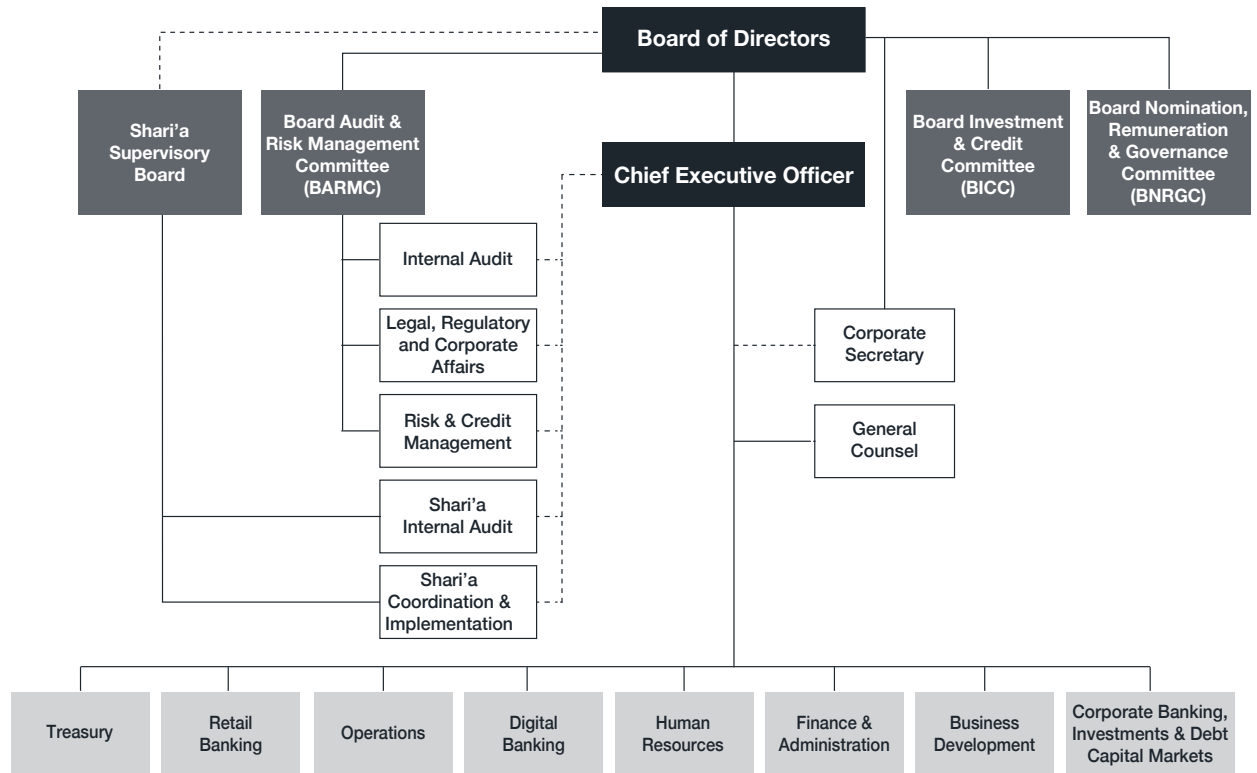
Public Disclosure *(continued)*
As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.15 Organizational chart

Set out below is the Bank's organization chart, which outlines the different committees and the lines of reporting, as of 31 December 2025.



Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.16 Board of Directors & Executive Management compensation

The Bank has both a short-term and long-term compensation structure for its executive management which has been developed based on current market surveys and industry norms. The Bank also had an incentive scheme where in eligible employees were awarded a combination of shares and cash incentives on achievement of pre-determined performance targets. During 2025, the total remuneration of top 6 executives, including CEO and Senior Financial Officer including other allowances and benefits was BD 2,114,834.

The Bank's board remuneration is determined in line with the provisions of Article 188 of the Companies Law, and their annual remuneration is subject to the approval of the shareholders during the AGM at the end of each year. The Board of Directors is also entitled to sitting fees. The table below illustrates a full account of everything paid to the members of the board of directors during the financial year in the form of salaries, dividends, allowance for attendance (sitting fees), allowance for representation and other expenses:

- **First: Executive Management Remuneration Details for Top 6 Executives:**

Executive Management	Fixed paid salaries and allowances	Variable remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Remuneration of top 6 executives, including CEO* and Senior Financial Officer**	1,156,251	818,124	140,459	2,114,834

Note: All amounts are 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 - The variable remuneration includes cash and shares based remuneration. Significant portion of variable remuneration is subject to deferral over 3 years as per the Central Bank of Bahrain regulations.
- 2 - Remuneration details include compensation earned by executive management in their role as Board members of investee companies or other subsidiaries.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.16 Board of Directors & Executive Management compensation (continued)

• Second: Board of Directors' Remuneration Details:

Name	Fixed remunerations				Variable remunerations					Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Total allowance for attending Board and committee meetings	Remunerations of the chairman and BOD	Others*	Total	Remunerations of the chairman and BOD	Incentive plans	Others**	Total	End-of-service award		
First: Independent Directors:											
1- Sh. Ahmed Bin Isa Al Khalifa	22,500	27,500	-	50,000	-	-	-	-	-	50,000	-
2- Reyadh Eid Al Yaqoob	36,000	27,500	-	63,500	-	-	-	-	-	63,500	-
3- Sh. Isa Bin Khalid Al Khalifa	36,000	15,000	-	51,000	-	-	-	-	-	51,000	-
4- Dawood Alghoul	23,000	15,000	-	38,000	-	-	-	-	-	38,000	-
Second: Non-Executive Directors:											
1- Ali Murad	23,000	15,000	-	38,000	-	-	-	-	-	38,000	-
2- Mazen Ibrahim Abdulkarim	24,000	15,000	-	39,000	-	-	-	-	-	39,000	-
3- Yousif Abdulla Taqi	25,500	27,500	25,500	78,500	-	-	-	-	-	78,500	-
4- H.E. Ayman Al Moayed	24,000	15,000	-	39,000	-	-	-	-	-	39,000	-
Third: Executive Directors:											
1- Hisham Ahmed Al Rayes	5,000	11,500	-	16,500	-	-	-	-	-	16,500	-
2- Salah Abdulla Sharif	33,000	15,000	-	48,000	-	-	-	-	-	48,000	-
3- Razi Abdulghafar Al Murbati	11,000	10,000	-	21,000	-	-	-	-	-	21,000	-
Total	263,000	194,000	25,500	482,500	-	-	-	-	-	482,500	-

Note: All amounts are stated in Bahraini Dinars

Other remunerations:

* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

Notes:

- The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
- Board remuneration represents payments proposed for the year 2025 which are subject to the approval of the shareholders in upcoming Annual General Meeting dated 12th March 2026..

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.17 Shari'a compliance, Regulatory compliance and Anti-Money Laundering

Compliance with Shari'a laws, regulatory and statutory requirements is an ongoing process and the Bank is conscious of its responsibilities in observing all applicable provisions and best international practices in its functioning. The Bank has established the Shari'a Compliance Function and the Regulatory Compliance Function in keeping with Basel and CBB guidelines. The respective units act as a focal point for all Shari'a and regulatory compliance and for adapting other best practice compliance principles.

Anti-Money Laundering measures form an important area of the Compliance Function. The Bank has an Anti-Money Laundering and Combating Terrorist Financing Policy and Procedure approved by the Board, which contains sound Customer due diligence measures, procedure for identifying and reporting suspicious transactions, a program for periodic awareness training to staff, record-keeping, and a designated Money Laundering Reporting Officer (MLRO). The Bank's Anti-Money Laundering measures are reviewed by independent external auditors every year and their report is submitted to the CBB. The Bank is committed to combating money laundering and is in compliance with the guidelines issued by the CBB in relation to Anti-Money Laundering requirements.

- As per Comply or Explain Principle, which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, the Bank wishes to clarify the following:
- The bank has obtained an exemption from the Central Bank of Bahrain with regard to the requirements contained in Article HC 3.2.2, which requires that the Chairman of the Board be an independent member.

9.18 Audit fees charged by the external auditor and other non-audit services provided by the external auditor and fees paid

The Audit fees charged to external auditors is BD 227 thousands, and non audit services provided by external auditors is BD 12 thousands.

9.19 Related party Transactions

For detailed discussion on the related party transactions, kindly refer to notes (no. 32) on the consolidated financial statement for the year ended 31 December 2025. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the parent company, other significant shareholders and entities over which the Group and the shareholders exercises significant influence, directors, sharia board members and executive management of the Group. The transactions with these parties were made on agreed commercial terms.

Details of Directors' interests in the Bank's ordinary shares as at the end of the year were nil (2024: Nil).

Compensation of key management personnel

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

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.19 Related party Transactions (continued)

The key management personnel compensation during the year is as follows:

	2025	2024
Board member fees and allowances	483	353
Sharia Supervisory Board fees	53	50
Salaries and other short-term benefits	2,115	1,867
Post employment benefits	147	88

The key management personnel balances as of the end the year is as follows:

	31 December 2025	31 December 2024
Balances due to key management as compensation	639	560

The related party balances and transactions (except for compensation of key managerial personnel) included in these consolidated financial statements are as follows:

31 December 2025	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Assets				
Financing contracts	-	4,509	86,591	91,100
Investment securities	-	-	2,284	2,284
Equity accounted investees	6,948	-	-	6,948
Investment in sukuk and other yielding investments	-	-	58,297	58,297
Other assets	-	-	153	153
Liabilities and Quasi-equity				
Placement from financial institutions, Non-FIs and individuals	-	4,096	119,629	123,725
Customers' current accounts	243	879	21,537	22,659
Other liabilities	-	639	-	639
Quasi-equity	313	1,805	133,974	136,092

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9.19 Related party Transactions (continued)

31 December 2024	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Assets				
Financing contracts	-	3,995	23,091	27,086
Investment securities	-	-	2,284	2,284
Equity accounted investees	6,516	-	-	6,516
Investment in sukuk and other yielding investments	-	-	58,297	58,297
Other assets	-	-	66	66
Liabilities and Quasi-equity				
Placement from financial institutions, Non-FIs and individuals	-	2,439	61,908	64,347
Customers' current accounts	699	350	13,687	14,736
Other liabilities	-	560	-	560
Quasi-equity	318	2,147	29,855	32,320

2025	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Income				
Income from financing contracts	-	266	2,500	2,766
Income from investment securities	-	-	-	-
Share of results from equity accounted investees	432	-	-	432
Income from sukuk and other yielding investments	-	-	1,749	1,749
Fees and other income, net	-	-	14	14
Expenses				
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	88	925	1,013
Net income attributable to quasi-equity	15	56	2,432	2,503
Staff cost	-	2,262	-	2,262
Other expenses	-	536	-	536

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.19 Related party Transactions (continued)

31 December 2024	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Total
Income				
Income from financing contracts	-	224	2,044	2,268
Income from investment securities	5,792	-	-	5,792
Share of results from equity accounted investees	(504)	-	-	(504)
Income from sukuk and other yielding investments	-	-	2,394	2,394
Fees and other income, net	-	-	-	-
Expenses				
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	105	5,837	5,942
Net income attributable to quasi-equity	18	84	3,952	4,054
Staff cost	-	1,956	-	1,956
Other expenses	-	405	-	405

During the year, 47% of the AT1 Sukuk with a par value of BD 28,261 thousand were converted into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. Furthermore, the Shareholders resolved to approve the redemption of the remaining 53% of the AT1 Sukuk of BD 31,739 thousand in cash.

Additionally, during 2024, the group disposed of its share in HH Hotel Properties W.L.L. & Al Areen Hotels W.L.L. through a financing arrangement during the year.

Also, during 2024, BD 438 thousand paid to related parties relating to donations.

9.20 Penalties paid to the Central Bank of Bahrain

During 2025, no penalty was charged to the Bank by the Central Bank of Bahrain (CBB) for failure to comply with CBB requirements.

9.21 Board approved policy on the employment of relatives of approved persons

The Bank does not permit the employment of immediate relatives of current employees. Employment of other relatives is permitted. However, employees who are relatives shall not be placed within the same department or same direct line of supervision. In case of marriage, the Bank reserves the right to terminate the employment of one of the spouses. The HR will disclose to the board of directors on an annual basis relatives of any approved persons (including SSB members) occupying controlled functions within the Bank up to the 4th degree of kinship.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.22 Board Evaluation

During 2025, the Board conducted an evaluation of its performance and the performance of each committee and each individual director. The evaluation process included assessing how the Board operates, evaluating the performance of each committee in light of its specific purposes and responsibilities, reviewing each director's work, his attendance at Board and committee meetings, and his constructive involvement in discussions and decision making, and reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board.

9.23 Share Capital and distribution of ownership of shares

	31 December 2025	31 December 2024
Authorised:		
3,000,000,000 ordinary shares of BD 0.100 each	300,000	300,000
Issued and fully paid up:		
1,130,440,712 ordinary shares (2024: 1,130,440,712 shares) of BD 0.100 each	113,044	113,044

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

31 December 2025

Categories*	Number of Shares	Number of Shareholders	% of total outstanding shares
Less than 1%	67,296,367	338	5.95%
1% up to less than 5%	56,430,775	2	4.99%
5% up to less than 10% **	69,057,399	1	6.11%
50% and above	937,656,171	1	82.95%
	1,130,440,712	342	100%

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

** Includes treasury shares.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.23 Share Capital and distribution of ownership of shares (continued)

31 December 2024

Categories*	Number of Shares	Number of Shareholders	% of total outstanding shares
Less than 1%	76,139,052	322	6.73%
1% up to less than 5%	47,588,090	1	4.21%
5% up to less than 10% **	69,057,399	1	6.11%
50% and above	937,656,171	1	82.95%
	1,130,440,712	325	100%

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

** Includes treasury shares..

Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares:

31 December 2025

	Nationality	Number of shares	% of total outstanding shares
GFH Financial Group*	Bahrain	937,656,171	82.95%
Royal Humanitarian Foundation	Bahrain	69,057,399	6.11%

* These shares are held by KHCB Asset Company & SICO B.S.C on behalf of GFH Financial Group, the Parent.

31 December 2024

	Nationality	Number of shares	% of total outstanding shares
GFH Financial Group*	Bahrain	937,656,171	82.95%
Royal Humanitarian Foundation	Bahrain	69,057,399	6.11%

* These shares are held by KHCB Asset Company & SICO B.S.C on behalf of GFH Financial Group, the Parent.

9.24 Earnings prohibited by Shari'a and the annual Zakah contribution

For detailed discussion on how non-Shari'a-compliant earnings and expenditure occur and the manner in which they are disposed of; and the annual zakah contributions of the bank, kindly refer to notes (no. 5) on the consolidated financial statement for the year ended 31 December 2025.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.25 Review of internal control processes and procedures

Internal Controls are systems designed, introduced and maintained by the Bank's management and top-level executives, to provide a substantial degree of assurance in achieving business objective, while complying with the policies and regulations, safeguarding the assets, maintaining efficiency and effectiveness in regular operations and reliability of financial statements.

All Khaleeji staff members share responsibility of implementing adequate internal controls measures within their respective work context.

Further, Internal Audit conducts risk based reviews to ensure the existence of sound implementation of internal controls across Bank's various activities and operations.

Board Audit Risk Management Committee (BARMC) assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the systems of internal controls which are established by Management and approved by the Board of Directors.

9.26 Governance Arrangements to Ensure Shari'a Compliance

Effective implementation of Shari'a Governance is pivotal basis for controlling and drafting the Shari'a compliance in Khaleeji. The Bank endeavors to continually update and adopt best practices in the areas of Sharia governance and compliance with Islamic Shari'a rules and principles in its activities. This adherence is embodied in Khaleeji by adopting an effective framework for Sharia Governance that commensurate and proportionate to the size and nature of the Banks business in accordance with the Rulebook, V-2 issued by the Central Bank of Bahrain.

The Bank has adopted four main components that formed its Sharia Governance framework and is considered as the highest degree of commitment to the Shari'a Governance Framework issued by the Central Bank of Bahrain. These components are:

1. Shari'a Supervisory Board;
2. Internal Shari'a Audit function;
3. Shari'a Coordination and Implementation Function; and
4. Independent External Shari'a Compliance Audit.

This Shari'a Governance framework and arrangements ensure that the Bank is in compliance with Shari'a rules and principles, SSB's Fatwas and decisions, Shari'a related policies and procedures, AAOIFI's Shari'a standards, relevant rulings of the CSSB and the regulations, resolutions and directives issued by the CBB.

9.27 Dealing with the Complaints

Khaleeji takes its customer complaints very seriously. The customers Investment Account Holders may provide their feedback, suggestion or complaint through different channels, such as call center, branches, or through email complaints@khaleeji.bank.

If the complaints team is unable to resolve the matter immediately; the complaints team will send a written acknowledgment of the complaints to the client within 5 working days. Complaints are addressed promptly in accordance with their urgency, in an equitable, objective and efficient manner. The complaint team will investigate independently the matter and will provide the client with an update on her/his complaints through contacting them with the contact numbers, written letters or emails. The customer is also outlined with the options that are open to pursue the matter further.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.28 Consumer awareness programmes for information on new products and services

During 2025, Khaleeji Bank has continued to implement an integrated strategy to enhance client awareness of its banking products & services, drawing on a balanced mix of traditional and digital channels in line with accelerating digital transformation and evolving client behaviour. The Bank focused on strengthening its on-ground presence and direct engagement with the public, alongside expanding digital campaigns targeting diverse client segments within the Kingdom of Bahrain.

The year witnessed the launch and enhancement of a number of innovative banking products & services, most notably the upgraded "Al Waffer" Account, offering total prizes exceeding USD 4 million, as well as the introduction of the "Ajyal Al Waffer" category, aimed at instilling a culture of saving among children and the youth. Khaleeji has also continued promoting the "Hafeez" business platform following its enhancement, enabling instant registration using digital ID and biometric verification, thereby improving customer experience and facilitating access to digital banking services.

As part of its efforts to strengthen direct engagement, the Bank successfully implemented interactive campaigns across several prominent shopping malls, including City Center Bahrain, Al Liwan, and Marassi Galleria, to raise awareness of our savings products and various financing solutions. This was complemented by Khaleeji's active participation in Cityscape Bahrain 2025, during which it signed cooperation agreements and launched joint financing campaigns in support of national housing programs.

The Bank also focused on regional expansion of its digital services by enabling GCC nationals to open digital bank accounts through the mobile application, in addition to launching advanced digital services such as Visa+ for mobile-based transfers across GCC countries and real-time audit confirmation reports. These initiatives enhanced operational efficiency and reinforced the Bank's position as a leading digital banking institution.

9.29 Social functions and charitable contributions of the bank

In the year 2025, Khaleeji Bank has continued to fulfil its national and social role, driven by its firm commitment to the principles of social responsibility and sustainability, in alignment with Bahrain Economic Vision 2030 and the Sustainable Development Goals. The Bank's contributions focused on education, youth empowerment, environmental sustainability, and sports, in addition to supporting community and institutional initiatives.

Khaleeji has maintained its support for the education sector through the launch of its annual training program "Banking Gateway" for 2025, which attracted 40 university students, alongside organising field visits in collaboration with the Central Bank of Bahrain, contributing to the development of national talent and enhancing professional readiness. In addition, the Bank sponsored the Academic Excellence Award at the American University of Bahrain and signed Memorandums of Understanding with several educational institutions to provide innovative financing solutions, supporting the sector's sustainability and promoting financial literacy among the youth.

As part of its commitment to ESG principles, Khaleeji has actively participated in the Kingdom's Tree Week in cooperation with the Capital Governorate, undertaking the planting of one of the main streets in the Seef District. This initiative underscores the Bank's role in supporting environmental initiatives and raising community awareness of sustainability. Khaleeji has also continued to integrate environmental considerations into its operational policies and institutional initiatives, in support of long term national environmental objectives.

On the sports and community front, the Bank supported a number of local activities and tournaments, including sponsorship of the "Khaleeji Padel Cup", participation in national youth and technology initiatives, and the organisation of internal events aimed at enhancing employee wellbeing, such as Bahrain Sports Day activities and Khaleeji's employee recognition program "STARS". These efforts contribute to strengthening a culture of belonging and institutional excellence.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

9 CORPORATE GOVERNANCE & OTHER DISCLOSURES (continued)

9.29 Social functions and charitable contributions of the bank (continued)

In conclusion, these efforts reflect the Bank's commitment to its role as a responsible national institution striving to create a sustainable and positive impact within the community, enhance its contribution to comprehensive development, and support national talent, reinforcing its position as an active partner in the Kingdom of Bahrain's economic and social development journey.

9.30 KHALEEJI's Shareholders' rights

The Bank has a public disclosure on its website in shareholders' rights. Basic KHCB's shareholders rights include but are not limited to:

- a) Secure methods of ownership registration;
- b) The transfer of shares;
- c) Obtaining relevant and material information on the corporation on a timely and regular basis;
- d) Participating and voting in general shareholder meetings;
- e) Electing and removing members of the board;
- f) Sharing in the profits of the corporation;
- g) Presentations by independent advisers; and
- h) Participating in corporate events.

10. FINANCIAL PERFORMANCE

Following are basic quantitative indicators of the financial performance:

	2025	2024	2023	2022	2021
Return on average equity *	8.91%	8.21%	5.94%	9.24%	7.21%
Return on average assets	0.73%	0.70%	0.77%	1.20%	1.03%
Finance income to finance expense	97.63%	95.21%	71.82%	110.39%	117.49%
Cost-to-income **	53.92%	57.06%	58.86%	45.43%	41.99%

* Equity includes Additional Tier 1 capital.

** Cost excludes impairment allowances.

For detailed discussion on the performance for the year, kindly refer to Board of Directors on the consolidated financial statement for the year ended 31 December 2025.

11. REMUNERATION RELATED DISCLOSURES

The Banks total compensation policy, which includes the variable remuneration policy, sets out the Banks's policy on remuneration for directors and senior management and the key factors that were taken into account in setting the policy.

In 2014, the Bank has adopted the Sound Remuneration Practices issued by the Central Bank of Bahrain and has proposed revisions to its variable remuneration framework. The revised policy framework and incentive components were approved by the shareholders in the annual general meeting. The policy is effective starting 2014 annual performance incentives and would be fully implemented for future periods. The policy was revised in 2022, 2024, and 2025 and was reviewed, amended and approved in the ordinary general meetings held on 24 March 2022, 25 March 2024, and finally on 12 March 2026.

Public Disclosure *(continued)*

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11. REMUNERATION RELATED DISCLOSURES (continued)

The last revision in the share incentive scheme policy included the Bank restating the issue of Khaleeji Share Awards to covered staff. The share Awards is an equity settled bonus plan, under which the number of shares is determined by reference to the amount of bonus divided by the weighted average of Khaleeji share price in relation to trading volume as quoted and traded on Bahrain Bourse for a period of three (3) months prior to one (1) week following the date of declaration of annual results of Khaleeji discounted by 10% "Award Price" The holders of awards do carry any voting rights.

The key features of the remuneration framework have been summarized below.

11.1 Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance based culture that aligns employee interests with those of the shareholders of the Bank. These elements support the achievement of our objectives through balancing reward for both short-term results and long-term sustainable performance. Our strategy is designed to share our success, and to align employees' incentives with our risk framework and risk outcomes.

The quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of shareholders. The Bank's reward package comprise the following key elements:

1. fixed pay;
2. benefits;
3. annual performance bonus; and
4. the long term performance incentive plan

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Nomination, Remuneration and Governance Committee of the Board (BNRGC).

The Banks remuneration policy in, particular, considers the role of each employee and has set guidance depending on whether an employee is a Material Risk Taker and/ or an Approved Person in business line, control or support functions. An Approved Person is an employee whose appointment would require prior regulatory approval because of the significance of the role within the Bank and an employee is considered a Material Risk Taker if they head of significant business lines and any individuals within their control who have a material impact of the Bank's risk profile

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in line with our performance management system. This assessment also takes into account adherence to the Bank's values, risk and compliance measures above all and acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also importantly on how it is achieved, as the BNRGC believes the latter contributes to the long-term sustainability of the business.

11.2 BNRGC role and focus

The BNRGC has oversight of all reward policies for the Bank's employees. The BNRGC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The BNRGC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices and the business plan and risk profile of the Bank.

Public Disclosure *(continued)*

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11. REMUNERATION RELATED DISCLOSURES (continued)

11.2 BNRGC role and focus (continued)

The responsibilities of the BNRGC as regards the variable compensation policy of the Bank, as stated in its mandate, include, but are not limited to, the following:

- Approve, monitor and review the remuneration system to ensure the system operates as intended
- Approve the remuneration policy and amounts for each Approved Person and Material Risk- Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn same short-run profit but take different amount of risk on behalf of the bank.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including salaries, fees, expenses, bonuses and other employee benefits.
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The BNRGC will question payouts for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial controls and compliance functions the mix of fixed and variable remuneration is weighted in favor of fixed remuneration
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

As outlined in the Corporate Governance section of the Annual Report, the Board is satisfied that all non-executive directors are independent including the BNRGC members. The BNRGC comprises of the following members:

	Appointment Date	9 Feb.	6 Mar.	13 Mar.	27 Mar.	7 May	10 Jul.	24 Jul.	24 Sep.	5 Nov.
Reyadh Eid Al Yaqoob	October 2018	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sh. Isa Al Khalifa	March 2024	✓	✓	✓	✓	✓	✓	✓	✓	✓
Salah Sharif ¹	December 2024	✓	✓	✓	-	✓	✓	✓	✓	-
Mazen Abdulkarim ²	September 2020	-	-	-	-	-	-	-	-	✓

* The committee was reconstituted on 19 October 2025

¹ Left the committee on 19 October 2025

² Joined the committee on 19 October 2025

The Total allowance for attending the committee meetings paid to the BNRGC members during the year in the form of sitting fees amounted to BHD 39,000.

Public Disclosure *(continued)*

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11. REMUNERATION RELATED DISCLOSURES (continued)

11.2 BNRGC role and focus (continued)

External consultants

Consultants were appointed to advise the Bank on amendments to its variable remuneration policy to be in line with the CBB's Sound Remuneration Practices and industry norms. This included assistance in designing an appropriate Share-based Incentive Scheme for the Bank.

11.3 Scope of application of the remuneration policy

The remuneration policy has been adopted on a bank-wide basis and shall not apply to its non-banking subsidiaries and operations.

11.4 Board remuneration

The Bank's board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The board of directors' remuneration will be capped so that the total remuneration (excluding sitting fees) does not exceed 10% of the Bank's net profit, after all the required deductions outlined in Article 188 of the Companies law, in any financial year. The board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive directors do not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

11.5 Variable remuneration for staff

The variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis that the combination of meeting both satisfactory financial performance and achievement of other non-financial factors, would, all other things being equal, deliver a target bonus pool for the employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted in determining the variable remuneration pool, the BNRGC aims to balance the distribution of the Bank's profits between shareholders and employees.

The key performance metrics at the bank level include a combination of short term and long term measures and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts from setting specific targets and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations).

The BNRGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. BNRGC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the BNRGC.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

11. REMUNERATION RELATED DISCLOSURES (continued)

11.5 Variable remuneration for staff (continued)

For the overall Bank to have any funding for distribution of bonus pool; thresholds of financial targets have to be achieved. The performance measures ensure that the total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk adjustment and linkage framework.

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favor of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units

The variable compensation for the business units is primarily decided by the key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations as well as market and regulatory environment. The consideration of risk assessment in the performance evaluation of individuals ensures that any two employees who generate the same short-run profit but take different amounts of risk on behalf of the bank are treated differently by the remunerations system.

11.6 Risk assessment framework

The purpose of the risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavor to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy designed reduces employees' incentives to take excessive and undue risk is symmetrical with risk outcomes and has an appropriate mix of remuneration that is consistent with risk alignment.

The Bank's BNRGC considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account for all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of a bank's current capital position and its ICAAP.

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

11. REMUNERATION RELATED DISCLOSURES (continued)

11.6 Risk assessment framework (continued)

The size of the variable remuneration pool and its allocation within the bank takes into account the full range of current and potential risks, including:

- (a) The cost and quantity of capital required to support the risks taken;
- (b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
- (c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The BNRGC keeps itself abreast with the Bank's performance against the risk management framework. The BNRGC will use this information when considering remuneration to ensure the return, risk and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against risk assumptions.

In years where the Bank suffers material losses in the financial performance, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean individual KPIs are not met and hence employee performance ratings would be lower
- Reduction in value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The BNRGC, with Board's approval, can rationalize and make the following discretionary decisions:

- Increase/ reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of share awards
- Recovery through malus and clawback arrangements

Malus and Clawback framework

The Bank's malus and clawback provisions allows the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an individual's award can only be taken by the Bank's Board of Directors.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

11. REMUNERATION RELATED DISCLOSURES (continued)

11.6 Risk assessment framework (continued)

The Bank's malus and clawback provisions allows the Bank's Board to determine that, if appropriate, vested /unvested elements under the deferred bonus plan can be adjusted/ cancelled in certain situations. These events include the following:

- Reasonable evidence of willful misbehavior, material error, negligence or incompetence of the employee causing the Bank/the employee's business unit to suffer material loss in its financial performance, material misstatement of the Bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehavior or incompetence during the concerned performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.
- Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

11.7 Components of Variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	Deferred cash will vest on a pro-rata basis over a minimum of three years. Specific malus provisions apply during the deferral period. Employees would be entitled to profit on the deferral cash awards. The date of deferred cash settlement would be set as 1 January each year.
Upfront share awards	These awards will vest immediately but will be released after a minimum retention period of 6 months from the date of award. The number of equity share awards is determined by reference to the amount of bonus divided by the Award Price as described in a separate Share Incentive Scheme document. Any dividend will be released to the employees along with the settlement of shares.
Deferred share awards	These will vest on a pro-rata basis over a minimum of 3 years, with an additional 6 month retention period on vested awards. The number of equity share awards is determined by reference to the amount of bonus divided by the Award Price as described in a separate Share Incentive Scheme document. Specific malus provisions apply during the deferral period and, where applicable, retention periods. Only after this retention period has ended may the awards be settled to the employees. Any dividend on the shares will be released to the employees along with the settlement of the shares (i.e. after the retention period).

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six month retention period from the date of vesting. The number of equity share awards is determined by reference to the amount of bonus divided by the Award Price as per the rules of the Bank's Share Incentive Scheme. Any such dividends shall be released subject to the vesting conditions alongside the underlying shares.

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

11. REMUNERATION RELATED DISCLOSURES (continued)

11.8 Deferral of Variable remuneration

Any person who is not an Approved Person or a material risk taker and earns a total remuneration in excess of BHD 100,000 and who is either an approved person or material risk taker shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, Deputy and other 5 most highly paid business line employees	Other Covered Staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	Immediate	-	-	Yes
Upfront share awards	-	10%	Immediate	6 months	Yes	Yes
Deferred cash	10%	-	Over 3 years	-	Yes	Yes
Deferred share awards	50%	40%	Over 3 years	6 months	Yes	Yes

The BNRGC, based on its assessment of role profiles and risk taken by an employee could increase the coverage of employees that would subject to deferral arrangements.

11.9 Details of remuneration paid

(a) Board of directors

	2025	2024
• Sitting Fees	263	235
• Remuneration	194	114
• Others*	26	37

* This represents airfare, accommodation, transportation and food and beverages paid on behalf of the Board members.

(b) Shari'a's Supervisory Board

	2025	2024
• Sitting Fees	53	50
• Remuneration	-	-
• Others	-	-

Public Disclosure *(continued)*

As at 31 December 2025

BD '000s

11. REMUNERATION RELATED DISCLOSURES (continued)

11.10 Employee remuneration

	2025								
	Number of staff	Fixed remuneration		Variable remuneration					Total
		Cash	Others	Upfront		Deferred			
				Cash	Shares	Cash	Shares	Others	
Approved persons									
- Business lines	4	585	253	241	-	60	302	16	1,457
- Control & support	13	844	333	234	40	-	161	205	1,817
Other material risk takers	-	-	-	-	-	-	-	-	-
Other staff	192	3,514	1,824	623	2	-	9	36	6,008
TOTAL	209	4,943	2,410	1,098	42	60	472	257	9,282

	2024								
	Number of staff	Fixed remuneration		Variable remuneration					Total
		Cash	Others	Upfront		Deferred			
				Cash	Shares	Cash	Shares	Others	
Approved persons									
- Business lines	6	593	209	106	-	24	120	-	1,052
- Control & support	13	766	295	112	13	-	50	147	1,383
Other material risk takers	-	-	-	-	-	-	-	-	-
Other staff	189	2,997	1,522	215	-	-	-	14	4,748
TOTAL	208	4,356	2,026	433	13	24	170	161	7,183

(d) Deferred awards

	2025				
	Cash (Amount)	Shares (Number)	Shares (Amount)	Others (Amount)	Total (Amount)
Opening balance	87	5,687,197	681	-	768
Awarded during the period	60	7,354,514	513	-	573
Paid out / released during the period	(28)	(2,538,700)	(196)	-	(224)
Corporate action	-	-	-	-	-
Service, performance and risk adjustments	-	-	-	-	-
Closing balance	119	10,503,011	998	-	1,117

Public Disclosure *(continued)*

As at 31 December 2025

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11. REMUNERATION RELATED DISCLOSURES (continued)

11.10 Employee remuneration (continued)

(c) Deferred awards (continued)

	2024				Total (Amount)
	Cash (Amount)	Shares (Number)	Shares (Amount)	Others (Amount)	
Opening balance	92	4,179,569	672	-	764
Awarded during the period	24	2,877,187	183	-	207
Paid out / released during the period	(30)	(1,369,559)	(174)	-	(204)
Corporate action	-	-	-	-	-
Service, performance and risk adjustments	-	-	-	-	-
Closing balance	86	5,687,197	681	-	767

(d) Severance pay

During the year 2025 the Bank paid BD82,284.838 as an ex-gratia

