

ALUBAF Arab International Bank B.S.C. (c)

**REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2025

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of ALUBAF Arab International Bank B.S.C. (c) ("the Bank") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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 ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUBAF ARAB INTERNATIONAL 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)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Group's Audit, Risk and Compliance Committee 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 Requirements

As required by the Bahrain Commercial Companies Law and (Volume 1) of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)**

Report on Other Legal and Regulatory Requirements (continued)

- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2025 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and
- d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, script font.

Partner's registration number: 115
11 February 2026
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
ASSETS			
Cash and balances with central bank and other banks	4	659,701	524,811
Deposits with banks and other financial institutions	5	607,679	747,932
Investments held for trading	6	2,035	14,436
Investment in fund	7	17,426	15,427
Investment securities	8	297,233	270,489
Loans and advances	9	159,813	156,387
Investment properties	10	14,538	11,734
Property, equipment and software	11	5,442	6,046
Interest receivable		18,488	18,660
Other assets		5,642	1,240
TOTAL ASSETS		1,787,997	1,767,162
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions	12	542,234	786,830
Due to banks and other financial institutions	12	240,720	204,470
Due to customers	13	606,868	396,178
Interest payable		4,127	4,585
Other liabilities	14	13,676	12,657
Total liabilities		1,407,625	1,404,720
Equity			
Share capital	15	250,000	250,000
Statutory reserve	15	38,587	35,549
Retained earnings		68,324	65,984
Fair value reserve		3,461	(4,091)
Proposed dividend	16	20,000	15,000
Total equity		380,372	362,442
TOTAL LIABILITIES AND EQUITY		1,787,997	1,767,162

Abdulmgid Emhamed
Vice Chairman

Wisam Alsaadi Alkeelany
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
Interest income	17	73,339	87,658
Interest expense	18	(33,458)	(39,995)
Net interest income		39,881	47,663
Fee and commission income	19	1,891	2,269
Trading income - net	20	147	47
Gain on investment in fund	7	1,999	427
Realised gain on investment securities - net		503	228
Foreign exchange gain - net		550	593
Other income		147	319
OPERATING INCOME		45,118	51,546
Provision reversal (charge) for expected credit losses - net	21	6,307	(6,004)
NET OPERATING INCOME		51,425	45,542
Staff costs		(10,273)	(9,933)
Depreciation	11	(627)	(691)
Other operating expenses	22	(5,024)	(4,918)
OPERATING EXPENSES		(15,924)	(15,542)
PROFIT BEFORE TAXATION		35,501	30,000
Taxation	23	(5,123)	-
NET PROFIT FOR THE YEAR		30,378	30,000

Abdulmgid Elhamed
Vice Chairman

Wisam Alsaad Alkeelany
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 US\$ '000	2024 US\$ '000
NET PROFIT FOR THE YEAR	30,378	30,000
Other comprehensive gain		
<i>Other comprehensive gain to be reclassified to profit or loss in subsequent periods:</i>		
Unrealised fair value gain on investments classified as fair value through other comprehensive income (FVOCI)	7,869	2,787
Reversal for expected credit loss on FVOCI investments	(317)	(739)
Other comprehensive gain for the year	7,552	2,048
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	37,930	32,048

The attached notes 1 to 30 form part of these consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
OPERATING ACTIVITIES			
Profit before taxation		35,501	30,000
Adjustments for:			
Provision (reversal) charge for expected credit losses - net	21	(6,307)	6,004
Depreciation	11	627	691
Amortisation of investments carried at amortised cost	8	639	1,228
Realised gain on investment securities - net		(503)	(228)
Gain on investment in fund	7	(1,999)	(427)
Trading income - net	20	(147)	(47)
Amortisation of loans and advances carried at amortised cost		(855)	(980)
Operating profit before changes in operating assets and liabilities		26,956	36,241
Changes in operating assets and liabilities:			
Balances with central bank		(158,630)	(117,471)
Deposits with banks and other financial institutions		33,822	74,554
Loans and advances		3,335	16,976
Investment properties		(2,804)	-
Interest receivable		172	(1,301)
Other assets		(4,402)	93
Deposits from banks and other financial institutions		(244,596)	129,289
Due to banks and other financial institutions		36,250	98,236
Due to customers		210,690	374,879
Interest payable		(458)	474
Other liabilities		(938)	1,083
Income tax paid		(3,114)	-
Net cash flows (used in) generated from operating activities		(103,717)	613,053
INVESTING ACTIVITIES			
Purchase of investments classified as held for trading		(15,078)	(22,694)
Purchase of investment in fund		-	(15,000)
Purchase of investment securities		(71,208)	(72,411)
Purchase of property, equipment and software	11	(23)	(118)
Proceeds from disposal / maturity of investments classified as held for trading		27,626	11,294
Proceeds from disposal / maturity of investment securities		52,233	69,268
Net cash flows used in investing activities		(6,450)	(29,661)
FINANCING ACTIVITY			
Dividend paid	16	(20,000)	(12,500)
Cash flows used in financing activity		(20,000)	(12,500)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(130,167)	570,892
Cash and cash equivalents at 1 January		738,931	168,039
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	608,764	738,931

The attached notes 1 to 30 form part of these consolidated financial statements.

ALUBAF Arab International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Notes	Share capital US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Fair value reserve US\$'000	Proposed dividend US\$'000	Total US\$ '000
Balance as of 1 January 2025		250,000	35,549	65,984	(4,091)	15,000	362,442
Net profit for the year		-	-	30,378	-	-	30,378
Other comprehensive income		-	-	-	7,552	-	7,552
Total comprehensive income		-	-	30,378	7,552	-	37,930
Statutory reserve movement	15	-	3,038	(3,038)	-	-	-
Increase in proposed dividend	16	-	-	(5,000)	-	5,000	-
Dividend paid	16	-	-	-	-	(20,000)	(20,000)
Proposed dividend for 2025	16	-	-	(20,000)	-	20,000	-
Balance as of 31 December 2025		250,000	38,587	68,324	3,461	20,000	380,372
Balance as of 1 January 2024		250,000	32,549	53,984	(6,139)	12,500	342,894
Net profit for the year		-	-	30,000	-	-	30,000
Other comprehensive income		-	-	-	2,048	-	2,048
Total comprehensive income		-	-	30,000	2,048	-	32,048
Statutory reserve movement	15	-	3,000	(3,000)	-	-	-
Dividend paid	16	-	-	-	-	(12,500)	(12,500)
Proposed dividend for 2024	16	-	-	(15,000)	-	15,000	-
Balance as of 31 December 2024		250,000	35,549	65,984	(4,091)	15,000	362,442

The attached notes 1 to 30 form part of these consolidated financial statements.

1 ACTIVITIES

ALUBAF Arab International Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is at Building 854, Road 3618, Avenue 436, Alubaf Tower, Al-Seef District, PO Box 11529, Manama, Kingdom of Bahrain.

The Bank is majority owned by Libyan Foreign Bank, a bank registered in Libya (refer to note 15 for more details).

These consolidated financial statements comprise the assets, liabilities and operating results of the Bank and its wholly owned subsidiaries International Hotel Development Company S.A.L., Lebanon and Bahrain Real Estate Development Company, Jordan (together "the Group"). These subsidiaries are held by the Bank primarily for the purpose of holding investment properties recognised by the Group as partial settlements of legacy fully provided financing facilities. The activities of these subsidiaries are limited to the ownership and management of such investment properties. All operating and administrative expenses of these subsidiaries are borne directly by the Bank.

The consolidated financial statements of the Group for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 11 February 2026.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS and are in conformity with the Bahrain Commercial Companies Law ("BCCL"), the CBB and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and the relevant CBB directives.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments in fund, classified as held for trading and classified at fair value through other comprehensive income ("FVOCI") that have been remeasured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in United States Dollars (US\$), being the Bank's functional currency. All values are rounded to the nearest thousand (US\$ '000), except when otherwise indicated.

2.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank, its subsidiaries as at 31 December 2025. The reporting dates of the subsidiaries and the Bank are identical and their accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- b) derecognises the carrying amount of any non-controlling interest;
- c) derecognises the cumulative transaction differences, recorded in equity;
- d) recognises the fair value of consideration received;
- e) recognises the fair value of any investment retained;
- f) recognises any surplus or deficit in the consolidated statement of income; and
- g) reclassifies the parent's share of a component previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Financial instruments

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial instruments (continued)

Initial measurement (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination, the difference is treated as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses data only from observable markets, the difference is recognised as a day 1 gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day 1 profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or when the instrument is derecognised.

Financial assets

2.2.1 Debt instruments - Classification and subsequent measurement

The Group classifies its financial assets - debt instruments in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset i.e. solely payments of principal and interest (SPPI) test.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income' as 'Gain or loss on disposal of non-trading investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also designate a financial asset at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within operating income as 'Gain (loss) on investments classified as FVTPL' in the period in which it arises, unless it arises from debt instruments that were neither designated at fair value nor which are not held for trading, in which case they are presented separately within 'operating income' as a 'Gain on investment securities - net'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of a 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the asset's and business model performance is evaluated and reported to key management personnel;
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Business model (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

SPPI test

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Modified or forbearance of loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Modified or forbearance of loans (continued)

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate (EIR) for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk ("SICR") has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis or based on assessment as to whether SICR or default has occurred. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off or is transferred back to Stage 2.

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Derecognition other than on a modification

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial assets (continued)

2.2.1 Debt instruments - Classification and subsequent measurement (continued)

Derecognition other than on a modification (continued)

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

2.2.2 Equity instruments - classification and subsequent measurement

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group elects to irrevocably designate certain equity investments at FVOCI which are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Equity investments at FVOCI are not subject to impairment assessment. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVOCI, are recognised at FVTPL.

Gains and losses on equity investments at FVTPL are included within operating income as 'Gain (loss) on investments classified as FVTPL' in the consolidated statement of profit or loss.

Dividends are recognised in the consolidated statement of profit or loss within operating income when the Group's right to receive payments is established.

Financial liabilities

Classification and subsequent measurement

All financial liabilities of the Group are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives and financial liabilities held for trading (e.g. short positions in the trading booking). Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in issuer's credit risk, which is determined as the amount that is not attributable to changes in the market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the issuer's credit risk are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Financial liabilities (continued)

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Impairment

The Group assesses on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan or an approximation thereof.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Impairment (continued)

Measurement of ECL (continued)

- undrawn loan commitments: estimates the expected portion of the loan commitment that are drawn down over the expected life of the loan commitment; and calculates the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and
- financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For the purposes of calculation of ECL, the Group categorises its FVOCI and amortised cost debt securities, loans and receivable and loan commitments and financial guarantee contracts into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing: when financial assets are first recognised, the Group recognises an allowance based up to 12-month ECL.
- Stage 2 – Significant increase in credit risk: when a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 – Impaired: the Group recognises the lifetime ECL for these financial assets.

For the purposes of categorisation into above stages, the Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Group records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the ECL does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Stage 1

The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date. Subsequently on each reporting date the Group classifies following as Stage 1:

- debt type assets that are determined to have low credit risk at the reporting date; and
- on which credit risk has not increased significantly since their initial recognition.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Impairment (continued)

Measurement of ECL (continued)

In each case, this assessment is based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks.

Performing exposures restructured will be treated as Stage 2, including loans renegotiated due to deterioration in business condition will be treated as Stage 2 unless the loan is overdue for 90 days or more, where the exposure will be determined as Stage 3.

It is the Group's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the financial asset is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an impaired loan or advance by the Group will be continue to be classified as Stage 3;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Other than originated credit-impaired loans, loans are transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of 12 months.

Forward looking information

The Group incorporates forward-looking information in the measurement of ECLs.

The Group considers forward-looking information such as macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates) and economic forecasts.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Impairment (continued)

Forward looking information (continued)

The Group uses published external information from International Monetary Fund (IMF) website, government and private economic forecasting services. These forward looking assumptions undergo an internal governance process before they are applied for different scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

Limitation of estimation techniques

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain factors for which the data is updated once it is available and adjustments are made for significant events occurring prior to the reporting date.

Experienced credit adjustment

The Group's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Financial guarantee contracts and loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

The premium received is recognised in the consolidated statement of profit or loss within operating income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**2.2 Material accounting policy information (continued)****Derivative financial instruments**

The Group makes use of derivative instruments, such as forward foreign exchange contracts.

Derivatives are initially recognised, and subsequently measured, at fair value with transaction costs taken directly to the consolidated statement of profit or loss. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with banks, treasury bills and deposits with banks and other financial institutions with original maturities of 90 days or less.

Property, equipment and software

Property, equipment and software are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred to replace a component of an item of property, equipment and software that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. When significant parts of property, equipment and software are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Land and capital work in progress are not depreciated. Repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Assets	Estimated useful life in years
Building	15
Furniture, equipment and motor vehicles	3 to 5
Software	3 to 5

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, equipment and software are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses. Subsequently, investment property is accounted for in accordance with the cost model where its stated at cost less accumulated depreciation and accumulated impairment losses.

Investment property is derecognised when either it is disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the year of derecognition.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the difference being recognised as an impairment in the consolidated statement of profit or loss.

Renegotiated loans

In the ordinary course of its business, the Group seeks to restructure loans. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised in the consolidated statement of profit or loss.

Taxation

Domestic Minimum Top-Up Tax (DMTT)

Effective 1 January 2025, Bahrain introduced a Domestic Minimum Top-Up Tax (DMTT) regime in line with the OECD Pillar Two framework. This framework required certain Multinational Enterprise (MNE) Groups with annual revenues of EUR 750 million or more, to pay a top-up tax to ensure a minimum effective tax rate of 15% in each of the jurisdictions they operate. The Bank is subject to DMTT and has registered as a Constituent Entity of the Group in Bahrain.

The Bank recognises the charge of DMTT in accordance with the applicable legislation and supporting executive regulations. DMTT is calculated on the taxable income (Globe Income) of the Bank at the global minimum rate of 15%. DMTT is recognised as a current tax expense in the statement of profit or loss. No deferred tax has been recognised as Bank has applied temporary exception from the requirements in IAS 12, Income Taxes, to account for deferred taxes arising from Global Anti-Base Erosion rules.

Employees' end of service benefits

The Group provides end of service benefits to its non - Bahraini employees. The entitlement to these benefits is based upon the employee's final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

The Group also makes contributions to the Social Insurance Organisation (SIO) Scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Share capital, statutory reserve and dividend

Share capital

Ordinary shares issued by the Group are classified as equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Statutory reserve

The BCCL requires that 10% of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the paid up share capital.

Dividend

The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the BCCL, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Fair value measurement

The Group measures financial instruments, such as investments and derivatives at fair value at the reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are detailed in note 26.

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.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Fair value measurement (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained earlier.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The recognition of interest income is suspended when the loans become impaired, such as when overdue by more than 90 days.

Fee and commission income

Fee and commission income are recognised when earned.

Foreign exchange gain

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the Group's functional currency at the rates of exchange ruling at the reporting date. Any gains or losses are taken to the consolidated statement of profit or loss.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Share based payments

Cash-settled share based payments

The cost of cash-settled share based payment transactions is measured initially at fair value at the grant date using an appropriate valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in the consolidated statement of profit or loss.

Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars (US\$), which is the Bank's functional currency.

Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Material accounting policy information (continued)

Foreign currencies (continued)

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 (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are recognised in OCI or profit or loss, respectively).

2.3 Changes in accounting policies and disclosures

(i) New and amended standards and interpretations effective as of 1 January 2025

The following new amendments to the accounting standards became effective in 2025 and have been adopted by the Group in preparation of these consolidated financial statements as applicable. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment did not have a material impact on the Group's consolidated financial statements.

(ii) New and amended standards and interpretations issued but not yet effective

New and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities;
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments; and
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Changes in accounting policies and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank has performed an assessment of all material electronic payment systems used in the various jurisdictions it operates.

Most of the electronic settlement systems used by the Bank result in real-time settlement. There is a limited number of electronic settlement systems used by the Bank that do not result in real-time settlement. For those, the Bank has been derecognising the financial liability, and the associated cash, at the time of submitting the payment instructions. In line with the amendments, the Bank will change this current practice to derecognising the financial liability and the associated cash when the payment has reached the beneficiary, which is when the obligation is discharged. However, given the limited number of such electronic settlement systems used by the Bank, and the low value of payments involved, the amendments are not expected to have a material impact.

The Bank has determined that it will not apply the accounting policy option to derecognise financial liabilities before the settlement date. Moreover, the Bank has also reviewed its other payment systems (such as cheques, credit cards, debit cards) and concluded that the recognition and derecognition policies are already in line with the amendments.

In addition, the Bank has assessed the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the assessments performed, the amendments in these areas are not expected to have a material impact on the financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity. The amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts;
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts; and
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3 Changes in accounting policies and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)

There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

The initial expected material impacts of IFRS 18 on the Bank's financial statements are, as follows:

- Income and expenses from the following will be classified in the operating category within the statement of profit or loss: (a) cash and cash equivalents; (b) liabilities from transactions that involve only the raising of finance; (c) generally, assets invested in as part of the Bank's main business activity of investing in financial assets that generate a return individually and largely independently of the Bank's other resources;
- Foreign exchange differences will be classified in the same category as the related income and expense giving rise to the foreign exchange difference, with some exceptions;
- Gains and losses on hedging instruments, including those not designated as such, but used to manage exposure to identified risks, will be classified in the same category as the income and expenses relating to the risk being covered, with some exceptions;
- For the statement of cash flows, the 'operating profit' subtotal will be used as the starting point for determining cash flows from operating activities. Furthermore, the classification of the total cash flows from all dividends received, all interest paid and all interest received will each, respectively, be classified in a single category in the statement of cash flows following the classification of the related income and expenses in the statement of profit or loss;
- New disclosures will be added for: (a) management-defined performance measures; (b) specified expenses by nature if expenses are presented by function in the operating category of the statement of profit or loss; and
- A reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18, and the amounts previously presented applying IAS 1.

The Group is currently assessing the impact the amendments will have on current practice.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements or estimates involved.

Business Model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- Management's evaluation of the performance of the portfolio;
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Going concern

The Group's Board of Directors has made an assessment of the Group's 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 Board of Directors are 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 a going concern basis.

Allowance for expected credit losses on financial assets

The measurement of the ECL for financial assets subject to credit risk measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)*Allowance for expected credit losses on financial assets (continued)*

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, oil prices, equity indices, unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

4 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS

	2025	2024
	US\$ '000	US\$ '000
Cash in hand	41	14
Balances with other banks	12,936	36,272
Treasury bills issued by Central Bank of Bahrain	650,591	491,955
Provision for expected credit losses (note 4.1)	(3,867)	(3,430)
Cash and balances with central bank and other banks	659,701	524,811
Treasury bills - balances with Central Bank with original maturities of more than 90 days	(650,591)	(491,955)
Deposits with banks and other financial institutions with original maturities of 90 days or less (note 5)	599,654	706,075
Cash and cash equivalents	608,764	738,931

As at 31 December 2025, balance with a bank amounting to US\$ 3,865 thousand (31 December 2024: US\$ 3,422 thousand) is classified in Stage 3. The remaining exposures are classified within Stage 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4 CASH AND BALANCES WITH CENTRAL BANK AND OTHER BANKS (continued)**Note 4.1**

Movement in provision for expected credit losses were as follows:

	31 December 2025			Total US\$ 000
	Stage 1: 12-month ECL US\$ 000	Stage 2: Lifetime ECL not credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired US\$ 000	
Balance at 1 January	8	-	3,422	3,430
Reversals during the year	(6)	-	-	(6)
Exchange differences	-	-	443	443
At 31 December	2	-	3,865	3,867
	31 December 2024			Total US\$ 000
	Stage 1: 12-month ECL US\$ 000	Stage 2: Lifetime ECL not credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired US\$ 000	
Balance at 1 January	2	1	3,644	3,647
Provided during the year	6	-	-	6
Reversals during the year	-	(1)	-	(1)
Exchange differences	6	(1)	-	5
	-	-	(222)	(222)
At 31 December	8	-	3,422	3,430

5 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits with banks and other financial institutions represent interest bearing money market deposits held with banks and other financial institutions as at the reporting date and are as follows:

	2025 US\$ '000	2024 US\$ '000
Deposits with original maturities of 90 days or less (note 4)	599,654	706,075
Deposits with original maturities of over 90 days	8,079	41,901
	607,733	747,976
Provision for expected credit losses (note 5.1)	(54)	(44)
	607,679	747,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

5 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**Note 5.1**

Movement in provision for expected credit losses were as follows:

	2025	2024
	Stage 1	Stage 1
	12-month	12-month
	ECL	ECL
	US\$ '000	US\$ '000
Balance at 1 January	44	65
Provided during the year	34	24
Reversals during the year	(24)	(45)
	10	(21)
At 31 December	54	44

6 INVESTMENTS HELD FOR TRADING

Investments held for trading represent quoted debt securities amounting to US\$ 2,035 thousand as at 31 December 2025 (2024: US\$ 14,436 thousand).

7 INVESTMENT IN FUND

This comprises of investment in asset managed fund amounting to US\$ 17,426 thousand (2024: US\$ 15,427 thousand). During the year ended 31 December 2025, the Group recognised unrealised fair value gain of US\$ 1,999 thousand (2024: US\$ 427 thousand).

8 INVESTMENT SECURITIES

	31 December 2025			31 December 2024		
	<i>FVOCI</i>	<i>Amortised</i>	<i>Total</i>	<i>FVOCI</i>	<i>Amortised</i>	<i>Total</i>
	<i>US\$'000</i>	<i>cost</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>cost</i>	<i>US\$'000</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Quoted investments						
Sovereign						
debt securities	203,332	66,068	269,400	165,325	78,166	243,491
Banks and Corporate						
debt securities	22,017	6,038	28,055	21,197	6,059	27,256
Total quoted investments	225,349	72,106	297,455	186,522	84,225	270,747
Provision for expected credit losses on investment securities at amortised cost	-	(222)	(222)	-	(258)	(258)
Total investment securities	225,349	71,884	297,233	186,522	83,967	270,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

8 INVESTMENT SECURITIES (continued)**Note 8.1**

A reconciliation of changes in gross carrying amounts of investment securities at FVOCI and investment securities at amortised cost by stage is as follows:

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at FVOCI				
At 1 January	163,916	22,606	-	186,522
Investments purchased	43,790	2,470	-	46,260
Investments sold / matured	(10,524)	(4,778)	-	(15,302)
Fair value movement	6,018	1,851	-	7,869
At 31 December	203,200	22,149	-	225,349
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
At 1 January	89,772	58,194	2,569	150,535
Investments purchased	64,740	-	-	64,740
Investments sold / matured	(15,238)	(14,119)	(2,183)	(31,540)
Transfers between stages	24,585	(24,585)	-	-
Fair value movement	57	3,116	(386)	2,787
At 31 December	163,916	22,606	-	186,522
	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment securities at amortised cost				
At 1 January	74,215	10,010	-	84,225
Investments purchased	24,948	-	-	24,948
Investments matured	(26,428)	(10,000)	-	(36,428)
Amortisation of premium / discount - net	(629)	(10)	-	(639)
At 31 December	72,106	-	-	72,106
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
At 1 January	90,695	24,587	-	115,282
Investments purchased	7,671	-	-	7,671
Investments matured	(23,000)	(14,500)	-	(37,500)
Amortisation of premium / discount - net	(1,151)	(77)	-	(1,228)
At 31 December	74,215	10,010	-	84,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

8 INVESTMENT SECURITIES (continued)**Note 8.2**

Movements in provision for expected credit losses of FVOCI investments were as follows:

	31 December 2025			
		Stage 2:	Stage 3:	
		Lifetime	Lifetime	
	Stage 1:	ECL	ECL	
12-month	not credit-	credit-	Total	
ECL	impaired	impaired		
US\$ 000	US\$ 000	US\$ 000	US\$ 000	
Balance at 1 January	378	727	-	1,105
Provided during the year	354	-	-	354
Reversals during the year	(232)	(439)	-	(671)
	122	(439)	-	(317)
At 31 December	500	288	-	788
	31 December 2024			
		Stage 2:	Stage 3:	
		Lifetime	Lifetime	
Stage 1:	ECL	ECL	ECL	
12-month	not credit-	credit-	impaired	Total
ECL	impaired	impaired		
US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January	91	1,753	2,817	4,661
Transfers between stages	653	(653)	-	-
Provided during the year	237	40	-	277
Reversals during the year	(603)	(413)	-	(1,016)
	287	(1,026)	-	(739)
Write-off during the year upon sale of investment	-	-	(2,817)	(2,817)
At 31 December	378	727	-	1,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

8 INVESTMENT SECURITIES (continued)**Note 8.2 (continued)**

Movements in provision for expected credit losses of amortised cost investments were as follows:

	31 December 2025			31 December 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	163	95	258	407	331	738
Provided during the year	149	-	149	-	-	-
Reversals during the year	(90)	(95)	(185)	(244)	(236)	(480)
	59	(95)	(36)	(244)	(236)	(480)
At 31 December	222	-	222	163	95	258

9 LOANS AND ADVANCES

The table below discloses the gross loans and provision for expected credit losses:

	31 December 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
Letters of credit - financing and discounting	69,498	-	32,505	102,003
Commercial loans	64,689	-	29,369	94,058
Sovereign loan	15,936	-	-	15,936
	150,123	-	61,874	211,997
Provision for expected credit losses (note 9.1)	(1,212)	-	(50,972)	(52,184)
	148,911	-	10,902	159,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

9 LOANS AND ADVANCES (continued)

	<i>31 December 2024</i>			<i>Total US\$ 000</i>
	<i>Stage 1:</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	
	<i>12-month</i>	<i>Lifetime</i>	<i>Lifetime</i>	
	<i>ECL</i>	<i>ECL</i>	<i>ECL</i>	
	<i>not credit-</i>	<i>not credit-</i>	<i>credit-</i>	
	<i>impaired</i>	<i>impaired</i>	<i>impaired</i>	
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Letters of credit - financing and discounting	75,113	-	41,662	116,775
Commercial loans	47,267	-	26,009	73,276
Sovereign loan	21,946	-	-	21,946
	<u>144,326</u>	<u>-</u>	<u>67,671</u>	<u>211,997</u>
Provision for expected credit losses (note 9.1)	(957)	-	(54,653)	(55,610)
	<u>143,369</u>	<u>-</u>	<u>13,018</u>	<u>156,387</u>

At 31 December 2025, interest in suspense on Stage 3 loans and advances amounts to US\$ 36,620 thousand (2024: US\$ 33,540 thousand).

Note 9.1

Movements in provision for expected credit losses were as follows:

	<i>31 December 2025</i>			<i>US\$ '000</i>
	<i>Stage 1:</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	
	<i>12-month</i>	<i>Lifetime</i>	<i>Lifetime</i>	
	<i>ECL</i>	<i>ECL not</i>	<i>ECL credit-</i>	
	<i>credit-</i>	<i>credit-</i>	<i>impaired</i>	
	<i>impaired</i>	<i>impaired</i>	<i>impaired</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2025	957	-	54,653	55,610
Provided during the year	827	-	3,793	4,620
Reversals during the year *	(572)	-	(9,954)	(10,526)
	<u>255</u>	<u>-</u>	<u>(6,161)</u>	<u>(5,906)</u>
Exchange differences	-	-	2,480	2,480
	<u>1,212</u>	<u>-</u>	<u>50,972</u>	<u>52,184</u>

* During the year, a controlling ownership interest in a company holding an investment property was transferred to the Group as partial settlement of a fully provided financing facility. The investment property was recognised at US\$ 2,804 thousand and the Group determined the value to be equal to the value of the facility settled. In addition, the Group also recognised cash recoveries amounting to US\$7,150 thousand (2024: US\$ 3,000 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

9 LOANS AND ADVANCES (continued)**Note 9.1 (continued)**

	31 December 2024			
	Stage 1: 12-month ECL US\$ '000	Stage 2:	Stage 3:	US\$ '000
		Lifetime	Lifetime	
		ECL not credit- impaired US\$ '000	ECL credit- impaired US\$ '000	
Balance at 1 January 2024	1,909	8,562	41,324	51,795
Transfers between stages	-	(8,511)	8,511	-
Provided during the year	398	-	11,255	11,653
Reversals during the year	(1,350)	(51)	(3,000)	(4,401)
	(952)	(8,562)	16,766	7,252
Write-off during the year	-	-	(2,834)	(2,834)
Exchange differences	-	-	(603)	(603)
At 31 December 2024	957	-	54,653	55,610

During the year, no exposures (2024: US\$ 2,834 thousand) were written off or renegotiated (2024: US\$ 32,181 thousand) by the Group.

10 INVESTMENT PROPERTIES

During the year, a controlling ownership interest in a company holding an investment property was transferred to the Group as partial settlement of a fully provided financing facility. The investment property was recognised at US\$ 2,804 thousand and the Group determined the value to be equal to the value of the facility settled. As of 31 December 2025, the Group has determined the fair value of the investment properties, after management determined haircuts to reflect market based adjustments, as US\$ 14,538 thousand (31 December 2024: US\$ 11,848 thousand). As of 31 December 2025, the net book value of the investment properties amount to US\$ 14,538 thousand (31 December 2024: US\$ 11,734 thousand).

11 PROPERTY, EQUIPMENT AND SOFTWARE

	Land US\$ '000	Building US\$ '000	Furniture, equipment and motor vehicles US\$ '000	Software US\$ '000	Total US\$ '000
Cost:					
At 1 January 2025	4,243	7,652	4,433	1,662	17,990
Additions	-	-	23	-	23
Disposals	-	-	(209)	-	(209)
At 31 December 2025	4,243	7,652	4,247	1,662	17,804
Accumulated depreciation:					
At 1 January 2025	-	6,085	4,225	1,634	11,944
Depreciation charge for the year	-	508	98	21	627
Relating to disposal	-	-	(209)	-	(209)
At 31 December 2025	-	6,593	4,114	1,655	12,362
Net book value:					
At 31 December 2025	4,243	1,059	133	7	5,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

11 PROPERTY, EQUIPMENT AND SOFTWARE (continued)

	<i>Land</i> US\$ '000	<i>Building</i> US\$ '000	<i>Furniture, equipment and motor vehicles</i> US\$ '000	<i>Software</i> US\$ '000	<i>Total</i> US\$ '000
Cost:					
At 1 January 2024	4,243	7,652	4,317	1,660	17,872
Additions	-	-	116	2	118
At 31 December 2024	<u>4,243</u>	<u>7,652</u>	<u>4,433</u>	<u>1,662</u>	<u>17,990</u>
Accumulated depreciation:					
At 1 January 2024	-	5,578	4,098	1,577	11,253
Depreciation charge for the year	-	507	127	57	691
At 31 December 2024	<u>-</u>	<u>6,085</u>	<u>4,225</u>	<u>1,634</u>	<u>11,944</u>
Net book value:					
At 31 December 2024	<u>4,243</u>	<u>1,567</u>	<u>208</u>	<u>28</u>	<u>6,046</u>

The land relates to the building on which the Group's premises was constructed.

12 DEPOSITS FROM AND DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS**12.1 Deposits from banks and other financial institutions**

Deposits from banks and other financial institutions represent money market deposits held with the Group as at the reporting date.

12.2 Due to banks and other financial institutions

Due to banks and other financial institutions comprise the following current account balances and cash collateral held with the Group in relation to the facilities of letters of credit and letters of guarantee as at the reporting date:

	2025 US\$ '000	2024 US\$ '000
Current account balances	210,687	176,098
Cash collateral held	30,033	28,372
	<u>240,720</u>	<u>204,470</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

13 DUE TO CUSTOMERS

Due to customers represent money market deposits, current account balances and cash collateral held with the Group in relation to the facilities of letters of credit and letters of guarantee as at the reporting date:

	2025	2024
	US\$ '000	US\$ '000
Money market deposits	447,203	27,400
Current account balances	156,026	367,835
Cash collateral held	3,639	943
	606,868	396,178

14 OTHER LIABILITIES

	2025	2024
	US\$ '000	US\$ '000
Accrued expenses and payables	13,362	11,217
Due to directors and employees	264	1,290
Provision for expected credit losses for off balance sheet exposures (note 14.1)	33	85
Unearned income	2	47
Others	15	18
	13,676	12,657

Accrued expenses include US\$ 1,215 thousand (2024: US\$ 902 thousand) of liability relating to cash settled share based payments.

The Group has established an Employee Phantom Share Scheme (EPSS) in compliance with the sound remuneration rules issued by the Central Bank of Bahrain. Under the scheme, certain eligible employees of the Group become entitled to share based compensation. Under the EPSS, each eligible employee is issued with a phantom share award which entitles the holder to receive one phantom share at the delivery date. The share awards will vest over 3 years with one third award vesting at the end of each of the subsequent 3 years. The eligible employee has to retain the shares for a period of 6 months post the award date prior to encashing the vested awards. Phantom units are ultimately cash settled based on the audited net book value of the Group at the vesting dates.

The cost of the phantom units are initially measured at net-book-value per share of the Group at the grant date and expensed in the consolidated statement of profit or loss with a corresponding liability being recognised. The liability is remeasured to its net-book-value per share of the Group at each reporting date up to the date of settlement with changes in fair value recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

14 OTHER LIABILITIES (continued)**Note 14.1**

Movement in provision for expected credit losses for off balance sheet exposures was as follows:

	2025	2024
	Stage 1	Stage 1
	12-month	12-month
	ECL	ECL
	US\$ '000	US\$ '000
Balance at 1 January	85	98
Provided during the year	32	85
Reversals during the year	(84)	(98)
	(52)	(13)
At 31 December	33	85

15 SHARE CAPITAL

	2025	2024
	US\$ '000	US\$ '000
Authorised:		
10,000,000 (2024: 10,000,000) ordinary shares of US\$ 50 each	500,000	500,000
	2025	2024
	US\$ '000	US\$ '000
Issued and fully paid up :		
5,000,000 (2024: 5,000,000) ordinary shares of US\$ 50 each	250,000	250,000

Shareholders

	2025		2024	
	Percentage		Percentage	
	holding (%)	US\$ '000	holding (%)	US\$ '000
Libyan Foreign Bank	99.50	248,750	99.50	248,750
National Bank of Yemen	0.28	689	0.28	689
Yemen Bank for Reconstruction and Development	0.22	561	0.22	561
	100.00	250,000	100.00	250,000

Statutory reserve

As required by the BCCL and the Bank's articles of association, a statutory reserve has been created by transfer of 10% of its annual profit. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up capital. The reserve is not distributable except in such circumstances as stipulated in the BCCL and following approval of the Central Bank of Bahrain. The Group has transferred US\$ 3,038 thousand (2024: US\$ 3,000 thousand) to the statutory reserve in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

16 PROPOSED DIVIDEND

Dividend of US\$ 20,000 thousand (US\$ 4 per share) is proposed for the year ended 31 December 2025 subject to regulatory approvals and the approval of the shareholders in the Annual General Meeting.

For year ended 31 December 2024, shareholders at the Annual General Assembly held on 13 March 2025, approved a dividend of US\$ 20 million (US\$ 4 per share) which was fully paid during the year.

17 INTEREST INCOME

	2025	2024
	US\$ '000	US\$ '000
Interest on:		
- Deposits with banks, other financial institutions and balance with central bank	47,925	57,667
- Loans and advances	8,780	14,722
- Investment securities	16,376	14,632
- Investments held for trading	258	637
	73,339	87,658

18 INTEREST EXPENSE

	2025	2024
	US\$ '000	US\$ '000
Interest on:		
- Deposits from and due to banks and other financial institutions	30,769	38,309
- Due to customers	2,689	1,686
	33,458	39,995

19 FEE AND COMMISSION INCOME

	2025	2024
	US\$ '000	US\$ '000
Commission income on letters of credit and guarantee	1,830	2,120
Bank charges and other income	61	149
	1,891	2,269

20 TRADING INCOME - NET

	2025	2024
	US\$ '000	US\$ '000
Unrealised fair value gain on investments classified as held for trading	46	12
Realised gain during the year - net	101	35
	147	47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

21 PROVISION REVERSAL (CHARGE) FOR EXPECTED CREDIT LOSSES - NET

	2025	2024
	US\$'000	US\$'000
Expected credit loss:		
- Reversal (charge) against balances with central bank and other banks (note 4.1)	6	(5)
- (Charge) reversal against deposits with banks and other financial institutions (note 5.1)	(10)	21
- Reversal against investment securities (note 8.2)	353	1,219
- Reversal (charge) against loans and advances (note 9.1)	5,906	(7,252)
- Reversal against off balance sheet (note 14.1)	52	13
	6,307	(6,004)

22 OTHER OPERATING EXPENSES

	2025	2024
	US\$ '000	US\$ '000
Administration and travelling expenses	2,228	2,024
Professional services	1,186	1,289
Board of Directors' remuneration and expenses (note 28)	1,174	1,206
Fees and other charges	436	399
	5,024	4,918

23 TAXATION

	2025	2024
	US\$ '000	US\$ '000
Domestic minimum top-up tax	5,123	-

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) Pillar 2 model rules, under which multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate.

The Kingdom of Bahrain issued Decree-Law no (11) of 2024 (the "Law") on 1 September 2024 introducing DMTT effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. This was followed by Executive regulations issued on 15 December 2024 under decision no (172) of 2024. The Law provides that a top-up tax of shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax of all the constituent entities of the MNE Group operating in Kingdom of Bahrain.

The Group has successfully registered itself for DMTT purposes with the National Bureau for Revenue effective from 1 January 2025, with the Bank being appointed as the Filing Constituent Entity of the Group. The Group has estimated in consultation with a tax specialist the top-up tax charge in line with the regulations and based on OECD guidelines. The Group continues to monitor the developments and assess the impact of evolving Pillar 2 tax regulations on it future financial performance and resultant tax obligations.

24 COMMITMENTS AND CONTINGENT LIABILITIES

	2025	2024
	US\$ '000	US\$ '000
Credit related contingencies		
Letters of credit	29,366	23,853
Loan commitment	-	10,000
	29,366	33,853

As at 31 December 2025 all the above exposures are classified within Stage 1 (31 December 2024: same) and provision against off balance sheet exposures is classified under other liabilities (refer to note 14).

25 RISK MANAGEMENT**25.1 Introduction**

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The main risks to which the Group is exposed are credit risk, liquidity risk, market risk, interest rate risk and operational risk.

(a) Risk management structure***Board of Directors***

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee (ARCC) of the Board is responsible for assessing the quality and integrity of financial reporting, effectiveness of systems monitoring financial and disclosure compliance with legal and regulatory requirements, supervision of compliance function and soundness of internal controls. The ARCC also obtains regular updates from management and the Group's compliance officer regarding compliance matters, which may have a material impact on the Group's consolidated financial statements and reviews the findings of any examinations by regulatory agencies. The committee also assists the Board in fulfilling its responsibilities in terms of overseeing management and control of risk and risk frameworks within the Bank. Further, the Head of Risk Management reports to ARCC, ensuring independence and segregation of duty from the business originating units – a fundamental principle of risk management process.

Management Risk Committee

The Management Risk Committee (MRC) is responsible to support the ARCC in overseeing the Group's risk management framework, reviewing the risk strategy, policies and limits. It is responsible for evaluating the key risk issues and manages and monitors relevant risk decisions.

Asset Liability Management Committee

The Asset Liability Management Committee's (ALCO) objective is to prudently direct and manage asset and liability allocation to achieve the Group's strategic goals. The ALCO monitors the Group's liquidity risks and interest rate risks by ensuring that the Group's activities are in line with the risk appetite guidelines approved by the Board.

25 RISK MANAGEMENT (continued)

25.1 Introduction (continued)

(a) Risk management structure (continued)

Credit and Investment Committee

The Credit and Investment Committee (CIC) assists the Board of Directors in fulfilling its responsibilities by providing oversight of the Bank's credit and investment management activities relating to the identification, assessment, measurement, monitoring, and management of the Bank's credit and investment risk.

Internal Audit

Internal control processes throughout the Group are audited by the Internal Audit Department, based on the risk-based audit plan approved by the ARCC. Internal audit staff examine both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the ARCC.

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining the Bank's risk management frameworks, policies and procedures to ensure an independent control and monitoring process. It also helps the Board and Management in establishing risk appetite, risk strategies, policies and limits, across the Bank. The department is also responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and transactions. The department ensures that the Bank's material risks are identified, assessed, monitored and reported; and performs internal capital adequacy assessment and stress testing.

(b) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits approved by the Board. These limits reflect the business strategy and market environment of the Group as well as the level of risk that it is willing to accept. The Group also monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

25.2 Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk arises from lending, investment, treasury and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define strict guidelines for undertaking credit risk exposures and the same are approved in line with Board-approved delegated authority. The Group manages its credit risk by monitoring concentration of exposures by geographic location and adhering to approved limits. Where appropriate, the Group seeks collateral to mitigate credit risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)**25.2 Credit risk (continued)****(a) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position. The net maximum exposure is shown after the effect of provision for expected credit losses and the use of eligible risk mitigants.

	<i>Gross maximum exposure 2025 US\$ '000</i>	<i>Provision expected credit 2025 US\$ '000</i>	<i>Risk mitigants 2025 US\$ '000</i>	<i>Net maximum exposure 2025 US\$ '000</i>	<i>Gross maximum exposure 2024 US\$ '000</i>	<i>Provision expected losses 2024 US\$ '000</i>	<i>Risk mitigants 2024 US\$ '000</i>	<i>Net maximum exposure 2024 US\$ '000</i>
Balances with central bank and other banks	663,527	(3,867)	-	659,660	528,227	(3,430)	-	524,797
Deposits with banks and other financial institutions	607,733	(54)	-	607,679	747,976	(44)	-	747,932
Investments held for trading	2,035	-	-	2,035	14,436	-	-	14,436
Investment securities	297,455	(222)	-	297,233	270,747	(258)	-	270,489
Loans and advances	211,997	(52,184)	-	159,813	211,997	(55,610)	-	156,387
Interest receivable	18,488	-	-	18,488	18,660	-	-	18,660
Other assets	4,965	-	-	4,965	620	-	-	620
Total funded credit risk exposure	1,806,200	(56,327)	-	1,749,873	1,792,663	(59,342)	-	1,733,321
Unfunded exposure on credit related contingencies	29,366	(33)	(14,918)	14,415	33,853	(85)	(12,697)	21,071
Total funded and unfunded credit risk exposures	1,835,566	(56,360)	(14,918)	1,764,288	1,826,516	(59,427)	(12,697)	1,754,392

The amount, type and valuation of collateral are based on guidelines specified in the credit risk management framework. The main types of collaterals accepted include cash collateral, residential and commercial real estate and securities.

(b) Credit quality per class of financial assets

The table below presents an analysis of the financial assets exposed to credit risk and external rating designation at 31 December 2025 and 31 December 2024. The credit quality is graded based on external credit rating agencies - Standard & Poor, Fitch and Moody's are categorised as follows:

- (i) High standard - Where external credit rating agency ratings are A and above.
- (ii) Standard - Where external credit rating agency ratings are below A and unrated.
- (iii) Watch list - Where the facility is not past due but recoverability is being monitored.
- (iv) Past due but not impaired - Where interest or principal sum is overdue for less than 90 days.
- (v) Past due and impaired - Where interest or principal sum is overdue for more than 90 days.

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.2 Credit risk (continued)

(b) Credit quality per class of financial assets (continued)

	<i>Neither past due nor impaired</i>		<i>Past due and individually impaired</i>	<i>Provision for expected credit losses</i>	<i>Total</i>
	<i>High standard grade</i>	<i>Standard grade</i>			
	<i>US\$ '000</i>	<i>US\$ '000</i>			
At 31 December 2025					
Balances with central bank and other banks	6,817	652,845	3,865	(3,867)	659,660
Deposits with banks and other financial institutions	371,863	235,870	-	(54)	607,679
Investments held for trading	-	2,035	-	-	2,035
Investment securities	23,818	273,637	-	(222)	297,233
Loans and advances	-	150,123	61,874	(52,184)	159,813
Interest receivable	654	17,834	-	-	18,488
Other assets	-	4,965	-	-	4,965
Funded exposures	403,152	1,337,309	65,739	(56,327)	1,749,873
Credit related contingencies	-	29,366	-	(33)	29,333
Unfunded exposures	-	29,366	-	(33)	29,333
Funded and unfunded exposures	403,152	1,366,675	65,739	(56,360)	1,779,206
	<i>Neither past due nor impaired</i>		<i>Past due and individually impaired</i>	<i>Provision for loan losses</i>	<i>Total</i>
	<i>High standard grade</i>	<i>Standard grade</i>			
	<i>US\$ '000</i>	<i>US\$ '000</i>			
At 31 December 2024					
Balances with central bank and other banks	30,925	493,880	3,422	(3,430)	524,797
Deposits with banks and other financial institutions	475,089	272,887	-	(44)	747,932
Investments held for trading	4,963	9,473	-	-	14,436
Investment securities	23,372	247,375	-	(258)	270,489
Loans and advances	-	144,326	67,671	(55,610)	156,387
Interest receivable	836	17,824	-	-	18,660
Other assets	-	620	-	-	620
Funded exposure	535,185	1,186,385	71,093	(59,342)	1,733,321
Credit related contingencies	-	33,853	-	(85)	33,768
Unfunded exposures	-	33,853	-	(85)	33,768
Funded and unfunded exposures	535,185	1,220,238	71,093	(59,427)	1,767,089

As of 31 December 2025, the Group did not have any financial assets that were classified as watchlist or were past due but not impaired (2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)**25.2 Credit risk (continued)****(c) Concentration of maximum exposure to credit risk**

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

In order to manage credit concentration risk, the Group's policies and procedures include guidelines to maintain a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The geographical distribution of gross credit exposures is presented below:

At 31 December 2025

	<i>Bahrain</i> <i>US\$ '000</i>	<i>Other GCC</i> <i>countries</i> <i>US\$ '000</i>	<i>Other</i> <i>Middle-</i> <i>East and</i> <i>African</i> <i>countries</i> <i>US\$ '000</i>	<i>Europe</i> <i>US\$ '000</i>	<i>Rest of the</i> <i>world</i> <i>US\$ '000</i>	<i>Provision</i> <i>for</i> <i>expected</i> <i>credit</i> <i>losses</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Balances with central bank and other banks	651,573	641	4,011	6,765	537	(3,867)	659,660
Deposits with banks and other financial institutions	121,396	436,864	25,000	24,473	-	(54)	607,679
Investments held for trading	-	-	-	2,035	-	-	2,035
Investment securities	118,802	79,004	58,687	40,962	-	(222)	297,233
Loans and advances	-	8,796	59,801	133,400	10,000	(52,184)	159,813
Interest receivable	11,204	1,442	2,503	3,277	62	-	18,488
Other assets	4,965	-	-	-	-	-	4,965
Gross funded exposures	907,940	526,747	150,002	210,912	10,599	(56,327)	1,749,873
Credit related contingencies	-	-	25,728	3,638	-	(33)	29,333
Gross unfunded exposures	-	-	25,728	3,638	-	(33)	29,333
Gross funded and unfunded exposures	907,940	526,747	175,730	214,550	10,599	(56,360)	1,779,206

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.2 Credit risk (continued)

(c) Concentration of maximum exposure to credit risk (continued)

At 31 December 2024

	<i>Bahrain</i> US\$ '000	<i>Other GCC</i> <i>countries</i> US\$ '000	<i>Other</i> <i>Middle- East</i> <i>and African</i> <i>countries</i> US\$ '000	<i>Europe</i> US\$ '000	<i>Rest of the</i> <i>world</i> US\$ '000	<i>Provision for</i> <i>expected</i> <i>credit losses</i> US\$ '000	<i>Total</i> US\$ '000
Balances with central bank and other banks	492,625	748	3,549	1,160	30,145	(3,430)	524,797
Deposits with banks and other financial institutions	140,182	560,089	-	27,705	20,000	(44)	747,932
Investments held for trading	4,982	7,452	-	2,002	-	-	14,436
Investment securities	104,965	77,708	48,062	40,012	-	(258)	270,489
Loans and advances	-	7,500	123,955	72,329	8,213	(55,610)	156,387
Interest receivable	9,404	1,892	5,656	1,212	496	-	18,660
Other assets	605	15	-	-	-	-	620
Gross funded exposures	<u>752,763</u>	<u>655,404</u>	<u>181,222</u>	<u>144,420</u>	<u>58,854</u>	<u>(59,342)</u>	<u>1,733,321</u>
Credit related contingencies	-	10,942	22,911	-	-	(85)	33,768
Gross unfunded exposures	<u>-</u>	<u>10,942</u>	<u>22,911</u>	<u>-</u>	<u>-</u>	<u>(85)</u>	<u>33,768</u>
Gross funded and unfunded exposures	<u><u>752,763</u></u>	<u><u>666,346</u></u>	<u><u>204,133</u></u>	<u><u>144,420</u></u>	<u><u>58,854</u></u>	<u><u>(59,427)</u></u>	<u><u>1,767,089</u></u>

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.2 Credit risk (continued)

(c) Concentration of maximum exposure to credit risk (continued)

Industrial classification of gross credit exposures is presented below:

	<i>Sovereign</i> <i>US\$ '000</i>	<i>Banks and</i> <i>financial</i> <i>institutions</i> <i>US\$ '000</i>	<i>Commercial,</i> <i>business</i> <i>and</i> <i>others</i> <i>US\$ '000</i>	<i>Provision</i> <i>for</i> <i>expected</i> <i>credit</i> <i>losses</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 31 December 2025					
Balances with central bank and other banks	650,591	12,936	-	(3,867)	659,660
Deposits with banks and other financial institutions	-	607,733	-	(54)	607,679
Investments held for trading	2,035	-	-	-	2,035
Investment securities	269,400	12,478	15,577	(222)	297,233
Loans and advances	15,936	146,463	49,598	(52,184)	159,813
Interest receivable	14,473	3,839	176	-	18,488
Other assets	-	-	4,965	-	4,965
Gross funded exposures	952,435	783,449	70,316	(56,327)	1,749,873
Credit related contingencies	-	25,728	3,638	(33)	29,333
Gross unfunded exposures	-	25,728	3,638	(33)	29,333
Gross funded and unfunded exposures	952,435	809,177	73,954	(56,360)	1,779,206
	<i>Sovereign</i> <i>US\$ '000</i>	<i>Banks and</i> <i>financial</i> <i>institutions</i> <i>US\$ '000</i>	<i>Commercial,</i> <i>business</i> <i>and</i> <i>others</i> <i>US\$ '000</i>	<i>Provision</i> <i>for expected</i> <i>credit</i> <i>losses</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 31 December 2024					
Balances with central bank and other banks	491,955	36,272	-	(3,430)	524,797
Deposits with banks and financial institutions	-	747,976	-	(44)	747,932
Investments held for trading	11,948	-	2,488	-	14,436
Investment securities	243,491	12,297	14,959	(258)	270,489
Loans and advances	21,946	139,085	50,966	(55,610)	156,387
Interest receivable	11,471	6,797	392	-	18,660
Other assets	-	17	603	-	620
Gross funded exposures	780,811	942,444	69,408	(59,342)	1,733,321
Credit related contingencies	-	32,911	942	(85)	33,768
Gross unfunded exposures	-	32,911	942	(85)	33,768
Gross of funded and unfunded exposures	780,811	975,355	70,350	(59,427)	1,767,089

25 RISK MANAGEMENT (continued)

25.3 Market risk

Market risk is the risk of potential financial loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in interest rates, foreign exchange rates and equity prices. This risk arises from asset - liability mismatches, changes that occur in the yield curve and foreign exchange rates.

The Group has clearly defined policies for conducting investments and foreign exchange business which stipulates limits for these activities. Investments are made in line with approved investment criteria. The Group does not undertake any commodity trading activities.

25.3.1 Interest rate risk

Interest rate risk arises from the possibility that adverse movement in interest rates will affect the value of financial instruments and its financial position. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period.

The Group has established policies and procedures for managing interest rate risk. The Group endeavors to keep its assets and liabilities mismatches at stable and acceptable levels to maintain steady interest income. The Group monitors interest rate risk based on interest rate gap monitoring and by establishing sensitivity limits for impact of interest rate shift on net interest income and economic value of equity of the Group.

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.3 Market risk (continued)

25.3.1 Interest rate risk (continued)

The following table provides an analysis of the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

<i>At 31 December 2025</i>	<i>Less than 3 months US\$ '000</i>	<i>3 to 12 months US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>Over 5 years US\$ '000</i>	<i>Non interest bearing* US\$ '000</i>	<i>Total US\$ '000</i>
Assets						
Cash and Balances with central bank and other banks	361,160	289,431	-	-	9,110	659,701
Deposits with banks and other financial institutions	599,654	8,079	-	-	(54)	607,679
Investments held for trading	-	-	-	2,035	-	2,035
Investment in fund	-	-	-	-	17,426	17,426
Investment securities	7,513	29,714	162,922	97,306	(222)	297,233
Loans and advances	107,561	33,073	9,489	-	9,690	159,813
Investment property	-	-	-	-	14,538	14,538
Property, equipment and software	-	-	-	-	5,442	5,442
Interest receivable	13,523	4,965	-	-	-	18,488
Other assets	-	-	-	-	5,642	5,642
	1,089,411	365,262	172,411	99,341	61,572	1,787,997
Liabilities						
Deposits from banks and other financial institutions	283,155	259,079	-	-	-	542,234
Due to banks and other financial institutions	116,524	-	-	-	124,196	240,720
Due to customers	43,739	407,103	-	-	156,026	606,868
Interest payable	1,217	2,910	-	-	-	4,127
Other liabilities	-	-	-	-	13,676	13,676
	444,635	669,092	-	-	293,898	1,407,625
Total interest sensitivity gap	644,776	(303,830)	172,411	99,341	(232,326)	380,372

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.3 Market risk (continued)

25.3.1 Interest rate risk (continued)

<i>At 31 December 2024</i>	<i>Less than 3 months US\$ '000</i>	<i>3 to 12 months US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>Over 5 years US\$ '000</i>	<i>Non interest bearing* US\$ '000</i>	<i>Total US\$ '000</i>
Assets						
Cash and Balances with central bank and other banks	312,964	178,991	-	-	32,856	524,811
Deposits with banks and other financial institutions	731,074	16,902	-	-	(44)	747,932
Investments held for trading	4,982	-	4,963	4,491	-	14,436
Investment in fund	-	-	-	-	15,427	15,427
Investment securities	5,020	32,437	139,978	93,312	(258)	270,489
Loans and advances	114,369	14,378	15,579	-	12,061	156,387
Investment property	-	-	-	-	11,734	11,734
Property, equipment and software	-	-	-	-	6,046	6,046
Interest receivable	15,178	3,482	-	-	-	18,660
Other assets	17	-	-	-	1,223	1,240
	<u>1,183,604</u>	<u>246,190</u>	<u>160,520</u>	<u>97,803</u>	<u>79,045</u>	<u>1,767,162</u>
Liabilities						
Deposits from banks and other financial institutions	439,633	300,964	-	-	46,233	786,830
Due to banks and other financial institutions	141,073	-	-	-	63,397	204,470
Due to customers	28,343	-	-	-	367,835	396,178
Interest payable	2,504	2,081	-	-	-	4,585
Other liabilities	-	-	-	-	12,657	12,657
	<u>611,553</u>	<u>303,045</u>	<u>-</u>	<u>-</u>	<u>490,122</u>	<u>1,404,720</u>
Total interest sensitivity gap	<u>572,051</u>	<u>(56,855)</u>	<u>160,520</u>	<u>97,803</u>	<u>(411,077)</u>	<u>362,442</u>

* The provision for expected credit losses is included in non interest bearing.

As at 31 December 2025

25 RISK MANAGEMENT (continued)**25.3 Market risk (continued)****25.3.1 Interest rate risk (continued)**

The following table demonstrates the sensitivity of a reasonable possible change in interest rates, with all other variables held constant, on the Group's consolidated statement of profit or loss:

Sensitivity analysis - interest rate risk by currency

		<i>Effect on consolidated statement of profit or loss</i>	
		<i>2025</i>	<i>2024</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
<i>25 bps change in interest rate</i>			
US Dollar	+ / -	1,227	1,009
Euro	+ / -	107	80
AED	+ / -	59	79

25.3.2 Currency risk

Currency risk arises from the movement of the rate of exchange over a period of time. The Group's currency risk is mainly towards assets and liabilities denominated in Euro. The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constant, on the Group's consolidated statement of profit or loss:

	<i>Change in exchange rate</i>		<i>Effect on consolidated statement of profit or loss</i>	
			<i>2025</i>	<i>2024</i>
			<i>US\$ '000</i>	<i>US\$ '000</i>
Euro	5%	+ / -	295	4
Japanese Yen	5%	+ / -	272	-

As other currency exposures are insignificant and GCC currencies to which the Group is exposed are pegged to the US Dollar, their balances are not considered to represent currency risk.

25.3.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. For the year ended 31 December 2025, the Group has a equity price risk arising from its investment in fund and a 5 per cent increase in the value would have an increase on the consolidated statement of profit or loss for the year of US\$ 871 thousand (2024: US\$ 772 thousand).

25.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions which may cause certain sources of funding to dry up immediately. To limit this risk, the Group endeavors to diversify its funding sources and maintains a healthy liquidity cushion comprising of cash equivalents and readily marketable securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)**25.4 Liquidity risk (continued)**

The Group has in place a Board-approved Liquidity Risk Management Policy which provides guidelines for managing the liquidity risk and specifies limits on minimum level of liquid assets to be maintained as well as gap limits for cash flow mismatch. The Group's ALCO regularly oversees the liquidity position of the Bank and ensures adequate liquidity is available at all times. The Group also has in place a contingency funding plan to deal with extra-ordinary conditions if the need arises.

The maturity profile below reflects the contractual or expected maturities of the assets and liabilities on the basis of the remaining period at the date of the consolidated statement of financial position:

<i>At 31 December 2025</i>	<i>Up to 1 year</i>				<i>More than 1 year</i>	<i>No specific maturity</i>	<i>Provision for expected credit losses</i>	<i>Total</i>
	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>Total</i>				
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS								
Cash and balances with central bank and other banks	117,361	252,911	289,431	659,703	3,865	-	(3,867)	659,701
Deposits with banks and other financial institutions	598,324	1,330	8,079	607,733	-	-	(54)	607,679
Investments held for trading	-	-	2,035	2,035	-	-	-	2,035
Investment in fund	-	-	-	-	17,426	-	-	17,426
Investment securities	7,513	-	29,714	37,227	260,228	-	(222)	297,233
Loans and advances	3,373	39,500	44,821	87,694	124,303	-	(52,184)	159,813
Investment property	-	-	-	-	14,538	-	-	14,538
Property, equipment and software	-	-	-	-	-	5,442	-	5,442
Interest receivable	6,384	7,139	4,965	18,488	-	-	-	18,488
Other assets	1	3	63	67	5,575	-	-	5,642
Total assets	732,956	300,883	379,108	1,412,947	425,935	5,442	(56,327)	1,787,997
LIABILITIES								
Deposits from banks and other financial institutions	127,155	156,000	109,079	392,234	150,000	-	-	542,234
Due to banks and other financial institutions	107,203	-	-	107,203	133,517	-	-	240,720
Due to customers	198,765	1,000	407,103	606,868	-	-	-	606,868
Interest payable	346	871	2,910	4,127	-	-	-	4,127
Other liabilities	-	-	-	-	13,643	-	33	13,676
Total liabilities	433,469	157,871	519,092	1,110,432	297,160	-	33	1,407,625
Net liquidity gap	299,487	143,012	(139,984)	302,515	128,775	5,442	(56,360)	380,372
Cumulative liquidity gap	299,487	442,499	302,515	-	431,290	436,732	380,372	-

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)

25.4 Liquidity risk (continued)

At 31 December 2024	Up to 1 year			Total US\$ '000	More than 1 year US\$ '000	No specific maturity US\$ '000	Provision for expected credit losses US\$ '000	Total US\$ '000
	Up to 1 month US\$ '000	1 to 3 months US\$ '000	3 to 12 months US\$ '000					
ASSETS								
Cash and balances with central bank and other banks	124,882	220,946	178,991	524,819	3,422	-	(3,430)	524,811
Deposits with banks and other financial institutions	681,074	50,000	16,902	747,976	-	-	(44)	747,932
Investments held for trading	-	4,982	9,454	14,436	-	-	-	14,436
Investment in fund	-	-	-	-	15,427	-	-	15,427
Investment securities	-	5,020	32,437	37,457	233,290	-	(258)	270,489
Loans and advances	42,882	44,220	19,583	106,685	105,312	-	(55,610)	156,387
Investment property	-	-	-	-	11,734	-	-	11,734
Property, equipment and software	-	-	-	-	-	6,046	-	6,046
Interest receivable	8,801	6,377	3,482	18,660	-	-	-	18,660
Other assets	19	5	41	65	1,175	-	-	1,240
Total assets	857,658	331,550	260,890	1,450,098	370,360	6,046	(59,342)	1,767,162
LIABILITIES								
Deposits from banks and other financial institutions	329,633	110,000	73,901	513,534	273,296	-	-	786,830
Due to banks and other financial institutions	200,719	-	-	200,719	3,751	-	-	204,470
Due to customers	396,178	-	-	396,178	-	-	-	396,178
Interest payable	2,287	217	2,081	4,585	-	-	-	4,585
Other liabilities	2	-	43	45	12,527	-	85	12,657
Total liabilities	928,819	110,217	76,025	1,115,061	289,574	-	85	1,404,720
Net liquidity gap	(71,161)	221,333	184,865	335,037	80,786	6,046	(59,427)	362,442
Cumulative liquidity gap	(71,161)	150,172	335,037	-	415,823	421,869	362,442	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

25 RISK MANAGEMENT (continued)**25.4 Liquidity risk (continued)**

The maturity profile of the financial liabilities (including interest payable) and contingent liabilities, as at the reporting date, based on contractual undiscounted repayment amounts is as follows:

<i>At 31 December 2025</i>	<i>Up to 1 year</i>			<i>Total</i> <i>US\$ '000</i>	<i>More than</i> <i>1 year</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
	<i>Up to</i> <i>1 month</i> <i>US\$ '000</i>	<i>1 to 3</i> <i>months</i> <i>US\$ '000</i>	<i>3 to 12</i> <i>months</i> <i>US\$ '000</i>			
Liabilities						
Deposits from banks and other financial institutions	127,788	157,785	115,789	401,362	150,000	551,362
Due to banks and other financial institutions	107,236	-	-	107,236	133,550	240,786
Due to customers	198,815	1,009	415,384	615,208	-	615,208
Total undiscounted liabilities	433,839	158,794	531,173	1,123,806	283,550	1,407,356
Commitments and contingent liabilities						
Letters of credit	9,139	12,982	7,245	29,366	-	29,366
Loan commitment	-	-	-	-	-	-
	9,139	12,982	7,245	29,366	-	29,366
<i>At 31 December 2024</i>	<i>Up to 1 year</i>					
	<i>Up to</i> <i>1 month</i> <i>US\$ '000</i>	<i>1 to 3</i> <i>months</i> <i>US\$ '000</i>	<i>3 to 12</i> <i>months</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>	<i>More than</i> <i>1 year</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Liabilities						
Deposits from banks and other financial institutions	332,375	111,192	81,287	524,854	273,389	798,243
Due to banks and other financial institutions	201,088	-	-	201,088	3,751	204,839
Due to customers	396,213	-	-	396,213	-	396,213
Total undiscounted liabilities	929,676	111,192	81,287	1,122,155	277,140	1,399,295
Commitments and contingent liabilities						
Letters of credit	4,494	10,618	7,680	22,792	1,061	23,853
Loan commitment	-	-	-	-	10,000	10,000
	4,494	10,618	7,680	22,792	11,061	33,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 FAIR VALUE OF FINANCIAL INSTRUMENTS*Fair value hierarchy - financial instruments measured at fair value*

The following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

At 31 December 2025

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments held for trading	2,035	-	2,035
Investment in fund	-	17,426	17,426
Investments classified as fair value through - other comprehensive income	225,349	-	225,349
	<u>227,384</u>	<u>17,426</u>	<u>244,810</u>

At 31 December 2024

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Investments held for trading	14,436	-	14,436
Investment in fund	-	15,427	15,427
Investments classified as fair value through - other comprehensive income	186,522	-	186,522
	<u>200,958</u>	<u>15,427</u>	<u>216,385</u>

Transfers between level 1, level 2 and level 3

During the year ended 31 December 2025, there were no transfers between level 1 and level 2 of fair value hierarchy, and no transfers into or out of level 3 fair value hierarchy (2024: same).

Financial instruments not measured at fair value

The following table provides the fair value measurement hierarchy of the Group's financial instruments not measured at fair value:

At 31 December 2025

	<i>Fair value</i> <i>US\$ '000</i>	<i>Carrying</i> <i>value</i> <i>US\$ '000</i>
Amortised cost investments	73,351	72,106
Loan	17,077	15,936
	<u>90,428</u>	<u>88,042</u>

At 31 December 2024

	<i>Fair value</i> <i>US\$ '000</i>	<i>Carrying</i> <i>value</i> <i>US\$ '000</i>
Amortised cost investments	83,932	84,225
Loan	23,418	21,946
	<u>107,350</u>	<u>106,171</u>

As at 31 December 2025

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of financial instruments carried at amortised cost (other than those disclosed in the table above) approximate their carrying values as of 31 December 2025 and 31 December 2024.

27 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include forward exchange contracts which create rights and obligation that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favorable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change those terms may become either favorable or unfavorable.

The table below shows the net fair values of derivative financial instruments together with the notional amount. These contracts are settled on a net basis. Depending on currency movements, the contracts may result in either a net asset or a net liability. The following table shows the outstanding contracts as at 31 December:

	2025		2024	
	<i>Notional amount</i>	<i>Gain / (loss)</i>	<i>Notional amount</i>	<i>Gain / (loss)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Forward foreign exchange contracts	180	(6)	136	-
	180	(6)	136	-

ALUBAF Arab International Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

28 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of profit or loss and consolidated statement of financial position are as follows:

	31 December 2025				31 December 2024			
	<i>Shareholders</i> <i>US\$ '000</i>	<i>Key management personnel/ Board members</i> <i>US\$ '000</i>	<i>Other related parties</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>	<i>Shareholders</i> <i>US\$ '000</i>	<i>Key management personnel/ Board members</i> <i>US\$ '000</i>	<i>Other related parties</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Consolidated statement of profit or loss								
Interest income	10	-	404	414	-	-	493	493
Interest expense	22,021	-	1,653	23,674	27,146	-	5,783	32,929
Fee and commission income	6	-	211	217	34	-	297	331
Consolidated statement of financial position								
Assets								
Balances with central bank and other banks	22	-	806	828	16	-	1,011	1,027
Deposits with banks and other financial institutions	-	-	11,160	11,160	-	-	4,161	4,161
Loans and advances	-	-	4,699	4,699	-	-	4,161	4,161
Interest receivable	-	-	14	14	-	-	12	12
Other assets	-	18	-	18	-	95	-	95
Liabilities								
Deposits from banks and other financial institutions*	456,234	-	30,000	486,234	502,920	-	50,000	552,920
Due to banks and other financial institutions	6,459	-	2,205	8,664	3,952	-	1,039	4,991
Interest payable	2,263	-	71	2,334	3,446	-	471	3,917
Other liabilities	-	72	-	72	-	1,284	-	1,284
Contingent liabilities								
Letters of credit and letters of guarantee	-	-	11,748	11,748	1,156	-	5,424	6,580

* Deposits from banks and other financial institutions include pledged cash collateral deposits amounting to USD 150 million from the major shareholder of the Group for foreign trade business that the Group will receive from certain banking entities.

As at 31 December 2025

28 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**Compensation paid to the Board of Directors and key management personnel:**

	2025	2024
	US\$ 000	US\$ 000
Short term benefits	3,925	3,736
End of term benefits	262	270
Total compensation	4,187	4,018

Short term benefits include Board of Directors' sitting fees and provision for bonus accrual of US\$ 1,001 thousand (2024: US\$ 975 thousand) and reimbursement of travel, accommodation and other expenses amounting to US\$ 173 thousand (2024: US\$ 231 thousand). The accrual is subject to approval by the Bank's shareholders in the next Annual General Meeting.

Short term benefits also include compensation paid to key management personnel as salary, allowances and provision for bonus accrual.

29 CAPITAL ADEQUACY RATIO

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The risk asset ratio, calculated in accordance with the capital adequacy guidelines, under Basel III, approved by the Central Bank of Bahrain is as follows:

	2025	2024
	US\$ 000	US\$ 000
Capital base:		
Tier 1 capital	379,576	359,676
Tier 2 capital	2,311	2,457
Total capital base (a)	381,887	362,133
Risk weighted assets (b)	887,331	931,694
Capital adequacy (a/b * 100)	43.04%	38.87%
Minimum requirement	12.50%	12.50%

30 LIQUIDITY RATIOS**Liquidity Coverage Ratio**

The Group is subject to the Basel III liquidity ratios requirement, as stipulated by the Central Bank of Bahrain, whereby the Bank is required to maintain a minimum of 100% Liquidity Coverage ratio (LCR) and Net Stable Funding ratio (NSFR).

The main objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient level of high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for a period of up to 30 days.

As at 31 December 2025

30 LIQUIDITY RATIOS (continued)

Liquidity Coverage Ratio (continued)

At 31 December 2025, the Group's LCR was well above the regulatory requirement and stood at 1053% (2024: 408%). The Group's simple average of daily LCR computed on working days of the quarter was 707% (30 September 2025: 704%).

Net Stable Funding Ratio

The objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have a sufficient level of stable funding from stable sources and long term borrowing in relation to their assets and commitments, in order to reduce the risks of disruptions which might impact the bank's liquidity position.

The Group's NSFR was well above the regulatory requirement and stood at 200% as at 31 December 2025 (31 December 2024: 178%). The main drivers for robust Available Stable Funding (ASF) is its sizeable capital base, which contributes about 49% (31 December 2024 55%) of total ASF and the remaining 51% (31 December 2024: 45%) of ASF constituted funding from deposits from financial institutions and non-financial corporate customers. Required Stable Funding (RSF), primarily comprised of short term deposit placements with Banks and other performing loans, which constituted about 45% (31 December 2024: 48%) of total RSF. High quality liquid assets (that comprised mainly of Bahrain government securities and other highly rated debt issuances) accounted for about 12% (31 December 2024: 11%) of the total RSF, while non-HQLA securities accounted for 26% (31 December 2024: 25%) of the total RSF.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

30 LIQUIDITY RATIOS (continued)**Net Stable Funding Ratio (continued)**

The NSFR (as a percentage) is calculated as follows:

<i>Item</i>	<i>Unweighted Values (i.e. before applying relevant factors)</i>			<i>2025</i>	<i>2024</i>
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>US\$ 000 Total weighted value</i>	<i>US\$ 000 Total weighted value</i>
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	381,887	-	-	381,887	362,133
Wholesale funding:					
Other wholesale funding	-	817,392	572,429	395,204	296,624
Other liabilities:					
All other liabilities not included in the above categories	-	15,749	2,022	-	-
Total ASF				777,091	658,757
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	48,456	39,742
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	687,879	10,174	154,084	150,771
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities	-	-	-	23,061	25,029
Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	-	5,019	4,699	114,125	92,560
Other assets:					
All other assets not included in the above categories	63,445	-	-	63,404	59,541
Off balance sheet items	29,366	-	-	1,468	1,693
Total RSF				388,879	369,336
NSFR (%)				200%	178%