

FOCUSED DECISIONS.
MEASURED **PROGRESS**

25

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**His Highness
Shaikh Isa bin Salman
Al Khalifa**

The Late Amir of
The Kingdom of Bahrain



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

The King of
The Kingdom of Bahrain



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

Crown Prince and Prime Minister of
The Kingdom of Bahrain

For more than four decades, Al Baraka Islamic Bank has played a prominent role in building the infrastructure of the Islamic finance industry.

Corporate Profile

Bank Profile

Al Baraka Islamic Bank (“AIB” or “the Group”) is one of leading financial institutions in the Islamic banking sector. Throughout its history of more than three decades (since its establishment in 1984), the Group has played a prominent role in building the infrastructure of the Islamic finance industry. The Group also played a significant role in promoting the Islamic finance industry and publicizing its merits. The Group enjoys a good reputation and high standing with the community in the Kingdom of Bahrain in particular, and in the GCC, Arab and Islamic worlds in general.

AIB offers innovative financial products, including investments, international trading, management of short-term liquidity and consumer financing, all of which are all based on Islamic financing modes. Such financing includes Murabaha, Wakala, Istisna, Musharaka, Mudarabah, Salam, and Ijara Muntahia Bittamleek.

The Group had achieved excellent results in its banking operations, thanks to its vast wealth of knowledge in the area of Islamic Fiqh (Jurisprudence), the diverse experience of its executive management team, and the strong and deep financial position of its Ultimate Parent (Al Baraka Group). Since its inception, AIB is managing funds on behalf of many large financial institutions and high net worth clients (who sought rewarding long-term and financial returns) by deploying Sharia compliant instruments

In 2010, AIB completed the merger of its branches in Pakistan (whose operations started back in 1992) with Emirates Global Islamic Bank Limited, to establish Al Baraka Bank Pakistan Limited (“ABPL”). Thereafter, in 2016, ABPL acquired and merged with Burj Bank Limited leading to the addition of 74 new branches.

As for its strategic plans, the Group continued to sustain the growth momentum in its business operations, placing particular emphasis on commissions and fee-based income. Additionally, the Group expanded its investment portfolio and continued to enhance its infrastructure, particularly through the modernization of its information technology (IT) and related services. It also improved customer services, provided training and coaching to its employees, and maintained its strong relationship with customers as “Partners in Achievement.”

AIB is a retail Islamic bank that is licensed by the Central Bank of Bahrain and registered with the Ministry of Industry and Commerce of Bahrain under Commercial Registration No. 14400.

AIB is one of the banking units of ABG (which is a Bahraini Joint Stock Company listed in Bahrain stock exchange. Al Baraka Group B.S.C (“ABG” / the “Ultimate Parent”) is licensed as an Investment Business Firm – Category 1 (Islamic Principles) by the Central Bank of Bahrain. It is a leading international Islamic financial group providing financial services through its banking subsidiaries in several countries offering retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Islamic Sharia. The Bank (AIB) has an authorized capital of US \$ 600 million and issued and paid-up capital of US \$ 151.5 million.

The Ultimate Parent boasts a broad geographical presence, operating in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, and Syria, in addition to maintaining two branches in Iraq and a representative office in Libya. It provides services through a network of over 600 branches and serves a customer base of approximately one billion individuals. The authorized capital of ABG stands at US \$ 2.5 billion.

Vision, Mission, & Values



OUR VISION

To be a global leader in innovative participation finance, offering an agile ethical financial system built for the digital age.



OUR MISSION

To fulfill the financial needs of communities across the globe by conducting business through an ethical customer-centric approach tailored for the digital age, based on our core beliefs and aimed at sharing the mutual rewards with our partners in business success: our customers, our employees, our shareholders, and our communities at large.



OUR VALUES

1. PARTNERSHIP

Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

2. AGILITY

We are fleet-footed to adapt to the Digital Age to meet the fast-changing customer behavior and needs in a dynamic and challenging environment.

3. INNOVATION

We recognize that an 'INNOVATION FIRST' culture is necessary to be able to serve our customers on a 'here and now' basis in a fast-changing world.

4. TRUST

Our customers can experience peace of mind and rest assured that their financial interests are being managed by us to the highest ethical standards of participation finance.

5. DEVELOPMENT

By banking with our banking subsidiaries, our customers make a positive contribution to a better society - their growth and ours will sustain the greater good of society.

Driven by innovation, ethics, and partnership, we are building an agile financial system for the digital age - one that empowers our customers, employees, and communities to grow and succeed together.

Board of Directors



Sabah Khalil Al Moayyed
CHAIRPERSON



Akram Yassin
VICE CHAIRMAN



Housseem Ben Haj Amor
BOARD MEMBER



Adnan Abdulla Al Bassam
BOARD MEMBER



Abdulla Tarrar Edham
BOARD MEMBER



Dr. Khalid Abdulla Ateeq
BOARD MEMBER



Abdulrahman Abdulla Al Sayed
BOARD MEMBER

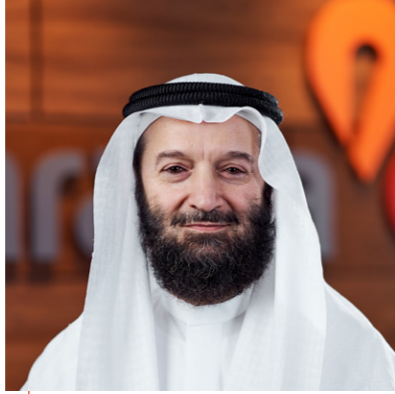


Masood Ahmed Al Bastaki
BOARD MEMBER



Abdul Malek Mezher
BOARD MEMBER

Sharia Supervisory Board



Shaikh Esam Ishaq
CHAIRMAN OF SHARIA BOARD



Shaikh Nedham Yaqoobi
SHARIA BOARD MEMBER



Judge Shaikh Waleed Al Mahmood
SHARIA BOARD MEMBER

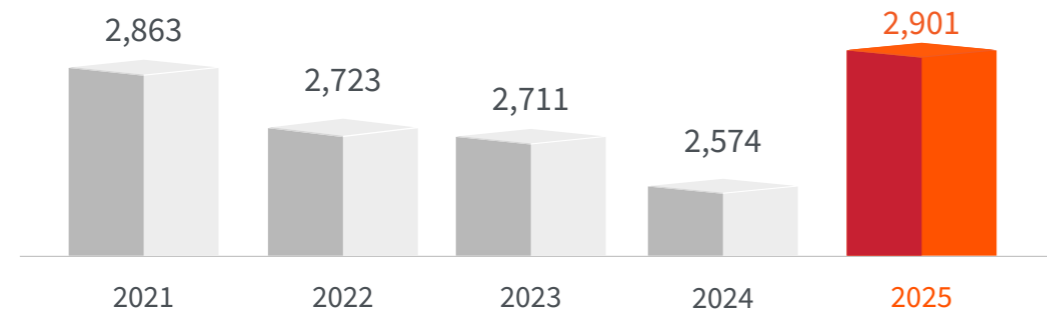
Al Baraka Islamic Bank holds a strong reputation and esteemed standing within the community, both in the Kingdom of Bahrain and across the GCC, Arab, and Islamic worlds.

Financial Highlights (Consolidated)

Total Assets

USD 2,901

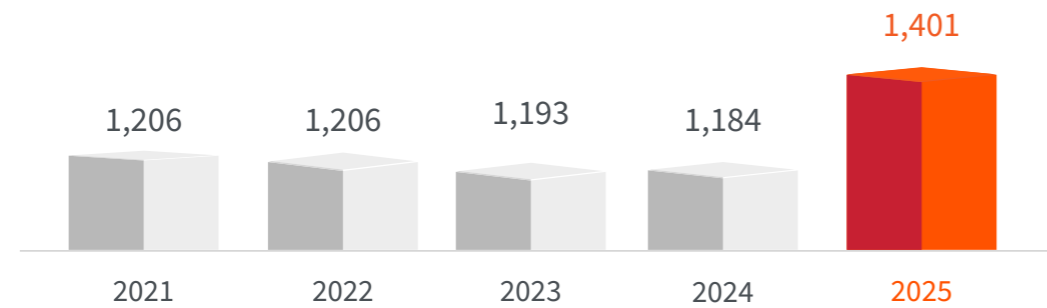
(In USD million)



Financing

USD 1,401

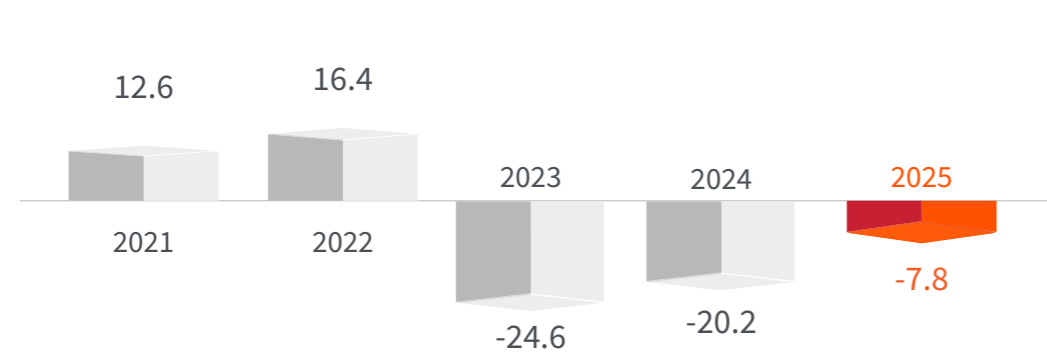
(In USD million)



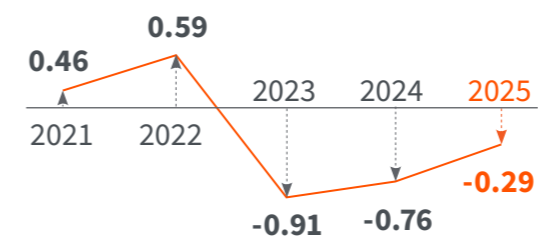
Net Income/(loss)

-7.8

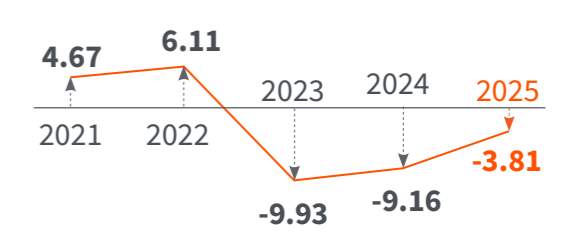
(In USD million)



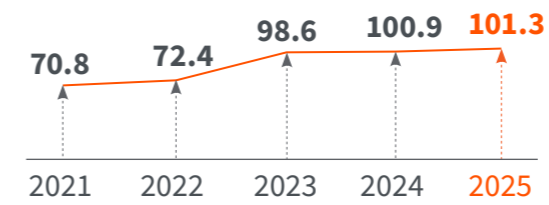
ROA %



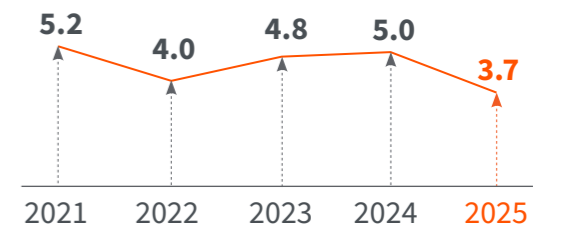
ROE %



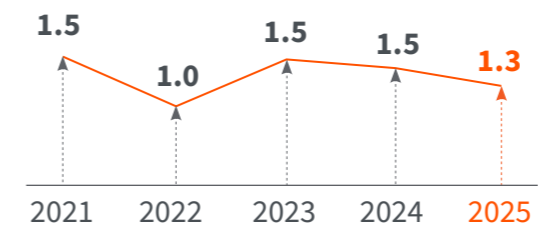
Efficiency %



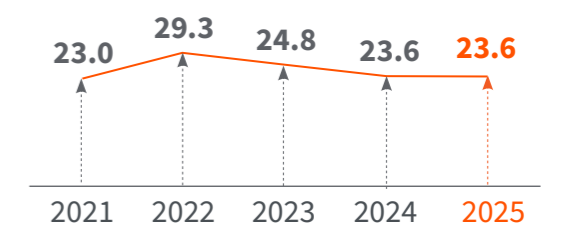
Gross NPA %



Net NPA %



Capital Adequacy %



Directors Report



Sabah Khalil Al Moayyed
Chairperson

In the name of Allah, the most beneficent, the most merciful.

Praise be to Allah, Lord of the Worlds, and prayers and peace be upon the last Apostle and Messenger Prophet Mohamed (Peace be upon him) and his family and companions.

Ladies and gentlemen, distinguished shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Al Baraka Islamic Bank and its subsidiary (the “Group”) for the financial year ended 31 December 2025.

Economic Review

In 2025, the global economy showed cautious optimism, with modest recovery amid persistent structural challenges. The IMF projected global GDP growth at 3.0%, while the UN estimated 2.8%, reflecting stable yet uneven progress. Growth was supported by fiscal expansion, a weaker U.S. dollar, and a rebound in trade, especially in

emerging markets. The U.S. economy remained resilient, driven by strong consumer spending and investment in AI and clean technology. The Federal Reserve cut interest rates by 75 basis points to balance inflation control with economic stimulus, easing pressure on housing and consumer finance. The Eurozone faced inflation and energy challenges but achieved modest growth, aided by rate cuts and investments in digital and green sectors. Germany and France saw gains from innovation, while Spain and Italy benefited from a tourism revival. Asia’s emerging markets led global growth through industrial output and innovation, though external risks persisted. Latin America posted mixed results, with commodity exporters performing better than fiscally constrained peers.

In 2025, GCC economies maintained solid growth, supported by stable oil prices and diversification. While oil revenues ensured fiscal stability, member states expanded investments in tourism, logistics, finance, and renewable energy. Structural reforms and digital transformation projects advanced across the region, with countries like Saudi Arabia and the UAE leading in infrastructure and innovation. The bloc also made strides in green energy and private sector development, reinforcing its resilience and positioning the GCC as a dynamic, diversified economic hub.

In 2025, Bahrain’s economy maintained steady growth, with a projected GDP increase of 3% and non-oil sectors contributing 85.9% of total output. The government’s diversification strategy continued to yield results, driven by investments in infrastructure, tourism, financial services, and technology. Major projects in transportation, housing, and sustainable utilities enhanced living standards and attracted foreign investment. Stable oil revenues supported fiscal stability, while Bahrain’s growing role as a regional hub for logistics and innovation reinforced its economic resilience and long-term development trajectory.

Pakistan’s economy showed signs of stabilization following a \$7 billion IMF bailout in 2024, which boosted investor confidence and lifted the Pakistan Stock Exchange. The government launched a five-year economic plan targeting 6% annual growth and \$60 billion in exports, focusing on industrial development and private sector engagement. However, challenges such as high poverty and low per capita income persist.

Performance Review

The financial year 2025 marked a transformative phase for the Bank, driven by a renewed strategic focus and a strong

The financial year 2025 marked a transformative phase for the Bank, driven by a renewed strategic focus and a strong commitment to addressing key challenges with resilience, resulting in enhanced growth, operational efficiency, and a strengthened financial position.

commitment to addressing key challenges with resilience amid a complex market environment. The effective implementation of targeted initiatives and responsive measures began to yield tangible results, evident in enhanced growth, operational efficiency, and risk optimization. The Bank’s financial position expanded by 13%, rising from USD 2,574 million as of 31 December 2024 to USD 2,901 million by year-end 2025. This growth was fuelled by customer-centric policies, strengthened teams, expansion into new markets and business segments, and a broadened product portfolio aligned with evolving client needs. Notably, growth was recorded across all business lines, geographic segments, and operational areas. Total deposits rose by 14% to USD 2,570 million, by closing of 2025 (2024: USD 2,250 million), reflecting the Bank’s strong presence in domestic and regional markets. Financing assets increased by 18% to USD 1,401 million by 2025, up from USD 1,184 million in 2024, driven by strategic partnerships and targeted campaigns. Investments also grew to USD 1,011 million, in year 2025, from prior year levels of USD 1,027 million, primarily due to increased participation in securities issued by domestic sovereign entities. In delivering this robust growth, the Bank remained unwavering in its commitment to prudent risk management, ensuring that performance gains were not achieved at the expense of financial soundness. This is evidenced by the continued strengthening and maintenance of key risk metrics, including capital adequacy ratios, liquidity coverage, and asset quality indicators — all of which reflect a well-balanced and resilient risk profile.

61%

reduction in net losses,
from USD 20.2 million to
USD 7.8 million.

Directors Report

The growth in the Bank’s financial position during 2025 translated into a corresponding improvement in operating revenues, which increased by 3.1% to USD 79.8 million, up from USD 77.4 million in the previous year. Despite the expansion of operations—including the opening of 11 new branches in Pakistan—and prevailing inflationary pressures, the Bank maintained strong cost discipline, limiting the growth in operating expenses to just 3.5%. Additionally, robust remedial recovery efforts led to significant write-backs, effectively offsetting the impact of new provisions, which remained below prior-year levels. As a result, net losses were substantially reduced by 61%, declining from USD 20.2 million in 2024 to USD 7.8 million by 31 December 2025.

Eventually, the significant improvement in operating performance for the financial year ending 31 December 2025 can be attributed to the close oversight of the Board of Directors, patronage of our holding company and parent (Al Baraka Group), effective strategic repositioning, continuous efforts to strengthen and diversify the Bank’s financial position, and the unwavering dedication of the entire team.

Credit Rating

The Group’s creditworthiness and financial stability continued to be recognized by leading rating agencies. The Islamic International Rating Agency (IIRA) reaffirmed the Group’s international credit rating at the investment-grade level of BB (long-term) / A3 (short-term), with a stable outlook. It also maintained the national scale rating at BBB+ (long-term) / A3 (short-term), reflecting consistency in performance and risk management. Notably, VIS Credit Rating Company Ltd. in Pakistan upgraded the Group’s national credit rating to AA- (long-term) / A1 (short-term), citing improved financial fundamentals and operational resilience. These ratings underscore the Group’s strong capacity to meet its financial obligations, underpinned by a sound capital base, prudent risk practices, and a robust compliance and governance framework. They also reflect growing market confidence in the Group’s strategic direction, operational integrity, and long-term sustainability.

Corporate and Social Responsibility

In 2025, the Bank remained steadfast in its commitment to sustainability and social responsibility, which is central to its strategic framework aimed at uplifting communities and enhancing quality of life. In alignment with Bahrain’s Commercial Companies Law, which mandates the disclosure of environmental and social performance, the

Bank actively supported initiatives in health, education, and sustainable environmental practices. This year, the Bank launched the first training program dedicated to autistic youth in collaboration with the Aalia Rehabilitation Centre, emphasizing its commitment to inclusivity. Additionally, the Bank allocated sponsorship funds for mangrove incubators in collaboration with the Supreme Council for the Environment. This allocation is vital for ensuring compliance with emerging regulations and supporting the Bank’s commitment to environmental, social, and governance standards. The Bank made a significant shift in practices by adopting NFC business cards instead of traditional ones, reflecting its dedication to sustainable and innovative solutions. Recognizing the importance of empowering women, the Bank sponsored “Threads of Gold,” a national cultural and creative celebration honoring Bahraini Women’s Day and Bahraini National Day, also known as “Raedat.” Furthermore, the Bank hosted the Sustainability Forum Middle East, gathering experts for high-level discussions on marine ecosystems and climate action, thereby enhancing its role as a leader in sustainability. The Bank’s support for youth development continued through training programs with INJAZ Bahrain, and it maintained active participation in key Islamic finance forums, including those organized by AAOIFI, reinforcing its role as a responsible and engaged corporate citizen.

Future Outlook

As the Bank enters 2026, it does so with renewed vigour and a sharpened strategic mandate to accelerate sustainable growth, deepen customer engagement, and reinforce its leadership in an increasingly digital and competitive landscape. Building on the momentum of 2025, the Bank will focus on expanding its outreach through a dual-channel strategy—scaling digital platforms while strengthening high-touch conventional networks—to ensure inclusive access and seamless service delivery. Key priorities include the rollout of AI-driven personalization, the enhancement of core banking system/ infrastructure, and the development of ESG-aligned financial products to meet the evolving expectations of our diverse clientele. We will continue to leverage existing strategic alliances while actively cultivating new partnerships, particularly in the fintech and sustainability ecosystems, to drive innovation and market expansion. In parallel, we remain committed to fortifying our risk management framework, embedding advanced analytics for proactive oversight, and accelerating the automation of core processes to unlock greater agility and cost efficiency. Above all, safeguarding and growing the funds entrusted to us—guided by sound

Directors Report

prudential standards and in full compliance with Sharia principles—will remain our highest priority as we chart a resilient and forward-looking path into the future.

Acknowledgment

In conclusion, on behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their unwavering support for the advancement of the banking sector in the Kingdom of Bahrain.

Our sincere gratitude to the Central Bank of Bahrain, Ministry of Industry and Commerce, the State Bank of Pakistan, and all government agencies for their continued assistance and support. We also express our gratitude to our shareholders, valued customers and business partners for their trust and loyalty, while we extend our sincere regards to our parent company and Sharia Supervisory

Board for their patronage.

A special thanks and appreciation goes to our employees for the hard work and dedication that supported the Group throughout the challenges and difficulties it faced.

Regulatory Disclosures

As part of the Group’s commitment towards its shareholders, and in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto, and in compliance with the Executive Regulations of the Commercial Companies Law issued by the order of the Minister of Industry and Commerce No.(6) of 2002 and its amendments and pursuant to the provisions of Article No. (125) thereto, we are pleased to attach herewith tables that shows the remuneration of the Board of Directors and the Executive Management for the year ended 31 December 2025:

Details of the Board of Directors Remunerations:

All amounts in Bahraini Dinars (unless otherwise stated)

Name	Fixed Remunerations					Variable Remunerations ⁽¹⁾					End of ser-vice award ⁽²⁾	Aggregate amount (excluding expenses allowance)	Expenses allowance
	Remunerations of the chairman and Board ⁽²⁾	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and Board	Bonus	Incentive plans	Others	Total			
First: independent Directors:													
1. Sabah Khalil Almoayyed	12,000	12,441	-	-	24,441	-	-	-	-	-	-	24,441	1,700
2. Akram Yassin	12,000	13,572	-	-	25,572	-	-	-	-	-	-	25,572	-
3. Abdulrahman Abdulla Al Sayed	12,000	12,441	-	-	24,441	-	-	-	-	-	-	24,441	-
4. Adnan Abdulla Al Bassam	12,000	13,572	-	-	25,572	-	-	-	-	-	-	25,572	-
Second: Non-Executive Directors:													
5. Dr. Khalid Abdulla Ateeq	12,000	11,310	-	-	23,310	-	-	-	-	-	-	23,310	-
6. Abdulla Tarrar Edham	12,000	12,441	-	-	24,441	-	-	-	-	-	-	24,441	-
7. Masood Ahmed Albastaki	12,000	11,310	-	-	23,310	-	-	-	-	-	-	23,310	-
Third: Executive Directors:													
8. Housseem Ben Haj Amor	12,000	9,048	-	-	21,048	-	-	-	-	-	-	21,048	-
9. Abdulmalek Shehadeh Mezher	12,000	11,310	-	-	23,310	-	-	-	-	-	-	23,310	-
TOTAL	108,000	107,445	-	-	215,445	-	-	-	-	-	-	215,445	1,700

Directors Report

Details of the Executive Management Remunerations:

All amounts in Bahraini Dinars (unless otherwise stated)

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus) ⁽³⁾	Any other cash/ In-kind remuneration	Aggregate Amount
Remuneration of top 6 executives (including the Chief Executive Officer and the Chief Financial Officer)	647,557	-	104,857	752,414

⁽¹⁾ The Group did not pay any variable remunerations or end-of-service awards during the year.

⁽²⁾ Recommended remunerations for the year ended 31 December 2025 to be paid after securing all necessary approvals and after been approved by the Annual General Meeting.

⁽³⁾ No bonus payment as at 31 December 2025.

Sabah Khalil Al Moayyed
Chairperson

Al Baraka Islamic Bank B.S.C. (c)
Manama, Kingdom of Bahrain
24 February 2026

Dr. Adel Abdulla Salem
Chief Executive Officer

Al Baraka Islamic Bank B.S.C. (c)
Manama, Kingdom of Bahrain
24 February 2026

Throughout 2025, Al Baraka focused on expanding its businesses, driving digital transformation, and strengthening its presence to generate sustainable revenues while upholding strong governance and compliance.

Executive Management



Dr. Adel Abdulla Salem
CHIEF EXECUTIVE OFFICER



Mazin Ahmed Dhaif
CHIEF RETAIL OFFICER



Yaser Mohamed Al Saad
CHIEF TREASURY AND INVESTMENT



Husain Yusuf Ateyah
CHIEF CORPORATE AND
INSTITUTIONAL BANKING OFFICER



Farhan Asghar
ACTING CHIEF FINANCIAL &
STRATEGY OFFICER



Mohamed Ali Al Tamimi
CHIEF COMPLIANCE OFFICER
AND MLRO



Duaij Khalifa Abulfateh
HEAD OF INTERNAL SHARIA AUDIT



Mohammed Jasim Ebrahim
HEAD OF SHARIA COORDINATION
AND IMPLEMENTATION



Muneer Abu-Hussaien
ACTING CHIEF RISK OFFICER

Executive Management



Rana Ali Yousif
ACTING CHIEF INTERNAL AUDITOR



Hassan Abdulwahab Al Khan
HEAD OF OPERATIONS



Ahmed Isa Al-Khayyat
CHIEF TECHNOLOGY OFFICER



Dr. Adel Basha
CHIEF LEGAL OFFICER AND
CORPORATE SECRETARY



Abdulla Abdulaziz Suwaileh
HEAD OF HUMAN RESOURCES
AND ADMINISTRATION



Mohamood Al Hubaishi
HEAD OF DIGITALIZATION

Chief Executive Report



Dr. Adel Abdulla Salem
Chief Executive Officer

Preamble

It is my privilege to present this report for the financial year 2025. This a year that has marked a strategic inflection point characterized by resilience, disciplined transformation, and operational agility. Despite persistent macroeconomic volatility and complexities, the Group advanced its long-term vision of building a robust, future-ready financial institution with a strong presence across domestic and regional markets. Collectively, these achievements underscore our commitment to sustainable value creation, institutional resilience, and enhanced stakeholder confidence, positioning the Group for continued growth and long-term success.

In particular, we executed targeted initiatives, in FY2025, to drive sustainable growth through diversified revenue streams and cost optimization, accelerate digital transformation by automating mission-critical processes and deploying advanced technologies, and strengthen organizational capabilities through structured talent development and strengthening of workforce. These

13%

**Financial Position
Growth**

measures delivered measurable improvements across profitability, asset quality, customer experience, and risk management. Further, the Group progressed its transformation agenda by expanding branch networks and introducing innovative Sharia-compliant products tailored to evolving customer needs. These initiatives reduced lead times, enhanced efficiency, and elevated service quality, thereby reinforcing our competitive positioning in Bahrain and Pakistan. Operational efficiency was further strengthened through process optimization, while governance, risk management practices, and compliance frameworks were enhanced to align with evolving regulatory requirements of the Central Bank of Bahrain and the State Bank of Pakistan.

Alongside, the global and regional economic environment in 2025 was characterized by volatility and uncertainty. In Bahrain, fluctuations in oil prices continued to influence fiscal stability, while inflationary pressures and regional geopolitical risks added complexity to the operating landscape. While, in Pakistan, our subsidiary navigated a period of modest economic recovery marked by slow growth and ongoing structural reforms. While challenges persisted in agriculture and investment activity, the broader macroeconomic environment showed signs of stabilization, with inflation easing, the fiscal deficit narrowing, and the current account turning to surplus. Against this backdrop, our Bank demonstrated resilience by strengthening risk management frameworks, enhancing liquidity planning, maintaining capital adequacy well above regulatory thresholds and resolving structural issues.

The year also highlighted our commitment to corporate social responsibility and sustainability. We continued to support community development projects, expanded financial literacy programs to promote awareness of Islamic banking principles, and introduced green financing initiatives that align with our long-term vision of contributing positively to society. These efforts reflect our broader mission of empowering communities and building trust through ethical financial practices.

Looking ahead, the Group remains focused on consolidating the gains achieved in 2025 and addressing the challenges that lie ahead. Our priorities for 2026 include deepening our digital transformation, customer centricity, expanding retail and corporate offerings, and diversifying our product portfolio to enhance shareholder value. While economic uncertainties are expected to persist, we are confident that our strategic direction, strong governance, and unwavering commitment to Sharia principles will enable us to navigate

volatility and continue building a stronger, more inclusive Islamic banking institution across Bahrain and Pakistan.

Performance Review

At the close of the financial year on 31 December 2025, the Group's strategic initiatives and repositioning delivered clear improvements across financial and operational metrics. Balance sheet expansion, reduced funding costs, streamlined operations, and stronger liquidity buffers reinforced regulatory ratios, while asset quality and capital adequacy remained robust. New business was focused on low-risk, high-quality segments, with deliberate exits from higher-risk exposures further de-risking the portfolio. These outcomes reflect disciplined risk governance, effective reorganization, and a strong franchise presence across key markets. Alongside financial progress, the Group invested in people, product innovation, and digital transformation, ensuring resilience and long-term value creation remain central to our strategy as we move into 2026.

Moving into the details of financial and operating performance, FY2025 represented a pivotal inflection point for the Group, characterized by strong growth momentum and enhanced resilience despite a persistently challenging macroeconomic and market environment. The Group's total financial position expanded by 13%, rising from USD 2,574 million in 2024 to USD 2,901 million in 2025. This expansion was broad-based, underpinned by customer-centric strategies, strengthened business teams, and diversification into new markets and product lines. Deposit liabilities grew by 14% to USD 2,570 million, reflecting the Group's entrenched franchise strength in domestic and regional markets, while financing assets surged by 18% to USD 1,401 million, supported by strategic partnerships, targeted origination campaigns, and disciplined credit underwriting. Investment portfolios remained stable at USD 1,011 million, with a deliberate tilt toward sovereign securities to optimize risk-return trade-offs and maintain high-quality liquid assets (HQLA).

Operationally, the Group demonstrated disciplined cost and revenue management. Gross revenues increased by 3.1% to USD 79.8 million, while operating expenses were contained at 3.5% growth despite inflationary headwinds and the expansion of the branch network with 11 new outlets in Pakistan. Importantly, remedial and recovery efforts yielded substantial write-backs, which offset provisioning requirements and contributed to a sharp reduction in net losses. Net losses contracted by 61%, declining from USD 20.2 million in 2024 to USD 7.8 million

in 2025—an outcome that signals clear improvement in profitability trajectory and operational efficiency.

Throughout the financial year, meeting the evolving needs of our customers has remained our highest priority. In line with this commitment, we introduced innovative Sharia-compliant solutions that enriched our term deposit portfolio and strengthened our competitive positioning, including the Advance Profit Term Deposit and the Compounded Term Deposit, both designed to provide flexibility and align with market opportunities and liquidity strategy. We also expanded our investment services with the Government Sukuk Investment Service, enabling convenient access to government-issued sukuk, and partnered with a leading local investment bank to launch the Placement Agent Sukuk Investment Service, deepening our role in the sukuk market and broadening our investor reach. Complementing these initiatives, we introduced the Credit Card Equal Payment Plan, offering customers flexible installment options that enhance portfolio utilization, elevate customer experience, and support sustainable growth in fee income. Collectively, these innovations underscore our focus on customer-centricity, financial inclusion, and strategic growth, reinforcing our commitment to delivering contemporary Sharia-compliant solutions while advancing the Group's role in the wider financial ecosystem.

Simultaneously, the Group executed a series of targeted market activation campaigns designed to reinforce the positioning of our distinctive financial solutions, enhance brand visibility, and sustain continuous customer engagement. These initiatives encompassed the launch and relaunch of Finance Campaigns, strategically complemented by sector-focused roadshows across the Government, Public Sector, Healthcare, Education, and Corporate segments. This integrated campaign framework delivered strong outcomes, expanding our financing portfolio, accelerating customer acquisition, and generating high-quality business flows from stable, strategically aligned segments. In parallel, the Group deployed Credit Card campaigns engineered around seasonal and behavioral spending patterns, with a particular focus on grocery expenditures and back-to-school activities. These were reinforced through strategic partnerships with leading supermarkets, integrating acquisition incentives with usage-driven rewards to stimulate higher card activation and deepen customer engagement. Our active participation in the Jewellery Exhibition further amplified portfolio expansion, strengthened organizational alignment, and boosted

overall bookings. Collectively, these measures elevated credit card operations to a new trajectory of growth, enhancing both utilization metrics and fee-based income streams. Aligned with the Group's liabilities growth strategy, a series of Promotional Stands were deployed across high-footfall shopping malls in Bahrain, promoting savings products with particular emphasis on the flagship AlBarakat Savings Account. Complementing physical activations, the Group leveraged its digital and social media platforms to introduce new financial solutions, reinforce the success of existing products, and expand outreach to its customer base. This omnichannel approach not only amplified market presence but also contributed materially to the achievement of robust financial growth, improved operating profitability, and enhanced customer lifetime value.

Alongside product and service innovation, the Group entered into a series of strategic partnerships with sovereign entities, multilateral institutions, leading financial institutions, and corporate groups. These collaborations fostered deeper cooperation, reinforced our role as a trusted financial intermediary, and contributed to the development of core banking assets while enhancing trade finance operations. By leveraging these alliances, the Group broadened its service offerings, strengthened cross-border financial flows, and diversified revenue streams. They also expanded our institutional network and positioned us to capture opportunities in capital markets, structured finance, and sovereign-linked transactions. The resulting synergies reinforced our competitive advantage, supported balance sheet growth, and created sustainable pathways for long-term profitability.

The optimum utilization of available resources and the effective allocation of assets remained central to the Group's operational strategy during the financial year 2025. A disciplined approach was adopted toward retirement and relinquishment of low-yielding asset classes and high-cost liability avenues, ensuring that capital was redeployed into more productive and strategically aligned segments. In parallel, the Group undertook the rehabilitation and regularization of low-performing and non-performing assets, supported by enhanced monitoring frameworks, proactive restructuring measures, and strengthened risk management protocols. This systematic approach not only improved asset quality but also contributed to the stabilization of earnings streams.

Collectively, these measures—spanning resource optimization, liability repricing, portfolio rebalancing, and

asset quality enhancement—were significant contributors to the marked improvement in the Group's operating performance during the year. The outcome reflects disciplined execution of balance sheet management, prudent risk governance, and a sustained focus on profitability enhancement.

The Group undertook risk optimization measures that delivered strong outcomes across key prudential and regulatory metrics, including Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Capital Adequacy Ratio (CAR), Leverage Ratio, and Asset Quality Ratios. These results reflect the strength of our risk management framework and disciplined execution of our balance sheet strategy. We ensured strict compliance with prudential regulations, liquidity protocols, and capital adequacy guidelines, aligned with both domestic requirements and international best practices. Proactive calibration of liquidity buffers, capital reserves, and funding structures safeguarded resilience and mitigated risk exposures. This comprehensive approach reinforced our ability to absorb market shocks, sustain growth, and deliver stable performance. By embedding rigorous governance standards and adopting a forward-looking risk posture, the Group is positioned to achieve consistent value creation while remaining resilient against evolving macroeconomic and regulatory challenges.

The Group's creditworthiness and financial stability were reaffirmed by leading international and regional rating agencies during the year. The Islamic International Rating Agency (IIRA) maintained the Group's international rating at BB (long-term) / A3 (short-term) with a stable outlook, and on the national scale at BBB+ (long-term) / A3 (short-term), reflecting consistent performance and prudent risk management. In a notable development, VIS Credit Rating Company Ltd. (Pakistan) upgraded the Al Baraka Bank Pakistan (ABPL)'s national rating to AA- (long-term) / A1 (short-term), underpinned by improved financial fundamentals, strengthened capitalization, and enhanced operational resilience. Collectively, these ratings underscore the Group's strong capacity to meet financial obligations, supported by a sound capital base, disciplined risk governance, and robust compliance framework. They further highlight growing market confidence in the Group's strategic direction, operational integrity, and long-term sustainability, positioning the Group as a trusted institution across domestic and regional markets.

Digitalization and automation of core business processes remained central to the Group's strategic agenda in



Throughout the financial year, meeting the evolving needs of our customers has remained our highest priority. In line with this commitment, we introduced innovative Sharia-compliant solutions that enriched our term deposit portfolio and strengthened our competitive positioning,

2025. Several transformation projects were successfully executed, both internally and in collaboration with domestic and regional issuers and connectivity hubs, ensuring alignment with rapid market developments while enhancing service quality, efficiency, and resilience. In parallel, organizational processes—including human resource management, operational workflows, and compliance monitoring—were upgraded through advanced technologies. The deployment of automation tools, integrated platforms, and enhanced monitoring systems streamlined operations, reduced manual intervention, and strengthened governance across key functions.

Furthermore, sustained efforts were directed toward the rationalization of core business activities and the optimization of operating costs. Through disciplined cost control measures, process re-engineering, and technology-driven efficiencies, the Group achieved greater scalability and improved resource utilization. These initiatives collectively reinforced operational resilience, enhanced customer service delivery, and contributed to the achievement of sustainable profitability.

The Group advanced its Corporate and Social Responsibility (CSR) agenda, reinforcing its commitment to inclusivity, sustainability, and community engagement. A landmark initiative was the launch of the "RISE" training program for autistic youth, developed with a local rehabilitation centre, reflecting dedication to social empowerment


and economic integration. In line with ESG standards, the Group sponsored mangrove incubators to support biodiversity and climate resilience, and adopted NFC-enabled business cards as an environmentally responsible alternative. Cultural engagement was strengthened through participation in programs commemorating Bahraini Women's Day and National Day, while leadership in sustainability was demonstrated by hosting the Sustainability Forum Middle East, convening experts on marine ecosystems and climate action. The Group also supported youth development through entrepreneurship and financial literacy programs, and maintained active collaboration with leading Islamic research organizations to promote Sharia-compliant practices.

The Group's efforts were recognized with several awards and milestones, including being honored as a Gold Supporter by the Supreme Council for the Environment on World Environment Day, and shortlisted for the Card & Payments Awards Middle East 2026 in Best Achievement in Sustainability for its PVC-free credit card initiative. Additionally, participation in the National Cyber Exercise 2025 under the theme "Supply Chain Attacks" reinforced its commitment to cybersecurity resilience and operational preparedness. Collectively, these initiatives highlight the Group's strategic focus on ESG integration, product innovation, and risk resilience, strengthening institutional credibility and market confidence in its long-term sustainability and governance framework.

Al Baraka Bank Pakistan Limited (ABPL)

Al Baraka Pakistan Limited (ABPL) expanded its national footprint to 196 branches, reinforcing its commitment to financial inclusion and Shariah-compliant banking solutions. Key achievements included the launch of two digital payment solutions under RAAST, introduction of 20+ mobile app features, and a 29% year-on-year increase in debit card spend. The Mastercard Platinum card portfolio doubled in Q4 2025, supported by 138 premium merchants under the Baraka Deals Program, strengthening customer engagement.

Customer experience was enhanced through real-time in-app notifications, deployment of Mastercard 3D Secure 2.2 for safer e-commerce, and the launch of the Digital Hub (Design Lab), which delivered innovation through agile squads, fintech collaboration, and the flagship NexGen Program—Pakistan's first academia-financial co-creation initiative. ABPL also expanded its payments ecosystem via Al Baraka Pay, piloting white-label POS solutions and advancing QR-based acceptance channels in support of the Cashless Economy Initiative.



The Bank enters 2026 with a sharpened strategic mandate to accelerate sustainable growth and deepen omni-channel customer engagement.

Transformative milestones included Pakistan's first AI-enabled fully digital car finance journey, the NexGen Debit Card (university co-branded with PayPak), and the Women Exclusive Aura Pink PayPak Debit Card. ABPL hosted the Olive Summit 2.0, Pakistan's first product-based international B2B webinar, and conferences promoting the Halal economy, strengthening trade and export linkages. Aligned with ESG principles, ABPL launched Green Solar Finance, conducted plantation drives, sponsored the Pakistan Edible Oil Conference, and hosted the Sustainability Forum Middle East. CSR initiatives included partnerships with The Citizens Foundation, healthcare sponsorships, a Blood Donation Drive, and youth engagement through sports sponsorships. In 2025, ABPL invested Rs 32 million in CSR programs, positively impacting 5,000+ beneficiaries nationwide.

Collectively, these initiatives underscore ABPL's leadership in digital innovation, financial inclusion, and sustainability, reinforcing its role as a purpose-driven institution aligned with the UN Sustainable Development Goals (SDGs).

Future Outlook

As the Bank enters 2026, it does so with renewed vigor and a sharpened strategic mandate to accelerate sustainable growth trajectories, deepen omni-channel customer engagement, and consolidate its leadership position within an increasingly digitalized and hyper-competitive financial ecosystem. Building upon the operational momentum and performance inflection achieved in 2025, the Bank will pursue a dual-channel distribution strategy—scaling digital platforms through advanced fintech integration while simultaneously reinforcing high-touch conventional networks—to ensure inclusive financial access, seamless service delivery, and enhanced customer lifetime value.

Strategic priorities for the year encompass the deployment of AI-driven personalization engines, the modernization and scalability of core banking infrastructure, and the structuring of ESG-aligned financial instruments designed to meet the evolving expectations of a diversified client base and to align with global sustainability benchmarks. Concurrently, the Bank will leverage existing strategic alliances while cultivating new partnerships, particularly within fintech, insurtech, and sustainability ecosystems, to catalyze innovation, expand market penetration, and diversify revenue streams.

In parallel, the Bank remains resolutely committed to fortifying its enterprise-wide risk management framework, embedding predictive analytics and machine learning models for proactive oversight, and accelerating the automation of mission-critical processes to unlock operational agility, cost efficiency, and scalability. Above all, safeguarding and growing the funds entrusted to us—anchored in robust prudential standards, Basel III/IV compliance, and full adherence to Sharia principles—will remain our paramount priority as we chart a resilient, future-ready trajectory into 2026 and beyond.

Acknowledgement

In conclusion, and on behalf of the Group, I wish to record our profound and enduring appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their visionary leadership and unwavering commitment to the progressive transformation of the Kingdom's financial architecture. Their steadfast patronage has been instrumental in reinforcing Bahrain's position as a preeminent hub for banking innovation, regulatory excellence, and sustainable economic development. We further extend our sincere gratitude to the Central Bank of Bahrain, the Ministry of Industry and Commerce, the State Bank of Pakistan, and all relevant governmental authorities whose regulatory stewardship, policy facilitation, and institutional support have provided the enabling environment for our Group's operational resilience and strategic expansion. Their continued engagement has ensured the maintenance of systemic stability, prudential oversight, and alignment with international best practices.

We acknowledge with profound appreciation the confidence and loyalty of our shareholders, and in particular our parent and majority shareholder, Al

Baraka Group, for their unwavering strategic support, guidance, and patronage extended to the Bank over the years and most notably during these testing times. Their sustained engagement has been pivotal in catalyzing the turnaround in operating performance, fortifying our balance sheet, and maintaining our trajectory toward the realization of long-term strategic imperatives. Indeed, their trust and stewardship remain the cornerstone of our capital adequacy, liquidity optimization, and competitive positioning within the regional and international financial markets.

We further extend our gratitude to our valued customers and strategic business partners, whose continued collaboration underpins our market relevance and operational scalability. In parallel, we recognize the indispensable guidance of our Sharia Supervisory Board, whose governance oversight and doctrinal stewardship have reinforced our compliance architecture, strengthened our risk management framework, and safeguarded the ethical integrity of our financial intermediation.

Finally, we accord special recognition to our employees, whose professionalism, diligence, and adaptive capacity have been pivotal in navigating macroeconomic headwinds, regulatory transitions, and operational complexities. Their collective dedication has underpinned the Group's ability to deliver consistent value creation, operational efficiency, and stakeholder alignment, even amidst unprecedented challenges.

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Corporate Governance

1. Philosophy, Strategy and objectives

AlBarakaIslamicBank (“AIB” or the “Bank”) strongly believes that a good corporate governance is an essential part of transparency and maintaining stability and enhancing the solid foundations of the AIB. It is a fundamental part of how AIB discharges its duties and responsibilities towards protecting and enhancing shareholder’s value as well as ensuring the achievement of a sustainable financial performance. The Bank’s governance framework extends beyond legislative and regulatory compliance, and aims at creating a strong governance culture across all segments to protect the interests of all stakeholders. The Bank aspires to the highest ethical standards by delivering its promises to clients, reporting financial results accurately and transparently and maintaining full compliance with all laws, rules and regulations governing the Bank’s business.

The Bank’s governance and compliance strategies, objectives, and structures are designed to ensure that it complies with all relevant legislations and simultaneously extending beyond accountability and assurance issues to value creation and resource utilization. Internally the function has expanded into five complementary directions:

- Enterprise-wide corporate governance;
- Business governance;
- Corporate accountability and ethics;
- Sustainability management and reporting; and
- Compliance.

The Bank’s Corporate Secretary and Governance Department works closely with Legal, Compliance, Risk Management, and Internal Audit Departments in promoting a strong culture of governance and compliance within the Bank and has taken all necessary steps to improve its corporate governance to ensure conformity with best practices.

The Board of Directors have approved and adopted its Corporate Governance Policy (“the Policy”) covering AIB-wide corporate governance framework, matters related to the Board, and the principles and rules of Central Bank of Bahrain (“CBB”) on Corporate Governance for Islamic Retail Licensed Institutions (“HC Module”). Moreover, AIB conducts a detailed self-assessment on annual basis to ensure its compliance with HC Module requirements, and sets specific milestones for implementation of any shortfalls whenever they exist, including continuous reviews and upgrades for strong corporate governance practices, and any amendments to any requirements and milestones are reported to the CBB, shareholders, and the Board of Directors. Corporate governance is a fixed item on the agenda of the Annual General Meeting since 2011.

These disclosures should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2025. To avoid any duplication, information required under the CBB Rulebook PD Module but already disclosed in other sections of the annual report have not been reported in these disclosures.

2. Governance Framework

2.1. Ownership Structure

Al Baraka Islamic Bank is a Bahraini licensed Islamic Retail Bank and operates as a subsidiary of Al Baraka Group B.S.C (Closed) (“ABG” or “Ultimate Parent”). ABG is the dominating shareholder. The existing shareholding structure is transparent and consists entirely of ordinary shares, which is the only class of shares issued. The Group confirms that the non-controlling interests are sufficiently represented in the Board of Directors, either directly or through independent Directors.

As at 31 December 2025, the composition and distribution of shares are set out in the following table:

Corporate Governance

2. Governance Framework (continued)

	Name	Relation	Nationality	No. of shares	Share %
1	ABG	Ultimate Parent	Bahraini	1,405,755	92.816
2	Hussain Mohsin Alharthe	Shareholder	Saudi	50,000	3.301
3	Bahrain Islamic Bank	Shareholder	Bahraini	10,000	0.660
4	Ibdar Bank	Shareholder	Bahraini	10,000	0.660
5	Suleiman Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
6	Saleh Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
7	Abdulla Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
8	Mohamed Abdulaziz Al Rajhi	Shareholder	Saudi	5,000	0.330
9	Heirs of Dr. Hassan Abdulla Kamel	Shareholder	Saudi	5,000	0.330
10	Dubai Islamic Bank	Shareholder	UAE	5,000	0.330
11	Saeed Ahmed Lotah & Sons Group	Shareholder	UAE	5,000	0.330
12	Jordan Islamic Bank	Shareholder	Jordan	2,500	0.165
13	Abdullatif Abdulrahim Janahi	Shareholder	Bahraini	1,250	0.083
14	Sheikh Saleh Abdulla Kamel	Shareholder	Saudi	73	0.005
	Total			1,514,578	100.000

2.2. Ownership by nationality

Country	No. of shares	Share %
Bahrain	1,427,005	94.218
Jordan	2,500	0.165
Saudi Arabia	75,073	4.957
UAE	10,000	0.660
Total	1,514,578	100.000

2.3. Ownership by size of shareholding

Category	No. of shares	Share %
Less than 1%	58,823	3.884
1% up to less than 5%	50,000	3.301
5% and above	1,405,755	92.816
Total	1,514,578	100.000

3. The Board of Directors

The adoption and implementation of a sound corporate governance practice is the direct responsibility of the Board of Directors ("the Board" or "the Director" or "Directors") who shall continue its endeavor to enhance shareholders' value, protect their interests, and defend their rights.

The Board is accountable to the shareholders and Executive Management is accountable to the Board. Directors apply due care in exercising their duties to the

Group and are subject to fiduciary duties, they ensure that Executive Management acts in the best interest of the Group and its shareholders by working to enhance the Group's performance. The Board authorizes Executive Management to execute approved strategies. The Board oversees the conduct of the Group's business activities to ensure that Executive Management is properly managing these activities with highest standards of professionalism.

Corporate Governance

3. The Board of Directors (continued)

3.1. Principal functions and responsibilities of the Board

- Set the tone at the top and play a leading role in establishing the Bank's corporate cultures and values and oversee management's role in fostering and maintaining a sound corporate and risk culture.
- Review and approves Executive Management proposals on strategic plans including business plans and activities, and monitor the implementation of such strategies
- Approves the annual budget and conducts a regular business performance review and ensures that business activities and action plans are within the guidelines of the Bank's overall strategy.
- Sets up Bank's corporate values and lines of responsibility/ accountability, and ensures that such lines are properly communicated across the Bank.
- Ensures the existence of a proper and effective process for selecting and appointing Executive Management team based on qualifications and professional competence, and approves a succession planning policy.
- Ensures the implementation of an effective internal controls and processes to measure and manage all business risks.
- Establish, along with senior management and Chief Risk Officer, the Bank's risk appetite, considering the Bank's strategy, competitive and regulatory landscape, the Bank's long-term interests, risk exposure and ability to manage risk effectively, and oversee the Bank's adherence to the risk appetite statement, risk policy and risk limits.
- Establishing comprehensive policies and processes to ensure compliance with Sharia principles in all activities.
- Sets up an effective audit functions staffed with qualified personnel to perform audit activities that covers financial, management and Sharia audits.
- Establishes procedures to avoid self-serving practices and conflicts of interests.
- Assures equitable treatment of shareholders including non-controlling interests.

- Convene and prepare the agenda for shareholders meetings.
- Ensures protection of the interests of depositors (particularly Equity of Investment Accountholders)
- Establishes and ensures the effectiveness of Board Committees.
- Ensures that operations of the Bank are conducted within the framework of relevant regulations, laws, and policies.
- Ensures that the Bank has a beneficial influence on the economic well-being of its community.
- Approves material transactions outside the normal course of business or in excess of the Executive Management delegated limits.

The Board has approved certain policies, which authorize the Executive Management to approve certain transactions. The Board has delegated specific authority to the CEO and to Management Committees to manage the activities of the Bank within its pre-defined limits. All credit and investment applications exceeding these pre-defined limits in the form of amount or tenor requires approval of the Board. Board meetings are held on a scheduled basis ensuring relevant policies, strategy, and business performance issues are discussed and accordingly tracked and monitored. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. Special Board meetings are also convened whenever needed.

The Board of Directors, during the year 2025, has the following major achievements:

- Reduced the operating losses by more than 64% compared to the year 2024.
- Rebuild the Sukuk Portfolio with weighted average yield climbing above 5.1% from 4.1%.
- Close the legacy issue of dependency on single fund provider representing more than 15-20%.
- Surpass the process of recoveries leading to a tangible improvement in assts.
- Secured a significant growth in financial position.
- Optimize operations and reduce financial risk

Corporate Governance

3. The Board of Directors (continued)

3.1. Principal functions and responsibilities of the Board (continued)

- Reposition short term retail financing products (auto and personal finance) and secure growth aligned with targets.
- Reviewed, amended and issued many internal policies.
- Closely monitored and followed the liquidity position of the Group.
- Worked toward achieving the requirements of CBB with regard to Environment and Sustainable Development.

3.2. The Term of the Board of Directors

Each Board of Directors is appointed for a term of three years in accordance with the Articles of Associations. The term of the current Board of Directors started in March 2023. The Bank will hold new election for the new Board in March 2026. All members of the Board of Directors are eligible for re-appointment.

3.3. Termination of Board membership

The termination of membership from the Board of Directors is stated in Article (32) of the Articles of Association of the Bank as follows:

3.3.1. If the member was appointed in violation to the provisions of the law.

3.3.2. If the member loses any of the conditions provided for in the Articles (e.g. lack of legal capacity, convicted in bankruptcy, crimes of honor or breach of trust).

3.3.3. If a member uses his membership to conduct a competitive business or causes real damages to the Bank.

3.3.4. If a member is absent (from the Board meeting) for four consecutive meetings without legitimate reason.

3.3.5. If a member resigns or discharged from office.

3.3.6. If a member occupies another salaried position other than an executive position, which the Board decided to pay salary to him.

If the office of a director becomes vacant, the Board may appoint a temporary director to fill the vacancy. Such an appointment shall be presented to the ordinary AGM in its first meeting for ratifying the appointment.

3.4. Composition of the Board of Directors

The Directors have broad experience across a number of industries and business sectors, and provide valuable input and an external perspective to matters of business strategy. By the end of December 2025, the Board had nine members, comprising four independent non-executive directors (including the Chairperson), three non-executive directors, and two executive directors. The Board meets on quarterly basis or as required to review and evaluate corporate strategy, major operational and financial plans, risk policies, financial performance, and monitors the implementation and performance to ensure it is in line with all applicable laws and regulations and within best practices.

The role of the Chairperson of the Board is fundamentally distinct from that of the CEO. The separation of powers between the Chairperson and the CEO ensures a balance of power and authority, which provides a safeguard against the exercise of unrestrained powers in decision-making. The Chairperson is responsible for ensuring the Board's effectiveness, as well as representing the Board to the shareholders. The CEO acts in accordance with the authorities delegated by the Board. Board composition, independence of Directors, and membership in the Board Committees are set out below:

Corporate Governance

3. The Board of Directors (continued)

3.4. Composition of the Board of Directors (continued)

Director's name	Nationality	Board Membership Designation & Position	Board Committees				
			Audit	Nomination, Remuneration, and Governance	Executive	Risk Management	Social Sustainable Finance
Sabah Khalil Almoayyed	Bahraini	Chairperson, Independent		Member		Chairperson	
Akram (Mark) Yassin	Canadian	Vice Chairman, Independent	Chairperson			Member	
Dr. Khalid Abdulla Ateeq	Bahraini	Member, Executive			Chairperson		Member
Abdulrahman Abdulla Al Sayed	Bahraini	Member, Independent		Chairperson		Member	
Adnan Abdulla Al-Bassam	Bahraini	Member, Independent	Member			Member	
Masood Ahmed Al Bastaki	Bahraini	Member, Non - Executive			Member		Chairperson
Abdulla Tarrar Edham	Bahraini	Member, Non - Executive		Member	Member		
Abdulmalek Shehadeh Mezher	Jordanian	Member, Executive	Member				Member
Housseem Ben Haj Amor	Tunisian	Member, Executive			Member		

3.5. Induction and engagement letters

In line with CBB Rulebook, the Bank conducted a formal induction program for its new members. Re-elected members also attended such induction. The induction program includes detailed presentation on the business of the Bank, its activities, and Organizational Structure. It also covers the duties and responsibilities of the Board in accordance with the Memorandum and Articles of Association, the Charter of the Board, and the CBB Rulebook.

In addition, all members of the Board signs individual letters of engagement with the Bank specifying their rights, duties, and entitlements. All members are provided with copies of the Corporate Governance Code, the policy on entitlements, and confidentiality and non-disclosure undertaking along with all Charters of the Board Committees.

3.6. Board meetings and attendances

In line with the nature and demand of the Bank's business, the Board held Four meetings and the number of meetings attended by each member were as follows:

Director's name	Meeting Dates			
	18 Feb	13 May	13 Nov	10 Dec
Sabah Khalil Almoayyed (Chairperson)	✓	✓	✓	✓
Akram (Mark) Yassin (Vice Chairman)	✓	✓	✓	✓
Dr. Khaled Abdulla Ateeq (Member)	✓	✓	✓	✓
Abdulrahman Abdulla Al Sayed (Member)	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓
Masood Ahmed Al Bastaki (Member)	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓
Abdulmalek Shehadeh Mezher (Member)	✓	✓	✓	✓
Housseem Ben Haj Amor (Member)	✓	•	•	✓

Corporate Governance

3. The Board of Directors (continued)

3.7. Performance evaluation

In line with its Corporate Governance Policy, the Group adopts a procedure undertaken by the Board to evaluate its own performance and that of its committees and individual Directors. At the end of each financial year, the Board distributes evaluation forms to all members to evaluate:

- The Board of Directors itself;
- The Committees of the Board of Directors;
- The Chief Executive Officer;
- The Secretary of the Board.
- The Sharia Supervisory Board.

The results of the evaluations forms are then discussed in the Nomination, Remuneration, and Governance Committee (“NRGC”), and in the Board of Directors meeting, and during the AGM.

3.8. Board Committees

According to its Charter, the Board (principally through its committees) is responsible to oversee the establishment of risk management systems by approving accounting policies; financial statements and reports; credit and risk management policies; and systems of internal controls, taking into account the Group’s risk appetite, the overall business strategy, management expertise, and the external environment. The Board has defined general parameters to manage its Group-wide risk profile to comply with the approved Group’s risk appetite and tolerances, which considers both downside risk and opportunities.

In accordance with the Articles of Association, the Board of Directors may establish Board Committees to assist the Board on taking its resolutions. Each Committee operates under a Board approved charter that is reviewed during each term of the Board unless there is a need for earlier review.

Each Committee has established a reporting structure that describes relevant responsibilities in respect to oversight and monitoring of Board approved management policies. These Committees evaluate developments in respect to the Group’s structure and operations, as well as economic,

Director’s name	Meeting Dates			
	30 Jan	11 May	06 Aug	12 Nov
Akram (Mark) Yassin (Chairman)	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓
Abdulmalek Shehadeh Mezher (Member)	✓	✓	✓	✓

industry, and market developments that may affect the Group’s risk management.

The Board Committees meet regularly and consists of independent, executive, and non-executive directors. During 2024, the Board had the following Committees:

3.8.1. Audit Committee

The Audit Committee (appointed by the Board of Directors) consists of three members. The Chief Internal Auditor directly reports to the Chairman of the Committee. Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigations as well as significant regulatory and compliance matters. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- Monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- Monitoring processes designed to ensure the existence of an appropriate internal control system, including compliance with legal and regulatory requirements; and
- Monitoring the activities and performance of the internal audit function.

The Audit Committee reviews and (as appropriate) approves and recommends for the approval of the Board of Directors:

- The interim and annual consolidated financial results;
- Status updates on implementation on various regulatory reports;
- Internal and external audit reports and status of their implementation (as appropriate);
- New accounting and regulatory pronouncements and their implications.

An independent non-executive Director chairs the Audit Committee. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Corporate Governance

3. The Board of Directors (continued)

3.8.2. Nomination, Remuneration & Governance Committee

This Committee is responsible for assisting the Board in reviewing and overseeing the following responsibilities:

- Board of Directors and individual Directors’ performance;
- Effectiveness of (and compliance with) the Group’s corporate governance policies and practices;
- Succession planning for the Board and Executive Management;
- Staff remuneration policy and fees for Non-Executive Directors and Sharia Supervisory Board;
- 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-term profit but take different amount of risk on behalf of the Group;
- 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 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 Committee 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 Financial Control, Risk Management, Internal Audit, Sharia Review, Internal Sharia Audit, Compliance, and Operations functions) the mix of fixed and variable remuneration is weighted in favor of fixed remuneration;
- Recommend Board members remuneration based on their attendance and performance and in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto;
- 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.
- Advise the Board of Directors and monitor the implementation of a robust governance framework by working together with Executive Management and the Sharia Supervisory Board.

The Board is ultimately responsible for the approval of the remuneration package. The Committee is guided by the need to (attract and retain) and at the same time link the rewards to clearly articulate corporate and individual performance parameters. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director’s name	Meeting Dates		
	02 Feb	14 Jul	23 Dec
Abdulrahman Abdulla Al Sayed (Chairman)	✓	✓	✓
Sabah Khalil Almoayyed (Member)	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓
Shaikh Esam Mohamed Ishaq*	•	•	✓

* Shaikh Esam attended the Meeting as member of the Committee representing the Sharia Board.

3.8.3. Board Executive Committee

The primary purpose of this Committee is to consider specific matters delegated by the Board and make recommendations thereto or take decisions based on authorities specifically delegated by the Board. The Board

Executive Committee also has the power and authority to approve certain credit and investment proposals. The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Corporate Governance

3. The Board of Directors (continued)

3.8.3. Board Executive Committee (continued)

Director's name	Meeting Dates			
	13 Feb	03 May	24 Sept	04 Dec
Dr. Khaled Abdulla Ateeq (Chairman)	✓	✓	✓	✓
Masood Ahmed Al Bastaki (Member)	✓	✓	✓	✓
Abdulla Tarrar Edham (Member)	✓	✓	✓	✓
Housseem Ben Haj Amor (Member)	✓	✓	✓	.

3.8.4. Board Risk Management Committee

The Board Risk Management Committee ("BRMC") is mandated to ensure that integrated risk management functions within the Group are effectively discharged. The Committee has the following overall responsibilities:

- Ensure that sound risk management policies, frameworks and practices are in place for addressing and managing the material risks, and report the results of the Committee's activities to the Board of Directors.
- Ensures day-to-day operations are executed within the boundaries set by the business and risk strategy, and risk appetite. Breaches of the risk appetite will result in immediate action at the appropriate management level.

- Ensure that Executive Management understand and accepts its responsibility for identifying, assessing and managing risk.
- Periodically review and monitor risk mitigation processes and periodically review and report to the Board of Directors:

- the magnitude of all material business risks;
- the processes, procedures and controls in place to manage material risks; and
- the overall effectiveness of the risk management process.

The composition of the Committee, the number of meetings held, and attendance of members are as follows:

Director's name	Meeting Dates			
	09 Feb	30 Apr	11 Aug	03 Nov
Sabah Khalil Almoayyed (Chairperson)	✓	✓	✓	✓
Mark Yassin (Member)	✓	✓	✓	✓
Adnan Abdulla Al-Bassam (Member)	✓	✓	✓	✓
Abdulrahman Abdulla Al Sayed (Member)	✓	✓	✓	✓

3.8.5. Board Social Sustainable Finance Committee

The Board Social Sustainable Finance Committee is entrusted with the tasks of advising and assisting the Board of Directors to adopt strategies of Social Sustainable Finance responsibilities that balance between the financial growth of the Group and at the same time preserve the social and environmental interests. The Committee will

also oversee the implementation and application of the guidelines and measures issued by the Central Bank of Bahrain in the SDG Module.

The Composition of the Committee and the number of meetings held is as follows:

Director's name	Meeting Dates	
	04 Jun	24 Nov
Masood Ahmed Al Bastaki (Chairman)	✓	✓
Dr. Khaled Abdulla Ateeq (Member)	✓	✓
Abdulmalek Shehadeh Mezher (Member)	✓	✓

Corporate Governance

3. The Board of Directors (continued)

3.9. Conflict of interest

Directors avoid any action, position, or interest that conflicts with an interest of the Bank, or gives the appearance of a conflict. The Bank annually solicits information from Directors in order to monitor potential conflict of interest, and Directors are expected to be mindful of their fiduciary obligations towards the Bank. In the event of a situation involving a potential conflict of interest, Directors are encouraged to seek advice from the Bank's Compliance Officer. There are clear guidelines to deal with the issue of conflict of interest. A director is required not only to disclose his/her conflict of interest in all matters referred to the Board of Directors, but also to abstain from voting in such matters. Any abstention from voting will be declared in the annual general meeting of the shareholders. As required by the CBB the Bank is in the final stage of issuing a new Conflict of Interest Policy to be separated from the Corporate Governance Code. The Bank also requires all Board members and management staff to declare on annual basis their interests in the business of the Bank and instances where there is conflict of interest. A standard item in all Board of Directors meeting's agenda is a declaration by the Board Members that they have no interest or conflict of interest with regards to all matters before the meeting.

4. Management Committees

In addition to the Board Committees, the Bank has in place the following management committees with the CEO and/or his delegate functioning as the Chairman of these committees. Members of committees comprise of heads of relevant departments and functions.

4.1. Executive Management Committee ("EMC")

EMC role is to oversee the implementation of the strategic objectives of the Bank in relation to its business direction, operations, risk, expansion plans and overall policies and procedures.

4.2. Management Credit Committee ("MCC")

The management of credit risk starts with appointing experienced key personnel. The MCC approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. All financing applications of significant amounts are approved at the Head Office or by the MCC, while experienced senior credit officers at branches are given authority to approve financing with lower-risk exposure.

4.3. Asset Liability Management Committee ("ALMC")

ALMC is the primary committee responsible for liquidity and funding risk management. The ALMC make decisions

and proposes guidance to force the structure of the Bank's assets and liabilities, funding requirements, and liquidity management in line with its overall strategic objectives.

4.4. Provisioning & Special Assets Committee ("PSAC")

The primary purpose of the PSAC is to timely monitor and manage non-performing credit exposures, which show signs of weaknesses or default and place into question the full and timely recovery of all amounts due to the Bank, in addition to monitoring the repossessed assets and investments and recommending action plans and classifications. In addition, PSAC is responsible for ensuring proper implementation of FAS 30 approved policy and to take decisions related to provisioning on the Group's non-performing assets.

4.5.4.5. Digital, IT, Information Security and Business Continuity Planning Committee

The Digital IT and Information Security Committee role is to govern the Bank's short and long-term information technology strategies, investments, projects and initiatives to ensure they are enabling the Group's business objectives and aligned with the its strategies.

In addition, the Committee has been entrusted with the responsibility of ensuring the bank adherence to business continuity plan by providing the development and implementation of strategic framework to ensure the effective continuance of the Bank operations in the event of a major crises or potential catastrophic event. It is further responsible for regular testing of the effectiveness of the business continuity planning activities across the Group premises, and the development, implementation and maintenance of the emergency management, response plans and related training.

4.6. Human Resources and Compensation Committee ("HRC")

The objective of HRC is to setup and maintain a sound human resources framework and to oversee the Bank's recruitment and compensation processes to ensure its alignment with its overall strategy and objectives.

4.7. Zakat and Charity Committee ("ZCC")

The primary purpose of ZCC is to manage the Bank's zakat and charity payments and contributions.

4.8. Executive Risk Management Committee ("ERMC")

The primary purpose of ERMC is to support the Executive Management in performing the role of risk oversight, framework development, policy and methodology formulation, and independent monitoring and reporting of key risk issues.

Corporate Governance

4. Management Committees (continued)

4.9. Anti-fraud and Cyber Security Committee (“CSC”)

The primary purpose of CSC is to oversee the development and implementation of necessary policies, procedures, guidelines, standards and controls to protect the Group from possible fraud and Cyber Security risks, to be in line with the overall Group acceptable risk appetite and management frameworks. CSC is further responsible to review the effectiveness of Information and Cyber Security controls, data governance, privacy protection and related compliance requirements.

4.10. Environmental, Social and Governance Committee (“ESGC”)

The Bank has established a committee to oversee the proper implementation of the recent directions of the Central Bank of Bahrain to observe and report on matters related to environment, social and governance. The Committee has issued a report on the bank compliance with the CBB requirements and it will continue to issue an annual report on the development. The Committee has also initiated number of social activities for the employees

4.11. Product Appraisal Committee (“PAC”)

To enhance its commitment to transparency and customers centricity, the Bank has established a Product Appraisal Committee to review all new products from different aspects including the impact on customers and compliance with applicable laws and CCB directions before promoting any banking product in the market.

4.12. Executive Compliance & Follow-up for Internal and External Issues Committee

The primary purpose of this Committee is to prompt the closure and resolution of pending internal and external findings reported by multiple stakeholders. In addition, the Committee is responsible to ensure compliance with all relevant guidelines including internal policies, CBB guidelines, audit related observations, and AML programs.

There is a clear division of responsibility between the Board of Directors and the Executive Management. The CEO is supported by his Executive Management team who are responsible for the implementation of Board resolutions, overall responsibilities of day-to-day operations, and operational efficiency. The Directors are kept abreast of the Bank’s performance through various monthly reports presented during the Board and its Committee’s meetings.

5. Remuneration

In line with CBB’s issued regulations related to Sound Remuneration Practices, the Bank’s compensation strategy (which includes variable remuneration policy) sets

out its policy on remuneration for Directors and Executive Management along with the key factors that are taken into account in setting the policy.

5.1. Remuneration strategy

The quality and long-term commitment of employees is fundamental to the Bank’s success. There is a robust and effective governance framework in place to ensure that the Bank operates within clear parameters of its compensation strategy and policy for remunerating the Board of Directors, the Sharia Supervisory Board, and the Executive Management in accordance with the remuneration policies and procedures approved by the Board. All compensation matters and overall compliance with regulatory requirements are overseen by NRGC.

The Bank’s basic compensation philosophy is to provide a competitive level of compensation to attract and retain qualified and competent employees who are committed to maintain a career with the Bank, and who will perform their role in the long-term interest of the Bank and its shareholders. The Bank’s reward package comprises of fixed pay, benefits, performance bonus and a long-term performance incentive plan. The Bank’s variable remuneration policy is performance-based driven primarily by a culture that aligns employee interests with those of the Bank’s shareholders. These elements support the achievement of the Bank objectives through balancing rewards for short-term results with long-term sustainable performance. The Group’s strategy is designed to share success and align employees’ incentives with risk framework and outcomes.

In order to ensure the alignment between compensating people and business strategy, the Bank assesses individual performance against annual and long-term financial and non-financial objectives summarized as part of its performance management system. This assessment also considers adherence to the Bank’s values, risks and compliance measures, and above all, ethics and integrity. Performance is evaluated based on short-term and long-term achievements as well as on how it is achieved, the NRGC believes the latter contributes to the long-term sustainability of the business. In particular, the Bank uses capital and solvency ratios, key profitability measures, quality of earning parameters and strategic growth indicators as performance metrics for key business line managers and individuals.

The Bank’s remuneration policy considers the role of each employee and sets guidance on whether an employee is a Material Risk-taker or an Approved Person in a business line, control function, or support function. An Approved Person is an employee whose appointment requires prior

Corporate Governance

5. Remuneration (continued)

5.1. Remuneration strategy (continued)

regulatory approval because of the significance of his/her role within the Bank. An employee is considered a Material Risk-taker if he/she is the Head of a significant business line or an individual who has (within his/her control) a material impact on the Bank’s risk profile.

The Bank provides fixed annual fees to the Sharia Supervisory Board and does not provide any performance linked incentives.

The NRGC oversees all reward policies of the Bank employees. The NRGC is the supervisory and governing body for the compensation policy, practices and plans. NRGC is responsible for determining, reviewing and proposing the variable remuneration policy that is approved by the Board, it is also responsible for setting the principles and governance framework for all compensation decisions. The remuneration policy is occasionally reviewed to reflect changes in market practices, business plans, and the risk profile of the Group. The NRGC ensures that all employees are remunerated fairly and responsibly.

In addition to its responsibilities mentioned elsewhere in this report, NRGC is entrusted with specific and detailed responsibilities with regards to the Bank’s variable remuneration policy and oversight of its implementation. These includes (but not limited to) ensuring that the system operates as intended especially for Material Risk-takers, ensuring that variable remuneration forms a substantial part of their total remuneration and is adjusted for all types of risks by reviewing the stress testing and back-testing results. The NRGC is also responsible for ensuring that Approved Persons in Financial Control, Risk Management, Internal Audit, Sharia Review, Internal Sharia Audit, Compliance, and Operations functions have the mix of fixed and variable remuneration with more weight in favor of fixed remuneration. In addition, NRGC recommends Board remuneration based on their attendance and performance in compliance with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto.

The NRGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remains uncertain. The NRGC demonstrates that its decisions are consistent with an assessment of the Bank’s financial condition and future prospects.

The aggregate remuneration paid to NRGC members during the year (in the form of sitting fees) amounted to USD 18,000 for meetings held during the current and prior year.

5.2. Board remuneration

Remuneration for the Bank’s Board of Directors is determined in line with the provisions of the Commercial Companies Law promulgated by Decree No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) thereto. Board remuneration is subject to the approval of the shareholders during the AGM. Remuneration of Non-Executive Directors does not include performance-related elements (e.g. share grants, share options, deferred share-related incentive schemes, bonuses, or pension benefits, etc.).

Non-Executive Directors level of remuneration reflects the experience and level of responsibilities they take in the Bank the CEO’s remuneration is structured to link the remuneration and other rewards and benefits to contributions and achievements, in line with the Bank’s and the Ultimate Parent’s corporate objectives, culture, and strategy.

Except for contracts mentioned in related sections of the Bank’s financial statements, no director has received (or become entitled to receive) any benefit from contracting with the Bank or its related entities, or from entities in which a Director is a member, or from any entity in which a Director has a substantial financial interest.

Corporate Governance

5. Remuneration (continued)

5.1. Remuneration strategy (continued)

5.2.1. Board of Directors, Sharia Supervisory Board, and CEO remuneration:

	Head count	2025	Head count	2024
Directors				
Remuneration ⁽¹⁾		255		345
Sitting fees		285		445
Allowances and others ⁽²⁾		5		-
Total		545		790
Sharia Supervisory Board members				
Staff inclusive of Chief Executive Officer				
Approved Persons and Material Risk-takers (Business lines)	11	2,753	10	2,520
Approved Persons (Others)	13	2,018	12	1,835
Other staff (Bahrain Operations)		10,084		11,665
Staff (Overseas subsidiary)		17,137		15,339
Total fixed remunerations		31,992		31,359
Variable remuneration:				
Approved Persons and Material Risk-takers (Business lines)	11	-	10	-
Approved Persons (Others)	13	-	12	-
Other staff (Bahrain Operations)		-		-
Staff (Overseas subsidiary)		1,153		1,392
Total variable remunerations		1,153		1,392
Total staff remunerations		33,145		32,751
Sharia Committee Members		88		89

⁽¹⁾ The amounts represent remuneration paid to the Board of Directors during the year based on the prior year performance.

⁽²⁾ Others includes reimbursement of air tickets and per-diem for attending Board and its Committees meetings.

Total fixed remuneration for covered persons affected by the policy, having salaries and benefits exceeding BD 100 thousand amount to USD 1,831 thousand (2024: USD 1,817 thousand) applicable to five employees (2024: five employees). Total variable remuneration during 2025 paid to these employees was USD Nil thousand (2024: USD Nil thousand), such remuneration comprises upfront cash amounted to USD Nil thousand (2023: USD Nil thousand) and deferred shares amounted to USD Nil thousand (2024: USD Nil thousand). Total amount paid as severance or retirement benefits to covered persons retired during 2025 was USD 692 thousand (2024: 1,959 thousand).

5.2.2. Staff variable remuneration

The Bank's variable remuneration is performance-related and consists primarily of the annual performance bonus.

As a part of the Bank's staff variable remuneration, annual bonus compensates for the delivery of annual operational and financial targets, employee's individual performance in achieving such targets and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board approved framework that assures a transparent link between variable remuneration and performance. The framework is designed on meeting both satisfactory financial performance and achieving other non-financial factors that will (assuming all other factors being equal) deliver a target bonus pool for employees prior to consideration of any allocation to business lines and employees individually. Within this framework, NRGC aims to balance the distribution of the Group's profit between shareholders and employees.

Corporate Governance

5. Remuneration (continued)

5.2.2. Staff variable remuneration (continued)

Key performance metrics at the Bank-level consists of a combination of short-term and long-term measures including 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 result in a target bonus pool. The bonus pool is then adjusted to account for risks using risk-adjusted measures (including forward-looking considerations).

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 NRGC.

For the Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is 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 assessment and linked with the framework.

5.2.3. Remuneration of control functions

The staff remuneration level in 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 not determined by business financial performance they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units based on the objectives set for them. Such objectives are more focused on non-financial targets that includes 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.

5.3. Alignment with risk

The policy aims 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 plays a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the designed remuneration policy reduces employee incentives to take excessive and undue risks, is symmetrical with risk outcomes, and delivers an appropriate mix of remuneration that is risk aligned.

The NRGC 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 all types of risks, including intangible and other risks such as reputation risk, liquidity risk, and cost of capital. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to 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 the Bank's current capital position and ICAAP.

The bonus pool takes into account the performance of the Bank, which is considered within the context of its risk management framework. This ensures that the variable pool is shaped by risk considerations and the Bank-wide notable events.

The size of variable remuneration pool and its allocation within the Bank takes into account the full range of current and potential risks, including:

- Cost and quantity of capital required to support the risks taken;
- Cost and quantity of the liquidity risks assumed in the conduct of business; and
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRGC keeps itself abreast with the Group's performance against risk management framework. NRGC will use this information when considering remuneration to ensure alignment of returns, risks, and remuneration. The Bank has an ex-post risk assessment framework, which is

Corporate Governance

5. Remuneration (continued)

5.3. Alignment with risk (continued)

a qualitative assessment to back-test actual performance against prior risk assumptions.

In years where the Bank suffers material losses in its financial performance, the risk adjustment framework will work as follows:

- There will be considerable contraction of the Bank's total variable remuneration;
- At an individual level, poor performance by the Bank means individual KPI's are not met, and hence, employee performance ratings will be lower;
- Reduction in the value of deferred shares or awards;
- Possible changes in vesting periods and additional deferral applied to unvested rewards; and
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or claw back of previous variable awards may be considered.

Based on Board's approval, NRGC can rationalize and make the following discretionary decisions:

- Increase/decrease the ex-post adjustment;
- Consider additional deferrals or increase the quantum of non-cash awards; and
- Recovery through malus and claw back arrangements.

The Bank's malus and claw back provisions in the policy allows the NRGC to determine that (if appropriate) unvested elements under the deferred bonus plan can be forfeited/adjusted or the delivered variable remuneration be recovered in certain situations. The intention is to allow the Bank to appropriately respond to performance factors (on which reward decisions were based) if they turned out not to reflect the corresponding performance in the long-term. All deferred compensation awards contain provisions that

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	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of phantom shares on conclusion of the performance evaluation process for each year.
Deferred shares	The portion of variable compensation that is awarded and paid in the form of phantom shares on a pro-rata basis over a period of three years.

All deferred awards are subject to malus provisions. All awarded phantom shares are released to the employee after a six-month retention period from the date of vesting.

enables the Bank to reduce or cancel awards of employees whose individual behavior had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an employee's award can only be made by the NRGC. The Bank's malus and claw back provisions allow the NRGC to determine that (if appropriate) vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events includes:

- Reasonable evidence of willful misbehavior, material error, negligence or incompetence of the employee causing the Bank to suffer a 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; and
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.

Claw back can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

5.4. Incentive plans

The employees of the Bank are eligible for a variety of incentive plans to achieve a direct linkage amongst the remuneration and current/future performance. In this respect, the separate short-term incentive plans ("STIP") and long-term incentive plans ("LTIP"), are duly devised in the light of prevailing laws and regulations.

The main components of said remuneration are:

The employees in business lines and other functions can avail remuneration, under the short-term incentive plan ("STIP"), as follows:

Corporate Governance

5. Remuneration (continued)

5.4. Incentive plans (continued)

Element of variable remuneration	Constitutions	Vesting period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Deferred share awards	60%	3 Years	6 Months	Yes	Yes

The NRGC (based on its assessment of role, profile, and risk taken by an employee) could increase the coverage of employees that will be subject to deferral arrangements. There are no signing or guaranteed bonuses awarded during the current and prior year.

In addition to non-cash short-term incentives and in order to motivate and align employees with its long-term business plans, the Group may decide to selectively award LTIP to employee's contingent on the delivery of future performance targets. The NRGC will confirm the employees eligible for the LTIP scheme on annual basis. The performance horizon and quantum of awards will also be

Element of variable remuneration	Constitutions	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Deferred share awards	60%	3 Years	6 Months	Yes	Yes

5.5. External consultants

The Bank had appointed consultants at the time of formulation of policy and framework along with approved regulations. Thereafter, they are being appointed on time to time to provide technical advice when required.

6. Internal Control

The Board is responsible for the adequacy and effectiveness of the Bank's system of internal control, which is supported by segregation of duties, enhanced systems of internal control process across all aspects of business, as well as strong support functions covering legal, regulatory, governance, finance, information technology, human resources, and strategy. Such system ensures to manage the Bank's key risk areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the policies and business objectives. The Bank's system of Internal Control includes:

- An organization structure with clearly defined authority limits and reporting mechanisms to Executive Management and the Board.
- A risk management function with responsibility to ensure that risks are identified, assessed, and managed throughout the Bank.

determined on an annual basis, based on the performance requirements. All LTIP awards will be delivered as non-cash instruments and are delivered on assessment of results achieved at the end of the performance period. LTIP vest immediately at the end of the performance period (a minimum of three years) and are subject to a six-month retention period post vesting.

The Bank has decided to remunerate all covered staff having annual salary exceeding BD 100 thousand and those who occupies grade 3 level, by using the STIP option effectively from year 2021. In this respect, the following table further elaborates on the remuneration scheme:

- A set of policies and guidelines relating to credit risk management, asset and liability management, compliance, operational risk management, and business continuity planning.

- An annual budgeting and monthly financial reporting system for all business units, which enables monitoring progress against plans, trends to be evaluated, and variances to be justified.

- An internal audit function to evaluate the adequacy and effectiveness of governance, risk and control systems, and to review management's compliance with policies and procedures.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal control with respect to financial reporting include the following:

- Board established committees that assist in ensuring the effectiveness of the Bank's daily operations, and ensures they are in accordance with the corporate objectives, strategic plans and annual budgets as well as approved policies and business directions.

Corporate Governance

6. Internal Control (continued)

- The Internal Audit Department checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audit is carried out on all departments and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of audits are submitted to the Committee for review during their periodic meetings.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, Executive Management, and external auditors and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Committee also reviews the Internal Audit function with particular emphasis on the scope and quality of deliverables and observations. The minutes of the Committee meetings are presented to the Board of Directors on periodic basis.

The governance arrangements, systems and controls employed by the Bank also ensure Sharia compliance and how these meets applicable standards, and if there is less than full compliance, an explanation of the reasons for non-compliance.

The Bank is committed to avoid recognizing any income generated from non-Sharia compliant sources. Accordingly, all non-Sharia compliant income is transferred to a charity fund where the Bank uses these funds for social welfare activities. The statement of sources and uses of charity fund (disclosed within the Annual Report) provides further information.

7. Risk Management

7.1. Risk Management Framework

The Bank is committed to comply with Basel and IFSB guidelines and to CBB requirements. Risk management framework aims at proactive management of risks throughout the life cycle of a financial transaction including its operating circumstances from origination to final disposal from the books of the Bank.

The Bank's risk management framework is regularly reviewed and continuously enhanced to facilitate a comprehensive assessment of the various types of risk that the Bank is only may be exposed to; risks such as

credit, market, operational, liquidity, profit rate, concentration, reputation, compliance, etc.

Keeping in mind the uncertain market conditions and continuous increase in profit rate, the Bank has been closely monitoring its liquidity and funding profile. The Bank also carried out extensive stress testing to assess its ability to withstand continued and even worsening economic conditions. The results of the stress tests and scenario analysis reinforced the strength of the Bank's capital and liquidity ratios.

In line with the regulatory guidelines and market best practices, the Bank has taken initiatives to enhance its risk management framework, which consists of aligning policies and procedures, reviewing various processes and controls, creating awareness sessions, and enhancing reporting culture across the Bank. The Bank's already established Internal Capital Adequacy Assessment Process ("ICAAP") continued to aid the management of both daily and larger, strategic risks.

The aim of the Bank's ICAAP (Internal Capital Adequacy Assessment Process) is to ensure that the Bank maintains sufficient capital at all times to cover its material risks, both current and forward-looking, in a manner consistent with its risk profile, strategy, and regulatory expectations, using internally developed approaches to measure, monitor and manage these risks at all times. The Bank maintains a prudent and disciplined approach to risk taking by upholding a comprehensive set of risk management policies, processes and limits, employing professionally qualified people with the appropriate skills, investing in technology and training, and actively promoting a culture of sound risk management at all levels.

Risk Management governance originates at the Board level, and cascades through to the CEO and various business units, via policies and delegated authorities, which ensures Board-level oversight and a clear segregation of duties between those who originate and those who approve risk exposures.

The Board has an overall responsibility for validating and approving the policies, defining the risk tolerance, and establishing the risk strategy for an effective risk management framework. The responsibility of risk governance lies with the different Board and Management Committees, who in turn, define and monitor the relevant risks to the organization (both financial and non-financial risks, including credit, market, liquidity, operational, compliance, strategic, reputational, and legal). The Bank has constituted various management committees with specific roles and responsibilities to review and endorse

Corporate Governance

7. Risk Management (continued)

7.1. Risk Management Framework (continued)

relevant risk parameters on an ongoing basis.

The Bank follows a policy of Enterprise-wide Risk Management ("ERM"), which aligns strategy, policies, charters, people, processes, technology and knowledge in order to evaluate and manage the opportunities, threats and uncertainties that the Bank may face in its ongoing efforts to create shareholder value. The ERM places emphasis on accountability, responsibility, independence, reporting, communications, and transparency. The risk management framework of the Bank is structured upon:

- Core risk principles - overriding principles governing all activities and risk monitoring procedures; and
- Specific risk policies - appropriate policies, framework documents, procedures and processes implemented to manage specific risks to which the Bank is exposed.

The Bank's ERM process is based on three lines of defense:

- **Business and Support Management.** Each of the Bank's business and support units, including Material Risk-takers, own and manage the risks, including compliance risks, inherent-in/or arising-from the business process, and are responsible for having controls in place to mitigate key risks and promoting a culture of compliance and control.
- **Independent Control Functions.** The Bank's independent control functions, including Compliance, Legal, Information Security, and Risk Management, set standards according to which the Bank and its business units are expected to manage and oversee risks, including compliance with applicable laws, regulatory requirements, policies and standards of ethical conduct. The Risk Management Department ("RMD") is responsible for formulating and monitoring the Bank's policies related to all aspects of risk, developing the framework for risk measurement and coordinating with the relevant departments for all necessary steps for adhering to Basel requirements under CBB rules, and guidelines of the Ultimate Parent. RMD is also responsible for introducing and implementing risk measurement software/tools, monitoring the Bank's compliance with risk measurement standards, providing the management with reports on various risks, and providing subject matter expertise on their respective risk areas. ACRO/CRO reports directly to the BRMC and provides regular updates on the Bank's

risk profile and recommendations. In addition, among other things, the independent control functions provide advice and training to the Bank's businesses and establish tools, methodologies, processes, and oversight of controls used by the businesses to foster a culture of compliance and control, and to satisfy risk management standards.

- **Internal Audit.** The Bank's Internal Audit function independently reviews activities of the first two lines of defense discussed above based on a risk-based audit plan and methodology approved by the Audit Committee.

The risk appetite statement reflects the level and type of risk that the Bank is willing to assume, in order to achieve its strategic and business objectives, keeping in mind the obligations to its stakeholders. The Bank has a well-defined risk appetite framework, which consists of the risk appetite statement (with both qualitative and quantitative measures) along with:

- Well-defined performance metrics in the form of KPI's;
- Risk limits, exposure criteria, restrictions and controls, financing and investment standards as laid out in the internal risk policies and procedures manual;
- Capital and liquidity benchmarks monitored in the ALMC meetings;
- Key business and risk management objectives, goals, and strategy, defined in business, investment, and risk management strategies; and
- Management and oversight structures in the Bank through Executive Management and Board Committees. The risk appetite defines the desired performance levels, which in turn are embedded into management of the various risks within the Group as well as the capital of the Bank and is integrated into the strategic, capital, and risk management planning process across the business verticals.

Further, the Board periodically reviews the risk management policies, limits, and risk strategies to cope with the changing economic environment and Bank's risk appetite.

The Bank believes that accurate, reliable, and timely information is vital to support decisions regarding risk management at all levels. On an ongoing basis, the Bank will also continue to strengthen its risk management processes and invest in relevant risk management infrastructure in order to be more robust and responsive to the increasingly complex business environment. The requirements span a

Corporate Governance

7. Risk Management (continued)

7.1. Risk Management Framework (continued)

diverse range of risk functionality including review of credit and market risk analysis systems, strategic planning, asset and liability management, performance measurement, operational risk and regulatory reporting, as well as trading and trade-processing systems and staff supporting systems. Further, it employs Information and cyber security measures to protect the confidentiality, integrity, and availability of Bank's information when required by the business.

Data reconciliation is established to provide the integrity of the information used and appropriate security controls around all systems. The Bank has a Board approved comprehensive business continuity framework in place and the plan is tested periodically to ensure that the impact of any potential disaster on its operations is minimal.

The Bank is committed to meeting the highest levels of ethical standards in all areas of its operations. The Compliance Department ensures the Bank's operations are in line with all applicable laws and regulations, sending periodic regulatory information to the supervisory bodies, advises and keeps Executive Management informed on the implication of compliance laws and regulations on the Bank's operations.

7.2. Credit Risk Management

The Bank's risk management philosophy is based on a well-defined policy, trained and experienced employees, and effective systems. The Credit Risk Management Policy dictates the credit risk strategy. This policy spells out the target markets, risk acceptance/avoidance levels, risk tolerance limits, preferred levels of diversification and concentration, credit risk measurement, monitoring and controlling mechanisms. The Bank has tailored credit approval processes to suit the customer, product, sector and exposure types. The credit policy articulates the Credit Risk Management Framework, including:

- Key credit risk management principles;
- Delegation of authority;
- Credit risk management program;
- Counterparty credit risk management for financing, trading and investment activities;
- Aggregate limits, beyond which credit applications requires higher level of approvals; and
- Single name/aggregation exposures, beyond which exposures must be reported to the Board.

The credit policy is reviewed regularly to ensure up to date guidelines for new credit approvals, renewals or changes

in the existing terms and conditions of the previously approved credit policies. The Bank has a dedicated team of experienced credit review professionals who identify risk at an early stage and take proactive measures to minimize the impact. The Bank uses "Credit Lens" as a rating system to support the internal credit models to estimate Probability of Default, Loss Given Default, and Exposure at Default parameters.

RMD tracks arrears to ensure operational efficiency and compliance with the granting and follow-up policy by identifying changes in trends and variances from tolerance levels. Arrears percentages are reported regularly and are evaluated on various verticals such as product, branch, industry levels, etc., Branch performance and targets include arrear targets, appropriately balanced with sales and profit targets.

Proactive Credit Risk Management practice in the form of studies of rating distribution, portfolio analysis of all financing assets, periodic review of industry, country, currency, counter-party, single-obligor and concentration of exposures are only some of the prudent measures; the Bank is engaged in mitigating risk exposures.

7.3. Market, Liquidity, and Profit Rate Risk Management

The Bank manages market, liquidity, and profit rate risks through its ALMC process. The ALMC is primarily entrusted with the task of market and liquidity risk management. The Committee decides on product pricing, mix of assets and liabilities, stipulates liquidity and profit rate risk limits and monitors them, articulates Bank's profit rate view and determines the Bank's business strategy.

The Bank has a well-established framework for market and liquidity risk management with the asset liability management, Funds Transfer Pricing ("FTP"), profit rate risk and the Treasury Policies forming the fulcrum for procedures, processes and structure. It has a major objective of protecting the Bank's net profit in the short run and equity value in the long run for enhancing shareholders wealth.

According to Basel recommendations on liquidity management, the Bank measures liquidity according to two criteria: (1) normal business, reflecting day-to-day expectations regarding the funding of the Bank; and (2) crisis scenario, reflecting simulated extreme business circumstances in which the Group's survival may be threatened. The Bank also carries out behavior analysis of customer funds to measure the retention rate of funds with different time buckets, using statistical techniques. The important aspect of market risk management includes profit rate risk management and the pricing of assets and liabilities.

Corporate Governance

7. Risk Management (continued)

7.3. Market, Liquidity, and Profit Rate Risk Management (continued)

ALMC has determined the most appropriate liquidity horizon for the Bank as three months for the normal business scenario and six months for the crisis business scenario. This means that holding sufficient liquid funds for three months is acceptable for normal business purposes but six months would be more prudent in the event of a liquidity crisis.

The Bank's liquidity policy is to hold sufficient liquid assets to cover its committed statement of financial position requirements, plus its budgeted expenses for the liquidity horizon, plus its forecast investment commitments over the liquidity horizon. The Bank continues to strengthen its liquidity management activities in order to ensure that it maintains a stable funding base and strong liquidity during the prevailing period of global market crisis.

In addition, the Bank ensures the availability of adequate liquidity at all times through systematic funds planning, maintenance of liquid investments and focus on more stable funding sources. The Bank implements regular stress testing and review of its liquidity strategy and report results regularly to the Board.

7.4. Operational Risk Management

The objectives of operational risk management are to identify, measure, mitigate, and monitor operational risk, and promote risk awareness and a healthy risk culture within the Bank. Risk quantification and awareness helps management set priorities in their actions and allocate people and resources.

The Bank manages operational risk through internal controls and standard operating procedures that are updated regularly to reflect the current business environment. The Bank systematically reviews its business areas to minimize the risk of financial losses due to sanctions, claims, or reputational damages resulting from non-compliance with legislation, rules, and standards.

Operational risk management within the Bank aims to have a healthy balance between the exposure to these risks and tools to manage them. The Bank has established a consistent framework for monitoring, assessing, and communicating operational risks and the overall operating effectiveness of the internal control environment. The operational risk management framework has been developed with the objective to ensure that operational risks within the Bank are identified, monitored, managed, and reported in a structured, systematic, and consistent manner.

The management of operational risk has two key objectives:

- To minimize the impact of operational losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss; and
- To improve the effective management of the Bank and strengthen its brand and external reputation through efficient delivery of services.

A key component of the operational risk framework is a set of a core operational risk standards, which provides guidance on the baseline control to ensure a controlled and sound operating environment. The process for operational risk management includes the following steps:

- Identify and assess key operational risks;
- Design controls to mitigate identified risks;
- Establish key risk and control indicators;
- Implement a process for early problem recognition and timely escalation;
- Produce a comprehensive operational risk report; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

The Bank has a comprehensive system of internal controls, systems and procedures to monitor and mitigate risk, it also institutionalized the approval process of new product, services, and outsourcing to identify the risk inherent in such activities.

Information Technology ("IT") risk is managed in accordance to an IT policy (which covers risk governance, communication, monitoring, assessment, mitigation and acceptance). Centralized functional control is exercised over all computer system developments and operations. The Bank employs information and cyber security controls in accordance to regulatory requirements and best practices to manage the risk and ensure protection of the Bank products and services from all cyber threats, in line with the business directions and digital transformation strategy.

Moreover, the Bank has a security operations center, digital protection and threat informed intelligence tools to proactively protect the business with the increase demand on data protection, privacy and continuity of services. The Bank closely monitors cyber threats and data privacy, and as mitigating actions:

Corporate Governance

7. Risk Management (continued)

7.4. Operational Risk Management (continued)

- Continues to strengthen and significantly invest to enhance its ability to prevent, detect, and respond to the ever-increasing and sophisticated threat of cyber-attacks. Specifically, the Bank enhanced its capabilities to protect against increasingly sophisticated malware, denial of service attacks and data leakage prevention, and enhanced security event detection and incident response processes.
- Cyber risk is a Board priority topic and is regularly reported at Board-level to ensure appropriate visibility, governance, and executive support for ongoing cybersecurity program.
- Participate in intelligence sharing with both law enforcement and industry schemes to help improve understanding of/and ability to respond to the evolving threats faced by the Bank and peers within industry.

The Compliance Officer, who is approved by CBB, manages compliance in the Bank. The main responsibility of the Compliance function is to ensure that the Bank complies with all applicable rules and regulations. The Internal Audit function through the Risk-based Internal Audit, compliments the Bank's ability to control and mitigate risk.

The Bank has nominated a dedicated officer to look after the business continuity framework on an ongoing basis and carryout periodic tests to ensure its preparedness to manage the operations with minimum/no disruptions in the event of any unforeseen situation.

The Bank continually refines and strengthens existing policies, procedures, and internal control measures; conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses, and when necessary to cope with the growth in Bank size and complexity.

Fraud Risk Management – In light of combating the cyber fraud and non-tradition frauds, the Bank has established a dedicated Fraud Risk management function reporting to the Chief Risk Officer who in turn reports to the BRMC. As part of monitoring tools, the Bank is enhancing the fraud monitoring tools and systems to empower the concerned staff for managing the risk in a prudent manner.

7.5. Capital Management

Capital management is an ongoing process of ensuring adequate capital is available to meet regulatory capital

requirements and ensure optimum capital usage. The Bank has implemented a dedicated capital management system, which calculates the capital adequacy ratios in line with CBB and Basel guidelines. Using this system, exposures are measured so that account level data is correctly used for calculating risk weights, credit conversions and allocation of credit risk mitigants.

7.6. Compliance

Compliance risk is the potential that the procedures implemented by the entity to ensure compliance with relevant statutory, regulatory, and supervisory requirements are not adhered to, inefficient, or ineffective. The Bank manages compliance risk through the following key activities:

- Creating awareness through the training of employees and other affected stakeholders on the impact and responsibilities related to legislative requirements;
- Monitoring and reporting on the level of compliance with legislative requirements; and
- Providing assurance that the risks related to regulatory requirements are identified, understood, and effectively managed.

The Bank is committed to (and requires all its employees to display) the highest standards of integrity, professionalism, and ethical behavior, and to comply with all relevant laws, rules, and standards when conducting the business. The Bank's Compliance function is an independent function that identifies, evaluates, advises on, monitors and reports on compliance risk. The Risk Management Department (together with 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.

8. Code of Business Conduct and Ethics for members of the Board of Directors

The Bank maintains a Board approved policy on the employment of relatives, which establishes minimum standards regarding the employment of immediate family members or other relatives throughout every phase of the employment relationship (such as recruiting, hiring and internal transfers). Hiring first- and second-degree relatives at the Bank is prohibited. Appointments of these relatives for Board members or Sharia Supervisory Board members require approval from the NRG. Third- and fourth-degree relatives may be employed in different departments, provided they receive BNRGC approval. However, should not work in positions where there is an actual, potential, or

Corporate Governance

8. Code of Business Conduct and Ethics for members of the Board of Directors (continued)

perceived conflict of interest or opportunity for collusion, this includes (but not limited to) where one individual may be able to assign, process, review, approve, audit financial transactions, or otherwise affect the work of the others through direct oversight on each other. This need to be examined by the Human Resources Department and Risk Management Department to ensure no actual or potential conflict of interest exists according to the approved policies, particularly the Code of Conduct and Conflict of Interest policies. The CEO is required to disclose annually to the board, via the committee, the names of employees in regulated positions who are relatives of approved employees up to the second degree. The group is fully committed to complying with the Central Bank of Bahrain's requirements at all times.

The Bank's Code of Business Conduct and Ethics applies to members of the Board, as well as Executive Management, officers, employees, agents, consultants and others, when they are representing for the Bank. The Board of Directors and Executive Management acts ethically at all times and acknowledge their adherence to the approved policies. Any waiver of the Code of Business Conduct and Ethics for a Director or Executive Officer may be granted only by the Board or the appropriate Board Committee, and must be promptly disclosed to the shareholders.

The Code is intended to focus the Board and each Director on areas of ethical risks, provide guidance to Directors to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability. Each Director must comply with this Code. Directors should communicate any suspected violations of this Code promptly to the Chairman of the Audit Committee. Violations will be investigated by the Board or by a person delegated by the Board and appropriate action will be taken in the event of any violations of the Code.

The Code is intended to serve as a source of guiding principles for Directors, who are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Audit Committee, who may consult with inside or outside legal counsel as appropriate.

8.1. Expectations from the Board

- Adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent

conflicts of interest between personal and professional relationships

- Full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports required to be filed with the regulatory authorities;
- Compliance with applicable laws, rules, and regulations;
- To redress misuse or misapplication of the Bank's assets and resources;
- The highest level of confidentiality and fair dealing within and outside the Bank.

8.2. Conflict of interest

A conflict of interest occurs when personal interest of any Board member interferes (or appears to interfere in any way) with the interests of the Bank. Every Board member has a responsibility to the Bank, its shareholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, however, it demands they avoid situations where a conflict of interest might occur or appear to occur. They are expected to perform their duties in a way that do not conflict with the Bank's interest, some of the more common conflicts from which directors must refrain, however, are set out below:

- **Business interests** – any Board member considers investing in securities issued by the Bank's customer, supplier or competitor, must ensure that these investments do not compromise their responsibilities to the Bank. Many factors including size and nature of the investment; ability to influence the Bank decisions; access to confidential information of the Group or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, Board members should disclose to the Bank any interest that they have which may conflict with Bank's business.

- **Related parties** - as a rule, Board members should avoid conducting Bank's business with a relative or any counterparty in which the relative or other person is associated in any significant role. If such a related-party transaction is unavoidable, Board members must fully disclose the nature of the related party transaction to the appropriate authority as per the corporate governance guidelines approved by the Board. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

Corporate Governance

8. Code of Business Conduct and Ethics for members of the Board of Directors (continued)

8.2. Conflict of interest (continued)

- **Use of Group's assets and resources** - each Board member has a duty to the Bank to advance its legitimate interests while dealing with Bank's assets and resources. Board members are prohibited from:
 - Using the Bank property, information, or position for personal gain;
 - Acting on behalf of the Bank in any transaction in which they or any of their relative(s) have a significant direct or indirect interest;
- **Gifts** - soliciting, demanding, accepting or agreeing to accept anything where any such gift is more than modest in value, or where acceptance of the gifts could create the appearance of a conflict of interest;

In the case of any other transaction or situation giving rise to conflicts of interest, the appropriate authority should after due deliberations decide on its impact.

8.3. Confidentiality

Board members should maintain the confidentiality of information entrusted to them and any other confidential information about the Bank that comes to them, from whatever source, in their capacity as a Board member, except when disclosure is authorized or legally mandated.

8.4. Communications Policy

The Bank uses all available avenues to communicate with its stakeholders, in line with the principle of transparency and disclosure that is integral to good corporate governance. This includes wide use of corporate publications, website, direct mailers, electronic mail and local and regional media (through press releases), for the purposes of advertising and providing information on the Bank's progress.

The Bank's commitment to provide timely, accurate, and balanced disclosure of all material information to a broad audience is guided by the relevant regulatory guidelines and disclosure policies of the Ultimate Parent.

Furthermore, the Bank maintains a website (www.albaraka.bh), which includes information of interest to various stakeholders including regulatory authorities. Information available on the website includes annual reports, quarterly reviewed financial statements, and carries updates of any significant events and regulatory requirements. The Bank's quarterly results are published in Arabic and English newspapers, are posted on the Group's website.

The Board acknowledges the importance of continuous communication with shareholders, including AGM's. Shareholders are therefore encouraged to participate in such meetings. The Board oversees communications with shareholders and other stakeholders. This includes reviewing and/or approving key disclosure documents (e.g. financial statements, etc.).

The Bank communicates with shareholders through the annual report and by providing information at the AGM. Individual shareholders can raise matters related to their shareholdings and the business of the Bank. The Bank provides detailed information about its corporate governance structure and other related information. Shareholders are given the opportunity to ask questions at the AGM.

According to the Bank's policy, the Chairman and the CEO are the primary spokespersons responsible for communicating company's information to the community and the media. For the purpose of these guidelines, the community refers to existing and potential investors of the Bank, analysts and market professionals. Where appropriate, the Bank may authorize other officers to communicate with the community or the media as part of its investor relations or public communications program.

Executive Management and Relationship Managers deals (on case-by-case basis) with investors and customers queries. Additional information for the community is provided through:

- One-to-one meetings and conference calls with Executive Management;
- Road shows, investor conferences and conference calls; and
- Financial and subject-specific presentations.

9. Customer Centric Initiatives

As always, efficient customer service and customer satisfaction are the primary objectives of the Bank in its day-to-day operations. The Bank has put in place a Board approved Customer Centricity policy and is highly responsive to the needs and satisfaction of its customers, and is committed to the belief that all technology, processes, products, and skills of its people must be leveraged to deliver superior banking experience to its customers.

The Bank is focused towards providing excellent customer service through all delivery channels and has been working to enhance the scope of digital banking services as alternative delivery channels to the diverse needs of

Corporate Governance

9. Customer Centric Initiatives (continued)

different customers. The varied interests and expectations of customers are taken care of by improving various processes and procedures.

All stakeholders (including investors) may use the Bank's website for logging a query or a complaint. The query is automatically channeled to the appropriate responsible department to handle the issues when completed using the online form, or can be sent using the available complaints email.

The Bank maintains a comprehensive whistleblowing policy (approved by the Board) for handling of customer complaints. All employees are aware of and abide by this policy. The Bank has a designated whistleblowing and customer complaints team for handling all internal and external complaints and its contact details are displayed on the website and at all branches. Persons not directly related to the complaints normally investigates them. The Bank endeavors to address all complaints within acceptable timeframe. Wherever this is not possible, the customer is directly contacted and a specific rectification timeframe is advised. A periodical report on status of complaints is also submitted to CBB and the Board of Directors.

10. Legal and Regulatory Risk & Anti-Money Laundering

Strict compliance with all relevant regulations is one of the Bank's core values. Legal risks are mitigated through legal counsel review of transactions and documentation, as appropriate. Where possible, the Bank uses standard formats for transaction documentation. To prevent potential association with any money laundering activities, the Bank has designed and implemented a comprehensive set of policies and procedures. Adherence to the Bank's policies and procedures is reinforced through periodic and regular staff training, along with internal reviews and external auditor's review.

Name	Nationality	Qualifications
Shaikh Esam Mohamed Ishaq (Chairman)	Bahraini	- Graduate from McGill University, Montreal, Canada. - Member of Board of AAOIFI.
Shaikh Dr. Nedham Mohamed Saleh Yaqoobi (Member)	Bahraini	- Graduate from McGill University, Montreal, Canada. - Ph.D. in Sharia
Shaikh Judge Waleed Abdulmonem Al-Mahmood (Member)	Bahraini	- B.Sc. in Sharia and Law. - High Diploma in Comparative Fiqh. - Master's Degree.

- SSB meets at least quarterly and each member attends at least ¾ of the meetings during a calendar year. Further, in addition to the regular meetings, the

The Anti-Money Laundering ("AML") and Combating Financing Terrorism ("CFT") policy is the foundation on which the Bank's implementation of KYC norms, AML standards, CFT measures; and obligation of the Bank according to regulation and directives issued by CBB. The roles of the MLRO and his Deputy is to oversee the proper implementation of the requirements of the Anti-Money Laundering Law, as amended, on covered and suspicious transactions as well as freezing of accounts, and to ensure complying with the requirements and obligations set out in relevant legislations, rules, and industry guidance for the financial services sector. The Bank continuously review the policies and the adopted measures to ensure the ongoing application of (and adherence to) best practices. Regular training sessions are conducted on KYC, AML, and CFT guidelines for all the staff.

11. Sharia Compliance and Supervision

Based on Board of Directors recommendations, the Sharia Supervisory Board ("SSB") is elected for a three-year term by the shareholders during the AGM. The SSB has the following responsibilities:

- Overseeing the operations and activities of the Group to ensure compliance with Islamic Sharia principles;
- Monitoring and supervising transactions to ensure full compliance with the SSB decisions; and
- Reviewing files, records, and documents at any time. SSB can request any information deemed necessary and approves all relevant documents relating to new products and services including contracts, agreements, marketing and promotional material, or other legal documents used in the Group operations.
- The SSB comprises of three scholars specialized in Fiqh Al-Mu'amalat. These members have extensive experience in the Islamic banking and finance and meet the fit and proper criteria specified by the CBB. The structure of the SSB is as follows:

SSB Chairman may convene SSB meetings as and when it is necessary:

Corporate Governance

11. Sharia Compliance and Supervision (continued)

Name	Meeting Dates			
	10 Feb	12 May	06 Oct	01 Dec
Shaikh Esam Mohamed Ishaq (Chairman)	✓	✓	✓	✓
Shaikh Dr. Nedham Mohamed Saleh Yaqoobi (Member)	✓	✓	✓	✓
Shaikh Judge Waleed Abdulmonem Al-Mahmood (Member)	✓	✓	✓	✓

SSB operates in accordance with its internal regulations, which clarify its policies, procedures and responsibilities. In carrying out its duties, the SSB has the full right to communicate with the Board of Directors, the Executive Management, and the management and staff of the Subsidiary. In addition to supervising, advise on Sharia compliance in all products and services.

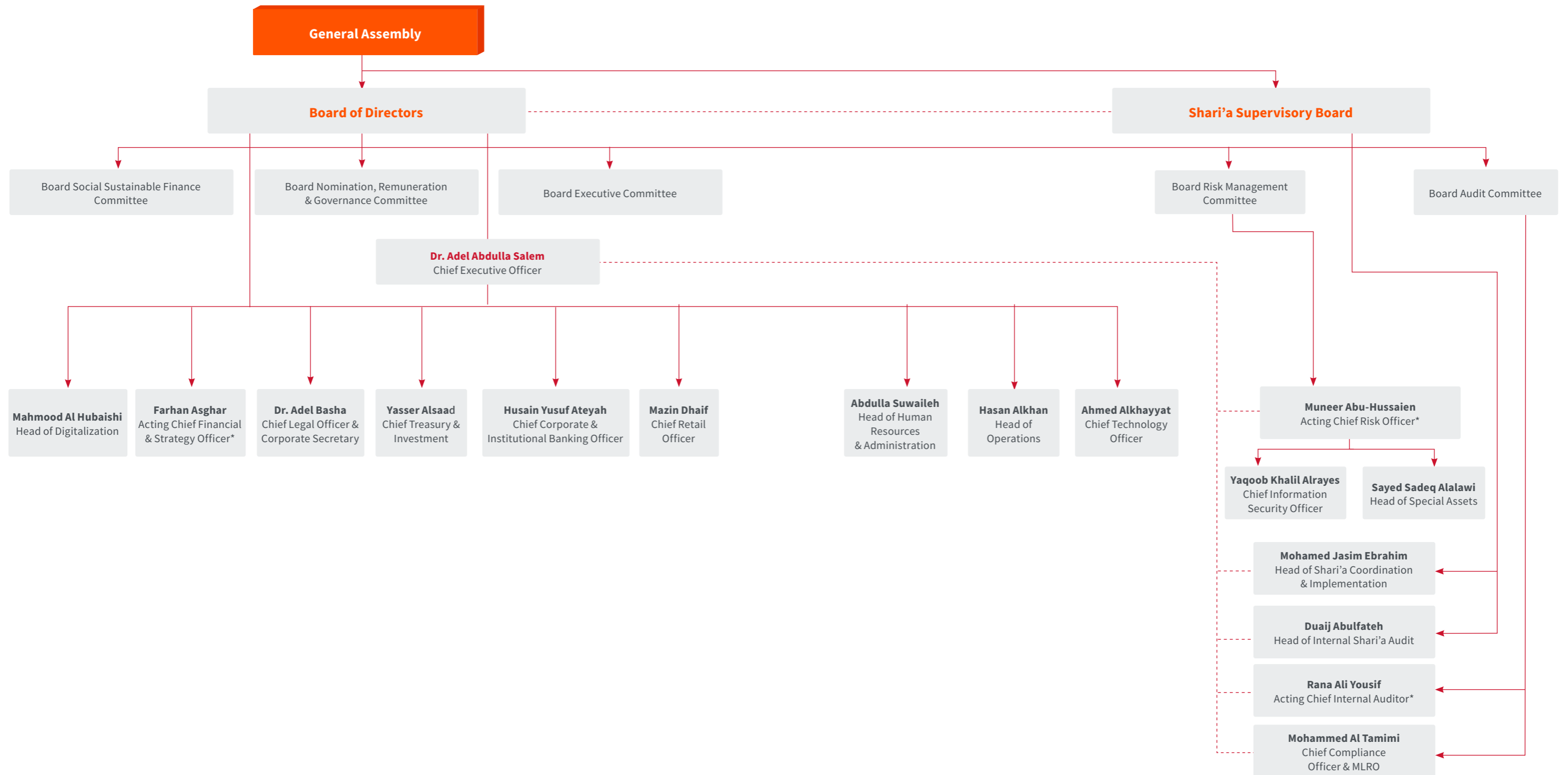
It is worth noting that the Internal Sharia Audit function is an independent department reporting functionally to the SSB, and administratively to the CEO. In addition, the Sharia Coordination and Implementation function is an independent department that reports functionally to the SSB and administratively to the CEO. Sharia Officer and the Head of Internal Sharia Audit are working in conformity with a charter that defines their technical duties in accordance with the instructions of CBB.

The Group also appoints – on annual basis – an independent external Sharia auditor (“IESCA”) approved by the CBB, to assess the existence of Sharia controls and their effectiveness in implementation by the Group’s Executive Management of the policies, procedures and decisions of the SSB to achieve Sharia compliance.

The Group places great importance on Sharia compliance, whether in the transactions of the Group or of its subsidiary. The compliance policy of the Group is in compliance with Sharia rules and principles stipulated in the AAOIFI standards and the decisions of the Ultimate Parent Centralized Sharia Supervisory Board. The Group and its subsidiary are committed to comply with AAOIFI Sharia standards and fatwas and decisions circulated by the Sharia Board to the extent that they do not conflict with local laws.

The Group places great importance on Sharia compliance, whether in the transactions of the Group or of its subsidiary.

Organisational Chart



*Interim arrangement

----- Dotted Line: Administrative Reporting
 ————— Straight Line: Functional Reporting

Board of Directors Profile



Sabah Khalil Al Moayyed
CHAIRPERSON OF THE BOARD

Mrs. Sabah Khalil Almoayyed obtained B.S.C in Economics and Business Administration from the American University of Beirut. She has an MBA from the University of De Paul Chicago, USA.

Mrs. Sabah has an in-depth experience in the banking industry in Bahrain and the Gulf. She worked with many banks including Citi Bank, Gulf United Bank, NBB, and Ahli United Bank in Executive roles in the areas of commercial, treasury, and investment banking.

She was the CEO of Bahrain Eskin Bank for 10 years (mortgage and property development bank). She also served as a board member and advisor of many companies and banks in the Kingdom of Bahrain and Saudi Arabia including Ahli United Bank, Eskin Bank, Bahrain Development Bank. She is currently a Board Member at Investcorp Financial Services and L'azurde company for Jewelry.

Also she is a partner for Droob Consulting W.L.L., Flat6Labs Bahrain W.L.L., Intellect Resources Management W.L.L, Bahrain and Sabeel Real Estate Company W.L.L.

She was known for her role in the enhancement of women's roles in management and senior executive in the GCC and was instrumental in initiating and supporting the innovation ecosystem for the country through the launch of the first start-up accelerator in the Kingdom of Bahrain.



Akram Yassin
VICE CHAIRMAN

Mr. Yassin received his bachelor's degree from University of Surrey, Department of Structural Engineering, and his master's degree from Southern Methodist University, Department of Business Administration.

Mr. Yassin who possesses a banking experience of over 30 years at an international level, has served at senior executive positions at significant financial institutions including; National Bank of Abu Dhabi, Arab Bank plc, Arab Banking Corporation, Gulf International Bank, Riyadh Bank and Bank of Montreal.

Mr. Yassin currently serves as an independent and non-executive Board Member at Falcon Group and a Board Member at Al Baraka Bank Turkey.

Board of Directors Profile



Housseem Ben Haj Amor
BOARD EXECUTIVE MEMBER & GROUP CHIEF EXECUTIVE OFFICER

Mr. Housseem Ben Haj Amor was appointed Board Executive Member and Group Chief Executive Officer of Al Baraka Group in October 2022, after serving as Acting CEO since July of the same year. He also serves as Chairman of Albaraka Türk Participation Bank and sits on the boards

of the Group's subsidiaries in Jordan, Egypt, Algeria, and Bahrain. He is also a board member in Sunna Al Tamayouz and CIBAFI.

With 26 years of experience in banking and finance across the Middle East, North Africa, and Europe, Mr. Amor has held senior leadership positions at SHUAA Capital, Amlak Finance, and Al Baraka Group. Before becoming CEO, he served as Deputy CEO and Head of Business Development & Investments, leading strategic initiatives, product development, and treasury operations across the Group.

Under his leadership, Al Baraka Group has strengthened its regional presence, improved operational efficiency, and achieved record financial results, reflecting steady progress in the Group's transformation journey.



Dr. Khalid Abdulla Ateeq
BOARD MEMBER

Dr. Khaled Abdulla Ateeq is the Chairman of Al Baraka Bank Sudan a Board member of Al Baraka Turk Participation Bank, Al Baraka Group, and The Family Microfinance House in Bahrain.

He previously served as the Chief Executive Officer of the Family

Microfinance House in Bahrain, and the Executive Director of Banking Supervision at the Central Bank of Bahrain (CBB). In this role, he was responsible for the licensing, inspection and supervision of financial institutions, ensuring compliance with CBB regulations for banks operating or incorporated in Bahrain. Additionally, he has held senior posts with various financial institutions, including Deputy CEO at Venture Capital Bank.

He has over 40 years of experience in Banking, Finance, Auditing, and Accounting. Before joining the CBB, Dr. Ateeq was an Assistant Professor at the University of Bahrain. He holds a PhD in Philosophy in Accounting from Hull University, U.K

Board of Directors Profile



Abdulrahman Abdulla Al Sayed
BOARD MEMBER

Mr. Abdulrahman Abdulla Abdulrahim Al Sayed is a board member and the CEO of ITQAN Financial Services (W.L.L), Bahrain. He owns a shareholding of 50% of the company.

Previously, he worked for the Central Bank of Bahrain for 10 years (1998 – 2008) in different senior positions, the lately was Director of Islamic Financial Institutions Supervision Directorate.

Mr. Abdulrahman served as a board member in several institutions including, Bank ABC Islamic and Bahrain Saudi Bank. He served also as Audit Committee Expert – Audit Committee, Al Salam Bank, Bahrain. He is also represented the Central Bank of Bahrain in several IFSB working groups, Malaysia. He has more than 23 years of experience in the banking and regulatory fields.

Mr. Abdulrahman, a Bahraini national, holds Master Degree in Business Administration, University of Dundee, UK. He also passed all the CPA subjects, State of California, USA.



Adnan Abdulla Al Bassam
BOARD MEMBER

Mr. Adnan Al Bassam is the Vice Chairman of Al Bassam Investment Company W.L.L, Bahrain since 2005. Previously, he was Senior Manager – Internal Audit, Bahrain Islamic Bank (2000-2005). He served also as Senior Accountant at Ernst & Young (1997-2000).

Mr. Al Bassam is a Board Member of several institutions including, Ibdar Capital and The Malls Real Estate Development B.S.C (c), Bahrain. He is also a member of the board of trustees of Gulf University, Bahrain.

He has more than 28 years of experience in the banking and auditing fields. Mr. Al Bassam, a Bahraini national, holds Bachelor's Degree in Business Administration with concentration in Accounting, Southern Oregon State College, USA and Certified Public Accountant (CPA), Oregon State Board of Accountancy, USA.

Board of Directors Profile



Abdulla Edham
BOARD MEMBER

Mr. Abdulla worked as Head of HR Function for Middle East of African for Citi Bank based in Dubai, and supervising branches in 25 countries during the years (2007-2022).

Before that he worked for Citi Bank Bahrain for more the 25 years. He also worked for Citi Bank in South Africa, Russia and UAE.

Mr. Abdulla is a seasoned HR professional with experience primarily in the Middle East & Africa region. He was a member of the Advisory Board of the institute of Banking and Financial Studies in UAE. Currently Mr. Abdulla is providing consultancy on a freelancing basis.

He also assistant at ITI VENTURES Company that helping leaders to make the right decisions.

Mr. Abdulla Edham is a certified member of the Chartered Institution of Personnel and Development, and has a certificate from the Indian Institute of Management and Technology.



Masood Ahmed Al Bastaki
BOARD MEMBER

Mr. Masood Ahmed Al Bastaki is a Board Member at Al Baraka Group and an accomplished executive banker with more than 40 years of experience in Banking and International Business. His expertise spans Conventional Banking, Islamic Banking, and International Investment Banking.

Throughout his career, Mr. Al Bastaki has been involved in various banking activities across the Middle East, North Africa, the USA, and Latin America, as well as in Europe and Asia. He previously held key positions at prominent financial institutions, including, the Bank of Bahrain and Kuwait (BBK), ABC Islamic Bank, JPMorgan Chase Bank, BMI Bank and Venture Capital Bank. Notably, he served as Head of Financial Institutions at JPMorgan Chase Bank, Head of Islamic Banking Department at BMI Bank, and Chief Placement Officer at Venture Capital Bank. He is currently a Board Member of Family Microfinance House in Bahrain. Beyond banking, Mr. Al Bastaki's experience extends through the aviation industry where he held the position of founding partner and CEO of Aerolease Aircraft and Equipment Leasing Company. He was also the Founding Partner and Managing Director of Two Seas Equity Consulting Company.

He holds a Bachelor's Degree in Business Administration and a Postgraduate Diploma in Business and Finance from the University of Bahrain.

Board of Directors Profile



Abdul Malek Mezher
BOARD MEMBER

Mr. Abdul Malek Mezher is a Senior Vice President - Group Head of Compliance, Governance & Board Affairs and MLRO at Al Baraka Group B.S.C (c). He is the Chairman of Al Baraka Bank Syria and a Board Member of Al Baraka Islamic Bank, Bahrain and Al Baraka Bank, Sudan. He joined ABG in November 2019 and has over 21 years of experience

in Compliance, AML/CTF, Operational Risk, Corporate Governance, and Board Secretariat in the Banking and Asset Management sectors. Prior to joining ABG, he worked for Alistithmar Capital, the subsidiary of the Saudi Investment Bank, as Head of Corporate Governance and Board Affairs.

Mr. Mezher holds a BA in Accounting from the University of Jordan. He holds several Professional Certificates in the Compliance and AML/CTF fields, including CAMS, CCP, CCO, and ICA. He also holds the ICGC (International Corporate Governance Certificate), the GRCP (Governance, Risk and Compliance Professional), and the CSAA (Certified Shariah Advisor & Auditor) designation.

Strong corporate governance is the foundation of sustainable success, ensuring accountability, transparency, and trust in every decision we make.

Executive Management Profiles



Dr. Adel Abdulla Salem
CHIEF EXECUTIVE OFFICER

Experience

- Over 37 years of experience of which 18 years in Retail Banking
- Joined the Bank in 1st November 2023.
- Served as the General Manager of Retail Banking at the Bank of Bahrain and Kuwait (BBK)
- Previously held the position of Deputy General Manager - Business Support at Benefit

Qualification

- Ph.D. in Management from Monarch Business School in Switzerland
- Master's degree in business research from Monarch Business School in Switzerland



Mazin Ahmed Dhaif
CHIEF RETAIL OFFICER

Experience

- Over 25 years of leadership experience expertise in retail banking across international institutions and leading local banks. Brings a proven track record in shaping and executing retail banking strategies that drive sustainable growth, profitability, and enhanced customer value.
- Joined the Bank in January 2024.
- Held leadership roles in both International and Leading Local Banks.
- Previously worked Citi bank Bahrain
- Previously worked in NBB.
- Previously worked in BBK.

Qualification

- Master's degree in Business Management from University of Hull in the United Kingdom.
- Bachelor degree from University of Bahrain.

Executive Management Profiles



Yaser Mohamed Al Saad
CHIEF TREASURY AND INVESTMENT

Experience

- Over two decades of extensive experience in the financial and banking sector, with deep exposure to regional and international markets.
- Held senior leadership positions across major financial institutions in the Kingdom of Bahrain and Kuwait, driving strategic growth and operational excellence.
- Demonstrated track record in revenue optimization, liquidity management, and fostering strong interbank and institutional relationships, including the successful execution of complex financial transactions.
- Advanced expertise in strategic planning, financial forecasting, and aligning treasury functions with broader organizational objectives.
- Comprehensive responsibility for managing liquidity, treasury sales, and investment portfolios and ensuring adherence to governance standards and optimization of financial performance.

Qualification

- Master of Business Administration (MBA) — New York Institute of Technology
- Bachelor's degree in Business Administration — University of Bahrain
- ACI Dealing Certificate



Husain Yusuf Ateyah
CHIEF CORPORATE & INSTITUTIONAL BANKING OFFICER

Experience

- Extensive experience spanning over 20 years in the banking sector.
- Joined the Bank in November 2024.
- Held several leadership positions in prestigious international financial institutions.
- Previously worked at Citibank Bahrain.
- Previously worked at Standard Chartered Bank
- Previously worked at HSBC Bank.

Qualification

- Master's degree in Business Administration from University of Strathclyde in the United Kingdom.
- Bachelor's degree in Management and Marketing from Ahlia University in Bahrain.
- Diploma in Business and Finance.

Executive Management Profiles



Farhan Asghar
ACTING CHIEF FINANCIAL & STRATEGY
OFFICER

Experience

- Chartered Accountant with over 20 years of professional experience
- Began career in 2005 at Ernst & Young (EY)
- Joined KPMG in 2012
- Joined Al Baraka Islamic Bank in 2013
- Currently Head of Financial Planning and Reporting and Acting Chief Financial and Strategy Officer — Al Baraka Islamic Bank
- Led assurance and advisory engagements for banks, public sector entities, and multinational corporations
- Experienced in strategic planning, budgeting, financial & regulatory reporting, and general ledger management
- Oversaw subsidiary performance and led team capability development
- Proven track record in improving operational performance and navigating complex financial environments

Qualification

- Member of the Institute of Chartered Accountants of Pakistan (Chartered Accountant)



Mohamed Ali Al Tamimi
CHIEF COMPLIANCE OFFICER AND MLRO

Experience

- Over 19 years in banking with a strong focus on compliance, regulatory oversight, and anti-money laundering
- Former Vice President of Compliance and Regulatory Oversight — Qatar National Bank (QNB)
- Led enhancements to compliance systems and ensured adherence to regulatory standards
- Managed financial crime-related matters and contributed to the development of ESG strategies
- Strengthened institutional compliance frameworks and regulatory compliance processes

Qualification

- Bachelor's degree in Banking and Finance — University of Bahrain
- International Diploma in Compliance
- Certified Anti-Money Laundering Specialist (CAMS)
- Certified AML FinTech Compliance Associate (CAFCA)

Executive Management Profiles



Duaij Khalifa Abulfateh
HEAD OF INTERNAL SHARIA AUDIT

Experience

- Over 18 years of experience in Islamic banking and finance.
- Joined the Bank in October 2008.

Qualification

- MBA from New York Institute of Technology.
- B.Sc. in Managerial Accounting from New York Institute of Technology
- Certified Sharia Advisor and Auditor (CSAA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Advanced Diploma in Islamic Finance from Bahrain Institute of Banking and Finance.
- Advanced Diploma in Islamic commercial jurisprudence from Bahrain Institute of Banking and Finance



Mohammed Jasim Ebrahim
HEAD OF SHARIA COORDINATION AND
IMPLEMENTATION

Experience

- 17 years of experience in Islamic banking sector.
- Joined the Bank in February 2009.

Qualification

- Bachelor Degree in Islamic Law from College of Sharia of the Islamic University of Al Madinah Al Munawarah.
- Certified Sharia Advisor and Auditor (CSAA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

Executive Management Profiles



Muneer Abu-Hussaien
ACTING CHIEF RISK OFFICER

Experience

- Over 20 years of experience in the banking sector, with extensive expertise in risk management and banking operations.
- Joined the Bank in November 2008.
- Held several senior roles since joining, playing a key role in strengthening the Bank's risk governance framework.
- Prior to joining the Bank, worked at Bank ABC, gaining broad regional and international banking exposure.

Qualification

- MBA from Ahlia University-Bahrain.
- B.Sc. in Business Banking & Finance from University of Bahrain



Rana Ali Yousif
ACTING CHIEF INTERNAL AUDITOR

Experience

- Over 20 years in Islamic banking and finance
- Started her career at Ithmaar Bank
- Joined Al Baraka Islamic Bank in 2004
- Key roles in Financial Control and Internal Audit departments

Qualification

- Bachelor's degree in Accounting — University of Bahrain
- Certified Public Accountant (CPA) — New Hampshire State of Accountancy
- Diploma in International Financial Reporting Standards (IFRS) — Ernst & Young

Executive Management Profiles



Hassan Abdulwahab Al Khan
HEAD OF OPERATIONS

Experience

- Over 25 years of experience in retail and banking operations.
- Joined the Bank in July 2018.
- Previously worked in Bahrain Islamic Bank.

Qualification

- MBA from Ahlia University.
- B.Sc. in Accounting from University of Bahrain.
- Certified Islamic Professional Accountant (CIPA) licensed from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Certified in International Trade Finance (CITF) from London Institute of Banking and Finance.
- Attended Leadership Grooming Program organized by Ivey Business School (University of Western Ontario, Canada), a program sponsored by the Waqf Fund of Central Bank of Bahrain



Ahmed Isa Al-Khayyat
CHIEF TECHNOLOGY OFFICER

Experience

- Over 17 years of experience in information technology and digital transformation.
- Joined the Bank in February 2018.
- Previously worked in Seera Investment Bank, and e-Government Authority.

Qualification

- B.Sc. in Business Information Systems from University of Bahrain.
- Certified Project Management Professional (PMP) from the Project Management Institute.
- Designated as an Oracle Database Administrator Certified Professional (OCP)

Executive Management Profiles



Dr. Adel Basha
CHIEF LEGAL OFFICER AND CORPORATE SECRETARY

Experience

- Over 25 years of working experience in the Islamic Banking industry.
- Joined the Bank in November 2022.
- Previously served as Head of Legal in Al Baraka Group.
- Director of the legal department at Al Baraka Bank Sudan.
- Worked as a lecturer and assistant professor at the University of Khartoum and several other universities in Sudan for over 15 years.

Qualification

- Earned a Ph.D. from the University of Khartoum, Sudan in 2004, with his thesis titled "Automobile Accident Compensation System in Sudan."
- Authored a book titled "The Law of Insurance in Sudan," published by the Open University of Sudan.



Abdulla Abdulaziz Suwaileh
HEAD OF HUMAN RESOURCES & ADMINISTRATION

Experience

- Over 16 years of experience in Human Resources and Administration.
- Joined the Bank in June 2015.
- Previously worked in Eskan Bank.

Qualification

- MBA from University of Bahrain.
- B.Sc. in Business with Human Resources Management from University of the West of Scotland (United Kingdom).
- Chartered Institute of Personnel and Development (CIPD) level 3.
- Chartered Management Institute (CMI) level 5.
- Certified Trainer from International Academy for Training and Consulting (IATC).



Mahmood Al Hubaishi
HEAD OF DIGITALIZATION

Experience

- Over 15 years of experience across business and technical domains
- Head of Digitalization, joined the bank in April 2025
- Held leadership roles in technology and payments
- Previous experience at Mastercard and Allied Engineering Group (AEG)
- Elected Member of the "Digitalization & Innovation Committee" – Bahrain Association of Banks (BAB) in 2025

Qualification

- Master of Science in International Management – University of Liverpool
- Bachelor of Science in Mechatronics Engineering – Glasgow Caledonian University, United Kingdom

Sharia Supervisory Board's Report



Date: 20th Shaaban 1446 A.H.
Corresponding to: 8th February 2026

In the Name of Allah, the Most Gracious, the Most Merciful

Report of the Fatwa and Sharia Supervisory Board from 01.01.2025 to 31.12.2025

To the Shareholders of alBaraka Islamic Bank

Praise be to Allah, the Almighty, and Peace and Blessings be upon our Prophet Muhammad, his Family, and Companions.

In accordance with the General Assembly Resolution appointing the Sharia Supervisory Board of Al Baraka Islamic Bank and entrusting us with this task, we present to you the following report:

We have independently and under no duress reviewed the applicable principles, contracts, financial reports, relating to the Bank's activities and products offered by Al Baraka Islamic Bank during the period from January 1st until the end of December 2025. We have done the necessary reviewing to express an opinion as to whether the Bank has complied with the provisions and principles of Islamic Sharia as well as the Fatwa, resolutions and guidelines that we have issued within this period, in addition to reviewing the report issued by IESCA **"Deloitte & Touche - M.E"**.

We also have monitored the procedures of the Bank on the basis of testing each type of transactions, either directly or through the Sharia Officer or the Sharia Auditor. This was achieved through convening 4 meetings of SSB and reviewing: ("278" documents), (audits on "861" executed transactions), (Sharia training program for staff, trainees), ("353" new advertisement and promotional material).

Additionally we carried out the necessary planning and arrangements in order to obtain all the information and explanations that we deemed essential to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic Sharia.

In our opinion:

1. The contracts, transactions and services entered into and provided by the Bank during the financial year ended 31st December 2025 which we reviewed (except those we decided as a non-halal income) were made in compliance with the provisions and principles of Islamic Sharia.
2. The management has committed itself to segregate all the unintended gains obtained from sources or means prohibited by the provisions and principles of Islamic Sharia and disburse of it towards charitable causes under the supervision of the Sharia Supervisory Board.
3. The allocation of profits and charging of losses related to investment accounts conform to the basis that has been approved by us in accordance with Sharia provisions and principles.
4. The management is not authorized to pay the Zakat on behalf of the shareholders, and as such the responsibility for payment of the Zakat lies with the shareholders in accordance with the Zakat calculation approved by the Sharia Supervisory Board, which is equivalent to USD 0.133 per share. In case the shareholders authorize the management to pay the zakat, the management will distribute it through the Zakat and Charitable Donations Committee at the bank.

We pray to Allah Almighty to guide us to the righteous path.

Shaikh Esam Ishaq
Chairman of Sharia Supervisory Board

Shaikh Dr. Nedham Yaqoobi
Member of sharia Supervisory Board

Shaikh Judge Waleed Al Mahmood
Member of sharia Supervisory Board

Mohamed Jasim Ebrahim
Sharia Officer & Secretary of Sharia Supervisory Board

Social Responsibility

In 2025, Al Baraka Islamic Bank strengthened its commitment to sustainability and social responsibility by embedding these principles into its strategic priorities, with the aim of uplifting communities and improving quality of life. Building on its ongoing humanitarian approach, the Bank continued to provide donations and financial support across key areas such as education expenses and medical care, ensuring that essential services reach those who need them most. The Bank also extended its support to charitable, scientific, and Islamic organizations, helping to sustain social centers and community initiatives that reinforce community cohesion.

Aligned with Bahrain's Commercial Companies Law, which requires disclosure of environmental and social performance, the Bank supported initiatives spanning health, education, and sustainable environmental practices. In this regard, the Bank participated in sustainability and social responsibility initiatives designed to deliver tangible community value through economic opportunities, social investments, and micro-financing, supporting inclusive development and long-term wellbeing.

2025 Programs, Partnerships & Sponsorships

During 2025, the Bank launched its first training initiative dedicated to autistic youth, delivered in collaboration with the Aalia Rehabilitation Centre, highlighting its focus on inclusivity and social support for individuals with special needs. The Bank also allocated sponsorship funding for mangrove incubators in partnership with the Supreme Council for the Environment, contributing to environmental stewardship and supporting compliance with emerging ESG-related requirements.

In addition, the Bank continued to advance programs that promote community wellbeing and empowerment, including:

- RISE Program for Autistic Kids
- Momongrove sponsorships (15,000) with the Supreme Council for the Environment
- Sponsorship of "Threads of Gold," a national cultural and creative celebration honoring Bahraini Women's Day and Bahraini National Day with "Raedat"

The Bank's youth development efforts also remained active through training programs with INJAZ Bahrain. It continued to support and engage in major Islamic finance discussions, including those organized by AAOIFI, reinforcing its position as a responsible corporate citizen.

Sustainability Innovation

Reflecting the Bank's commitment to practical and modern sustainability solutions, it adopted NFC business cards as an eco-friendlier alternative to traditional card formats. The Bank also initiated steps toward moving credit and debit cards to recyclable PVC plastic, aligning everyday customer touchpoints with broader environmental goals.

Ongoing Social Impact Focus

The Bank recognizes that economic progress must go hand-in-hand with social responsibility. Accordingly, it seeks to balance profitability with initiatives that improve individuals' daily lives—while strengthening job opportunities and supporting small and medium-sized enterprises (SMEs). The Bank also continues to expand strategic partnerships with non-governmental organizations and civil society, and to support awareness campaigns and workshops that encourage active participation in building stronger, more sustainable communities.

Donations / Support

EDUCATION

5.15%

POOR & NEEDY

62.5%

INDEBTEDNESS

6.18%

MEDICAL

20.73%

NEW MUSLIMS

5.15%

Consolidated Financial Statements

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Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka Islamic Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 31 December 2025, its consolidated financial performance, its consolidated cash flows and consolidated statement of 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").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of income for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of income and attribution related to quasi-equity for the year ended;
- the consolidated statement of changes in owners' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in off-balance sheet assets under management for the year then ended; and
- the notes to the consolidated financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI Code.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Report of the Fatwa and Sharia Supervisory Board and the Board of Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Annual Report which is 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 when it becomes available 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 obtained prior to the date of this auditor's 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.

Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c)

Report on the audit of the consolidated financial statements (continued)

Other information (continued)

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of those charged with governance for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Sharia' Rules and Principles are the responsibility of the Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the FAS and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), the Central Bank of Bahrain ("CBB") Rulebook (Volume 2) and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 Auditing Standards for Islamic Financial Institutions issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

Independent auditor's report to the shareholders of Al Baraka Islamic Bank B.S.C. (c)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory and Sharia' requirements

As required by the Commercial Companies Law and the CBB Rulebook (Volume 2), we report the following:

- The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- The financial information contained in the Report of the Fatwa and Sharia Supervisory Board and the Board of Directors' Report is consistent with the consolidated financial statements;
- Nothing has come to our attention which causes us to believe that the Bank has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 2), the Central Bank of Bahrain and Financial Institutions Law, and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2025 or its financial position as at that date; and
- Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

Further, we report that the Bank has complied with the Islamic Sharia' Principles and Rules as determined by the Sharia' Supervisory Board of the Group during the year under audit.

Elias Abi Nakhoul
Partner's registration number: 196
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
24 February 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 US \$ '000	2024 US \$ '000
ASSETS			
Cash and balances with banks and financial institutions	3	154,690	156,463
Receivables	4	687,392	470,970
Ijara muntahia bittamleek and ijara receivables	5	573,493	576,815
Musharakat	6	312,027	197,236
Investments	7	1,001,936	1,001,938
Investment in joint venture	8	-	17,270
Investments in real estate	9	8,614	7,722
Premises and equipment	10	80,266	79,367
Intangibles and goodwill	11	24,363	21,885
Other assets	12	58,598	43,843
TOTAL ASSETS		2,901,379	2,573,509
LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY			
Liabilities			
Current accounts		336,498	291,656
Murabaha and other payables		-	121,855
Other liabilities	13	122,723	106,978
Total liabilities		459,221	520,489
Quasi equity			
Participatory investment accounts	14	2,233,986	1,836,433
Subordinated mudaraba	15	6,226	6,262
Total quasi equity		2,240,212	1,842,695
Owners' equity			
Share capital	16	151,458	151,458
Perpetual equity-type instruments		96,000	96,000
Reserves		(22,005)	(24,040)
Accumulated losses		(49,802)	(38,834)
Equity attributable to parent's shareholders		175,651	184,584
Non-controlling interest		26,295	25,741
Total owners' equity		201,946	210,325
TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY		2,901,379	2,573,509
OFF-BALANCE SHEET ITEMS:			
ASSETS UNDER MANAGEMENT		1,232,244	901,123
CONTINGENCIES AND COMMITMENTS	17	255,519	196,520

Sabah Khalil Al Moayyed
Chairperson

Akram Yassin
Vice Chairman

Dr. Adel Abdulla Salem
Chief Executive Officer

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

	Notes	2025 US \$ '000	2024 US \$ '000
Income from financing	18	101,476	118,446
Income from investments	19	78,003	106,403
Share of income from investment in joint venture	8	-	584
Income from banking services	20	8,205	6,927
Other income	21	9,957	8,080
Group's mudarib / agency fee from off-balance assets under management		121	135
TOTAL INCOME		197,762	240,575
Cost of murabaha and other payables		(3,324)	(22,421)
TOTAL OPERATING INCOME BEFORE ATTRIBUTION TO QUASI EQUITY		194,438	218,154
Net income attributable to quasi-equity		(114,651)	(140,784)
TOTAL OPERATING INCOME		79,787	77,370
OPERATING EXPENSES			
Staff cost		(33,145)	(32,751)
Depreciation and amortization		(11,516)	(11,447)
Other operating expenses	22	(36,144)	(33,880)
TOTAL OPERATING EXPENSES		(80,805)	(78,078)
NET OPERATING LOSS		(1,018)	(708)
Reversals / (allowances) for impairment - net	23	1,348	(4,809)
NET INCOME / (LOSS) BEFORE TAXATION		330	(5,517)
Taxation	24	(8,175)	(14,642)
LOSS FOR THE YEAR		(7,845)	(20,159)
Attributable to:			
Equity of the parent's shareholders		(10,788)	(25,715)
Non-controlling interests		2,943	5,556
		(7,845)	(20,159)

Sabah Khalil Al Moayyed
Chairperson

Akram Yassin
Vice Chairman

Dr. Adel Abdulla Salem
Chief Executive Officer

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 US \$ '000	2024 US \$ '000
Loss for the year	(7,845)	(20,159)
Other comprehensive income		
<i>Items that may subsequently be classified to consolidated statement of income</i>		
(Deficit) / Surplus on foreign currency translations	(389)	845
Net changes in fair value of investments measured at fair value through other comprehensive income - net of tax	1,142	314
Deferred tax on revaluation of fixed assets	-	(25)
<i>Items that may not be subsequently classified to consolidated statement of income</i>		
Remeasurement loss on defined benefit obligation	(345)	(52)
Total other comprehensive income for the year	408	1,082
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(7,437)	(19,077)
Attributable to:		
Equity of the Parent's shareholders	(8,753)	(25,602)
Non-controlling interests	1,316	6,525
	(7,437)	(19,077)

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION TO QUASI-EQUITY

For the year ended 31 December 2025

	2025 US \$ '000	2024 US \$ '000
Total operating income before attribution to quasi equity	194,438	218,154
Adjustments for:		
Less: Income from self-financed assets	(59,089)	(61,892)
Less: expenses attributable to quasi-equity	(9,717)	(10,054)
Less: allowances for impairment and credit losses - attributable to quasi-equity	(3,353)	(2,264)
Total income available for quasi-equity	122,279	143,944
Less: Group's share as mudarib (net of hibba)	(7,628)	(3,160)
Net income attributable to quasi-equity	114,651	140,784

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2025

	Equity attributable to shareholders of the parent											
	Reserves											Total owners' equity US \$ '000
	Share capital US \$ '000	Perpetual equity-type instruments US \$ '000	Statutory US \$ '000	General US \$ '000	Employee defined benefit plan US \$ '000	Cumulative changes in fair value US \$ '000	Revaluation of premises and equipment US \$ '000	Foreign exchange US \$ '000	Accumulated losses US \$ '000	Equity attributable to parent's shareholders US \$ '000	Non-controlling interest US \$ '000	
Balance at 1 January 2025	151,458	96,000	26,119	8,687	(341)	6,503	299	(65,307)	(38,834)	184,584	25,741	210,325
(Loss) / income for the year	-	-	-	-	-	-	-	-	(10,788)	(10,788)	2,943	(7,845)
Other comprehensive (loss) / income for the year	-	-	-	-	(204)	2,503	-	(264)	-	2,035	(1,627)	408
Distribution of Zakat	-	-	-	-	-	-	-	-	(180)	(180)	-	(180)
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	-	-	(762)	(762)
Balance at 31 December 2025	151,458	96,000	26,119	8,687	(545)	9,006	299	(65,571)	(49,802)	175,651	26,295	201,946
Balance at 1 January 2024	151,458	96,000	26,119	8,687	(289)	6,882	314	(65,851)	(12,926)	210,394	19,216	229,610
(Loss) / income for the year	-	-	-	-	-	-	-	-	(25,715)	(25,715)	5,556	(20,159)
Other comprehensive (loss) / income for the year	-	-	-	-	(52)	(379)	-	544	-	113	969	1,082
Distribution of Zakat	-	-	-	-	-	-	-	-	(193)	(193)	-	(193)
Deferred tax adjustment on revaluation of premises and equipment	-	-	-	-	-	-	(15)	-	-	(15)	-	(15)
Balance at 31 December 2024	151,458	96,000	26,119	8,687	(341)	6,503	299	(65,307)	(38,834)	184,584	25,741	210,325

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 US \$ '000	2024 US \$ '000
OPERATING ACTIVITIES		
Net income / (loss) before taxation	330	(5,517)
Adjustments for:		
Depreciation and amortization	11,516	11,447
(Reversals) / allowances for impairment - net (Note 23)	(1,348)	4,809
Gain on sale of premises and equipment	(293)	(40)
Loss on sale of investments (Note 19)	2,284	1,261
Unrealized gains on remeasurement of investment in real estate	(865)	-
Share of income from investment in joint venture	-	(584)
Operating profit before changes in operating assets and liabilities	11,624	11,376
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	(26,823)	8,961
Receivables	(104,036)	(16,494)
Ijara muntahia bittamleek and ijara receivables	2,605	57,267
Musharakat	(114,019)	(36,336)
Other assets	(14,698)	(79)
Other liabilities	16,778	(7,571)
Murabaha and other payables	(121,855)	(281,790)
Current accounts	44,842	32,846
Participatory investment accounts	397,553	143,241
Tax paid	(12,839)	(13,797)
Net cash generated from / (used in) operating activities	79,132	(102,376)
INVESTING ACTIVITIES		
Purchase of investments	(1,406,856)	(885,326)
Proceeds from sale / redemption of investments	1,405,303	938,871
Net purchase of premises and equipment	(11,071)	(10,710)
Liquidation of investment in joint venture	17,269	-
Net cash generated from investing activities	4,645	42,835
FINANCING ACTIVITIES		
Net movement in subordinated mudaraba	(36)	(5,715)
Dividend paid by subsidiary	(762)	-
Zakah paid	(180)	(193)
Net cash used in financing activities	(978)	(5,908)
Foreign currency translation adjustments	(375)	(1,008)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	82,424	(66,457)
Cash and cash equivalents at beginning of the year	125,827	192,284
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	208,251	125,827

During the year, right-of-use assets increased by US \$3.079 million (2024: US \$1.790 million), with corresponding additions to ijara liabilities of US \$6.339 million (2024: US \$4.878 million).

The attached explanatory notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

For the year ended 31 December 2025

	Balance at 1 January 2025 US \$ '000	Net deposits / (withdrawals) US \$ '000	Gross income US \$ '000	Mudarib / agency Fee US \$ '000	Balance at 31 December 2025 US \$ '000
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	682,981	346,246	27,235	(15,544)	1,040,918
Receivables	189,362	(22,929)	471	(55)	166,849
Investments	28,780	(7,626)	3,389	(66)	24,477
	901,123	315,691	31,095	(15,665)	1,232,244

	Balance at 1 January 2024 US \$ '000	Net deposits US \$ '000	Gross income US \$ '000	Mudarib / agency Fee US \$ '000	Balance at 31 December 2024 US \$ '000
Wakala Bi Al-Istithmar on balance sheet					
jointly financed assets	362,061	297,177	25,602	(1,859)	682,981
Receivables	122,220	61,358	5,853	(69)	189,362
Investments	22,255	2,994	3,597	(66)	28,780
	506,536	361,529	35,052	(1,994)	901,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has four commercial branches (2024: five commercial branches) in the Kingdom of Bahrain. The Bank is 92.81% (2024: 92.81%) owned by Al Baraka Group B.S.C.(c) (the "Parent Company").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha, Ijara and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

These consolidated financial statements were approved by the Board of Directors on 24 February 2026.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI). In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI".

2.2 Accounting convention

The consolidated financial statements are prepared on a historical cost basis, except for investment in real estate, equity-type instruments through other comprehensive income, equity-type instruments through income statement, debt type instruments through other comprehensive income, debt type instruments through income statement and land owned by the Group (classified as premises and equipment) that have been measured at fair value.

The consolidated financial statements are presented in United States Dollars ("US \$"), being the presentational currency of the Group. All values are rounded to nearest US Dollar thousand unless otherwise indicated. However, the functional currency of the Bank is Bahraini Dinars and that of the subsidiary is Pakistani Rupees. Items included in the consolidated financial statements of each entity are measured using their respective functional currency.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at and for the year ended 31 December each year. The financial statements of the subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses are eliminated in full on consolidation.

Subsidiary is fully consolidated from the date control is transferred to the Group and continue to be consolidated until the date that control ceases. Control is achieved where the Bank controls an asset or business, when it has substantially all risks and rewards incidental to ownership of such asset or business, duly meeting both of the following conditions:

- It is directly exposed to, or has rights to, variable returns (negative or positive, respectively) from its involvement with such assets or business; and
- It has the ability to affect those returns through its power over the assets or business.

Non-controlling interest in a subsidiary's net assets is reported as a separate line item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation (continued)**

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

The subsidiary of the Bank, which is consolidated in these consolidated financial statements is follows:

Bank	Ownership for 2025 / 2024	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2025 / 2024
Held directly by the Bank Al Baraka Bank (Pakistan) Limited*	59.13%/ 59.13%	2004	Pakistan	196/185

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

2.4 New standards, interpretations and amendments adopted by the Group

During the year, the Group applied the following standards and amendments to standards in preparation of these consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net income or equity of the Group.

2.4.1 FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies”. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement, provided that FAS 1 (Revised 2021) has already been adopted or is simultaneously adopted.

The adoption of this standard did not have significant impact on the Group's presentation and disclosures in these consolidated financial statements.

2.4.2 FAS 43 – Accounting for Takaful: Recognition and Measurement

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. The adoption of this standard did not have significant impact on the Group's recognition and measurement.

2.5 New standards, amendments and interpretations issued but not yet effective**2.5.1 FAS 45 - Quasi-Equity (Including Investment Accounts)**

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.5 New standards, amendments and interpretations issued but not yet effective (continued)****2.5.1 FAS 45 - Quasi-Equity (Including Investment Accounts) (continued)**

assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance-sheet accounting and are reported as quasi-equity. This standard also 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. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026.

The concept of quasi-equity has been introduced in FAS 1 “General Presentation and Disclosures in the Financial Statements (Revised 2021)”. The Group shall address the requirements of FAS 45 “Quasi-Equity (Including Investment Accounts)” on the effective date of the standard.

2.5.2 FAS 46 - Off-Balance sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterisation of off-balance sheet assets under management, and the related principles of financial reporting in line with the “AAOIFI Conceptual Framework for Financial Reporting”. The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance-sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS 1 “General Presentation and Disclosures in the Financial Statements” in respect of the statement of changes in off-balance sheet assets under management. This standard, along with, FAS 45 “Quasi-Equity (Including Investment Accounts)”, supersedes the earlier FAS 27 “Investment Accounts”. This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS 45 - Quasi-Equity (Including Investment Accounts).

2.5.3 FAS 48 – Promotional Gifts and Prizes

AAOIFI has issued FAS 48 on 9 December 2024. This standard prescribes the accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment account holders. This standard shall be effective for the financial periods beginning on or after 1 January 2026.

2.5.4 FAS 49 – Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 on 19 December 2024. This standard outlines the principles governing financial reporting for the institutions applying AAOIFI FASs operating in hyperinflationary economies, duly considering the relevant Shari'a principles and rules and their unique business models. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption encouraged.

2.5.5 FAS 50 – Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 on 24 December 2024. This standard supersedes the earlier FAS 14 “Investment Funds.” This standard sets out the principles of financial reporting for Islamic Investment Institutions (“IIIs”) particularly prescribing overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari'a principles and rules. This standard shall be effective on the annual financial statements of an III or after 1 January 2027.

2.5.6 FAS 51 – Participatory Ventures

AAOIFI issued Financial Accounting Standard (FAS) 51 – “Participatory Ventures” on 10 November 2025. The standard prescribes accounting and financial reporting principles for participatory ventures, including structures based on Mudaraba and Musharaka, and supersedes earlier FAS 3 (Mudaraba Financing) and FAS 4 (Musharaka Financing). It also covers arrangements involving gradual transfer of ownership, including diminishing Musharaka and restricted Mudaraba. This standard shall be effective on the consolidated financial statements for financial periods beginning on or after 1 January 2027 with early adoption encouraged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.5 New standards, amendments and interpretations issued but not yet effective (continued)****2.5.7 FAS 52 – Deferred Delivery Sales: Salam and Istisna**

AAOIFI issued Financial Accounting Standard (FAS) 52 – “Deferred Delivery Sales: Salam and Istisna” on 31 December 2025. The standard provides accounting principles for buyers/customers and sellers/developers involved in Salam and Istisna based deferred delivery sales transactions. FAS 52 supersedes FAS 7 (Salam and Parallel Salam) and FAS 10 (Istisna’a and Parallel Istisna’a) and aligns related accounting requirements with AAOIFI’s broader revision strategy and global best practices. This standard shall be effective on the consolidated financial statements for financial periods beginning on or after 1 January 2027 with early adoption encouraged.

The Group is currently performing an assessment to identify the impact in accordance with the above standards.

2.6 Summary of accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.6.1 Financial contracts

Financial contracts consist of balances with banks, receivables, Mudaraba and Musharaka financing, Investments - debt type instruments at amortised cost & through OCI, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

2.6.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash on hand, balances with central banks in non-restricted accounts, balances with other banks and financial institutions and receivables with an original maturity of 90 days or less.

2.6.3 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through statement of income.

2.6.4 Impairment, Credit Losses and Onerous Commitments

Financial assets consist of cash and balances with banks and financial institution, receivables and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek and certain other assets. Balances relating to these contracts are stated net of allowance for expected credit losses.

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

Stage 1: twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk (“SICR”), since initial recognition, a portion of the lifetime ECL’s that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

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

Stage 3: Lifetime ECL – credit impaired

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

For Stage 3 financial contracts, the losses for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. In this respect, the Group recognises the lifetime expected credit losses for these financing with the PD set at 100%.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the obligor or issuer;
- a breach of contract such as a default or past due event; or
- probability that the debtor will enter bankruptcy or other financial reorganization.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated statement of income.

Financing contracts together with the associated provisions are written off when there is no realistic prospect of future recovery and collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced in the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective profit rate. If a financial asset has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

Measurement of ECL

Following are the key inputs into the measurement of ECL:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Definition of default**

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

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generates estimates of 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, across various geographies in which the Group operates.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information

The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy the, methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default

LGD is a magnitude that determines the amount of loss that will arise if the obligor was to default. This is calculated by looking at the collateral and other recourses available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available LGD can be estimated using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability. However, the Group applies 10% floor regardless of collateral coverage of the exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Exposure At Default (EAD)**

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to on balance sheet equivalents.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following method to work out CCF for off- balance sheet EADs.

Regulatory CCFs - In absence of internal data, the Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

ECL on individually large exposures and credit-impaired finances are generally measured individually. For retail exposures and other exposures to small sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates obligor-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information, including days past due and risk rating.

The assessment is carried out for specific facility rather than a counterparty. As each facility may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Renegotiated financial assets (continued)**

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

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

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a “Two Way” phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers backwards to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present;
- Up to date payment with no arrears; and
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Credit Conversion Factor

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

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

Write-offs

Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

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

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

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.4 Impairment, Credit Losses and Onerous Commitments (continued)****Presentation of allowance for credit losses in the consolidated statement of financial position (continued)**

- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities; where the Group has not identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented against the drawn commitment.

2.6.5 Investments

Investments comprise of investment in real estate, investment in joint venture, equity-type instruments at fair value through statement of income, equity-type instruments at fair value through OCI, debt-type instruments at amortised cost, debt-type instruments at fair value through statement of income and debt-type instruments at fair value through OCI.

(i) Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, Investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners’ equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

(ii) Investment in joint venture

Investment in joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group’s net investment in the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the joint venture. Where there has been an income or expense recognised in the other comprehensive income of the joint venture, the Group recognises its share of any such income or expense, when applicable, in other comprehensive income. Gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of stake in the joint venture.

(iii) Equity and non-monetary debt-type instruments at fair value through consolidated statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.5 Investments (continued)****(iv) Equity and non-monetary debt-type instruments at fair value through OCI**

These investments will be initially recognized at their value plus transaction costs. Subsequent to acquisition, investments designated at fair value through OCI are remeasured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income. Investment carried at fair value through equity shall be tested for impairment at each reporting period.

(v) Monetary and non-monetary debt type instruments at amortized cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

2.6.6 Financing contracts**(i) Murabaha**

Murabaha represents the sale of goods at cost plus an agreed profit. Murabaha receivables are stated net of deferred profits, any amounts written off and allowances for expected credit losses, if any. Promise made in the murabaha to the purchase orderer is not obligatory upon the customer.

(ii) Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek mainly comprise right of use of assets. Ijarah Muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Assets under Ijarah Muntahia Bittamleek are initially recognised at cost and subsequently depreciated at rates calculated to write off the cost of each asset over its useful life to its residual value.

(iii) Musharaka

Musharaka represents a partnership between the Group and a customer whereby each party contributes to the capital in equal or varying proportions to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have a share of profits or losses. These are stated at the fair value of consideration given less any amounts written off and allowances for expected credit losses, if any.

(iv) Salam receivables

Salam receivables are carried at cost being the fair value of consideration less the allowances for expected credit losses.

(v) Istisna receivables

Istisna receivables are carried at cost less the allowances for expected credit losses.

(vi) Wakala receivables

At the inception of the transaction, the Group as "principal /(investor)" shall evaluate the nature of investment as either:

- i. Pass through investment; or
- ii. Wakala venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.6 Financing contracts (continued)****(vi) Wakala receivables (continued)****i. Pass through investment**

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. On initial recognition & subsequently, the asset shall be recognized underlying the Wakala arrangement applying the initial recognition principles as applicable in line with respective FAS, and in absence thereof, in line with the generally accepted accounted principles applicable to such balances.

ii. Wakala Venture

These are investments, under a Wakala agency contract, in transferable instruments or the investment made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognized at cost in Wakala Venture. Subsequently, the carrying amount is adjusted to incorporate gains/ losses net of agent's remuneration and impairments, if any.

2.6.7 Participatory investment accounts**a) Mudaraba payable**

Equity of investment account holders is invested in cash, balances with banks and Central Bank of Bahrain, due from banks, sukuk and financing contracts. No priority is granted to any party for the purpose of distribution of profits. According to the terms of acceptance of the investment account holders funds, 100% of these funds are invested after deductions of mandatory reserve and sufficient operational cash requirements.

All equity of investment accountholders are initially measured at cost being the fair value of consideration received at the inception of contracts. Subsequently, the equity of investment accountholders are carried at cost inclusive of undistributed profit or accumulated losses and reserves.

b) Wakala payable under multi level arrangements

The Group maintains multi-level investment arrangements to invest funds received under "Wakala "to invest as "Mudaraba" in jointly financed assets. The funds invested under such arrangements are recorded and disclosed as "On Balance Sheet Equity Accountholders" in consolidated statement of financial position.

2.6.8 Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

2.6.9 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

2.6.10 Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represents funds received by the Group from third parties for investment in specified products as directed by the investment accountholders. These assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. Off-balance sheet equity of investment accountholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these investments except within the conditions of the contract between the Group and off-balance sheet equity of investment accountholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.11 Premises and equipment**

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value except for land which is carried at fair value subsequent to initial recognition. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is calculated using the straight-line method at rates intended to write-off the cost of the assets over their estimated useful lives. Any subsequent change in fair value of land (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair value of land is first adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the land is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

2.6.12 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability, and the principal or the most advantageous market must be accessible to by the Group.

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

2.6.13 Revenue recognition**Murabaha receivable**

Profit from sales transactions (murabaha) is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are non-performing is excluded from the consolidated statement of income.

Mudaraba financing

Income on mudaraba financing is recognised when the right to receive payment is established or on distribution by the mudarib, whereas losses are charged to income on declaration by the mudarib.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.13 Revenue recognition (continued)****Wakala financing**

Income on Wakala financing is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Ijara Muntahia Bittamleek

Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing ijara muntahia bittamleek accounts that are non-performing is excluded from the consolidated statement of income.

Musharaka

Income on musharaka is recognised when the right to receive payment is established or on distribution.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Group's share of income from quasi equity (as a Mudarib)

The Group's share as a Mudarib for managing quasi equity is accrued based on the terms and conditions of the related Mudarib agreements.

Fees and commission income

Fees and commission income including structuring fees is recognised when earned.

Dividends

Dividends are recognised when the right to receive payment is established.

Mudarib's share of off-balance sheet quasi equity

The Group shares profit for managing off-balance sheet quasi equity based on the terms and conditions of related contracts.

Income from debt type instrument

Income on debt type securities is amortized to consolidated statement of income on effective profit rate.

Rental income

Rental income is accounted for on a straight-line basis over the Ijara terms.

2.6.14 Return on quasi equity

Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib expenses". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff costs and depreciation. The Group's "mudarib profit" is deducted from the investors' share of income before distributing such income. In some cases, quasi equity withdrawn before maturity are entitled to income only after deducting a penalty charge.

The basis applied by the Group in arriving at the investment accountholders share of income is [total investment income less investment pool expenses] divided by [average funds generating income (shareholders and investment accountholders) times average funds of quasi equity].

2.6.15 Investment pool expenses

Investment pool expenses include business, administrative, general and other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.16 Taxation**

There is no tax on corporate income in the Kingdom of Bahrain. The subsidiary in Pakistan pays tax as per Pakistan tax regulations.

Current

Provision for current taxation is based on taxable income in accordance with the tax laws as applicable in Pakistan.

Deferred

The Group accounts for deferred taxation on material temporary differences using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Deferred tax is reduced to the extent that it is no longer probable that related tax benefits will be realised.

Domestic Minimum Top-Up Tax Law and Pillar Two Model Rules

The Group falls within the scope of the OECD Pillar Two Model Rules ("Model Rules"), by virtue of being consolidated by Dallah Albaraka Holding Company B.S.C. (Closed), which qualifies as the Ultimate Parent Entity ("UPE") under the Model Rules. As such, the Group forms part of Dallah Albaraka Holding Company B.S.C. (Closed) Pillar Two Group ("MNE Group").

On 1 September 2024, the Kingdom of Bahrain issued Decree Law (11) of 2024, introducing a Domestic Minimum Top-Up Tax ("DMTT") for Multinational Enterprises ("MNEs") ("DMTT Law"), effective from 1 January 2025. The DMTT Law is broadly aligned with the Model Rules and applies a 15% effective tax rate to the Bahrain profits of MNE Group. Bahrain is the only jurisdiction in which the Group operates that has implemented Pillar Two.

Based on the Group's assessment of applicability of the DMTT law and Model Rules, the Group concluded that no top-up tax liability is expected to arise under Bahrain DMTT as the Group is loss making for the current year.

2.6.17 Contingencies and Commitments

Contingencies are possible obligation or assets that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Further, the obligation arisen from past events where the liability cannot be determined with reasonable certainty or probability of outflow of resources cannot be determined are also contingencies.

A commitment is a binding contract for the exchange of a specified quantity of resources at a specific price on a specified future dates or date.

2.6.18 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) the right to receive cash flows from the asset has expired; ;
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset; or
- (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.18 Derecognition (continued)**

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.6.19 Earnings prohibited by Shari'a

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

2.6.20 Foreign currencies**(i) Transactions and balances**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of income at the entity level.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(ii) Foreign operations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollar) at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to through OCI. On disposal of a foreign operation, the deferred cumulative amount recognised in owners' equity relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6.21 Employees' end of service benefits

Provision is made for leaving indemnity payable under the Bahraini Labour Law applicable to non-Bahraini employees' accumulated periods of service at reporting date. Moreover provision for indemnity payable is also made for Bahraini employees as per terms of employment contracts.

Bahraini employees of the Group are covered by contributions made to the Social Insurance Organisation (SIO) as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The subsidiary in Pakistan also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the subsidiary and the employees, to the fund at a rate of 10 percent of basic salary.

The subsidiary in Pakistan operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendation. The actuarial valuation is carried out using the projected unit credit method.

2.6.22 Zakah

The responsibility of payment of zakah is on individual shareholders and investment accountholders. However, the shareholders provides authority to the Group to pay Zakah on their behalf during the annual general meeting which be directly deducted from "Owner's equity" and accordingly distributed to eligible parties. While, the Group had no obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.6 Summary of accounting policies (continued)****2.6.22 Zakah (continued)**

to collect and pay Zakah on behalf of equity of investment accountholders. Zakah per share is presented in the Shari'a Supervisory Board Report.

2.6.23 Joint and self financed

Investments, financing, and receivables jointly owned by the Group and the equity of investment accountholders are classified as 'jointly financed' in the consolidated financial statements. Those financed solely by the Group are classified as 'self-financed'. Cash and bank balances with financial institutions, other assets, and premises and equipment are commingled and jointly financed by both 'self' and 'URIA' funds.

2.6.24 Offsetting

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

2.6.25 Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of three members appointed by the general assembly of shareholders.

2.6.26 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.

2.7 Judgements and estimates

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

2.7.1 Judgements*Going concern*

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity-type instrument at fair value through statement of income, equity-type instrument at fair value through equity, debt-type instrument at fair value through statement of income, debt-type instrument at fair value through equity or debt-type instrument at amortised cost. However, the investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Fair value of unquoted equity investments

The Group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cash flows, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information

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For the year ended 31 December 2025

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.7 Judgements and estimates (continued)****2.7.1 Judgements (continued)***Fair value of unquoted equity investments (continued)*

from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements. The basis of valuation has been reviewed by the management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

Real estates holdings

Management exercises significant judgment in classifying the property that is partly used for the Bank's own operations and partly rented to tenants. In making this assessment, the Bank considered the following key factors:

- The proportion of the property's area utilized by the Bank versus that leased to tenants.
- Whether the property, including individual floors or offices, can be separately sold to third parties or whether it constitutes an indivisible structure.
- The extent to which the property serves the Bank's core business operations and provides ancillary services to customers. Based on these considerations and guidance available in FAS 26 "Investments in Real Estate", management determined the appropriate classification of real estate held by the Bank.

2.7.2 Estimates*Impairment and uncollectibility of financial assets*

In determining impairment on financial assets, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL").

Impairment of Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3. CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

		2025 US \$ '000	2024 US \$ '000
Cash on hand		23,396	23,665
Balances with State Bank of Pakistan			
Current account		142	52
Mandatory reserves	3.1	70,487	49,362
		70,629	49,414
Balances with Central Bank of Bahrain			
Current account and overnight placements		14	288
Mandatory reserves	3.1	48,302	42,605
		48,316	42,893
Balances with other banks and financial institutions		12,349	40,491
		154,690	156,463

3.1 The mandatory reserves with central banks are not available for use in the day-to-day operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. RECEIVABLES

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Commodities, wakala and musharaka placements with financial institutions	-	172,371	172,371	56,304	5,032	61,336
Salam financing	-	29,091	29,091	-	36,813	36,813
Istisna'a financing	-	145,755	145,755	-	136,209	136,209
Murabaha financing	2,957	413,373	416,330	1,125	331,876	333,001
Credit cards and others receivables	-	13,036	13,036	-	13,180	13,180
Gross receivables	2,957	773,626	776,583	57,429	523,110	580,539
Deferred profits	(79)	(41,426)	(41,505)	-	(42,058)	(42,058)
	2,878	732,200	735,078	57,429	481,052	538,481
Less: Allowances for expected credit losses (4.1)	-	(47,686)	(47,686)	(1,129)	(66,382)	(67,511)
Net receivables	2,878	684,514	687,392	56,300	414,670	470,970

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses ("ECL").

	2025				2024			
	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000
Good (1-4)	341,096	21,445	-	362,541	245,790	16,610	-	262,400
Satisfactory (5-7)	228,420	85,342	-	313,762	127,189	76,462	-	203,651
Default (8-10)	-	-	58,775	58,775	-	-	72,430	72,430
	569,516	106,787	58,775	735,078	372,979	93,072	72,430	538,481

4.1 Movements in deferred profit from murabaha contracts

	2025 US \$ '000	2024 US \$ '000
Balance at 1 January	42,134	42,828
Murabaha sales	338,483	508,668
Murabaha cost of sales	(324,401)	(491,695)
Profit amortized to consolidated statement of income	(14,923)	(17,683)
Foreign exchange (FX) translation	6	16
Balance at 31 December	41,299	42,134

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For the year ended 31 December 2025

4. RECEIVABLES (continued)

4.2 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	2025			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
Balance at 1 January	1,942	10,560	55,009	67,511
Changes during the year:				
- transferred to Stage 1: 12 month ECL	23	(21)	(2)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(64)	1,229	(1,165)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(163)	(1,142)	1,305	-
Net remeasurement of loss allowance	(393)	(1,801)	5,545	3,351
Recoveries / write-backs	-	-	(4,718)	(4,718)
Allowances for credit losses	(597)	(1,735)	965	(1,367)
Amounts written off during the year	-	-	(18,260)	(18,260)
FX translation	(2)	(5)	(191)	(198)
Balance at 31 December	1,343	8,820	37,523	47,686

	2024			
	Stage 1 12-month ECL US \$ '000	Stage 2 Lifetime ECL not credit-impaired US \$ '000	Stage 3 Lifetime ECL credit- impaired US \$ '000	Total US \$ '000
Balance at 1 January	1,906	9,000	51,968	62,874
Changes during the year:				
- transferred to Stage 1: 12 month ECL	91	(66)	(25)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(267)	1,176	(909)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(13)	(742)	755	-
Net remeasurement of loss allowance	225	1,187	6,109	7,521
Recoveries / write-backs	-	-	(917)	(917)
Allowances for credit losses	36	1,555	5,013	6,604
Write back of written off	-	-	(2,338)	(2,338)
FX translation	-	5	366	371
Balance at 31 December	1,942	10,560	55,009	67,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Ijara muntahia bittamleek (5.1)	3,977	529,925	533,902	6,264	532,636	538,900
Ijara income receivables	2,621	46,026	48,647	2,507	47,148	49,655
	6,598	575,951	582,549	8,771	579,784	588,555
Less: Allowances for expected credit losses (5.2)	(71)	(8,985)	(9,056)	(108)	(11,632)	(11,740)
	6,527	566,966	573,493	8,663	568,152	576,815

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	2025				2024			
	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000
Good (1-4)	540,305	1,981	-	542,286	540,835	2,770	-	543,605
Satisfactory (5-7)	12,772	12,904	-	25,676	24,001	197	-	24,198
Default (8-10)	-	-	14,587	14,587	-	-	20,752	20,752
	553,077	14,885	14,587	582,549	564,836	2,967	20,752	588,555

5.1 Ijara muntahia bittamleek

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Land and building						
Cost	-	704,974	704,974	-	682,519	682,519
Accumulated depreciation	-	(175,049)	(175,049)	-	(149,883)	(149,883)
Net book value	-	529,925	529,925	-	532,636	532,636
Equipment						
Cost	14,876	-	14,876	14,876	-	14,876
Accumulated depreciation	(10,899)	-	(10,899)	(8,612)	-	(8,612)
Net book value	3,977	-	3,977	6,264	-	6,264
TOTAL						
Cost	14,876	704,974	719,850	14,876	682,519	697,395
Accumulated depreciation	(10,899)	(175,049)	(185,948)	(8,612)	(149,883)	(158,495)
Net book value	3,977	529,925	533,902	6,264	532,636	538,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

5.2 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	2025			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit-impaired US \$ '000	Total US \$ '000
Balance at 1 January	763	229	10,748	11,740
Changes during the year:				
- transferred to Stage 1: 12 month ECL	226	(226)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(15)	15	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(7)	-	7	-
Net remeasurement of loss allowance	(188)	369	890	1,071
Recoveries / write-backs	-	-	(355)	(355)
Allowances for credit losses	16	158	542	716
Amounts written off during the year	-	-	(3,396)	(3,396)
FX translation	-	-	(4)	(4)
Balance at 31 December	779	387	7,890	9,056
	2024			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit-impaired US \$ '000	Total US \$ '000
Balance at 1 January	903	753	9,542	11,198
Changes during the year:				
- transferred to Stage 1: 12 month ECL	262	(73)	(189)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(80)	80	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(674)	674	-
Net remeasurement of loss allowance	(322)	143	910	731
Recoveries / write-backs	-	-	(37)	(37)
Allowances for credit losses	(140)	(524)	1,358	694
Amounts written off during the year	-	-	(162)	(162)
FX translation	-	-	10	10
Balance at 31 December	763	229	10,748	11,740

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For the year ended 31 December 2025

6. MUSHARAKAT

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
Musharakat	25,563	297,705	323,268	25,509	184,583	210,092
Less: Allowances for expected credit losses (6.1)	-	(11,241)	(11,241)	-	(12,856)	(12,856)
	25,563	286,464	312,027	25,509	171,727	197,236

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	2025				2024			
	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Stage 3 US \$ '000	Total US \$ '000
Good (1-4)	245,053	15,116	-	260,169	149,892	3,759	-	153,651
Satisfactory (5-7)	38,849	15,071	-	53,920	29,574	15,878	-	45,452
Default (8-10)	-	-	9,179	9,179	-	-	10,989	10,989
	283,902	30,187	9,179	323,268	179,466	19,637	10,989	210,092

6.1 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	2025			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit-impaired US \$ '000	Total US \$ '000
Balance at 1 January	641	1,664	10,551	12,856
Changes during the year:				
- transferred to Stage 1: 12 month ECL	4	(4)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(64)	64	-	-
- transferred to Stage 3: Lifetime credit-impaired	(3)	(104)	107	-
Net remeasurement of loss allowance	8	(724)	1,408	692
Recoveries / write-backs	-	-	(1,464)	(1,464)
Allowances for credit losses	(55)	(768)	51	(772)
Amounts written off during the year	-	-	(771)	(771)
FX translation	(4)	(9)	(59)	(72)
Balance at 31 December	582	887	9,772	11,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. MUSHARAKAT (continued)

6.1 . Allowances for expected credit losses (continued)

	2024			
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Stage 3: Lifetime ECL credit-impaired US \$ '000	Total US \$ '000
Balance at 1 January	2,206	3,510	9,933	15,649
Changes during the year:				
- transferred to Stage 1: 12 month ECL	8	(8)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(52)	52	-	-
- transferred to Stage 3: credit-impaired	(40)	(420)	460	-
Net remeasurement of loss allowance	(1,507)	(1,512)	393	(2,626)
Allowances for credit losses	(1,591)	(1,888)	853	(2,626)
Amounts written off during the year	-	-	(352)	(352)
FX translation	26	42	117	185
Balance at 31 December	641	1,664	10,551	12,856

7. INVESTMENTS

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
i) Equity-type instruments at fair value through OCI						
Quoted						
Listed equity shares	33,152	-	33,152	29,085	-	29,085
Unquoted						
Unlisted equity shares	8,918	407	9,325	8,918	459	9,377
Managed funds	1,000	-	1,000	1,000	-	1,000
Real estate funds	-	15,450	15,450	-	19,425	19,425
	43,070	15,857	58,927	39,003	19,884	58,887
Less: Provision for impairment	(2,714)	(739)	(3,453)	(2,886)	(177)	(3,063)
Total equity investments	40,356	15,118	55,474	36,117	19,707	55,824
ii) Debt-type instruments at fair value through statement of income (Note 7.1)						
Quoted						
Sukuk	-	35,181	35,181	-	176	176
Unquoted						
Sukuk	-	361	361	-	365	365
	-	35,542	35,542	-	541	541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. INVESTMENTS (continued)

	2025			2024		
	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000	Self financed US \$ '000	Jointly financed US \$ '000	Total US \$ '000
iii) Debt-type instruments at fair value through equity (7.1)						
Quoted						
Sukuk	209,006	129,764	338,770	237,842	226,363	464,205
Unquoted						
Sukuk	-	2,097	2,097	-	2,503	2,503
	209,006	131,861	340,867	237,842	228,866	466,708
iv) Debt-type instruments at amortised cost (7.1)						
Quoted						
Sukuk	115,001	385,603	500,604	196,155	218,086	414,241
Unquoted						
Sukuk	20,107	50,556	70,663	-	65,816	65,816
	135,108	436,159	571,267	196,155	283,902	480,057
Less: Allowance for expected credit losses (7.2)	(118)	(1,096)	(1,214)	(405)	(787)	(1,192)
Total debt-type investments	343,996	602,466	946,462	433,592	512,522	946,114
Total Investments	384,352	617,584	1,001,936	469,709	532,229	1,001,938

Within unquoted investments which are held at fair value through OCI are investments amounting to US \$ 22.9 million (2024: US \$ 27.4 million) which are held at cost less allowance for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies and structured products. The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to US \$ 571.3 million (2024: US \$480.1 million) have a fair value amounting to US \$ 568.8 million (2024: US \$ 466.7 million).

Investments having face value amounting to US \$ Nil (2024: US \$ 64 million) are pledged to raise funds under repurchase agreements (REPO) from a financial institutions.

7.1 Debt-type instruments

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	2025			2024		
	Stage 1 US \$ '000	Stage 2 US \$ '000	Total US \$ '000	Stage 1 US \$ '000	Stage 2 US \$ '000	Total US \$ '000
Good (1-4)	373,951	-	373,951	464,381	-	464,381
Satisfactory (5-7)	570,717	3,008	573,725	479,917	3,008	482,925
	944,668	3,008	947,676	944,298	3,008	947,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. INVESTMENTS (continued)

7.2 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	2025			2024		
	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Total US \$ '000	Stage 1: 12-month ECL US \$ '000	Stage 2: Lifetime ECL not credit-impaired US \$ '000	Total US \$ '000
Balance at 1 January	760	432	1,192	818	317	1,135
Changes during the year:						
Net remeasurement of loss allowance	79	(56)	23	(51)	115	64
Allowances for expected credit losses	79	(56)	23	(51)	115	64
FX translation	-	(1)	(1)	(7)	-	(7)
Balance at 31 December	839	375	1,214	760	432	1,192

7.3 Provision for impairment on equity type investments

	2025 US \$ '000	2024 US \$ '000
Balance at 1 January	3,063	3,361
Charges for the year	656	-
Reversal for the year	(262)	(317)
Exchange difference	(4)	19
Balance at 31 December	3,453	3,063

8. INVESTMENT IN JOINT VENTURE

	2025 US \$ '000	2024 US \$ '000
Balance at 1 January	17,270	16,686
Net share of income for the year	-	584
Liquidation	(17,270)	-
Balance at 31 December	-	17,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. INVESTMENT IN JOINT VENTURE (continued)

Name	Nature of Business	Ownership	
		2025	2024
Danaat Al-Baraka	Real estate development	-	51%

Summarised statement of financial position

	2025 US \$ '000	2024 US \$ '000
Current assets	-	33,865
Current liabilities	-	(6)
Net assets	-	33,859
Group's ownership in equity	-	17,270
Net carrying amount	-	17,270

Summarised statement of income

	2025 US \$ '000	2024 US \$ '000
Total income	-	1,982
Total expenses	-	(837)
Total comprehensive income	-	1,145
Group's net share of profit	-	584

On 10 July 2024, the shareholders of "Danaat-Al-Baraka SPC", in an extraordinary general meeting, resolved to liquidate the company after the completion of all legal formalities. No gain or loss was recognized as a result of the liquidation.

9. INVESTMENTS IN REAL ESTATE

	2025 US \$ '000	2024 US \$ '000
Balance at 1 January	7,722	7,722
Additions	743	-
Disposals during the year	(716)	-
Unrealized gains on remeasurement	865	-
Balance at 31 December	8,614	7,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. PREMISES AND EQUIPMENT

	Land and Building US \$ '000	Capital work in progress US \$ '000	Office furniture and equipment US \$ '000	Vehicles US \$ '000	Total US \$ '000
Cost:					
At 1 January 2025	81,080	2,460	27,217	549	111,306
Additions	531	2,019	2,940	111	5,601
Disposals	(238)	-	(153)	(7)	(398)
Exchange difference	(53)	-	(61)	(2)	(116)
At 31 December 2025	81,320	4,479	29,943	651	116,393
Accumulated depreciation:					
At 1 January 2025	10,495	-	21,272	172	31,939
Depreciation for the year	2,377	-	2,101	106	4,584
Related to disposals	(178)	-	(149)	(7)	(334)
Exchange difference	(19)	-	(42)	(1)	(62)
At 31 December 2025	12,675	-	23,182	270	36,127
Net book values:					
At 31 December 2025	68,645	4,479	6,761	381	80,266
At 31 December 2024	70,585	2,460	5,945	377	79,367
Estimated useful life for calculation of depreciation	20-30 years	4-5 years	1-10 years	4-5 years	

11. INTANGIBLES AND GOODWILL

	2025 US \$ '000	2024 US \$ '000
Softwares and licenses	4,402	5,315
Right of use assets	11,944	8,508
Goodwill (11.1)	8,017	8,062
	24,363	21,885

11.1 Goodwill acquired through business combination has been entirely allocated to a single cash generating unit (CGU), Al Baraka Bank (Pakistan) Limited by the Group's management. The recoverable amount of the CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. Management determined budgeted spreads based on the CGU's past performance and its expectation of market development.

Discount rate

Discount rate represents the factor that translates the projected cash flows into present value terms in order to arrive at an indicative business valuation of the CGU. The rate used by the management to discount the future cash flow projections is 23.6% (2024: 29.3%) and is not only reflective of the time value of money but also the risk associated with the business future operations and the geographical segment in which it operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. INTANGIBLES AND GOODWILL (continued)**11.1 (continued)***Terminal value*

The Group's management has determined the terminal value of the CGU using the discounted cash flow (DCF) methodology, applying the perpetuity growth model. Under this approach, the projected cash flows at the end of year five are capitalized by dividing them with the discount rate adjusted for the terminal growth rate.

Sensitivity to changes in key assumptions

The key assumptions used in estimating recoverable amounts of cash generating units were sensitized to test the resilience of value in use calculations. On this basis, management believes that reasonable changes in key assumptions used to determine the recoverable amount of the Group's cash generating units will not result in an impairment.

12. OTHER ASSETS

	2025 US \$ '000	2024 US \$ '000
Collaterals pending sale	15,215	11,847
Accounts receivable	10,175	10,479
Deferred tax (12.1)	13,531	11,436
Others	16,726	7,791
Prepayments	3,640	3,049
	59,287	44,602
Less: Provision for impairment	(689)	(759)
	58,598	43,843

12.1 The net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on recent financial projections prepared, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

13. OTHER LIABILITIES

	2025 US \$ '000	2024 US \$ '000
Bills payable	35,928	27,469
Margins received	32,327	31,794
Accounts payable	17,347	11,402
Provision for employees benefits	7,832	6,962
Operating ijarah liability	13,044	9,102
Accrued expenses	6,130	8,072
Advance payments from customers	8,346	3,363
Valuation of foreign exchange contracts	157	756
Charity fund (note 13.1)	449	474
Taxation and duties	610	511
Allowance for expected credit losses-unfunded facilities	246	536
Security deposit against ijarah muntahia bittamleek	228	237
Others	79	6,300
	122,723	106,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. OTHER LIABILITIES (continued)**13.1 Movement in charity fund**

	2025 US \$ '000	2024 US \$ '000
Balance at 1 January	474	545
Net movement	(25)	(71)
Balance at 31 December	449	474

14. PARTICIPATORY INVESTMENT ACCOUNTS

The Group manages and deploys Equity of Investment Accountholders "IAH" according to its Article of Association – Chapter 3 on Rules of Business. In this respect, the Group invests its own funds separately or jointly with amount received from Equity of Investment Account Holders. These funds received are managed in accordance with Shari'a requirements and standard of prudence is applied in the context of managing the overall portfolios to enable the Group to exercise its fiduciary responsibilities. The Group is authorised by the Investment Accountholders to invest the funds on the basis of mudaraba, murabaha, salam, ijara transactions and other forms of contract 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.

	2025 US \$ '000	2024 US \$ '000
IAH - Non-banks	1,594,685	1,484,383
IAH - Banks	638,581	351,330
Profit equalisation reserve (note 14.1)	720	720
	2,233,986	1,836,433

14.1 Movement in profit equalisation reserve

The Group deducts investment risk reserve as per approved policy from the profit distributable to equity of investment accountholders of its Bahrain operations, after allocating the Mudarib share in order to meet future losses for equity of IAH.

The profit equalisation reserve and investment risk reserve will revert to investment accountholders as per terms and conditions of the Mudaraba contract. There was no movement in profit equalisation profit reserve during the year.

As investment accountholder's funds are commingled with the Group's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

The Group's share, as Mudarib, in the profits of equity of investment accountholders is up to a maximum of 70% (2024: up to 70%) as per the terms of IAH agreements.

The Group has charged a total administrative expense of US \$ 9.7 million (2024: US \$ 7.6 million) to equity of investment account holders for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PARTICIPATORY INVESTMENT ACCOUNTS (continued)

14.2 Participatory investment accounts by maturity

	2025 US \$ '000	2024 US \$ '000
Saving accounts	687,897	644,498
One month investment account	417,492	206,103
Three months investment account	307,832	219,475
Six months investment account	407,273	263,528
Nine months investment account	6,245	549
1 Year investment account	298,678	322,863
2 Years investment account	2,752	36,618
3 Years investment account	37,306	73,831
4 Years investment account	3,189	3,904
5 Years investment account	65,322	65,064
	2,233,986	1,836,433

14.3 Participatory investment accounts by type

	2025 US \$ '000	2024 US \$ '000
Accounts on demand	687,897	644,498
Accounts on a contractual basis *	1,546,089	1,191,935
	2,233,986	1,836,433

* These can be withdrawn subject to deduction of charges upon management discretion.

15. SUBORDINATED MUDARABA

	2025 US \$ '000	2024 US \$ '000
Subordinated mudaraba	6,226	6,262
	6,226	6,262

Particular	Principal	Profit Payment	Profit rate	Maturity
Al Baraka Pakistan Limited Tier 2 Sukuk Third issue	Bullet	Semi-Annually	6 M Kibor + 1.50%	2031

16. SHARE CAPITAL

	2025 US \$ '000	2024 US \$ '000
(i) Share capital		
Authorised 6,000,000 ordinary shares (2024: 6,000,000) of US\$ 100 each	600,000	600,000
	2025 US \$ '000	2024 US \$ '000
Issued and fully paid 1,514,578 ordinary shares (2024: 1,514,578) of US \$ 100 each	151,458	151,458

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For the year ended 31 December 2025

16. SHARE CAPITAL (continued)

Additional information on shareholding pattern:

Names and nationalities of the major shareholder having an interest of 5% or more are as follows:

Name	2025		
	Domicile	No. of shares	% holding
Al Baraka Group B.S.C.(c)	Bahrain	1,405,755	92.81%
		2024	
Name	Domicile	No. of shares	% holding
Al Baraka Group B.S.C. (c)	Bahrain	1,405,755	92.81%

The Group has only one class of shares and the holders of these shares have equal voting rights.

Following is the distribution schedule of shares, setting out the number and percentage of other shareholders along with categories:

	2025			2024		
	Number of shares	Number of shareholders	% of total outstanding shares	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	58,823	12	3.88%	58,823	12	3.88%
1% up to less than 5%	50,000	1	3.30%	50,000	1	3.30%
	108,823	13	7.19%	108,823	13	7.19%

(ii) Perpetual equity-type instruments

	2025 US \$ '000	2024 US \$ '000
Perpetual equity-type instruments	96,000	96,000

The Group held additional tier 1 capital (subordinated mudaraba) amounted to USD 96 million, received from ultimate parent. Such capital was raised from time to time to ensure compliance with minimum capital requirement (MCR) and capital adequacy requirement (CAR) as prescribed by Central Bank of Bahrain. The Bank raised additional tier 1 capital amounted to USD 81 million against cash consideration and USD 15 million against equity shares.

Summary of terms and conditions are as follows:

- Subordinated mudaraba amounted to US \$ 81 million carries expected profit ranging from 6% to 9% per annum, on a semi-annual basis;
- Subordinated mudaraba amounted to US \$ 15 million carries expected profit rate, which is 30% of the dividend or profit to be received on underlying equity investments shall be distributed to the Ultimate Parent, subject to and in accordance with terms and conditions, on an annual basis;
- the investor will not have a right to claim the profit and such event of nonpayment of profit will not be considered as event of default; and
- such instruments are recognised under equity in the consolidated statement of financial position and the corresponding profits paid to investor are accounted as appropriation of profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. SHARE CAPITAL (continued)

(iii) Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

(iv) General reserve

In accordance with the Bank's articles of association, the Bank may transfer any amount, as approved by the General Assembly, out of net income for the year to the general reserve after appropriating statutory reserve. The general reserve is distributable, subject to the approval of the CBB.

(v) Cumulative changes in fair value

This represents the net unrealised fair value changes relating to the equity of the parent on equity-type instruments at fair value through equity and investment in real estate.

(vi) Revaluation reserve on premises and equipment

This represents the net surplus on revaluation relating to the equity of the parent on premises and equipment carried at fair value.

(vii) Foreign exchange reserve

This represents the translation reserve arising as a result of consolidation of the foreign subsidiary.

(viii) Employee defined benefit plan reserve

This represents the reserve created in lieu of actuarial gains or losses on defined benefit liabilities and planned assets.

17. CONTINGENCIES AND COMMITMENTS

	2025 US \$ '000	2024 US \$ '000
Foreign exchange contracts	85,632	39,236
Guarantees	70,922	76,440
Letters of credit	77,532	59,901
Acceptances	11,230	9,049
Taxation	9,825	11,723
Others	378	171
	255,519	196,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. INCOME FROM FINANCING

	2025 US \$ '000	2024 US \$ '000
Income from receivables	41,984	48,709
Income from participatory investments	27,440	36,035
Income from ijarah muntahia bittamleek	32,052	33,702
	101,476	118,446
Income from jointly financed financing assets	94,364	100,937
Income from self financed financing assets	7,112	17,509
	101,476	118,446

19. INCOME FROM INVESTMENTS

	2025 US \$ '000	2024 US \$ '000
Yield, coupon or return on investments	76,663	104,987
Loss on sale of investments	(2,284)	(1,261)
Dividend income	2,751	2,443
Income from real estate	873	234
	78,003	106,403
Income from jointly financed investments	40,984	55,325
Income from self financed investments	37,019	51,078
	78,003	106,403

20. INCOME FROM BANKING SERVICES

	2025 US \$ '000	2024 US \$ '000
Fees and commissions	6,993	5,797
Letters of credit and acceptances	806	760
Guarantees	406	370
	8,205	6,927

21. OTHER INCOME

	2025 US \$ '000	2024 US \$ '000
Foreign exchange gain - net	4,933	4,526
Others	5,024	3,554
	9,957	8,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. OTHER OPERATING EXPENSES

	2025 US \$ '000	2024 US \$ '000
Administrative expenses	(11,605)	(9,760)
Premises costs	(4,902)	(5,316)
Business expenses	(18,295)	(17,556)
General expenses	(1,342)	(1,248)
	(36,144)	(33,880)

23. REVERSALS / (ALLOWANCES) FOR IMPAIRMENT - NET

	2025 US \$ '000	2024 US \$ '000
Receivables (4.2)	1,367	(6,604)
Ijara muntahia bittamleek and ijara receivables (5.2)	(716)	(694)
Musharakat (6.1)	772	2,626
Investments - debt type (7.2)	(23)	(64)
Investments - equity type (7.3)	(394)	317
Off balance sheet assets under management	287	(350)
Other assets	55	(40)
	1,348	(4,809)

24. TAXATION

	2025 US \$ '000	2024 US \$ '000
Taxation relates to subsidiary in Pakistan and comprise:		
Consolidated statement of financial position:		
Deferred tax (12)	13,531	11,436
Consolidated statement of income:		
Current tax	(7,876)	(15,849)
Deferred tax	(299)	1,207
	(8,175)	(14,642)

25. CASH AND CASH EQUIVALENTS

	2025 US \$ '000	2024 US \$ '000
For the purpose of cash flows, cash and cash equivalents represent:		
Cash on hand	23,396	23,665
Balances with central banks (unrestricted accounts and overnight placements)	156	340
Balances with other banks and financial institutions	12,349	40,491
Receivables, commodities and wakala placements (with an original maturity of 90 days or less)	172,350	61,331
	208,251	125,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group, Shari'a supervisory board and external auditors.

The significant balances with related parties were as follows:

	Ultimate Parent and other shareholders		Other Related Parties		Total	
	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000
Assets:						
Cash and balances with banks and financial institutions	7	16	40	46	47	62
Receivables	-	-	1,632	1,304	1,632	1,304
Musharakat	-	-	2,434	1,793	2,434	1,793
Investments	30,164	26,230	8,295	25,071	38,459	51,301
Other assets	9,579	9,003	-	-	9,579	9,003
	39,750	35,249	12,401	28,214	52,151	63,463
Liabilities:						
Current account	1,393	2,506	574	34,199	1,967	36,705
Other liabilities	2	322	1,241	823	1,243	1,145
Total liabilities	1,395	2,828	1,815	35,022	3,210	37,850
Participatory investment accounts	44,025	45,120	115,385	62,974	159,410	108,094
Off-balance sheet items:						
Assets under management	100,142	102,024	88,387	115,858	188,529	217,882
Contingencies and commitments	-	2,000	108	371	108	2,371

The transactions with the related parties included in the consolidated statement of income are as follows:

	Ultimate Parent and other shareholders		Other Related Parties		Total	
	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000
Income						
Income from financings contracts	-	-	60	55	60	55
Income from investments	1,391	1,225	576	940	1,967	2,165
Group's Mudarib / Agency fee from off-balance sheet assets under management	41	33	77	101	118	134
Other income	2,234	2,808	-	-	2,234	2,808
	3,666	4,066	713	1,096	4,379	5,162
Expenses						
Net income attributable to quasi-equity	4,861	2,981	5,576	2,902	10,437	5,883
Other expenses	-	-	2,792	2,703	2,792	2,703
	4,861	2,981	8,368	5,605	13,229	8,586

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For the year ended 31 December 2025

26. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	2025 US \$ '000	2024 US \$ '000
Salaries	5,964	5,156
Other benefits	2,256	2,140
	8,220	7,296

27. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The risk management committee and executive committees, guide and assist with overall management of the Group's consolidated statement of financial position risks. The Group manages exposures by setting limits approved by the Board of Directors.

a. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2025 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	3 to 5 years US \$ '000	5 to 10 years US \$ '000	10 to 20 years US \$ '000	Over 20 years US \$ '000	No fixed maturity US \$ '000	Total US \$ '000
ASSETS										
Cash and balances with banks										
and financial institutions	154,690	-	-	-	-	-	-	-	-	154,690
Receivables	382,274	99,385	36,394	80,339	52,078	28,756	5,161	3,005	-	687,392
Ijara muntahia bittamleek and										
ijara receivables	19,314	13,530	14,603	67,784	48,910	128,377	236,160	44,815	-	573,493
Musharakat	427	932	84,959	38,416	57,932	107,115	20,067	2,179	-	312,027
Investments	27,876	1,970	195,774	269,022	110,196	356,675	-	1,360	39,063	1,001,936
Investments in real estate	-	-	-	8,614	-	-	-	-	-	8,614
Premises and equipment	-	-	-	-	-	-	-	-	80,266	80,266
Intangibles and goodwill	-	-	-	-	-	-	-	-	24,363	24,363
Other assets	41,898	1,056	2,112	-	13,531	1	-	-	-	58,598
Total assets	626,479	116,873	333,842	464,175	282,647	620,924	261,388	51,359	143,692	2,901,379
LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY										
Current accounts	336,498	-	-	-	-	-	-	-	-	336,498
Other liabilities	108,161	1,275	2,326	3,819	2,535	4,504	104	-	-	122,724
Participatory investment accounts	1,720,331	325,232	113,283	68,857	2,263	4,020	-	-	-	2,233,986
Subordinated mudaraba	32	-	-	6,194	-	-	-	-	-	6,226
Total owners' equity	-	-	-	-	-	-	-	-	201,946	201,946
Total Liabilities, Quasi Equity And Owners' Equity	2,165,022	326,507	115,609	78,870	4,798	8,524	104	-	201,946	2,901,380
Net gap	(1,538,543)	(209,634)	218,233	385,305	277,849	612,400	261,284	51,359	(58,254)	(1)
Cumulative net gap	(1,538,543)	(1,748,177)	(1,529,944)	(1,144,639)	(866,790)	(254,390)	6,894	58,253	(1)	(1)
Off-balance sheet items:										
Assets under management	719,328	266,715	91,144	80,898	41,532	24,537	-	-	8,090	1,232,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. RISK MANAGEMENT (continued)

a. Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2024 based on contractual periods to cash conversion from the consolidated statement of financial position date. However, expected periods to cash conversion where there are no contractual terms.

	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	3 to 5 years US \$ '000	5 to 10 years US \$ '000	10 to 20 years US \$ '000	Over 20 years US \$ '000	No fixed maturity US \$ '000	Total US \$ '000
ASSETS										
Cash and balances with banks										
and financial institutions	156,463	-	-	-	-	-	-	-	-	156,463
Receivables	191,300	87,495	42,133	74,392	47,778	19,057	4,876	3,939	-	470,970
Ijara muntahia bittamleek and										
ijara receivables	27,974	10,687	15,648	71,862	51,340	118,831	224,717	55,756	-	576,815
Musharakat	356	1,553	70,251	39,239	23,950	42,333	19,554	-	-	197,236
Investments	38,257	5,032	118,921	320,999	270,013	119,627	92,941	1,365	34,783	1,001,938
Investments in real estate	-	-	-	7,722	-	-	-	-	-	7,722
Investment in Joint Venture	-	-	-	-	-	-	-	-	17,270	17,270
Premises and equipment	-	-	-	-	-	-	-	-	79,367	79,367
Intangibles and goodwill	-	-	-	-	-	-	-	-	21,885	21,885
Other assets	31,428	326	653	-	11,436	-	-	-	-	43,843
Total assets	445,778	105,093	247,606	514,214	404,517	299,848	342,088	61,060	153,305	2,573,509
LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY										
Current accounts	291,656	-	-	-	-	-	-	-	-	291,656
Murabaha and other payables	121,855	-	-	-	-	-	-	-	-	121,855
Other liabilities	93,712	1,774	4,112	3,517	1,669	2,194	-	-	-	106,978
Participatory investment accounts	1,414,056	162,581	147,058	62,702	45,075	4,961	-	-	-	1,836,433
Subordinated mudaraba	33	-	-	6,229	-	-	-	-	-	6,262
Total owners' equity	-	-	-	-	-	-	-	-	210,325	210,325
Total Liabilities, Quasi Equity And Owners' Equity	1,921,312	164,355	151,170	72,448	46,744	7,155	-	-	210,325	2,573,509
Net gap	(1,475,534)	(59,262)	96,436	441,766	357,773	292,693	342,088	61,060	(57,020)	-
Cumulative net gap	(1,475,534)	(1,534,796)	(1,438,360)	(996,594)	(638,821)	(346,128)	(4,040)	57,020	-	-
Off-balance sheet items:										
Assets under management	444,695	149,288	88,188	71,765	89,027	46,390	-	-	11,770	901,123

The Risk Management Department ('RMD') of the Group monitors the liquidity position on a daily basis through ALCO (an 'Asset and Liability Management Committee') report and measures the Liquidity Coverage Ratio based on the contractual maturity inflow and outflow of funds on a monthly basis. The Group has put in place a Risk Appetite Statement and Liquidity Risk Management Policy and Strategy, which highlights various internal liquidity thresholds and early warning indicators (EWIs). The RMD reviews the liquidity position and early warning indicators on a continuous basis and alerts the management, when needed for necessary action. The ALCO meets on a monthly basis, at a minimum and reviews the Group's liquidity profile through maturity mismatch statement and available stock of liquid assets as well as funding concentrations; also reviews the Group's profit and funding rate and accordingly, approves any change in the rates and considers any regulatory requirements or directives. The RMD also carries out stress testing exercises and contingency funding plans on a periodic basis and reports the results to the Management and Board Risk Committee.

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27. RISK MANAGEMENT (continued)

b. Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and IAH. The profit distribution to IAH is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

The Group is exposed to displaced commercial risk in the event of having equity of IAH profit rates that are lower than market rates. The policies and procedures to manage displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2025 Total equivalent US \$ '000
Pakistani Rupees	55,172
Euro	56
Kuwaiti Dinars	196
Pound Sterling	229
Egyptian Pound	2,295
Algerian Dinar	6,000
Chinese Yuan	96
	2024 Total equivalent US \$ '000
Pakistani Rupees	79,058
Euro	(6,400)
Kuwaiti Dinars	76
Pound Sterling	472
Egyptian Pound	1,802
Algerian Dinar	6,000
Chinese Yuan	409

The strategic currency risk represents the amount of equity of the subsidiary.

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks approach, which calculates the effect on equity and income of the Group as a result of 20% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. RISK MANAGEMENT (continued)

b. Market risk (continued)

Foreign currency risk sensitivity analysis (continued)

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

Currency 2025	Particular	Change	Exposures in US \$ '000	Effect on equity/ statement of income in US \$ '000
Pakistani Rupees	Net Long Position	20%	55,172	11,034
Euro	Net Long Position	20%	56	11
Kuwaiti Dinars	Net Long Position	20%	196	39
Pound Sterling	Net Long Position	20%	229	46
Egyptian Pound	Net Long Position	20%	2,295	459
Algerian Dinar	Net Long Position	20%	6,000	1,200
Chinese Yuan	Net Long Position	20%	96	19

Currency 2024	Particular	Change	Exposures in US \$ '000	Effect on equity/ Income Statement in US \$ '000
Pakistani Rupees	Net Long Position	20%	79,058	15,812
Euro	Net Short Position	20%	6,400	1,280
Kuwaiti Dinars	Net Long Position	20%	76	15
Pound Sterling	Net Long Position	20%	472	94
Egyptian Pound	Net Long Position	20%	1,802	360
Algerian Dinar	Net Long Position	20%	6,000	1,200
Chinese Yuan	Net Long Position	20%	409	82

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

In order to measure the risk of equity on its financial position, the Group adopts a sensitivity analysis on its equity portfolio for 10% increase and decrease of the portfolio's value:

Market indices	2025		2024	
	Change in equity price %	Effect on equity / statement of income US \$ '000	Change in equity price %	Effect on equity / statement of income US \$ '000
Pakistan Stock Exchange	10%	69	10%	105
Egypt Stock Exchange	10%	229	10%	180
Jordan Stock Exchange	10%	3,016	10%	2,623

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27. RISK MANAGEMENT (continued)

b. Market risk (continued)

Concentration of investment portfolio

Concentration of an investment portfolio arises when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The industry and geographical concentration of the Group's investment portfolio is as follows:

2025	*GCC US \$ '000	Rest of the world US \$ '000	Total US \$ '000
Banking	784	41,467	42,251
Government	533,659	367,716	901,375
Investment companies	33,760	-	33,760
Manufacturing	-	2,338	2,338
Real estate	11,245	3,466	14,711
Others	4,903	2,598	7,501
	584,351	417,585	1,001,936

2024	*GCC US \$ '000	Rest of the world US \$ '000	Total US \$ '000
Banking	613	37,041	37,654
Government	437,789	446,873	884,662
Investment companies	38,723	-	38,723
Manufacturing	-	1,708	1,708
Real estate	11,197	8,097	19,294
Others	14,636	5,261	19,897
	502,958	498,980	1,001,938

* GCC countries comprise members of the Gulf Co-operation Council being Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and the United Arab Emirates.

c. Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of the counterparty, by collateral in form of mortgage of the objects financed or other tangible security.

Type of credit risk

Financing contracts mainly comprise Murabaha receivables, Istisna'a receivable, Musharakat, Ijara Muntahia Bittamleek and Salam.

Receivables

The Group finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabeh over the agreed period. The transactions are secured at times by the object of the murabaha (in case of real estate finance) and other times by a total collateral package securing the facilities given to the client.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. RISK MANAGEMENT (continued)

c. Credit risk (continued)

Type of credit risk (continued)

Istisna'a receivable

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Musharakat

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Ijara Muntahia Bittamleek

This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijara (lease) term, provided that all Ijara installments are settled.

Salam

Salam is purchase of a commodity for deferred delivery in exchange for immediate payment according to specified conditions or sale of a commodity for deferred delivery in exchange for immediate payment.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk by type of Islamic financing contracts before the effect of mitigation through the use of collateral or other credit enhancements.

	Maximum Exposure to Credit Risk	
	2025 US \$ '000	2024 US \$ '000
Receivables	687,392	470,970
Musharakat	312,027	197,236
Ijara muntahia bittamleek and ijara receivables	573,493	576,815
Investments in sukuk	946,462	946,114
Balances with banks and financial institutions	131,294	132,798
Other assets	26,212	17,511
Contingencies and commitments	245,316	184,626
	2,922,196	2,526,070

Credit quality by type of Islamic financing contracts

The table below shows the credit quality by type of Islamic financing contracts, based on the Group's quality of assets. The balances presented are gross of expected credit losses.

	2025			
	Neither past due nor non performing US \$ '000	Past due but performing US \$ '000	Non performing Islamic financing contracts US \$ '000	Total US \$ '000
Type of Islamic Financing Contract				
Receivables	654,265	22,038	58,775	735,078
Musharakat	310,122	3,967	9,179	323,268
Ijara muntahia bittamleek and ijara receivables	566,836	1,126	14,587	582,549
	1,531,223	27,131	82,541	1,640,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. RISK MANAGEMENT (continued)

c. Credit risk (continued)

Credit quality by type of Islamic financing contracts (continued)

	2024			Total US \$ '000
	Neither past due nor non performing US \$ '000	Past due but performing US \$ '000	Non performing Islamic financing contracts US \$ '000	
Type of Islamic Financing Contract				
Receivables	456,584	9,467	72,430	538,481
Musharakat	197,720	1,383	10,989	210,092
Ijara muntahia bittamleek and ijara receivables	558,096	9,707	20,752	588,555
	<u>1,212,400</u>	<u>20,557</u>	<u>104,171</u>	<u>1,337,128</u>

Aging analysis of past due but performing Islamic financing contracts

	2025			
	Less than 30 Days US \$ '000	31 to 60 days US \$ '000	61 to 90 days US \$ '000	Total US \$ '000
Type of Islamic Financing Contracts				
Receivables	12,756	2,169	7,113	22,038
Musharakat	3,647	194	126	3,967
Ijara muntahia bittamleek & ijara income receivables	1,011	108	7	1,126
	<u>17,414</u>	<u>2,471</u>	<u>7,246</u>	<u>27,131</u>

	2024			
	Less than 30 Days US \$ '000	31 to 60 days US \$ '000	61 to 90 days US \$ '000	Total US \$ '000
Type of Islamic Financing Contract				
Receivables	4,093	4,451	923	9,467
Musharakat	986	238	159	1,383
Ijara muntahia bittamleek and ijara receivables	406	9,294	7	9,707
	<u>5,485</u>	<u>13,983</u>	<u>1,089</u>	<u>20,557</u>

Aging of Non-Performing Facilities

	2025				
	3-6 Months US \$ '000	6-12 Months US \$ '000	1-3 Years US \$ '000	3 Years and above US \$ '000	Total US \$ '000
Receivables	18,775	8,286	12,413	19,301	58,775
Musharakat	2,355	208	2,673	3,943	9,179
Ijara muntahia bittamleek & ijara income receivables	502	1,107	3,994	8,984	14,587
	<u>21,632</u>	<u>9,601</u>	<u>19,080</u>	<u>32,228</u>	<u>82,541</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. RISK MANAGEMENT (continued)

c. Credit risk (continued)

Aging of Non-Performing Facilities (continued)

	2024				
	3-6 Months US \$ '000	6-12 Months US \$ '000	1-3 Years US \$ '000	3 Years and above US \$ '000	Total US \$ '000
Receivable	24,718	11,827	9,886	25,999	72,430
Musharakat	4,478	922	1,719	3,870	10,989
Ijara muntahia bittamleek & ijara income receivables	150	488	8,822	11,292	20,752
	<u>29,346</u>	<u>13,237</u>	<u>20,427</u>	<u>41,161</u>	<u>104,171</u>

Credit risk mitigation

For exposures secured by real estate or other collateral, the Group carries out regular and periodic collateral verification and evaluation. This collateral verification is conducted by an independent qualified assessor or Collateral Analyst at the Group. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group allows cars, premises and equipment, plant and machinery etc, as collateral for a credit and investment product but does not accept perishable assets. The Group does not accept any assets as collateral if the assets are susceptible for obsolescence. The Group also ensure that these assets are insured in order to be accepted as collateral.

Collaterals listed hereunder attract capital relief from capital adequacy requirements:

- 1) Hamish Jiddiyah (HJ) (Good faith deposit): The Group takes this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the Group has recourse to the HJ. HJ is taken by the Group at the inception of the transaction but before signing the contracts. HJ constitutes partial guarantee to the Group for the performance of the contract by the customer. The Group will still have recourse to the customers for the unsecured position in case of default.
- 2) Third party guarantee: The Group should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, should provide the Group with signed audited financial statements.
- 3) Underlying assets of the lease contract: The underlying asset must be of monetary value and the Group must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any kind of encumbrance. In the same lease contract a customer can pledge other assets that customers own other than the underlying assets in the contract. In order for the Group to consider these assets as pledged assets, it must meet all the conditions for the underlying assets under the lease contract. It must be legally enforceable, accessible, saleable and free of any kind of encumbrance. The value of the pledged asset must be used only to offset the amount against the customers.

Any excess amount resulting from the closure of the pledge by the Group should be returned to the customer (pledger). The Group is conducting at least annual evaluation of the pledged assets and keeping adequate documentation of this evaluation.
- 4) Cash deposit free from any legal encumbrance either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.
- 5) Rated and unrated senior Sukuk issued by financial institutions or sovereigns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. RISK MANAGEMENT (continued)

c. Credit risk (continued)

Credit quality

Countries, governments and financial institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating. Corporates will be rated on their senior unsecured medium term local currency obligations, unless the credit granted is across border or in foreign currency. In the latter case, the obligor's country's rating will be the ceiling on corporates' rating. Where all credit to a government is in local currency, the rating for that government is the best i.e. 1 on the rating scale, however, if the exposure to the government includes foreign currency, the rating for that government will be the same as the country's rating.

A rating is a forward looking indication of creditworthiness. It is based on an evaluation of past performance, present conditions and outlook for the future. For the purpose of rating, the Group is using only those External Credit Assessment Institutions (ECAIs) which are allowed/ approved by the CBB and are mainly used in Banking exposures.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to Countries and Single Obligors. Single Obligors, in turn are categorised as financial institutions, corporates and governments. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security, structure etc in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiary internally to also rate facilities).

d. Operational risk

The Group categorises operational risk loss events according to the Basel II classification consisting of seven major risk families, but also takes a causal approach to these risks and pays particular attention to the causal categories below:

Infrastructure risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group might be disrupted and severe operational risks could occur.

In order to protect the Group from the infrastructure risk as outlined above, the Group is taking necessary measures as indicated in the Business Continuity Plan and/or Disaster Recovery Plan to cater for these risks.

Information technology risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, cyber-attacks, unauthorized access, by third parties or employees, etc.

Personnel risk

These relate to any risks caused by staff (internal fraud, corruption, crime, etc.). In order to prevent these risks from occurring, the Group has established a corporate culture which entails constructive ways of dealing with mistakes. The Group has also established approved delegation of authorities in all critical business and operations processes, and established separate control functions and dedicated control processes. Further, the Group has already established measures of organizational structure in terms of segregation of duties as well as diverse training measures to improve employee competence and adherence to the required standards of work ethics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS

The distribution by geographic region and industry sector was as follows:

	Assets		Liabilities		Quasi equity	
	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000
Geographical region						
Middle East	1,782,922	1,591,367	111,976	243,535	1,287,092	965,190
Europe	3,609	5,637	2,140	119	40,924	41,001
Asia	1,098,627	955,709	342,517	274,385	677,858	624,352
Others	16,221	20,796	2,588	2,450	234,338	212,152
	2,901,379	2,573,509	459,221	520,489	2,240,212	1,842,695
Industry sector						
Trading and manufacturing	272,177	230,537	72,691	57,880	102,885	76,711
Banks and financial institutions	452,382	316,866	2,417	132,600	818,244	529,471
Construction and real estate	75,976	119,047	18,018	50,750	20,049	43,243
Government	926,757	936,086	4,454	2,214	42,490	65,945
Consumer	789,534	710,700	178,024	135,911	897,953	850,724
Agriculture, fishing and forestry	59,804	67,532	21,007	1,688	5,542	1,930
Others	324,749	192,741	162,610	139,446	353,049	274,671
	2,901,379	2,573,509	459,221	520,489	2,240,212	1,842,695

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments are disclosed in note 7 to these financial statements. However, a certain equity-type instruments at fair value through equity which are carried at cost, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

“A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group’s market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments. The Group holds equity type securities classified as Level 1 and measured at fair value through OCI amounting to USD 33,152 thousands (2024: USD 29,085 thousands). The Group also holds debt type securities classified as Level 1 and measured at fair value through OCI amounting to USD 338,770 thousands (2024: USD 464,205 thousands). The Group holds debt type securities classified as Level 1 and measured at fair value through income statements amounting to USD 35,181 thousands (2024: USD 176 thousands). The Group does not hold any equity-type securities classified as Level 1 and measured at fair value through statement of income.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group holds investment in real estate which is classified as Level 2 and measured at FVOCI amounting to USD 8,613 thousands (2024: 7,722 thousands).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs). The Group also holds debt-type securities classified as Level 3 and measured at fair value through OCI amounting to USD 2,097 thousands (2024: 2,503 thousands), whereas debt-type securities measured at fair value through income statement amounting to USD 361 thousands (2024: USD 365 thousands). The Group holds equity-type securities classified as Level 3 and measured at fair value through equity amounting to USD 25,776 thousands (2024: USD 29,802 thousands) which are carried at cost less impairment. The Group does not hold any equity-type securities classified as Level 3 and measured at fair value through statement of income.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

30. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group’s geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries represent operations in Islamic Republic of Pakistan.

The results reported for the geographic segments are based on the Group’s internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group’s interim condensed consolidated financial statements. Transactions between segments are conducted at estimated market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. SEGMENTAL INFORMATION (continued)

The segmental assets and liabilities of the Group were as follows:

	Middle East		Other Asian Countries		Total	
	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000	2025 US \$ '000	2024 US \$ '000
Assets	1,790,726	1,590,801	1,110,653	982,708	2,901,379	2,573,509
Liabilities and quasi equity	1,680,141	1,470,525	1,019,292	892,659	2,699,433	2,363,184

The segmental income and expenses of the Group were as follows:

Total operating income	26,926	11,121	52,861	66,249	79,787	77,370
Total operating expenses	(39,888)	(42,495)	(40,917)	(35,583)	(80,805)	(78,078)
Reversals / (allowances) for impairment - net	(2,085)	(2,380)	3,433	(2,429)	1,348	(4,809)
Taxation	-	-	(8,175)	(14,642)	(8,175)	(14,642)
(loss) / income for the year	(15,047)	(33,754)	7,202	13,595	(7,845)	(20,159)

31. SOCIAL RESPONSIBILITY

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

32. Zakah

	2025 US \$ '000	2024 US \$ '000
Net equity attributable to shareholders	79,651	88,584
Employee end of service benefits	7,832	6,962
Zakah-able assets	(79,970)	(88,065)
Zakah-able amount	7,513	7,481
Zakah for the year	202	193

33. Fee disclosure

The audit and non-audit fees for the year ended 31 December 2025 to PwC and its network firms are as follows:

	2025 US \$ '000	2024 US \$ '000
Audit fees	241	241
Non-audit fees	207	207
	448	448

34. SUBSEQUENT EVENTS

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from December 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2025 is 203.48%.

The NSFR (as a percentage) must be calculated as follows:

	Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity US \$ '000	Less than 6 Months US \$ '000	More than 6 Months and less than a Year US \$ '000	Over one Year US \$ '000	Total weighted value US \$ '000
Available Stable Funding (ASF):					
Capital:	173,601	-	-	15,099	188,700
Regulatory Capital	173,601	-	-	-	173,601
Other Capital Instruments	-	-	-	15,099	15,099
Retail deposits and deposits from small business customers:	-	1,076,312	57,946	43,832	1,068,698
Stable deposits	-	80,592	95	41	76,694
Less stable deposits	-	995,720	57,850	43,791	992,004
Wholesale funding:	-	1,413,141	1,989	5,305	285,750
Operational deposits	-	30,511	-	-	15,255
Other wholesale funding	-	1,382,631	1,989	5,305	270,494
Other liabilities:	-	-	-	122,241	122,241
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	122,241	122,241
Total ASF	173,601	2,489,453	59,935	186,477	1,665,388
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	1,187,076	-	-	-	49,367
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
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	-	112,069	-	20,944	37,754
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	227,496	137,835	492,537	182,665
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	557,966	362,678
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	2,980	2,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

	Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity US \$ '000	Less than 6 Months US \$ '000	More than 6 Months and less than a Year US \$ '000	Over one Year US \$ '000	Total weighted value US \$ '000
Other assets:	129,144	-	-	-	129,144
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	186	-	-	-	186
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	17,059	-	-	-	17,059
All other assets not included in the above categories	25,216	-	-	-	25,216
OBS items	237,273	-	-	-	11,864
Total RSF	1,595,955	339,564	137,835	1,074,427	818,466
NSFR (%)					203.48%

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

1. INTRODUCTION

Al Baraka Islamic Bank B.S.C. (c) (the “Bank”) is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Bank’s license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has four commercial branches in the Kingdom of Bahrain.

The principal activities of the Bank and its subsidiary (the “Group”) are taking demand, saving and investment accounts, providing Ijara financing and other Shari’a compliant forms of financing as well as managing investors’ money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank’s registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

For details on the Group’s subsidiary as of 31 December 2025, refer note 2 of the consolidated financial statements of the Group.

The public disclosures under this section have been prepared in accordance with the Central Bank of Bahrain (“CBB”) requirements outlined in its Public Disclosure Module (“PD”), Section PD-3: Public Disclosure requirements, CBB Rule Book, Volume II for Islamic Banks.

2. CAPITAL ADEQUACY

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its credit risk, basic indicator approach for its operational risk and standardised measurement approach for its market risk. The CBB capital adequacy requirement is minimum accepted level for capital adequacy. The credit committee of the Group identify and approve assets suitable for funding by quasi equity. For the purpose of computing the Capital Adequacy Ratio (“CAR”) and preparation of the PIRI form, the Group’s consolidates its financial subsidiary (Al Baraka Bank (Pakistan) Limited).

Table – 1. Capital structure

The following table summarises the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation in accordance with Basel III requirements as of:

	31 December 2025			31 December 2024		
	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000
Common Equity Tier 1 (CET1)						
Issued and fully paid ordinary shares	151,458			151,458		
General reserves	8,687			8,687		
Statutory reserves	26,119			26,119		
Accumulated losses	(39,014)			(13,119)		
Current year loss	(10,788)			(25,715)		
Unrealized gains and losses on available for sale financial instruments	9,005			6,500		
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(65,596)			(65,308)		
Other reserves	(545)			(341)		
Total CET1 capital before minority interest	79,326			88,281		
Minority interest in banking subsidiary in capital	13,051			11,159		
Total CET1 capital prior to regulatory adjustments	92,377			99,440		
Less:						
Goodwill	8,017			8,062		
Intangible other than mortgage servicing rights	4,402			5,315		
Deferred tax assets subject to adjustment	5,535			67		
Total CET 1 capital after the regulatory adjustments above (CET 1a)	74,423			85,996		

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

2. CAPITAL ADEQUACY (continued)

Table – 1. Capital structure (continued)

	31 December 2025			31 December 2024		
	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000	CET 1 US \$ '000	AT1 US \$ '000	Tier 2 US \$ '000
Other Capital (AT1 & T 2)						
Instruments issued to parent company		96,000	-	96,000	-	-
Instruments issued by banking subsidiary to third parties		-	6,527	-	-	4,139
Assets revaluation reserve - property, plant, and equipment		-	299	-	-	299
Eligible expected credit losses (ECL) Stages 1 & 2		-	7,362	-	-	7,226
Total Available AT1 & T2 Capital		96,000	14,188	96,000		11,664
Total CET 1 Capital	74,423			85,996		
Total T1 Capital		170,423			181,996	
Total Capital			184,611			193,660

Table – 2. Capital requirement by type of islamic financing contracts

The following table summarises the capital requirements by type of islamic financing contracts:

Type of islamic financing contracts	31 December 2025	31 December 2024
	Capital requirements US \$ '000	Capital requirements US \$ '000
Receivables	17,546	17,092
Ijara muntahia bittamleek and ijara receivables	8,238	16,309
Musharakat	13,453	9,448
	39,237	42,849

Table – 3. Capital requirement for market risk

The following table summarises the amount of exposures subject to standardised approach of market risk and related capital requirements as of:

	31 December 2025		31 December 2024	
	Self Financed US \$ '000	Financed by IAH US \$ '000	Self Financed US \$ '000	Financed by IAH US \$ '000
Market risk - standardised approach				
Price risk	67	-	24	-
Equities Position Risk	27	-	57	-
Foreign exchange risk	5,124	-	7,067	-
Total of market risk - standardised approach	5,218	-	7,148	-
Multiplier	12.50	12.50	12.50	12.50
Eligible Portion for the purpose of the calculation	65,225	-	89,350	-
Risk Weighted Exposures (“RWE”) for CAR Calculation	100%	30%	100%	30%
Total market RWE	65,225	-	89,350	-
Minimum capital requirement		65,225		89,350
		12.50%		12.50%
		8,153		11,169

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

2. CAPITAL ADEQUACY (continued)

Table – 4. Capital Requirements for operational risk

The following table summarises the amount of exposures subject to basic indicator approach of operational risk and related capital requirements as of:

	31 December 2025 US \$ '000	31 December 2024 US \$ '000
Indicators of operational risk	76,955	81,871
Average gross income	12.5	12.5
Multiplier	961,938	1,023,388
Eligible Portion for the purpose of the calculation	15%	15%
Total operational RWE	144,291	153,508
	12.50%	12.50%
Minimum capital requirement	18,036	19,189

Table – 5. Capital adequacy ratios

The following are capital adequacy ratios as at:

	31 December 2025			31 December 2024		
	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio
Group's Capital adequacy ratio	23.13%	21.35%	9.32%	23.60%	22.18%	10.48%
Minimum regulatory requirements*	12.50%	10.50%	9.00%	12.50%	10.50%	9.00%
Al Baraka Bank Pakistan Limited **	22.00%	18.23%	15.41%	25.28%	22.41%	19.12%

* Minimum required by CBB regulations under Basel III

**The subsidiary's Capital adequacy ratio computed in accordance with the CBB requirements.

Legal restrictions on capital and income mobility

The distribution of profits by the subsidiary to the parent company is subject to full compliance with the applicable laws and regulatory requirements in Pakistan and must be effected through the prescribed legal and regulatory channels in the relevant jurisdiction. The mobilisation or transfer of capital, reserves, or equivalent funds from the subsidiary to the parent company is similarly subject to applicable local laws and regulations in Pakistan. There are no regulatory restrictions on the parent company providing financial support to its subsidiary in the form of capital injections or deposits. However, as a matter of regulatory procedure, prior approval from the Central Bank of Bahrain (CBB) is required for any increase in the parent's investment in the subsidiary.

Table - 6. The Group's financial subsidiary capital adequacy ratios

The following presents the Group's financial subsidiary capital adequacy ratio prepared in accordance with the requirements of the State Bank of Pakistan, which may differ from those of the Central Bank of Bahrain (CBB), as at:

	31 December 2025			31 December 2024		
	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio	Total capital ratio	Tier 1 capital ratio	CET 1 capital ratio
Capital adequacy ratio	18.07%	14.85%	10.50%	20.23%	17.53%	10.50%
Minimum regulatory requirements*	11.50%	7.50%	6.00%	11.50%	7.50%	6.00%

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For the year ended 31 December 2025

3. RISK MANAGEMENT

Risk management is a core pillar of the Group's governance framework and an integral part of its decision-making processes. The Group has established a comprehensive risk management function to identify, assess, monitor, and control risks arising from its business activities. Oversight is provided by the Board Risk Management Committee and the Executive Risk Management Committee, which guide and support the effective management of risks relating to the Group's consolidated statement of financial position. Risk exposures are managed through clearly defined policies, frameworks, and limits approved by the Board of Directors. During the year, the Group's risk management framework was applied consistently and operated effectively in line with the approved risk appetite and objectives.

a. Credit risk

Credit risk represents the potential financial loss arising from a counterparty's failure to discharge its contractual obligations. Financing contracts and other credit exposures are typically approved with appropriate collateral and personal/ corporate guarantees. Alongside, the Group manages credit risk by continuously monitoring credit exposures and assessing the credit quality of counterparties.

Table – 7. Credit risk exposure

The following table summarises the amount of gross funded and unfunded credit exposures and average gross funded and unfunded exposures as of:

	31 December 2025				31 December 2024			
	Self financed		Financed by IAH		Self financed		Financed by IAH	
	Total gross credit exposure US \$ '000	*Average gross exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross credit risk exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross credit exposure over the period US \$ '000	Total gross credit exposure US \$ '000	*Average gross credit exposure over the period US \$ '000
Funded exposure								
Cash and balances with banks and financial institutions	129,295	21,943	25,395	149,767	35,894	194,081	120,567	115,732
Receivables	2,878	92,845	684,514	424,138	56,300	14,042	414,671	397,084
Ijara Muntahia Bittamleek and Ijara receivables	6,528	8,415	566,965	562,012	8,662	10,192	568,152	586,953
Musharakat	25,563	23,303	286,464	181,452	25,509	24,949	171,728	140,885
Investments	384,351	467,743	617,585	589,840	486,806	549,503	532,402	524,972
Investments in real estate	8,614	7,722	-	-	7,722	7,722	-	-
Premises and equipment	80,266	79,285	-	-	79,368	92,813	-	-
Other assets	29,898	45,113	53,063	33,021	36,815	39,919	28,916	15,987
Unfunded exposure								
Contingencies and commitments	159,684	156,719	-	-	145,390	139,237	-	-
	827,077	903,088	2,233,986	1,940,230	882,466	1,072,458	1,836,436	1,781,613

*Average balances are computed based on quarter end balances.

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) a. Credit risk (continued)

Table – 8. Credit risk – geographic breakdown

The following table summarises the geographic distribution of exposures, broken down into significant areas by major types of credit exposure as of:

	31 December 2025				31 December 2024			
	Self financed *geographic area		Financed by IAH *geographic area		Self financed *geographic area		Financed by IAH *geographic area	
	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000	Middle East US \$ '000	Other Asian countries US \$ '000
Cash and balances with banks and financial institutions	30,650	97,597	26,443	-	-	56,086	77,299	23,078
Receivables	2,878	-	489,828	194,686	56,300	-	229,565	185,106
Ijara Muntahia Bittamleek and Ijara receivables	6,528	-	566,851	114	8,662	-	567,991	161
Musharakat	-	25,563	-	286,464	-	25,509	-	171,727
Investments	118,053	266,297	449,776	167,810	228,559	238,055	322,821	229,773
Investment in real estate	8,614	-	-	-	7,722	-	-	-
Premises and equipment	53,229	27,037	-	-	58,577	20,791	-	-
Other assets	16,322	14,625	29,669	22,345	15,590	21,225	25,778	3,137
	236,274	431,119	1,562,567	671,419	375,410	361,666	1,223,454	612,982

* Segmental information is presented based on the Group's geographical segments. These segments are determined by the location of the units responsible for recording transactions and reflect the manner in which financial information is reviewed and evaluated by management and the Board of Directors. For financial reporting purposes, the Group is organised into two geographical segments: the Middle East and Other Asian Countries. Other Asian Countries predominantly comprise operations in Pakistan.

Table – 9. Credit risk – counterparty type breakdown

The following table summarises the distribution of funded and unfunded exposure by counterparty type as of:

	31 December 2025				31 December 2024			
	Self financed		Financed by IAH		Self financed		Financed by IAH	
	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000	Funded US \$ '000	Unfunded US \$ '000
Cash items	23,828	-	-	-	11,169	-	12,497	-
Claims on Sovereigns	379,290	-	703,928	-	442,334	-	561,325	-
Claims on Public Sector Entities	42,799	-	97,960	-	45,997	-	16,039	-
Claims on banks	60,999	18,421	46,158	-	54,014	6,482	34,335	-
Claims on corporate	3,828	141,263	560,968	-	46,440	138,876	531,691	-
Mortgages	-	-	528,387	-	-	-	529,870	-
Past dues receivables	-	-	33,564	-	-	33	36,190	-
Regulatory Retail Portfolio	134	-	200,143	-	-	-	61,939	-
Equity investment	39,356	-	423	-	35,117	-	365	-
Investment in Funds	1,000	-	-	-	1,000	-	-	-
Holding of Real Estate	88,946	-	22,986	-	86,558	-	24,274	-
Other assets	27,211	-	39,471	-	14,445	-	27,910	-
	667,391	159,684	2,233,988	-	737,074	145,391	1,836,435	-

For the purpose of rating, the Group is using External Credit Assessment Institutions (ECAIs) as approved by CBB for assigning risk weight to assets.

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3. RISK MANAGEMENT (continued) a. Credit risk (continued)

Table – 10. Credit risk – related party transactions

All transactions with related parties have been made on arms length basis. The following table summarises the balances with related parties as of:

	31 December 2025		31 December 2024	
	Self Financed Funded US \$ '000	Financed by IAH Funded US \$ '000	Self Financed Funded US \$ '000	Financed by IAH Funded US \$ '000
Cash and balances with bank	47	-	62	-
Receivables	-	1,632	-	1,304
Musharakat	-	2,434	-	1,793
Investments	38,459	-	51,301	-
Other Assets	9,579	-	9,003	-
Contingencies and commitments	108	-	2,371	-
	48,193	4,066	62,737	3,097

The Group's intra-group transactions are as follows:

	31 December 2025 Self financed US \$ '000	31 December 2024 Self financed US \$ '000
Assets		
Investment in a subsidiary*	94,201	94,201
	94,201	94,201

*The Bank holds an investment in a banking subsidiary located in the Islamic Republic of Pakistan, which is denominated in Pakistani Rupee. Exchange differences arising from the translation of the subsidiary's financial statements are recognised in a separate component of the Group's consolidated equity. The Bank does not currently employ any hedging strategy to mitigate the impact of fluctuations in the Pakistani Rupee.

Table – 11. Credit risk – concentration of risk

The Group follows the guidelines for the definition and measurement of large exposures at the consolidated level, as stipulated in the Central Bank of Bahrain Rulebook for Islamic Banks.

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2025:

	Funded US \$ '000
Counterparties *	
Counterparty # 1	534,444
Counterparty # 2	367,020
Counterparty # 3	111,680
Counterparty # 4	99,366
Counterparty # 5	39,959
Counterparty # 6	33,815
Counterparty # 7	30,171
Counterparty # 8	28,624

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

a. Credit risk (continued)

Table – 11. Credit risk – concentration of risk (continued)

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2024:

	Funded US \$ '000
Counterparties *	
Counterparty # 1	428,301
Counterparty # 2	357,165
Counterparty # 3	87,707
Counterparty # 4	68,887
Counterparty # 5	31,637
Counterparty # 6	28,246

* These exposures exceed individual obligor limits; however, they are either exempt or have been undertaken with the requisite regulatory approvals.

Past due and non-performing facilities

Past due amounts represent instalments that have not been received on their contractual repayment dates. In accordance with the Group's credit risk policy, financing facilities are classified as non-performing and considered credit-impaired (Stage 3) when payments are overdue for a period of 90 days or more, unless there is evidence to support a different classification. Credit-impaired (Stage 3) exposures are placed on a non-accrual basis, with income recognised only on a cash or distribution basis. Once a financing facility becomes overdue for 90 days or more, the entire outstanding financing exposure is considered past due and credit-impaired.

Highly leveraged counter parties

The assessment of highly leveraged counterparties is performed by the Risk Department on a case-by-case basis, with due consideration given to industry characteristics and the Group's approved credit policies and procedures. Industry-specific leverage ratio benchmarks are established internally and applied to determine the level of leverage exposure (low, medium/acceptable, or high). Counterparties exceeding these internally approved leverage thresholds are classified as highly leveraged and assigned a higher risk profile, which materially influences the internal credit rating or grading assigned to the customer. In this respect, the high risk exposure classified by the bank is as follows:

2025	US \$ '000
Counterparty # 1	8,093
Counterparty # 2	7,268
Counterparty # 3	3,689
Counterparty # 4	2,124
Counterparty # 5	1,351
Counterparty # 6	1,018
Counterparty # 7	745
Counterparty # 8	431
Counterparty # 9	210
Counterparty # 10	84
Counterparty # 11	75

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

a. Credit risk (continued)

Table – 11. Credit risk – concentration of risk (continued)

Highly leveraged counter parties (continued)

2024	US \$ '000
Counterparty # 1	8,045
Counterparty # 2	7,353
Counterparty # 3	1,823
Counterparty # 4	725
Counterparty # 5	290

Table – 12. Credit risk – credit quality of Islamic financing contracts by counterparty type

The following table summarises the aging of non performing facilities disclosed by counterparty type as of:

	31 December 2025					31 December 2024				
	Past due but performing US \$ '000	Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities			Past due but performing US \$ '000	Non-performing Islamic financing contracts US \$ '000	Aging of non performing facilities		
			90 days to 1 year US \$ '000	1 year to 3 years US \$ '000	Over 3 years US \$ '000			90 days to 1 year US \$ '000	1 year to 3 years US \$ '000	Over 3 years US \$ '000
Corporates	25,936	60,065	25,612	13,293	21,160	10,232	86,514	38,174	15,193	33,147
Investment Firms	-	-	-	-	-	-	555	-	-	555
Individuals	1,195	22,476	5,620	5,788	11,068	10,326	17,102	4,409	5,233	7,460
	27,131	82,541	31,232	19,081	32,228	20,558	104,171	42,583	20,426	41,162

Table – 13. Credit Risk – provision against financing facilities by counterparty type

The following table presents provisions for Stage 3 financing facilities by customer type as at 31 December 2025:

	Specific allowances						Balance at 31 December 2025 US \$ '000
	Balance as at 01 January 2025 US \$ '000	Charges during the year US \$ '000	Net Transit in / (out) Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Exchange difference on opening balance US \$ '000	
Corporates	58,319	5,000	112	(4,287)	(19,967)	(222)	38,955
Individuals	8,672	1,235	20	(777)	(130)	(7)	9,013
Others	9,317	1,608	119	(1,475)	(2,329)	(27)	7,213
	76,308	7,843	251	(6,539)	(22,426)	(256)	55,181

The following table presents provisions for Stage 3 financing facilities by customer type as at 31 December 2024:

	Specific allowances						Balance at 31 December 2024 US \$ '000
	Balance as at 01 January 2024 US \$ '000	Charges during the year US \$ '000	Net Transit in / (out) Stage3 during the year US \$ '000	Write-Back during the year US \$ '000	Write-offs during the year US \$ '000	Exchange difference on opening balance US \$ '000	
Corporates	55,399	6,434	(57)	(915)	(2,851)	309	58,319
Individuals	7,301	516	824	(37)	-	68	8,672
Others	8,743	463	-	-	-	111	9,317
	71,443	7,413	767	(952)	(2,851)	488	76,308

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

a. Credit risk (continued)

Table – 14. Credit risk – non performing facilities and provisions

The following table summarises the total non-performing financing facilities (Stage 3) and related provisions (ECLs), analysed by geographical area, as at:

	31 December 2025		31 December 2024	
	Non-performing Islamic financing contracts US \$ '000	Specific allowances US \$ '000	Non-performing Islamic financing contracts US \$ '000	Specific allowances US \$ '000
Middle East	39,435	13,519	55,792	30,812
Other Asian countries	43,106	41,666	48,379	45,499
	82,541	55,185	104,171	76,311

Table – 15. Credit risk – restructured Islamic financing contracts

The following table summarises the total outstanding Islamic financing contracts that were restructured during the year as of:

	31 December 2025 Total US \$ '000	31 December 2024 Total US \$ '000
Restructured Islamic financing contracts	1,961	6,776

The disclosed amount relates to the total financing facilities restructured during the year. The renegotiation of Islamic financing contracts did not have a material impact on expected credit loss provisions, nor on the Group's present or future earnings. The Bank provides support to customers facing financial difficulties through various forbearance measures, including waivers of profit, extensions of repayment periods, and, in certain cases, settlement discounts on financing facilities.

Table – 16. Counterparty credit risk exposure

The following table summarises the counterparty credit risk exposure covered by collateral as of:

	31 December 2025		31 December 2024	
	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	* Collateral held US \$ '000
Cash and balances with banks and financial institutions	154,690	-	156,461	-
Receivables	687,392	313,508	470,971	304,982
Ijara Muntahia Bittamleek and Ijara receivables	573,493	538,072	576,814	550,179
Musharakat	312,027	312,027	197,237	197,236
Investments	1,001,936	-	1,019,208	-
Investment in real estate	8,614	-	7,722	-
Premises and equipment	80,266	-	79,368	-
Other assets	82,961	-	65,731	-
	2,901,379	1,163,607	2,573,512	1,052,397

* Collaterals values have been restricted to outstanding exposure of financing facilities.

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

a. Credit risk (continued)

Table – 17. Counterparty credit risk exposure

The following table summarises exposure by type of Islamic financing contract that is covered by eligible collateral after the application of haircuts as of:

	31 December 2025		31 December 2024	
	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000	Gross positive FV of contracts US \$ '000	Collateral held US \$ '000
Receivables	687,393	16,315	470,970	17,082
Ijara Muntahia Bittamleek & Ijara income receivable	573,493	7,736	576,814	22,224

b. Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Table – 18. Market risk capital requirements

The following table summarises the capital requirement for each category of market risk as of:

	31 December 2025			31 December 2024		
	Equity Position Risk US \$ '000	Price Risk US \$ '000	Foreign exchange risk US \$ '000	Equity Position Risk US \$ '000	Price Risk US \$ '000	Foreign exchange risk US \$ '000
RWE	338	839	64,044	713	297	88,337
Capital requirements (12.5%)	42	105	8,006	89	37	11,042
Maximum value of RWE	676	3,398	110,832	823	2,537	123,446
Minimum value of RWE	322	835	64,044	678	297	72,136

Table – 19. Equity position risk in Banking Book

The following table summarises the total and average gross exposure of equity based structures by type as of 31 December 2025:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Equity investments	36,127	36,556	33,152	2,975	12,279
Real estate related	18,368	18,368	-	18,368	2,207
	55,495	55,924	33,152	22,343	14,511

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

b. Market risk (continued)

Table – 19. Equity position risk in Banking Book (continued)

The following table summarises the total and average gross exposure of equity based structures by type as of 31 December 2024:

	Total gross exposure US \$ '000	Average gross exposure over the period US \$ '000	Publicly held US \$ '000	Privately held US \$ '000	Capital requirement US \$ '000
Managed funds	1,000	1,000	-	1,000	25
Equity investments	35,483	35,558	29,085	6,397	10,924
Real estate related	36,611	36,790	-	36,611	3,981
	<u>73,094</u>	<u>73,348</u>	<u>29,085</u>	<u>44,008</u>	<u>14,930</u>

The Bank carries a diversified portfolio of equity investments containing the securities held for trading or short-term capital gains and stakes in a few entities to secure strategic objectives like entrance in certain market or business segment. More specifically, the securities amounted to USD Nil (2024:Nil), in such portfolio, were held to generate capital gains.

Table – 20. Equity gains or losses in Banking Book

The following table summarises the cumulative realised and unrealised gains during the year ended:

	31 December 2025 US \$ '000	31 December 2024 US \$ '000
Cummulative realised gains arising from sale or liquidation	2,284	1,261
Total unrealised gains recognised in the balance sheet but not through P&L	9,005	6,500
Unrealised gross gains included in Tier One Capital	9,005	6,500
Assets revaluation reserve - property, plant, and equipment	299	299

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates.

Profit rate risk

The Bank generates its funding primarily through profit-sharing arrangements and agency-based modes. The Bank continuously monitors profit rates prevailing in the domestic and regional markets, including rates offered by competitors. In determining the applicable profit rates, the Bank also considers a number of additional factors, including the following:

- Availability of profitable opportunities in the market;
- Key economic fundamentals and liquidity levels; and
- Policy interest rates promulgated by domestic and leading global monetary agencies.

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

b. Market risk (continued)

Table – 21. Profit rate mismatch

The following are the profit rate mismatch between the rate of return on assets and the expected funding due to the sources of finance as of:

	31 December 2025				
	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	Over 3 years US \$ '000
Receivables	382,275	99,385	36,394	80,339	89,000
Ijara muntahia bittamleek and ijara income receivables	19,313	13,530	14,603	67,784	458,262
Musharakat	427	932	84,959	38,416	187,293
Investments sukuk at cost	11,864	-	50,000	102,575	405,723
Profit rate sensitive assets	413,879	113,847	185,956	289,114	1,140,278
Murabaha and other payables	-	-	-	-	-
Participatory investment accounts	1,720,331	325,232	113,283	68,857	6,284
Subordinated mudaraba	32	-	-	6,194	-
Profit rate sensitive liabilities	1,720,363	325,232	113,283	75,051	6,284
Profit rate gap	(1,306,484)	(211,385)	72,673	214,063	1,133,994
Profit rate sensitivity (200bps)	(26,130)	(4,228)	1,453	4,281	22,680

	31 December 2024				
	Up to 3 months US \$ '000	3 to 6 months US \$ '000	6 months to 1 year US \$ '000	1 to 3 years US \$ '000	Over 3 years US \$ '000
Receivables	191,300	87,495	42,133	74,392	75,650
Ijara muntahia bittamleek and Ijara Income Receivables	27,975	10,687	15,648	71,862	450,643
Musharakat	357	1,553	70,251	39,239	85,837
Investments-Sukuk at cost	18,217	-	85,455	220,790	154,575
Profit rate sensitive assets	237,849	99,735	213,487	406,283	766,705
Murabaha and other payables	291,656	-	-	-	-
Participatory investment accounts	1,414,058	162,581	147,058	62,702	50,036
Subordinated debt	33	-	-	6,229	-
Profit rate sensitive liabilities	1,705,747	162,581	147,058	68,931	50,036
Profit rate gap	(1,467,898)	(62,846)	66,429	337,352	716,669
Profit rate sensitivity (200bps)	(29,358)	(1,257)	1,329	6,747	14,333

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

b. Market risk (continued)

Table – 21. Profit rate mismatch (continued)

This table presents the contractual profit rate mismatches between profit-bearing assets and liabilities in order to meet public disclosure requirements. However, due to the inherent nature of Islamic banking, such mismatches do not genuinely exist across the Bank's balance sheet, as the Bank operates under profit-and-loss-sharing Mudaraba arrangements with its investment account holders. Accordingly, any decrease in profit rates is shared with customers in line with the terms of the Mudaraba contracts. The asset base comprises receivables arising from various modes of sale and deployment of funds under Wakala and Mudaraba arrangements, assets and receivables under Ijara contracts, and participation in ventures through Musharaka arrangements. These assets are financed through shareholders' equity, current accounts, funds received under Mudaraba contracts, payables arising from purchases, and predominantly through profit-sharing investment accounts. Consequently, the table is indicative only and reflects contractual profit rate mismatches under different Islamic financing arrangements rather than representing actual repricing risk or structural mismatches between assets and liabilities.

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Table – 22. Foreign currency translation risk

Following is the Group's exposure to different currencies in equivalent US dollars:

	31 December 2025
	Total equivalent US \$ '000
Pakistani Rupees	55,172
Euro	56
Kuwaiti Dinars	196
Pound Sterling	229
Egyptian Pound	2,295
Algerian Dinar	6,000
Others	96
	31 December 2024
	Total equivalent US \$ '000
Pakistani rupees	79,578
Euro	(6,400)
Kuwaiti dinars	76
Pound sterling	472
Egyptian Pound	1,802
Algerian Dinar	6,000
Others	409

Foreign currency risk sensitivity analysis

The Group measures its exposure to foreign currency risk by applying a standard stress testing approach, under which the impact on assets and income is evaluated for a 20% appreciation and depreciation of foreign currencies against the Group's reporting currency. The stress scenarios incorporate different sensitivity assumptions, determined based on management judgment.

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3. RISK MANAGEMENT (continued)

b. Market risk (continued)

Table – 23. Foreign currency risk sensitivity analysis

The following sensitivity analysis illustrates the impact of a reasonably possible movement in foreign currency exchange rates against the US Dollar, with all other variables held constant, on the consolidated statement of income and the consolidated statement of owners' equity, noting that the impact of a similar increase or decrease in exchange rates would be approximately equal and opposite to that disclosed below:

At 31 December 2025			Exposures in	Effect on profit and loss/Equity
Currency	Particular	Change	US \$ '000	US \$ '000
Pakistani rupees	Net Long Position	20%	55,172	11,034
Euro	Net Long Position	20%	56	11
Kuwaiti dinars	Net Long Position	20%	196	39
Pound sterling	Net Long Position	20%	229	46
Egyptian Pound	Net Long Position	20%	2,295	459
Algerian Dinar	Net Long Position	20%	6,000	1,200
Others	Net Long Position	20%	96	19
At 31 December 2024			Exposures in	Effect on profit and loss/Equity
Currency	Particular	Change	US \$ '000	US \$ '000
Pakistani Rupees	Net Long Position	20%	79,578	15,916
Euro	Net Short Position	20%	6,400	1,280
Kuwaiti Dinars	Net Long Position	20%	76	15
Pound Sterling	Net Long Position	20%	472	94
Egyptian Pound	Net Long Position	20%	1,802	360
Algerian Dinar	Net Long Position	20%	6,000	1,200
Others	Net Long Position	20%	409	82

c. Quasi Equity

The Group manages and deploys the equity of Investment Account Holders (IAH) in accordance with its Articles of Association, including Chapter 3 on Rules of Business. In this regard, the Bank invests its own funds either separately or jointly with funds received from the equity of IAH. Such funds are managed in compliance with Shari'a requirements, and a prudent approach is applied in the management of the overall portfolio to enable the Group to discharge its fiduciary responsibilities. The Group is authorised by the equity of IAH to invest these funds under various Shari'a-compliant contracts, including Mudaraba, Murabaha, Salam, and Ijara, as well as other permissible contractual arrangements, in a manner deemed appropriate by the Group, without restrictions as to the place, method, or purpose of investment.

The composition, characteristics, diversification, and concentration of portfolios are monitored within appropriate risk limits and indicators detailed in the Group's credit risk, liquidity risk, and other risks policies of the group. The strategic objectives of the investments of the funds are:

- Investment in Shari' a compliant opportunities;
- Targeted returns;
- Compliance with credit and Investment policy and overall business plan; and
- Diversified portfolio.

Funds are invested in Shari' a compliant commercial or consumer financing as well as short, medium, and long term investments excluding strategic investments. A due diligence process is in place which is consistent with business and risk policy guidelines of the Group after deduction of mandatory reserves and making allowance for short-term liquidity requirements.

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) c. Quasi Equity (continued)

Under all the aforesaid arrangement the Group can commingle the IAH funds with funds generated from various sources (Self-Financed). In this regards, the Bank at inception designate each asset separately as “Self” and “Jointly” financed, except liquid assets which are managed collectively. Further, the jointly financed assets are segregated proportionately based on amounts of funds contributed by each category of investors.

The Group’s share of profit as a Mudarib for managing equity of IAH and their share of income is based on the terms and conditions of the related Mudarib agreements. These funds are invested in Islamic modes of financing and investments including murabaha, salam, istisna, wakala, musharakat, mudaraba and ijara. The Group is offering these accounts for saving and term accounts ranging from 1 months to 5 years. There are no separate designations for portfolio managers, investment advisors and trustee. IAH accounts are managed at Head Office and subsidiary levels by relevant departments.

Investors’ share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool “mudarib expenses”. Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff cost and depreciation. The Group’s “mudarib profit” is deducted from investors’ share of income before distributing such income. In some cases, equity of IAH withdrawn before maturity and without completing agreed period are entitled to income available for tenor completed by the Investor and after deducting charges as per terms of contract.

The basis applied by the Group in arriving at the investment accountholders share of income is [total investment income less investment pool expenses] divided by [average funds generating income (shareholders and equity of investment accountholders) times average funds of equity of IAH].

Investment risk reserve

The Group deducts investment risk reserve as per approved policy from time to time from the profit distributable to equity of investment accountholders of its Bahrain operations, after allocating the Mudarib share in order to cater against future losses for equity of IAH.

Profit equalisation reserve

The Group appropriates a certain amount in excess of the profit to be distributed to equity of investment accountholders before taking into consideration the mudarib share of income. This is used to maintain a certain level of return on investment for equity of IAH.

Displaced commercial risk

The Group is exposed to displaced commercial risk in the event of having equity of IAH profit rates that are lower than market rates. The Group has mitigated this risk through the setting up of reserves that will be used in case of a drop in IAH profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the segment level (Pakistan and Bahrain).

Complaint procedure / awareness programs

A complaint management system is established; procedures on handling complaints have been developed, new Complaints form has been introduced, a number of complaints channels are available where customers can communicate through branches, call centre, email, dedicated staff number and web-site. Monitoring procedures have been developed as well.

The Group uses it’s website, print and electronic media for consumer awareness program and to inform about new products.

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) c. Quasi Equity (continued)

Complaint procedure / awareness programs (continued)

Penalty charges	31 December 2025 US \$ '000	31 December 2024 US \$ '000
Central Bank of Bahrain		
Anomalies in standing orders, EFTS and other electronic channels	18	26
State Bank of Pakistan		
Various non-compliances with domestic laws and regulations	108	44

Non-Shari’a complaint income

The Group has received US \$ 309 thousands (2024: US \$ 324 thousand) from customers as penalty for default are other non sharia compliant sources, which was disposed through charity contribution.

Table – 24. Quasi Equity

The following table summarises the breakdown of equity of IAH and the analysis of profit equalisation reserve, investment risk reserve and return on equity of IAH as of:

	31 December 2025 US \$ '000	31 December 2024 US \$ '000
IAH - Non-banks	1,409,270	1,330,352
IAH - Banks	823,997	505,362
Profit equalisation reserve	720	720
	2,233,987	1,836,434

Table – 25. Ratio of reserves to total IAH

The following table summarises the ratio of reserves to the total amount of equity of IAH as of:

	31 December 2025	31 December 2024
PER to IAH (%)	Nil	Nil
IRR to IAH (%)	Nil	Nil

Table – 26. Quasi equity by islamic financing product type

The following table summarises the percentage of IAH financing for each type of Shari’s-compliant contract to total equity of IAH as of:

	31 December 2025	31 December 2024
Receivables	30.64%	22.58%
Musharakat	12.82%	9.35%
Ijara muntahia bittamleek and Ijara receivable	25.38%	30.94%
Investments	27.64%	28.99%
Liquidity and others	3.51%	8.14%

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) c. Quasi Equity (continued)

Table – 27. Quasi Equity by Counterparty Type

The following table summarises the percentage of equity of investment accountholders for each category of counterparty to total equity as of:

Counterparty type	31 December 2025	31 December 2024
Banks	28.58%	19.13%
Investment Firms	8.56%	8.76%
Corporates	11.40%	14.30%
Residential	45.67%	52.83%
Others	5.78%	4.97%

Table – 28. Investment Accountholders share of profit

The following table summarises the share of profits earned by and paid out to equity of IAH and the Group as Mudarib for the year ended:

	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
Administrative expenses charged to equity of investment accountholders	9,717	10,054	7,355	7,493	8,052	14,061
Share of profits earned by IAH, before transfers to/from reserves	122,278	143,944	143,114	122,330	82,941	87,437
Percentage share of profit earned by IAH before transfer to/from reserves	5.89%	8.08%	8.50%	6.45%	4.64%	5.37%
Share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	114,651	140,784	130,713	102,033	58,567	63,761
Percentage share of profit paid out to IAH after Mudarib fee and transfer to/from reserves	5.53%	7.90%	7.70%	5.38%	3.28%	3.91%
Share of profit paid out to Bank as mudarib	7,627	3,160	12,401	20,297	24,374	23,676
Mudarib Fee to total Investment Profits	6.24%	2.20%	8.70%	16.59%	29.39%	27.08%

The Bank included the service charges/ fees from credit card operations on a proportionate basis in accordance with instructions and approvals Sharia department for distribution to equity of investment account holders.

Table – 29. Movement in profit equalisation reserve

The following table summarises the movement in profit equalisation reserve during the year ended:

	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
Balance at 1 January	720	720	411	411	344	229
Amount apportioned from income	-	-	309	-	67	115
Balance at 31 December	720	720	720	411	411	344
Percentage of the profit earned on equity of investment accountholders appropriated to profit equalisation reserve	-	-	0.20%	0.00%	0.08%	0.13%

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) c. Quasi Equity (continued)

Table – 30. Movement in investment risk reserve

The following table summarises the movement in investment risk reserve during the year ended:

	31 December 2025 US \$ '000	31 December 2024 US \$ '000	31 December 2023 US \$ '000	31 December 2022 US \$ '000	31 December 2021 US \$ '000	31 December 2020 US \$ '000
Balance at 1 January	-	-	-	-	-	-
Amount apportioned from income	-	-	-	-	277	-
Amount apportioned to provision	-	-	-	-	(277)	-
Balance at 31 December	-	-	-	-	-	-
Percentage of the profit earned on of investment accountholders equity appropriated to profit equalisation reserve	Nil	Nil	Nil	Nil	0.33%	Nil

The profit equalisation reserve and investment risk reserve will revert to IAH as per terms and conditions of the Mudaraba contract.

As IAH funds are commingled with the Group's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits.

The Group's share, as Mudarib, in the profits of IAH is up to a maximum of 70% (31 December 2024: up to 70%) as per the terms of IAH agreements.

Table – 31. Quasi equity rate of return

The following table summarises the average rate of return over the period:

	Average 31 December 2025 Rate of return %		
	Bahrain BD	US \$	Pakistan
Saving Accounts	0.07%	0.07%	4.93%
One Month Term Deposits	4.00%	3.95%	2.52%
Three Months Term Deposits	3.85%	3.80%	3.24%
Six Months Term Deposits	3.75%	3.70%	3.25%
Nine Months Term Deposits	3.75%	3.70%	-
1 Year Term Deposits	3.75%	3.70%	4.30%
2 Years Term Deposits	3.50%	3.45%	4.37%
3 Year Term Deposits	3.50%	3.45%	5.29%
4 Years Term Deposits	3.30%	3.25%	4.91%
5 Years Term Deposits	3.30%	3.25%	5.46%

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

c. Quasi Equity (continued)

Table – 31. Quasi equity rate of return (continued)

	Average 31 December 2024 Rate of return %		
	Bahrain		Pakistan
	BD	US \$	
Saving Accounts	0.07%	0.07%	5.49%
One Month Term Deposits	2.64%	2.64%	3.57%
Three Months Term Deposits	3.29%	3.29%	4.02%
Six Months Term Deposits	3.61%	3.61%	4.61%
Nine Months Term Deposits	3.37%	3.37%	-
1 Year Term Deposits	3.22%	3.22%	7.10%
2 Years Term Deposits	3.22%	3.22%	7.85%
3 Year Term Deposits	3.15%	3.15%	9.02%
4 Years Term Deposits	3.09%	3.09%	8.48%
5 Years Term Deposits	3.02%	3.02%	8.79%

Table – 32. Quasi equity by type of assets

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 31 December 2025:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	120,569	(95,172)	25,397
Receivables	414,671	269,843	684,514
Ijara muntahia bittamleek and Ijara receivables	568,152	(1,187)	566,965
Musharakat	171,727	114,737	286,464
Investments	532,402	85,183	617,585
Other assets	28,914	24,147	53,061
	1,836,435	397,551	2,233,986

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the year ended 31 December 2024:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	24,573	95,997	120,569
Receivables	399,749	14,922	414,671
Ijara muntahia bittamleek and Ijara receivables	623,217	(55,065)	568,152
Musharakat	135,361	36,366	171,727
Investments	509,774	22,628	532,402
Other assets	521	28,393	28,915
	1,693,195	143,241	1,836,436

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

c. Quasi Equity (continued)

Table – 32. Quasi equity by type of assets (continued)

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the six months period ended 31 December 2025:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	222,584	(197,187)	25,397
Receivables	430,533	253,981	684,514
Ijara muntahia bittamleek and Ijara receivables	560,490	6,475	566,965
Musharakat	187,027	99,437	286,464
Investments	572,960	44,625	617,585
Other assets	32,879	20,182	53,061
	2,006,473	227,513	2,233,986

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the six months period ended 31 December 2024:

	Opening Actual Allocation US \$ '000	Movement US \$ '000	Closing Actual Allocation US \$ '000
Cash and balances with banks	91,855	28,714	120,569
Receivables	385,983	28,688	414,671
Ijara muntahia bittamleek and Ijara receivables	589,140	(20,988)	568,152
Musharakat	131,347	40,380	171,727
Investments	517,903	14,499	532,402
Other assets	4,096	24,819	28,915
	1,720,324	116,112	1,836,436

Table – 33. Quasi equity profit earned and paid

The following table summarises the amount and percentage of profits earned and paid out to profit sharing investment accounts over the past seven years:

	Profit earned		Profit paid to IAH	
	US \$ '000	%age	US \$ '000	%age
2025	122,278	5.89%	114,651	5.53%
2024	143,944	8.08%	140,784	15.80%
2023	143,114	8.50%	130,713	7.70%
2022	122,330	6.45%	102,033	5.38%
2021	82,941	4.64%	58,567	3.28%
2020	87,437	5.37%	63,761	3.91%
2019	84,531	6.06%	75,287	5.40%

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued) c. Quasi Equity (continued)

Table - 34. Treatment of assets financed by quasi equity

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 31 December 2025:

Type of Claims	RWA US \$ '000	RWA for capital adequacy purposes US \$ '000	Capital charges US \$ '000
Claims on Sovereign	703,928	211,178	26,397
Claims on PSEs	97,960	29,388	3,674
Claims on Banks	46,158	13,847	1,731
Claims on Corporates	560,968	168,290	21,036
Mortgage	528,387	158,516	19,815
Regulatory Retail Portfolio	200,143	60,043	7,505
Past due facilities	33,564	10,069	1,259
Investment in securities	423	127	16
Holding of Real Estates	22,986	6,896	862
Other Assets	39,472	11,842	1,480
	2,233,989	670,196	83,775

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of 31 December 2024:

Type of Claims	RWA US \$ '000	RWA for capital adequacy purposes US \$ '000	Capital charges US \$ '000
Claims on Sovereign	561,325	168,397	21,050
Claims on PSEs	16,038	4,812	601
Claims on Banks	34,335	10,300	1,288
Claims on Corporates	531,691	159,507	19,938
Mortgage	529,870	158,961	19,870
Regulatory Retail Portfolio	61,939	18,582	2,323
Past due facilities	36,190	10,857	1,357
Investment in securities	365	110	14
Holding of Real Estates	24,274	7,282	910
Other Assets	27,910	8,373	1,047
	1,823,937	547,181	68,398

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

d. Off-balance sheet assets under management

Off-balance sheet equity of Investment accountholders is invested and managed in accordance with Shari'a requirements.

The Group is not engaged in investment management activities or in managing funds. Therefore, the investments policies or risk parameters related to funds management are not relevant amid with specific nature of such business. The exposures given above are raised predominantly under agency arrangements/ syndications with specified institutional customers. In this respect, the respective nature, associated risks and returns measures are duly disclosed.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

- Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;
- Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and
- Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

Table - 35. Off-balance sheet assets under management by Islamic product type

The following table summarises the breakdown of Off-balance sheet assets under management by type of islamic financing contracts as of:

Islamic products	31 December 2025	31 December 2024
On balance sheet jointly financed assets*		
Others		
Receivables	87.21%	86.81%
Investments	12.79%	13.19%

* Funds received under "Wakala" contracts are commingled or invested under multi level arrangements in " On Balance Sheet quasi equity. In this regards, the distribution of such assets is duly given in section "C".

Table - 36. Off-balance sheet assets under management by counterparty type

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

Counterparty type	31 December 2025	31 December 2024
On balance sheet jointly financed assets*		
Others		
Banks	55.57%	56.00%
Corporate	32.75%	31.78%
Sovereigns	11.68%	12.21%

* Funds received under "Wakala" contracts are commingled or invested under multi level arrangements in " On balance sheet quasi equity. In this regards, the distribution of such assets is duly given in section "C".

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

d. Off-balance sheet assets under management (continued)

Table – 37. Off-balance sheet assets under management by type of assets

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the period ended 31 December 2025:

	Opening actual allocation US \$ '000	Movement US \$ '000	Closing actual allocation US \$ '000
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	682,981	357,937	1,040,918
Receivables	189,362	(22,513)	166,849
Investments	28,780	(4,303)	24,477
	901,123	331,121	1,232,244

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets and the changes in the asset allocation for the year ended 31 December 2024:

	Opening actual allocation US \$ '000	Movement US \$ '000	Closing actual allocation US \$ '000
Wakala Bi Al-Istithmar on balance sheet jointly financed assets	362,061	320,920	682,981
Receivables	122,220	67,142	189,362
Investments	22,255	6,525	28,780
	506,536	394,587	901,123

Table – 38. Off-balance sheet assets under management historical returns

The following table summarises the historical returns over the past seven years:

	December 2025 US\$ '000	December 2024 US\$ '000	December 2023 US\$ '000	December 2022 US\$ '000	December 2021 US\$ '000	December 2020 US\$ '000	December 2019 US\$ '000
Gross Income	31,095	35,053	41,601	34,555	25,593	17,153	23,830
Mudarib/ agency fee	(15,665)	(1,993)	(11,736)	(11,310)	(9,945)	(3,821)	(11,563)

The Group's share of profit as a Mudarib for managing Off-balance sheet quasi equity and their share of income is based on the terms and conditions of the related mudarib agreements. These mudarib agreements are done at the individual Counter party level.

e. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. The liquidity management policy at a minimum includes the following:

- Provide clear guidance on the composition and role of the asset/liability committee or such other committee or department responsible for managing liquidity.
- Establish approval processes to ensure adherence to liquidity risk management processes.

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For the year ended 31 December 2025

3. RISK MANAGEMENT (continued)

e. Liquidity risk (continued)

- Require periodic calculations to determine the extent to which the segments are funding long-term assets with short-term liabilities.
- Establish liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.
- Establish limits on the degree of concentrations that are deemed acceptable. This should:
 - Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the segments manage their assets and liquidity profile to mitigate the risk; and
 - Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the segments conduct an impact analysis on its dependency on any such concentrations.
- Provide for periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.
- Provide for the review of alternate funding sources including stand-by facilities and lines of credit.
- Establish a framework for the composition of assets.
- Assess the acceptable mismatch in combination with currency commitments. The segments undertake separate analysis of their strategy for each currency individually. They set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

Table – 39. Liquidity ratios

The following table summarises the liquidity ratios as of:

	31 December 2025	31 December 2024
Liquid assets to total assets	12.51%	10.97%
Short term assets to short term liabilities	41.32%	35.70%

Table – 40. Quantitative indicators of financial performance and position

	December 2025	December 2024	December 2023	December 2022	December 2021	December 2020	December 2019
Return on average equity	-3.8%	-9.2%	-9.9%	6.1%	4.7%	2.8%	2.0%
Return on average assets	-0.3%	-0.8%	-0.9%	0.6%	0.5%	0.3%	0.2%
Cost to Income Ratio	101.3%	100.9%	98.6%	72.4%	70.8%	67.7%	75.6%

* Return based on total income and equity (including non-controlling interest)

Basel III, Pillar III Disclosures

For the year ended 31 December 2025

4. OTHERS

The Bank pays Zakat on behalf of shareholders on their funds while the responsibility for such obligation lies on investment accountholders. While, in Pakistan, Zakah is deducted at source from the Equity of Investment accountholders as required by local laws.

The Group has dedicated staff and hires services of professional firms to ensure compliance with applicable laws and regulations. Further, the legal cases are actively followed in collaboration of legal councils and directly monitored by the strategic management.

Subject to the provisions thereof, deposits held with the Bahrain office of Al Baraka Islamic Bank B.S.C.(c) are covered by the Deposit Protection Scheme established by the Central Bank of Bahrain regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board.

External Auditors

The Board Audit Committee has continued to review the work carried out by the external auditors during the year, in particular timeliness of reporting, quality of work and related fees. Overall the Audit Committee believes that the work of the external auditors has been of a sufficiently high standard and that the fees are reasonable and therefore recommended to the Board and accordingly to the annual general meeting (AGM) to re-appoint the external auditors as auditor for the 2025 financial year. The AGM has approved the reappointment of the external auditor for the year 2025 on 25 March 2025 and the related regulatory approval were taken.

CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation

As at 31 December 2025

Common Disclosure Template		PIRI	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus	151,458	E
2	Accumulated loss	(49,802)	G
3	Accumulated other comprehensive income (and other reserves)	(22,304)	H-L
4	Not applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	13,051	M
6	Common Equity Tier 1 capital before regulatory adjustments	92,403	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	8,017	B
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,402	A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	C1
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)	5,532	C2
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	17,951	
29	Common Equity Tier 1 capital (CET1)	74,452	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	96,000	F
31	of which: classified as equity under applicable accounting standards	96,000	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	N
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	96,000	

CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation (continued)

As at 31 December 2025

	PIRI	Reference
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)	96,000	
45 Hair Cut due to shortage in CET-1 Capital	-	
46 Net Available Capital after regulatory adjustments and haircut	96,000	
47 Tier 1 capital (T1 = CET1 + AT1)	170,452	
Tier 2 capital: instruments and provisions		
48 Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
49 Directly issued capital instruments subject to phase out from Tier 2	-	
50 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)	6,527	D
51 of which: instruments issued by subsidiaries subject to phase out	-	
52 Assets revaluation reserve - property, plant, and equipment	299	O
53 Provisions	7,360	Q
54 Tier 2 capital before regulatory adjustments	14,186	
Tier 2 capital: regulatory adjustments		
55 Investments in own Tier 2 instruments	-	
56 Reciprocal cross-holdings in Tier 2 instruments	-	
57 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)	-	
58 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
59 National specific regulatory adjustments	-	
60 Total regulatory adjustments to Tier 2 capital	-	
61 Tier 2 capital (T2)	14,186	
62 Total capital (TC = T1 + T2)	184,638	
63 Total risk weighted assets	798,076	
Capital ratios and buffers		
64 Common Equity Tier 1 (as a percentage of risk weighted assets)	9.33%	
65 Tier 1 (as a percentage of risk weighted assets)	21.36%	
66 Total capital (as a percentage of risk weighted assets)	23.14%	
67 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)	12.5%	
68 of which: capital conservation buffer requirement	2.5%	

CBB - Composition of Capital Disclosure Requirements PD-1 Regulatory Capital Reconciliation (continued)

As at 31 December 2025

	PIRI	Reference
Capital ratios and buffers		
69 of which: bank specific countercyclical buffer requirement	N/A	
70 of which: D-SIB buffer requirement	N/A	
71 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.8%	
National minimal including CCB (where different from Basel III)		
72 CBB Common Equity Tier 1 minimum ratio	9%	
73 CBB Tier 1 minimum ratio	10.5%	
74 CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)		
75 Non-significant investments in the capital of other financials	-	
76 Significant investments in the common stock of financials	-	
77 Mortgage servicing rights (net of related tax liability)	-	
78 Deferred tax assets arising from temporary differences (net of related tax liability)	7,999	
Applicable caps on the inclusion of provisions in Tier 2		
79 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	14,247	P
80 Cap on inclusion of provisions in Tier 2 under standardised approach	7,360	Q
81 N/A		
82 N/A		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
83 Current cap on CET1 instruments subject to phase out arrangements	-	
84 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
85 Current cap on AT1 instruments subject to phase out arrangements	-	
86 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
87 Current cap on T2 instruments subject to phase out arrangements	-	
88 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

CBB - Composition of Capital Disclosure Requirements Statement of Financial Position

As at 31 December 2025

Appendix PD-2		
Step-1		
	As per published financial statements	As per Consolidated PIRI Return
	31 December 2025	31 December 2025
	US \$ '000	US \$ '000
Assets		
Cash and balances with banks and financial institutions	154,690	154,690
Receivables	687,393	697,541
Ijara muntahia bittamleek and ijara receivables	573,493	574,659
Musharakat	312,027	313,496
Investments	1,001,936	1,003,151
Investments in real estate	8,614	8,614
Premises and equipment	80,266	80,266
Intangibles and goodwill	24,363	24,363
Other assets	58,598	58,598
Total Assets	2,901,380	2,915,378
Liabilities		
Current accounts	336,498	336,498
Murabaha and other payables	-	-
Other liabilities	122,724	122,475
Total liabilities	459,222	458,973
Quasi Equity		
Participatory investment accounts	2,233,986	2,233,986
Subordinated mudaraba	6,226	6,226
Total quasi equity	2,240,212	2,240,212
Owners' Equity		
CET 1		
Share capital	151,458	151,458
Perpetual equity-type instruments	96,000	96,000
Reserves	(22,005)	(22,005)
Accumulated losses	(49,802)	(49,802)
Expected credit losses	-	14,247
Total Owners' Equity	175,651	189,898
Non controlling interest	26,295	26,295
Total Liabilities, URIA and Owners' equity	2,901,380	2,915,378

CBB - Composition of Capital Disclosure Requirements Statement of Financial Position

As at 31 December 2025

Appendix PD-2			
Step-2			
	As per published financial statements	As per Consolidated PIRI Return	
	31 December 2025	31 December 2025	
	US \$ '000	US \$ '000	
Assets			
Cash and balances with banks and financial institutions	154,690	154,690	
Receivables	687,393	697,541	
Ijara Muntahia Bittamleek & Ijara receivables	573,493	574,659	
Musharakat	312,027	313,496	
Investments carried at fair value through profit & loss	35,542	35,542	
Investments carried at amortized cost	571,267	571,267	
Investments carried at fair value through equity	395,127	396,342	
Investments in real estate	8,614	8,614	
Premises and equipment	80,266	80,266	
Intangibles & Goodwill	24,363	24,363	
of which intangibles	4,402	4,402	A
of which Goodwill	8,017	8,017	B
Other assets	58,598	58,598	
of which deferred tax subject to direct deduction	-	-	C1
of which deferred tax subject to threshold deduction	-	5,532	C2
Total Assets	2,901,380	2,915,378	
Liabilities			
Current accounts	336,498	336,498	
Murabaha and other payables	-	-	
Other liabilities	122,724	122,475	
Total liabilities	459,222	458,973	
Quasi Equity			
Participatory investment accounts	2,233,986	2,233,986	
Subordinated mudaraba	6,226	6,226	
of which allowed as T2	-	6,527	D
Total quasi equity	2,240,212	2,240,212	
Shareholders' Equity			
CET 1			
Share capital	151,458	151,458	E
Perpetual AT1 Capital	96,000	96,000	F
Accumulated losses	(49,802)	(49,802)	G
Statutory reserve	26,119	26,119	H
General reserves	8,687	8,687	I
Foreign exchange reserve	(65,571)	(65,571)	J
Revaluation reserve on investments	9,006	9,006	K
Other reserves	(545)	(545)	L
Non controlling interest	26,295	26,295	
NCI CET1	-	13,051	M
NCI AT1	-	-	N
Tier 2			
Revaluation reserve on premises and equipment	299	299	O
Expected credit losses for stage1 and stage2	-	14,247	P
of which allowed as T2	-	7,360	Q
Total Owners' Equity	201,946	216,193	
Total Liabilities, URIA and Owners' equity	2,901,380	2,915,378	

CBB - Composition of Capital Disclosure Requirements Disclosure template for main features of regulatory capital instruments

As at 31 December 2025

Appendix PD-3				
Issuer	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Islamic Bank	Al Baraka Bank (Pakistan) Limited
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA
Governing law(s) of the instrument	Kingdom of Bahrain	Kingdom of Bahrain	Kingdom of Bahrain	All applicable laws and regulations of the Islamic Republic of Pakistan
<i>Regulatory treatment</i>				
Transitional CBB rules	CET 1	AT1	AT1	Tier 2
Post-transitional CBB rules	CET 1	AT1	AT1	Tier 2
Eligible at solo/group/group&solo	Both solo and Group	Both solo and Group	Both solo and Group	GROUP
Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated Mudaraba debt	Subordinated Mudaraba debt	Unrestricted Mudaraba Sukuk
Amount recognised in regulatory capital (Currency in USD K, as of most recent reporting date)	151,458	81,000	15,000	6,226
Par value of instrument	100	Not Applicable	Not Applicable	NA
Accounting classification	Equity	Equity	Equity	Liability - amortized cost
Original date of issuance	Various	2018	2019	2014
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
Original maturity date	Not Applicable	Perpetual	Perpetual	2021
Issuer call subject to prior supervisory approval	Not Applicable	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
<i>Coupons / dividends</i>				
Fixed or floating dividend/coupon	As decided by shareholder	Fixed	Fixed	Floating
Coupon rate and any related index	Not Applicable	Various	Various	KIBOR
Existence of a dividend stopper	Not Applicable	Yes	Yes	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	Not Applicable	No	No	Not Applicable
Noncumulative or cumulative	Not Applicable	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Not Applicable	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger (s)	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Write-down feature	Not Applicable	Yes	Yes	No
If write-down, write-down trigger(s)	Not Applicable	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	If regulatory requires to meet the minimum capital requirements as per laws applicable in country of incorporation.	Not Applicable
If write-down, full or partial	Not Applicable	Full	Full	Not Applicable
If write-down, permanent or temporary	Not Applicable	Permanent	Permanent	Not Applicable
If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Senior to common equity and subordinate to all liabilities	Subordinate to all liabilities
Non-compliant transitioned features	Not Applicable	No	No	No
If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable	Not Applicable