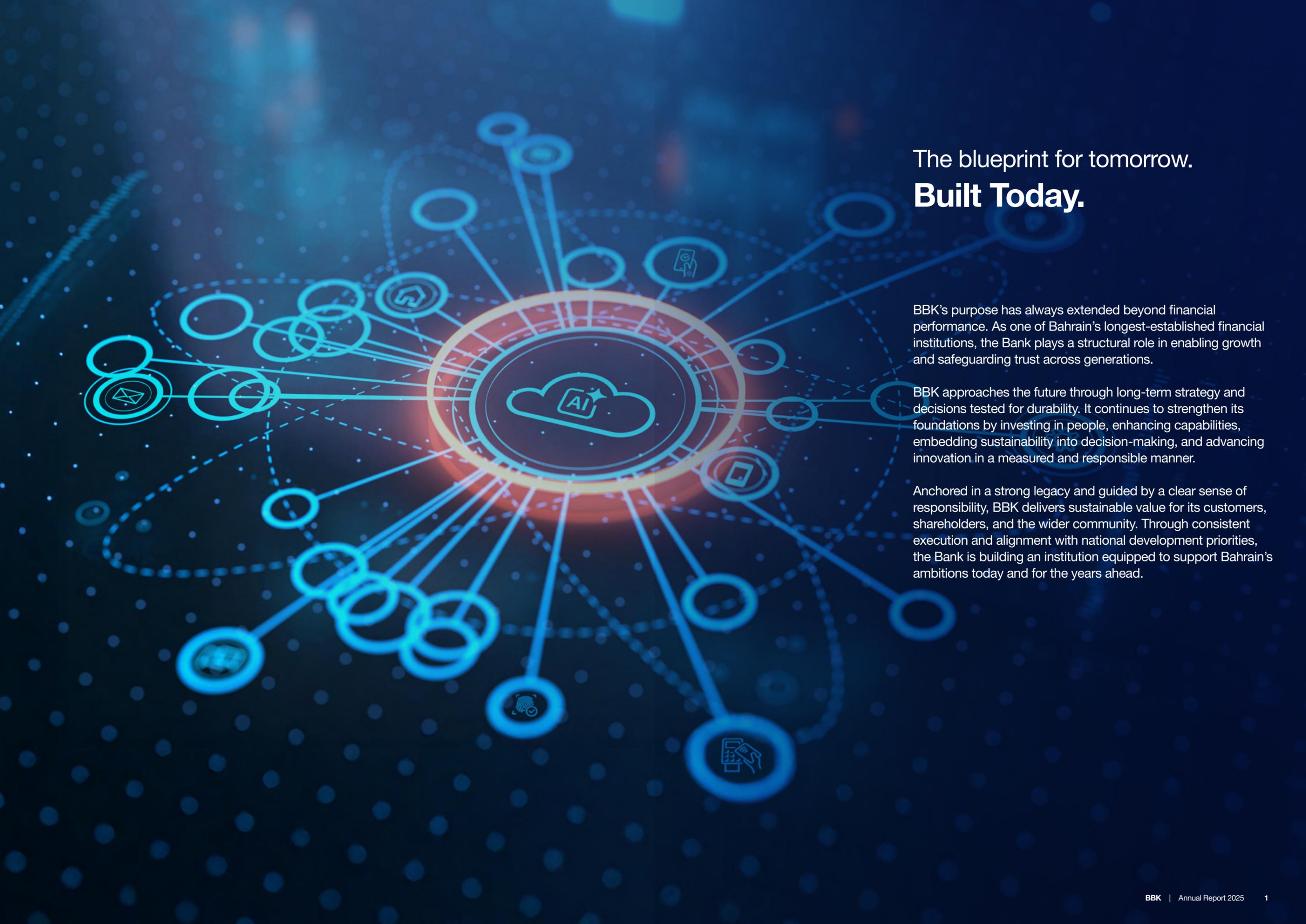


Advancing with Purpose

Annual Report 2025





The blueprint for tomorrow.
Built Today.

BBK's purpose has always extended beyond financial performance. As one of Bahrain's longest-established financial institutions, the Bank plays a structural role in enabling growth and safeguarding trust across generations.

BBK approaches the future through long-term strategy and decisions tested for durability. It continues to strengthen its foundations by investing in people, enhancing capabilities, embedding sustainability into decision-making, and advancing innovation in a measured and responsible manner.

Anchored in a strong legacy and guided by a clear sense of responsibility, BBK delivers sustainable value for its customers, shareholders, and the wider community. Through consistent execution and alignment with national development priorities, the Bank is building an institution equipped to support Bahrain's ambitions today and for the years ahead.

Contents

Part I - 2025 review

4	Vision, mission and values	14	Group Chief Executive's review
5	Financial highlights	18	Executive management
6	Chairperson's message	20	Sustainability review
7	Board of Directors' report		
11	Ratings		
12	Board of Directors		

Part I - 2025 Review

Part II - Reports and Disclosures

29	Corporate governance report
46	Remuneration report
53	Organization information

Part II - Reports and disclosures

Part III - Financial Information

58	Financial review	66	- Changes in equity
60	Independent auditor's report to the shareholders	67	- Cash flows
	Consolidated statements of:	68	Notes to the consolidated financial statements
63	- Financial position	103	Basel III Regulatory capital disclosures
64	- Profit or loss		
65	- Comprehensive income		

Part III - Financial Information

Part IV - Minutes

113	Minutes of the Ordinary General Assembly Meeting
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Part IV - Minutes



H.M. King Hamad bin Isa Al Khalifa
King of the Kingdom of Bahrain



H.H. Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait



Visit www.bbkonline.com/annualreport2025 to view the digital version of the 2025 Annual Report.

BBK is licensed by the Central Bank of Bahrain as a Conventional Retail Bank.

Vision, mission and values

Our vision

BBK will be the premier regional financial services enterprise in providing superior products and services of high quality through innovation, technology and lifelong client relationships.

Our mission

The Bank will expand its overseas presence in more locations in which it chooses to operate in order to satisfy the diversified needs of clients. We believe clients are the driving force in everything we do. We will not compromise on our absolute commitment to providing the very best in client service.

We believe our people are our number one asset, with the highest degree of competence, integrity and professionalism. We instil in our people the principles of entrepreneurship, decision-making and ownership through our commitment to training, development, delegation and performance-based reward systems. We are determined to utilise cutting-edge technology, which we recognise as most critical in supporting our short, medium and long-term business objectives. Our shareholders are the source of our financial strength and can expect continued growth and profitability. They are supportive and are confident of our vision of the future.

Our values

Creative · Passionate · Pioneering · Reliable

Financial highlights

	2025	2024	2023	2022	2021
Income Statement Highlights (BD millions)					
Net interest income	117.2	124.6	133.4	102.5	82.6
Other income	44.6	36.6	20.5	35.7	34.7
Operating expenses	74.1	71.3	68.7	64.5	60.8
Net profit attributable to the owners of the Bank	80.0	72.0	74.5	64.4	53.1
Cash dividend	40%	35%	30%	30%	20%
Stock dividend	0%	0%	5%	5%	10%
Financial Position Highlights (BD millions)					
Total assets	4,974	4,193	3,902	3,754	3,673
Loans and advances	2,359	1,794	1,588	1,614	1,607
Investments	1,226	985	907	922	983
Customer deposits	2,854	2,411	2,130	2,117	2,126
Term borrowings	405	307	302	264	245
Total equity	660	624	614	599	545
Profitability					
Diluted earnings per share (fils)	44	40	41	36	29
Cost / income	45.8%	44.3%	44.6%	46.7%	51.8%
Return on average assets	1.8%	1.8%	1.9%	1.7%	1.4%
Return on average equity	12.8%	11.7%	12.7%	11.7%	10.1%
Profit per employee (BD)	59,058	57,067	53,923	49,734	41,390
Capital					
Capital adequacy	19.8%	26.5%	28.1%	27.3%	23.6%
Equity / total assets	13.3%	14.9%	15.7%	16.0%	14.8%
Leverage ratio	11.4%	13.6%	14.3%	14.7%	13.7%
Liquidity & Business Indicators					
Loans and advances / total assets	47.4%	42.8%	40.7%	43.0%	43.8%
Loans and advances / customer deposits	82.7%	74.4%	74.6%	76.3%	75.6%
Investments / total assets	24.6%	23.5%	23.3%	24.6%	26.8%
Liquid assets / total assets	29.9%	34.4%	35.4%	31.7%	32.6%
Liquidity coverage ratio	320.1%	268.5%	292.6%	301.4%	323.7%
Net stable funding ratio	131.7%	142.0%	137.6%	138.3%	136.9%
Non-performing loans ratio	2.9%	4.2%	3.0%	3.4%	5.2%
Net yield ratio	2.7%	2.9%	3.1%	2.7%	2.3%
Number of employees	1,355	1,261	1,381	1,295	1,282

Chairperson's message



“
At the core of our strategy is a defining commitment: elevating the customer experience at every touchpoint.”

Tariq Jaleel AlSaffar
Chairperson

As BBK completes a milestone year, the Board affirms its confidence in BBK's progression into its next phase of growth. With a history spanning more than five decades, BBK continues to build on a solid foundation defined by disciplined governance and institutional stability. Supported by a strong capital position, the Bank looks decisively ahead with a clear vision.

BBK's strategic direction for the 2025–2027 cycle has advanced with exceptional strength. The first year, the most challenging, was completed with remarkable success, marked by disciplined execution, accelerated progress, strong alignment across the organization and reinforced by the Board's strong oversight and full support. The Bank closes this foundational year not only having met its objectives but having exceeded several early targets. This strong performance positions BBK to enter the next phase of its growth journey with confidence, resilience, and a firm trajectory toward sustained value creation.

At the core of our strategy is a defining commitment: elevating the customer experience at every touchpoint. BBK continues to place customers at the center of every decision, ensuring that interactions—whether in branches, digital channels, call centers, corporate relationship management, or through automated and self-service platforms—are seamless, intuitive, and consistent. Our focus has been on anticipating customer needs, delivering tailored solutions, and setting new standards of service excellence. This customer-first philosophy remains the compass that guides our culture, our investments, and our long-term aspirations.

A major milestone during the year was the successful acquisition of HSBC Bahrain retail banking operations. This strategic transaction significantly strengthens BBK's market position, expands our customer base, and further solidifies our standing as one of Bahrain's most trusted and systemically important financial institutions. The acquisition also enhances our reach within the Kingdom's expatriate community—an increasingly vital segment within our broader growth strategy—and reinforces BBK's capability to compete at scale and deliver superior service across a larger and more diverse customer population.

In parallel, the Bank continued its active evaluation of the potential merger with the National Bank of Bahrain. This union of the Kingdom's two leading financial institutions represents a transformative opportunity—one that could create a national banking champion with the scale, capability, and financial strength to compete not only locally, but across borders, regionally and internationally. The Board remains steadfast in ensuring that any strategic outcome delivers long-term value for shareholders while contributing to the resilience, competitiveness, and global relevance of Bahrain's financial sector.

The year also marked the first full year of the Group Chief Executive's tenure. Under Mr. Yaser Alsharifi's committed leadership, the Bank has seen renewed discipline, sharpened strategic focus, and strong momentum across its transformation priorities. The dedication of the GCE and the management team has been instrumental in driving stellar financial and operational results, further reinforcing our confidence in the Bank's long-term trajectory and its ability to execute with excellence.

Sustained success depends on the caliber and commitment of our people. Throughout the year, the Board and management worked to deepen understanding of organizational capabilities while investing in talent development to support performance and reinforce our competitive position.

Throughout this period of change and progress, the Board has focused on upholding the highest standards of corporate governance and ethical conduct. As part of this commitment, environmental, social, and governance considerations continue to underpin BBK's long-term vision, reinforcing the Bank's responsibility to act with stewardship and long-term purpose.

Building on the progress achieved during the year, the Bank enters the next period with clear priorities and a strong sense of direction. As we translate strategic intent into sustained, measurable outcomes, we are well positioned to capture the opportunities ahead.

On behalf of the Board of Directors, I extend our deep appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain, for his continued leadership in guiding the Kingdom's long-term stability and development. I also convey our sincere gratitude to His Royal Highness Prince Salman bin Hamad bin Isa Al Khalifa, Bahrain's Crown Prince and Prime Minister, for his decisive stewardship in advancing economic reform and strengthening the Kingdom's global competitiveness. I further extend my appreciation to His Highness Sheikh Mishaal Al Ahmad Al Jaber Al Sabah, the Amir of the State of Kuwait, for his leadership and role in strengthening cooperation between our two countries.

I also extend my sincere appreciation to the regulatory authorities in the Kingdom of Bahrain, the State of Kuwait, the Republic of India and other jurisdictions in which we operate, for their prudent oversight and continued efforts to safeguard financial stability and foster a resilient banking sector. We remain committed to delivering sustainable value and supporting the continued economic progress of the markets we serve.

Tariq Jaleel AlSaffar
Chairperson

Board of Directors' report

On behalf of the Board of Directors (BOD), I am pleased to present the consolidated financial statements of the Bank of Bahrain and Kuwait (BBK) and its subsidiaries (the Group) for the year ended 31 December 2025.

Global and regional economic context

In 2025, global economic activity remained moderate, with growth broadly steady compared with the year before. According to the International Monetary Fund, global real GDP growth was estimated at approximately 3.2%, reflecting continued expansion alongside easing inflationary pressures across major economies. As inflation moderated during the year, monetary conditions adjusted accordingly, with several central banks recalibrating policy settings in response to improved price stability.

Across the Gulf Cooperation Council (GCC), economic conditions in 2025 reflected continued progress in diversification. Non-oil activity supported overall growth, underpinned by sustained investment in infrastructure and expansion across services, financial activities, tourism, logistics, and technology, while hydrocarbon sector performance remained influenced by production dynamics.

In Bahrain, economic performance remained broadly aligned with regional trends. Official data indicate that real GDP expanded by approximately 4% year-on-year in the third quarter of 2025, supported by non-oil sector growth of around 3.1%, with non-oil activities accounting for roughly 85% of real GDP. Growth was driven by activity across financial services, manufacturing, tourism, telecommunications, and continued investment in infrastructure and digital development.

Within this operating environment, the Board closely monitored performance, ensuring that the Bank remained strategically focused and aligned with national priorities. The Board also firmly endorsed accelerating the execution of the three-year strategic plan and intensifying diversification efforts, underscoring its commitment to strengthening the Bank's long-term sustainability, resilience, and capacity to seize emerging opportunities.

Performance drivers

A key milestone during the year was the successful completion of a USD 500 million, three-year Club Loan Facility. The transaction, which included a sustainability-linked option, strengthened BBK's

funding profile, supported strategic expansion initiatives, and refinanced maturing facilities. This followed the Bank's earlier capital markets activity and further demonstrated strong investor confidence in BBK's credit quality, governance framework, and long-term strategy.

Toward the end of 2025, the Bank achieved another major strategic milestone by successfully completing the transfer of HSBC Middle East-Bahrain branch retail customers to BBK. This landmark transaction was executed seamlessly, with no disruption to customers and the broader operations of the Bank. The transfer also encompassed the smooth integration of HSBC employees serving these customers into BBK's dynamic work environment, ensuring continuity of service and further enhancing the Bank's operational strength and institutional capabilities. This achievement underscores BBK's executional excellence, its capacity to manage complex transitions, and its growing role as a key player in the Kingdom's banking landscape.

Continued progress was made in income diversification during the year. The impact of interest-rate movements on net interest income was offset by growth in net fees and commission income, higher contributions from associates and joint ventures, and disciplined credit risk management. Operating expenses increased in a measured and controlled manner, reflecting deliberate investment in people, technology, and strategic initiatives to support long-term performance.

Commitment to sustainability and governance

BBK's approach to sustainability reflects its deep sense of institutional duty, rooted in the Bank's scale and position within the financial system. Decisions are made with a long-term horizon, tested for durability and resilience over decades. This perspective shapes how matters of risk and growth are considered at the Board level.

Sustainability is embedded within the Bank's governance framework and integrated into core responsibilities. During the year, this



“
Toward the end of 2025, the Bank achieved another major strategic milestone by successfully completing the transfer of HSBC Middle East-Bahrain branch retail customers to BBK.”

Board of Directors' report (continued)

integration was reflected in continued progress across strategic and operational priorities. Financing activity was aligned with defined sustainability objectives, and investment in national talent remained a priority, consistent with Bahrain Economic Vision 2030 and the Kingdom's broader development goals.

In 2025, the Bank's ESG rating by Morgan Stanley Capital International (MSCI) has been upgraded to "A", reflecting the Bank's strengthened practices in environment, social and governance standards and its ongoing alignment with internationally recognized sustainability frameworks. In parallel, BBK has achieved a significant improvement in its London Stock Exchange Group (LSEG) Sustainability Index rating, climbing from 48/100 to 77 /100, reaffirming BBK's strong performance in sustainability and the growing international recognition of its steadfast commitment to continuous improvement and adherence to global ESG best practices.

Financial highlights

BBK delivered a resilient financial performance in 2025, supported by a strong liquidity position, diversified funding sources, and an agile operating model. This is a new record for the Bank validating the

Appropriations

The Board of Directors' recommendations for appropriations of the Bank's net profit and approval by shareholders are:

	BD Millions
Retained earnings as at 1 January 2025	132.3
Profit for the year 2025	80.0
Other movements in retained earnings	0.3
Retained earnings as at 31 December 2025 available for distribution (before proposed appropriations and interim dividend)	212.6
Proposed appropriation for Corporate Social Responsibility	3.1
Proposed cash dividend (40% of paid-up capital net of treasury shares) – includes BD 22.6 million paid as interim cash dividend	72.1
Retained earnings as at 31 December 2025 (after proposed appropriations)	137.4

three-year Strategy set and establishing the right trajectory towards further growth with the execution of the business plan.

Net profit attributable to the owners of the Bank amounted to BD 80.0 million in 2025 (11.1% change), compared to BD 72.0 million in 2024. Basic and diluted earnings per share stood at 44 fils in 2025, compared to 40 fils in the previous year. Equity attributable to the owners of the Bank reached BD 657.5 million at the end of 2025, compared to BD 620.8 million at the end of 2024.

During 2025, net fees and commission income increased by 13.3% to BD 22.1 million, while investment and other income rose by 6.1% to BD 21.0 million, underscoring the Bank's continued focus on diversifying revenue streams and enhancing earnings resilience.

Based on the positive financial results for the year ended 31st December 2025, the Board of Directors recommends paying cash dividends of 40 fils per share (including interim cash dividend of 12.S fils per share), and subject to the approvals of the regulatory authorities and shareholders at the Annual General Meeting (AGM).

Appointment of external auditors

At the Bank's Annual General Meeting, held on 25 March 2025, Ernst & Young were reappointed as external auditors to BBK for the financial year ended 31 December 2025.

Disclosure of Board and Executive Management remuneration for the year 2025 in the Board of Directors report

First: Details of Board Remuneration

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Fixed remunerations Remunerations of the chairman and BOD recommended to the AGM	Total allowance for attending Board and committee meetings	Salaries	Others (Travel Allowance only)	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
Tariq Jaleel AlSaffar	143,636.362	23,500.000	-	1,754.960	168,891.322	-	-	-	-	-	-	-	-
Aref Haider Rahimi	71,818.182	20,500.000	-	1,952.080	94,270.262	-	-	-	-	-	-	-	-
Khalid Nasser Al Shamsi	71,818.182	23,250.000	-	11,163.180	106,231.362	-	-	-	-	-	-	-	-
Munther Abdul Aziz Al Kooheji	71,818.182	14,500.000	-	1,552.500	87,870.682	-	-	-	-	-	-	-	-
Ghaneya Mohsen Al Durazi	71,818.182	17,000.000	-	2,057.550	90,875.732	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Khalid Hussein Taqi	71,818.182	10,000.000	-	0.000	81,818.182	-	-	-	-	-	-	-	-
Nour Nael Al-Jassem *	71,818.182	14,500.000	-	1,800.000	88,118.182	-	-	-	-	-	-	-	-
Dana Aqeel Raees **	71,818.182	15,000.000	-	0.000	86,818.182	-	-	-	-	-	-	-	-
Naser Khalid Al-Rae**	71,818.182	16,000.000	-	306.900	88,125.082	-	-	-	-	-	-	-	-
Khaled Mohammad Al-Asfour *	71,818.182	13,000.000	-	4,009.010	88,827.192	-	-	-	-	-	-	-	-
Third: Executive Directors:													
Nil	-	-	-	-	-	-	-	-	-	-	-	-	-
	790,000.000	167,250.000	-	24,596.180	981,846.180	-	-	-	-	-	-	-	-

Note:

- All amounts are in Bahraini Dinars.
 - Board membership remuneration will be paid in 2026 after obtaining the approval of the AGM on 31 March 2026
- * Amount to be paid to Kuwait Investment Authority (KIA)
 ** Amount to be paid to Social Insurance Organization (SIO)

Board of Directors' report (continued)

“As BBK moves deeper into its current strategic cycle, the Board remains focused on ensuring that BBK responds with judgment rather than reaction.”

Ratings

During the year, Fitch Ratings affirmed BBK's Long-Term Issuer Default Rating (IDR) at B+ with a Negative Outlook, and its Viability Rating (VR) at b+.

BBK's IDRs are driven by the Bank's standalone strength, as reflected by its VR. The Bank's Viability Rate is capped by the domestic operating environment and, more specifically, by Bahrain's sovereign rating of B+.

In addition, Moody's affirmed BBK's Long-term and Short-term Deposit Rating at B2 Stable, in which it captures the Bank's standalone credit strength, reflected in its Baseline Credit Assessment (BCA) of b2, which is at the same level as the Government of Bahrain's B2 Stable rating.

BBK's b2 BCA captures the Bank's strong domestic franchise, which supports its sound profitability, solid liquidity buffers and resilient funding, and adequate capital.

Forward view

We are witnessing an unprecedented pace of change, driven in particular by rapid technological advancement, including the emergence of artificial intelligence as a practical tool across the financial sector. As BBK moves deeper into its current strategic cycle, the Board remains focused on ensuring that BBK responds with judgment rather than reaction.

More broadly, the Board's role is not only to ensure adherence to policy and regulatory frameworks, but also to engage constructively where change is required, supporting progress while safeguarding the Bank's integrity and stability. This reflects the Board's belief that sustainable progress depends on active oversight and informed challenge. Through continued engagement with management and regulators, the Board seeks to balance innovation with prudence.

Looking ahead, BBK remains well positioned to execute its strategy and continue creating long-term value for shareholders and the wider economy.

Appreciation

On behalf of the Board, I note with appreciation the ongoing confidence of shareholders and the trust of customers, both of which are central to the Bank's long-term success. We further recognize the Central Bank of Bahrain and other regulatory authorities for their guidance and stewardship of the banking sector.

Finally, I would like to express my appreciation to BBK's leadership team and employees for their continued commitment and professionalism throughout the year. Their efforts have supported the Bank's progress, reinforcing its position and preserving its long-standing values.

Tariq Jaleel AlSaffar
Chairperson

Ratings

During the year, Fitch Ratings affirmed BBK's Long-term Issuer Default Rating (IDR) at B+ and Viability Rating (VR) at b+ while revising the outlook to Negative capped by the Government of Bahrain's credit rating.

BBK's IDRs are driven by the Bank's standalone strength, as reflected by its VR. The Bank's Viability Rate is capped by the Bahraini operating environment and, more specifically, by Bahrain's sovereign rating of B+.

Fitch
Long-term IDR

B+

Long-term Issuer Default Rating	B+
Short-term Issuer Default Rating	B
Viability Rating	b+
Senior Unsecured: Long Term	B+
Senior Unsecured: Short Term	B
Outlook	Negative

During the year, Moody's affirmed BBK's Long-term Deposit Rating at B2, in which it captures the Bank's standalone credit strength, reflected in its Baseline Credit Assessment (BCA) of b2, which is at the same level as the Government of Bahrain's B2 Stable rating.

BBK's b2 BCA captures its strong domestic franchise, which supports its sound profitability, solid liquidity buffers and resilient funding, and adequate capital.

Moody's
Long-term Deposit

B2

Long-term Deposit	B2
Long-term Debt	B2
Baseline Credit Assessment	b2
Senior Unsecured	B2
Subordinate MTN	(P)B3
Outlook	Stable

Board of Directors



Tariq Jaleel AISaffar
Chairperson

- ▲ Chairperson
- ▲ Member

Director since 28 March 2023
(Independent)

Qualifications and Experience
Bachelor degree from Western Australian College of Advanced Education in Business Marketing & Entrepreneurship. Diploma from Columbia University in leadership development program.

26 years' experience in Investment and Business; owning, managing and started-up various Business Sectors.



Khalid Hussain Taqi
Deputy Chairperson

- ▲ Member
- ▲ Member
- ▲ Member

Director since 28 March 2023
(Independent)

Qualifications and Experience
Masters in Science, Finance - DePaul University, Chicago, United States.

18 years' experience in the financial sector.



Aref Haider Rahimi
Board Member

- ▲ Chairperson
- ▲ Chairperson
- ▲ Member

Director since 22 August 2022
(Independent)

Qualifications and Experience
Certified Public Accountant, Board of Accountancy, Oregon, USA.

Over 33 years of experience in financial services.



Khalid Nasser Al Shamsi
Board Member

- ▲ Chairperson
- ▲ Deputy Chairperson
- ▲ Member
- ▲ Member
- ▲ Member

Director since 28 March 2023
(Independent)

Qualifications and Experience
Bachelor degree (magna cum laude) in Accounting and International Business. Executive graduate from Harvard Business School, UC Berkeley Haas School of Business and INSEAD Business School. 24 years' experience in the Financial and Investment Sectors.



Munther Abdulaziz Al-Kooheji
Board Member

- ▲ Chairperson
- ▲ Member

Director since 27 March 2024
(Independent)

Qualifications and Experience
Bachelor's in mechanical engineering & industrial management, University of Texas – Austin.

Over 35 years experience in leadership roles in the investment banking and wealth management.



Nour Nael Al Jassim
Board Member

- ▲ Member

Director since 24 March 2020
(Non-Executive)

Qualifications and Experience
Bachelor in Accounting and Finance, Kuwait University, State of Kuwait.

Over 18 years' experience in Investment Sector and Risk Management.



Naser Khalid Al Raei
Board Member

- ▲ Deputy Chairperson
- ▲ Member

Director since 02 May 2023
(Non-Executive)

Qualifications and Experience
Professional Risk Manager Certification, Certified Internal Auditor, & Certification in Risk Management Assurance. Bachelor of Business Administration in Finance Concentration, University of Texas, USA.

Over 16 years' experience in the audit and risk management assurance and advisory field with variety of industry exposure including the banking and investment sector.

Nominated by:
Social Insurance Organization (SIO)



Dana Aqeel Raees
Board Member

- ▲ Deputy Chairperson

Director since 28 March 2023
(Non-Executive)

Qualifications and Experience
Admitted as a non-practicing solicitor in the Senior Courts of England and Wales since 1 April 2010.

Postgraduate Legal Qualification (LPC), University of Law (UK). Bachelor of Laws, University of Warwick (UK).

20 years' experience in Legal and Financial Sectors.

Nominated by:
Social Insurance Organization (SIO)



Khaled Mohamed Alasfour
Board Member

- ▲ Deputy Chairperson
- ▲ Member
- ▲ Member

Director since 18 October 2023
(Non-Executive)

Qualifications and Experience
CFA Charterholder, over 18 years' of experience in Alternative Investments.

Nominated by:
Kuwait Investment Authority (KIA)



Dr. Ghaneya Mohsen Al-Derazi
Board Member

- ▲ Member
- ▲ Member

Director since 27 March 2024
(Independent)

Qualifications and Experience
Doctorate of Business Administration, Durham University, United Kingdom. Over 27 years' experience in the banking industry.

Board Committees

- ▲ Risk Committee
- ▲ Nomination, Remuneration & Governance Committee
- ▲ Executive Committee
- ▲ Independent Directors' Committee
- ▲ Audit and Compliance Committee
- ▲ Mergers and Acquisitions Committee

Group Chief Executive's review



“
For BBK, customer experience is rooted in relationships built over time, grounded in trust and consistent delivery.”

Yaser Alsharifi
Group Chief Executive

BBK has delivered a year of record profitability, building on its long-standing strengths and clear strategic priorities. This performance was underpinned by prudent risk management, enabling the Bank to respond effectively to a dynamic operating environment while remaining guided by the principles that have shaped its development for more than fifty years.

2025 was a period of both transition and momentum, marked by the successful acquisition and integration of HSBC Middle East-Bahrain retail banking operations. This milestone has expanded BBK's reach within the expatriate customer base and reinforced its role in supporting Bahrain's economy and community.

During the year, BBK continued to assess the previously announced potential merger with the National Bank of Bahrain, focusing on long-term value creation and the interests of shareholders and the wider financial system.

Innovation remains integral to BBK's strategy. Building on its history as a pioneer in Bahrain's banking sector, the Bank continues to pursue thoughtful and responsible innovation that enhances customer experience and operational efficiency.

Central to BBK's performance is its culture. Across the Group, teams continued to operate with a strong sense of accountability and collaboration, supported by a people-first approach and continued enhancements across HR practices. Service quality remained a priority, and customers continued to be at the heart of decision making. This collective approach is one of the Bank's most enduring strengths.

A year of landmark growth Performance and achievements

During 2025, changes in the interest rate environment influenced funding costs and asset yields across the banking sector. BBK's response centered on income diversification and sustained focus on asset quality.

While net interest income was affected by rate movements, growth in fee-based income and improved credit performance provided partial offset, demonstrating the resilience of the Bank's diversified operating model. The Bank maintained tight control over costs while continuing to invest in its workforce and selected initiatives to support future performance.

Funding strength and balance sheet resilience

Throughout the year, BBK maintained a strong capital and liquidity position. A key milestone was the successful completion of a USD 500 million, three-year Club Loan Facility, representing a significant increase from the previous \$350 million facility, which reflects the continued confidence of its partners and strengthens the Bank's funding profile. Structured to refinance existing obligations and support business expansion, the facility also included a sustainability-linked option aligned with BBK's broader objectives.

The Bank continued to actively manage capital, liquidity, and risk, including hedging its portfolio to manage the impact of a moderating interest rate environment.

Acquisition of HSBC Middle East – Bahrain

During the year, BBK completed the integration of HSBC Middle East-Bahrain retail banking operations, representing the most significant retail franchise expansion in the Bank's history. The transaction added approximately 75,000 customers to BBK's portfolio, strengthening its position across key retail segments.

HSBC customers were transitioned onto BBK's platforms with access to an expanded suite of products and services, while HSBC employees were welcomed into the organization, supporting service continuity and preserving customer relationships throughout the transition.

Serving clients across diverse segments

Across all segments, the focus remained on deepening customer relationships, supporting priority sectors, and delivering tailored financial solutions aligned with evolving client needs. This reinforced BBK's role as a stable and trusted financial partner.

Retail banking

BBK continued to enhance its retail banking franchise during the year, maintaining a strong focus on flexibility and accessibility to support customers across key life milestones.

During 2025, the Bank refined its personal and vehicle finance offerings, introducing more adaptive repayment structures and streamlined access to credit. These enhancements supported customers in managing near-term financial needs while preserving long-term affordability. Strategic automotive partnerships further strengthened the vehicle finance platform, expanding reach and improving the overall customer journey.

In housing finance, BBK continued to play a significant role in supporting home ownership across a broad spectrum of customers. The Bank strengthened its position through partnerships with leading real estate developers, delivering tailored mortgage solutions for social housing beneficiaries under the Tas'heel and Mazaya programmes, as well as for customers seeking premium residential properties.

Corporate banking

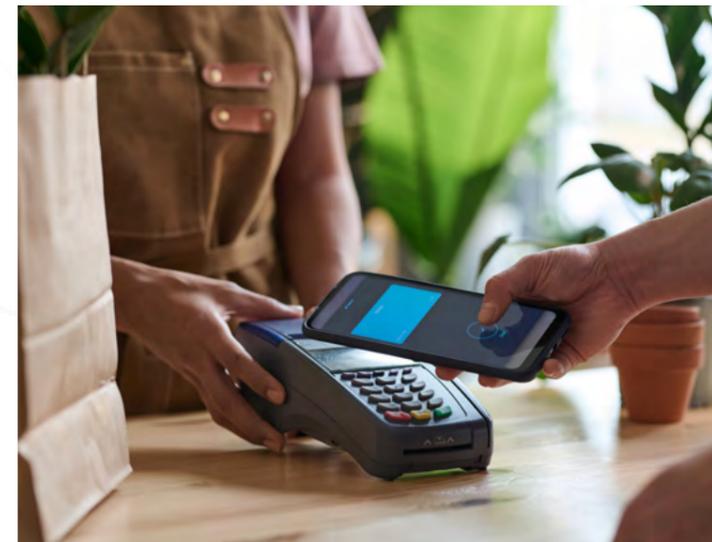
BBK remained a preferred financial partner for corporate clients, supporting businesses across diverse sectors through tailored financial solutions aligned with their growth and operational requirements. Throughout the year, the Bank focused on strengthening P&L performance, enhancing underwriting discipline, and advancing its wholesale banking activities, while continuing to evolve its corporate banking platform. This included further development of BankKey, improving transaction visibility and documentation efficiency to support smoother day-to-day operations for business customers.

Wealth management

BBK Privé continues to offer clients digital access to a broad range of investment opportunities, including treasury bills and bonds through BBK Mobile, supporting convenient portfolio management via digital channels. In parallel, the Bank is advancing its private banking proposition, expanding its offering to better serve high-net-worth clients with more bespoke and differentiated wealth solutions.

International operations

BBK's International Banking division continued to play an integral role within the Group during the year, supporting customer segments and business lines in markets where the Bank has long-standing relationships and a deep level of experience. BBK maintains an



“
The Bank views technology as an enabler of better decision-making, stronger service delivery, and long-term resilience.”

on-the-ground presence in key locations including Kuwait, India, the UAE, and Türkiye. In addition, the division serves clients in other regional markets, including Saudi Arabia and Egypt, through cross-border relationships and correspondent banking channels, aligned with the Group's overall strategy, risk appetite, and capital priorities. Focus remained on maintaining consistent standards across international operations, with common credit, compliance, and risk controls applied in all markets.

BBK Group entities

BBK's subsidiaries continued to play an important role in supporting its diversification strategy and extending its capabilities beyond traditional banking activities. Through focused execution and targeted investment, these entities contribute to operational efficiency, innovation, and value creation across the wider financial ecosystem.

During the year, Credimax reinforced its position as a leading payments platform. A new app was introduced to enhance its digital capabilities and customer experience, while partnerships across telecommunications, logistics, and premium lifestyle segments broadened its reach and deepened integration with adjacent services.

Invita continued to support both BBK and external clients through technology-enabled business process outsourcing solutions. During the year, the company progressed its use of automation and digital tools to streamline workflow and support scalable service delivery, contributing to improved operational efficiency and resilience in line with the Group's broader execution priorities.

A commitment to excellence in customer service

For BBK, customer experience is rooted in relationships built over time, grounded in trust and consistent delivery. Central to this is “The BBK Way”, which places a clear focus on understanding customers through ongoing market research, defined customer personas, and a deep awareness of evolving needs.

By fostering a culture where employees are empowered to take ownership and act with care, BBK seeks to ensure that every customer interaction reflects the values of the organization. Throughout the year, this people-first approach translated into tangible improvements across service delivery and customer engagement.

Group Chief Executive's review (continued)

These efforts were recognized with the CX 2025 Award, reflecting measurable progress in customer experience across multiple touchpoints. The award followed a series of service enhancements, including improved digital onboarding, faster processing times for key retail services, and continued investment in self-service and digital functionality designed to simplify everyday banking.

Strengthening digital foundations

The Bank views technology as an enabler of better decision-making, stronger service delivery, and long-term resilience. During the year, BBK strengthened its digital capabilities through targeted platform enhancements and strategic partnerships. Ongoing improvements to core digital channels supported greater efficiency and accessibility for both retail and corporate customers, while maintaining a strong emphasis on security and regulatory compliance.

BBK also progressed its innovation agenda through partnerships designed to expand capability and awareness in emerging areas. The Bank entered into a collaboration with Tarabut to support open banking and explore digital asset and tokenization frameworks, while monitoring developments in digital assets and crypto markets in line with regulatory frameworks and evolving market demand.

BBK established an Innovation Center in partnership with ARRAY Innovation to advance the development of AI-driven digital capabilities. The initiative brings together Bahraini software engineers to enhance customer experience across the Bank's digital channels, with a focus on automating workflows, improving platform navigation, and expanding the range of products and services available across web and mobile platforms. It also supports the development of capabilities in areas such as data analytics, information security, and cloud-based systems integration.

Recognizing the importance of leadership readiness in a rapidly changing environment, BBK placed particular emphasis on building internal understanding of new technologies. During the year, the Bank hosted an executive awareness session on digital assets, delivered in collaboration with Rain, to ensure senior leadership remains informed of global and regional developments, regulatory considerations, and institutional adoption trends.

Sustainable impact and institutional stewardship

BBK's approach to environmental, social, and governance (ESG) responsibilities is rooted in its role as a national financial institution. Beyond commercial performance, the Bank recognizes its responsibility to contribute to the Kingdom's long-term development and social progress.

BBK is proud to continue its support for the Crown Prince's International Scholarship Program (CPISP), contributing to the development of Bahraini talent and future national leaders. BBK also maintained its longstanding partnership with the Royal Humanitarian Foundation, contributing to its humanitarian and community development efforts across the Kingdom.

Throughout the year, BBK continued to support initiatives that strengthen national identity and cultural engagement. This included programs such as Celebrate Bahrain and Spring of Culture, the prestigious Royal Bahrain Concours, and events at the Rashid Equestrian Horseracing Club, which enhance the Kingdom's regional and international profile.

Youth empowerment remains a central focus. Through scholarship programs and structured development initiatives, BBK invests in the next generation of Bahraini talent, supporting educational advancement and capacity building aligned with national priorities.

The Bank also continued its support for sports as a vehicle for social cohesion, youth development, and community engagement, recognizing the role of athletics in promoting teamwork and national pride.

Environmental considerations form part of the Bank's operational and awareness initiatives, reinforcing a culture of responsibility across the organization. This approach is reinforced by clear accountability structures, ensuring that sustainability considerations are integrated into strategic direction and performance oversight.

BBK continues to demonstrate leadership in corporate governance, consistently exceeding regulatory requirements and aligning with global best practices. The Board's diverse composition further reflects BBK's commitment to balanced governance and inclusive leadership, with 60% independent directors and 30% female representation.

A growth-oriented internal culture

BBK continued to prioritize the kind of culture that enables people to perform at their best, one built on ownership, collaboration, and a shared responsibility for delivery. The Bank's focus remains on fostering an environment where teams work across disciplines and are trusted to take ownership.

National workforce development remains a priority, reflected in a Bahrainization rate of 96% in 2025 and continued investment in local talent. Structured development programs such as the Grow program, leadership progression, and succession planning initiatives support the advancement of Bahraini professionals across the organization. The Bank also places strong emphasis on recognizing long-term contribution and professional growth, reinforcing a culture that values experience and commitment.

Looking ahead

As BBK looks ahead, it does so from a position of confidence. Moving deeper into the 2025–2027 strategic cycle, our priorities remain centered on disciplined growth and responsible innovation, with a clear focus on long-term value creation. BBK is committed to delivering sustainable returns, strengthening customer relationships, and fostering a supportive environment for its people, while continuing to contribute positively to the Kingdom's financial and economic development.

I would like to thank the Board of Directors, our regulators, and, above all, our customers and employees for their continued support. Your contribution remains fundamental as we move forward and build on the progress achieved.

Yaser Alsharifi

Group Chief Executive

As a lifelong partner for growth, we empower people and businesses with the confidence to always move forward

Executive management



Yaser Alsharifi
Group Chief Executive

Qualifications and Experience
Bachelor's in business administration University of Massachusetts at Amherst, USA. (1994). 32 years' experience in the financial services industry.
Joined BBK in 2024.



Hassaan Burshaid
Group Chief Operating Officer

Qualifications and Experience
Master of Business Administration, DePaul University, USA. (2003), and Master of Science in Human Resources Management, DePaul University, USA. (2006). 31 years' experience in the field of human resources.
Joined BBK in 1998.



Mohammed Abdulla
Group Chief Financial Officer

Qualifications and Experience
Certified Public Accountant (CPA), American Institute of Certified Public Accountants, Delaware State Board of Accountancy, USA. (2001). 34 years' experience in the field of finance.
Joined BBK in 2001.



Nadeem Al Koheji
Chief Wholesale Banking Officer

Qualifications and Experience
Bachelor's in Business Administration, University of Texas at Austin, USA (1988). 28 years' banking experience and 12 years' audit experience.
Joined BBK in 1999.



Mohamed Al Rayes
Chief Treasury & Investments Officer

Qualifications and Experience
Master of Business in Finance, University of Otago, New Zealand (2008). 18 years' banking experience.
Joined BBK in 2013.



Salman Al Hasan
Chief International Banking Officer

Qualifications and Experience
Master of Science in Finance, DePaul University – The Charles H. Kellstadt, Graduate School of Business, USA (2013). 23 years' banking experience.
Joined BBK in 2013.



Ahmed Taqi
Chief Retail Banking Officer

Qualifications and Experience
Master of Business Administration – University of Glamorgan, UK (2012), and Master of Applied Business research – Swiss business School, Switzerland (2023). 24 years' banking experience across multiple local and international banks.
Joined BBK in 2014.



Aqeel Ghaith
Chief Private Banking Officer

Qualifications and Experience
Master of Science in Finance, Boston University, USA (2000). 26 years' banking experience.
Joined BBK in 2025.



Simone Carminati
Group Chief Corporate & Business Development Officer

Qualifications and Experience
Master's in International Relations, University of Kent, UK (1998). 33 years' experience including 17 years in banking.
Joined BBK in 2014.



Mohamed Alaali
Group Chief Strategy & Transformation Officer

Qualifications and Experience
Master of Business Administration, University of Illinois, USA (2015). 19 years' experience in strategy and transformation.
Joined BBK in 2024.



Vidhu Mittal
Group Chief Information Officer

Qualifications and Experience
Master of Business Administration from University of Strathclyde, UK (2002). 32 years' experience as a technology professional.
Joined BBK in 2006.



Nadine Al Shirawi
Group Chief Compliance Officer & MLRO

Qualifications and Experience
Master of Science in Development Studies (Economics), London School of Economics, and Political Science, University of London, UK (2002). 22 years' experience including 18 years in Compliance & AML.
Joined BBK in 2008.



Ebrahim Mashal
Group Chief Risk Officer

Qualifications and Experience
Master of Science in Finance, Imperial College London, UK (2011). Chartered Financial Analyst (CFA), Professional Risk Manager (PRM), and Certified in Risk and Information Systems Control (CRISC). 14 years' banking and financial services experience.
Joined BBK in 2015.



Khaled AlNaser
Group Chief Internal Auditor

Qualifications and Experience
Bachelor's degree in managerial accounting New York Institute of Technology, Kingdom of Bahrain (2007). Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Chartered Global Management Accountant (CGMA), and Certified Islamic Professional Accountant (CIPA). 19 years' experience in auditing and finance.
Joined BBK in 2025.



Ahmed A. Qudoos
Group Chief Corporate Secretariat

Qualifications and Experience
Bachelor of Science the University of Bahrain, Kingdom of Bahrain (1996). Qualified in Board Secretarial practices from George Washington University, Advance Certificates in Corporate Governance, Investor Relations and Governance, Risk and Compliance, Informa UAE, 30 years' experience in the banking and financial sector.
Joined BBK in 2009.



Salah Al Jassas
Chief Remedial Officer

Qualifications and Experience
Master, postgraduate Diploma and Executive Management Diploma from University of Bahrain, Kingdom of Bahrain (2004). Certified Diploma in Accounting & Finance from the Association of Chartered Certified Accountant (ACCA), UK (1999). 38 years' experience in Corporate Banking, including SME Banking and Remedial and Recovery Management.
Joined BBK in 1994.



Layla Radhi
Chief Credit Assessment Officer

Qualifications and Experience
Master of Science, Finance (Islamic Finance), De Paul University, USA (2011). Master of Science, MIS, University of Nevada Las Vegas, USA (2007). 20 years' experience.
Joined BBK in 2021.



Iris Edwards
Group Chief Legal Counsel

Qualifications and Experience
Solicitor admitted to the roll of the Law Society of England and Wales, (2000). Postgraduate in Law from the University of Law in London, UK (1998). 25 years' experience practising law in the financial services industry.
Joined BBK in 2025.

Sustainability review

BBK continues to embed environmental, social, and governance (ESG) considerations into its business model, recognizing ESG as a core enabler of long-term resilience, responsible growth, and stakeholder trust.

The Bank maintains an agile approach, treating its Sustainability Framework as a living document that evolves in response to national and international priorities. In this context, BBK expanded its framework by introducing Climate Action and Responsibility as

a fifth pillar, reflecting the growing importance of climate change mitigation within the banking sector and the Bank's commitment to adapting accordingly.

During 2025, the Bank further strengthened its sustainability governance, expanded climate-related disclosures, and advanced responsible banking practices in alignment with Bahrain Vision 2030, the Central Bank of Bahrain ESG requirements, the Sustainable Development Goals (SDGs) and international best practices.



Governance and Oversight

Strong governance remains the foundation of BBK's ESG approach. The Business Review, Strategy, & Sustainability Committee, chaired by the Group Chief Executive, oversees the implementation of sustainability initiatives and reports to the Board's Nomination, Remuneration, and Governance Committee. ESG performance is monitored through defined KPIs, supported by cross-functional working groups covering sustainable finance, climate risk, and social priorities.

BBK maintains a comprehensive framework of ESG-related policies, the Bank's ESG Position Statement defines the Bank's social, environmental and governance approach and commitments. These frameworks guide decision-making across operations and ensure alignment with regulatory and stakeholder expectations.

Sustainability Roles and Responsibilities		
	Board of Directors	Provides the highest level of oversight for BBK's initiatives and governance framework.
	Nomination, Remuneration & Governance Committee	Received quarterly updates from the Business Review, Strategy & Sustainability Committee, and ensures alignment with BBK's strategic goals.
	Business Review, Strategy & Sustainability Committee	Oversees ESG policy implementation, fosters cross departmental sustainability integration, reports to the NRG Committee quarterly, and provides a full annual report on Sustainability performance.
	Product, Services & Sustainable Finance Committee	Oversight responsibilities over the scope of work of the Sustainable Finance Working Group and Approving new products and services in the Bank.
	Sustainability Department	Coordinates BBK's sustainability framework, oversees working groups, monitors KPIs quarterly and reports consolidated data to the Business Review, Strategy & Sustainability Committee.
	Sustainability Working Group	Focuses on a specific area of Sustainability, comprising members from various departments. The working group led by the sustainability department contributes to the bank's sustainability initiatives.
	Sustainable Finance Working group	Approve and monitor sustainable transactions, ensuring alignment with the Framework and industry principles. Assess environmental and social risks, maintain eligibility, and follow the bank's approval processes.

Corporate Governance Highlights

"A" Upgraded MSCI ESG rating to "A" from "BBB"

"77" Upgraded LSEG ESG rating to "77" from "48"

Most improved ESG report 2024 by MEIRA

Morgan Stanley Capital International (MSCI), London Stock Exchange Group (LSEG)

Sustainability review (continued)

GOOD CORPORATE GOVERNANCE

Corporate Governance Framework

Good corporate governance underpins BBK's stability, integrity, and long-term performance. The Bank operates within a robust governance framework that promotes transparency, accountability, and effective oversight across all levels of the organization. Clear separation of roles between the Chairperson and the Group Chief Executive, supported by an experienced and diverse Board of Directors and specialized Board committees, ensures balanced decision-making and strong control environments.

Business Ethics and Compliance

BBK maintains comprehensive policies covering business ethics, anti-corruption, conflict of interest, and information security, supported by regular training and monitoring. In addition, the Bank publishes position statements outlining its approach to responsible banking and the management of key material topics across environmental, social, and governance areas.

Good Corporate Governance Highlights



BBK's Employee Code of Conduct defines the ethical standards expected of all employees, including senior management and temporary staff, and is underpinned by principles of integrity, transparency, respect, and accountability that guide professional conduct across the Bank.

A zero-tolerance approach to bribery, fraud, and financial crime is embedded through comprehensive policies, mandatory training, and ongoing monitoring, supported by secure whistleblowing channels that enable concerns to be raised confidentially and without fear of retaliation. Clear frameworks are also in place to identify and manage conflicts of interest and regulate key persons' dealings, ensuring independence, transparency, and integrity in decision-making at both management and Board levels.

Risk Management

BBK maintains a comprehensive risk management framework designed to identify, assess, and manage risks across its operations. Oversight is provided by the Board Risk Committee, supported by independent risk and control functions that ensure alignment with the Bank's risk appetite and regulatory requirements. Regular monitoring, stress testing, and business continuity planning enhance the Bank's resilience and support informed decision-making in a dynamic operating environment.

Internal Audit, provide ongoing oversight, while structured risk management and business continuity frameworks enhance the Bank's resilience in a dynamic operating environment.

Complementing this, BBK is certified to ISO 22301:2019, the international standard for Business Continuity Management. This ensures operational resilience by identifying critical functions BBK manages sustainability-related risks through defined frameworks and structured assessment tools. Sustainability and ESG considerations are integrated into financing activities through the Sustainable Finance Framework, supported by dedicated oversight and client-level ESG assessments.

Information Security

BBK places the highest importance on information security and data privacy to build trust, enhance resilience and support sustainable banking in an increasingly digital environment. BBK's Information Security Management System is certified to ISO/IEC 27001 and has recently transitioned to the 2022 version of the standard.

The Bank also maintains a comprehensive Security Awareness and Training Program designed to foster a strong cybersecurity-conscious culture across all stakeholder groups, including customers, employees, senior management, and the Board of Directors.

All certifications and accreditations are conducted by independent external certification bodies, qualified assessors, and accredited auditors, ensuring an objective and impartial evaluation of BBK's controls.

RESPONSIVE EMPLOYER

Diversity, Equity and Inclusion

BBK remains committed to fostering an inclusive, supportive, and high-performing workplace. Diversity, equality, and fairness are embedded through clear policies, grievance mechanisms, and awareness initiatives, supporting a respectful and inclusive working environment. BBK updated its HR policy this year, embedding enhancements across the HRMS and manager guidance. Family-friendly policies were further strengthened, including expanded maternity benefits, nursing hours, and parent-child leave, supporting employee well-being and inclusion. Early results show higher uptake of flexible arrangements and greater recognition of women leaders, with plans to expand leadership development and mentorship programs.

The Bank also upholds human rights in line with international standards, guided by the UN Guiding Principles on Business and Human Rights, with commitments covering non-discrimination, fair working conditions, and safe workplaces across its operations.

BBK celebrated 20 female employees graduating from the prestigious "Women in Leadership" program by Harvard and Cornell Universities. This milestone highlights the Bank's commitment to empowering women in leadership and fostering an inclusive environment, aligning with Bahrain's Women's Day and supporting long-term professional growth.

Employee Well-being and Occupational Health and Safety

BBK places strong emphasis on employee well-being and occupational health and safety across its operations. Guided by its Health and Safety Position Statement, BBK maintains a proactive approach to safeguarding employee health, safety, and welfare, supported by wellness initiatives, regulatory compliance, and a secure working environment.

Employee Engagement and Retention

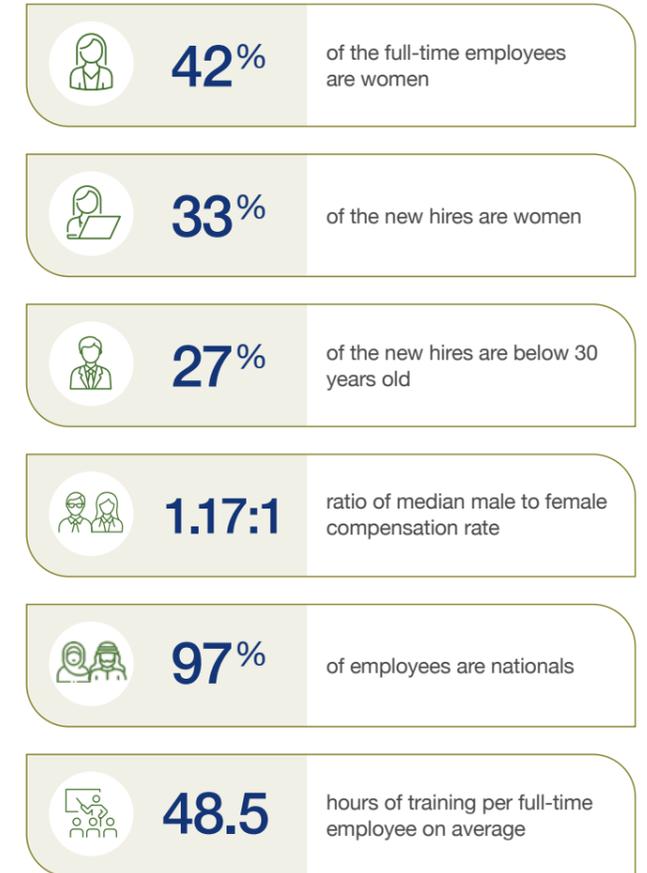
Employee engagement and retention are central to BBK's long-term success. Merit-based recruitment, structured performance

management, manager development, and career development frameworks support workforce stability, while targeted programs promote national talent development in line with national priorities.

Training and Development

The Bank continues to invest in training and development through structured learning programs, leadership development initiatives, and role-based training, ensuring employees are equipped with the skills and capabilities required in a rapidly evolving financial sector. Continuous learning, succession planning, and equal access to development opportunities support long-term career growth and organizational resilience.

Responsive Employer Highlights



Sustainability review (continued)

LONG TERM POSITIVE CUSTOMER RELATIONSHIPS AND EXPERIENCES

Customer-Centric Experience

BBK focuses on building long-term customer relationships through responsible banking practices, digital innovation, and high standards of service quality.

In 2025, BBK launched The BBK Way customer experience transformation initiative, defining its CX vision, service standards, and priority customer journeys, informed by customer and employee insights. This phase laid the foundation for consistent service delivery and ongoing customer experience enhancement across the Bank.

Digital Transformation

BBK continues to invest in digital platforms to enhance accessibility, operational efficiency, and customer experience across retail and corporate banking. Through its digital transformation program, the Bank expanded end-to-end digital services, automated key processes, and strengthened self-service capabilities, reducing processing times and improving service convenience.

Customers benefit from a broad suite of digital channels, including mobile and online banking, business banking platforms, smart payment solutions, and 24/7 digital branch services. These offerings are complemented by smart ATMs, instant card issuance, and automated workflows that streamline transactions and reduce reliance on physical processes.

Customer safety and security remain a top priority, particularly across digital channels. BBK supports customers with practical, easy-to-understand guidance to help them recognize and avoid fraud, sharing timely awareness messages through digital platforms and social media to promote safe and confident use of its services.

Sustainable Finance & Financial Inclusion

BBK integrates ESG principles into its financing activities through its [Sustainable Finance Framework](#), the Bank's first formal framework for sustainable financing, supporting projects that promote environmental stewardship, social development, and long-term economic resilience across its key markets.

The Framework is supported by an external Second-Party Opinion from Morningstar Sustainalytics, which confirms its alignment with the ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and the Green and Social Loan Principles.

Aligned with Bahrain's Economic Vision 2030, the UN Sustainable Development Goals, and the Kingdom's net-zero 2060 ambitions, the Framework provides a structured foundation for BBK to offer sustainable financial instruments and lending solutions while strengthening transparency, credibility, and impact in its sustainable finance activities.

Financial inclusion is central to BBK's mission, with initiatives designed to empower underserved communities, women entrepreneurs, MSMEs, people of determination, and low-income workers. Tailored programs, accessible banking facilities, microfinance, and education loans ensure equitable access to financial services, while digital literacy efforts enhance capability and economic participation.

Through ESG-linked lending, sustainable products, and inclusive banking solutions, BBK fosters responsible growth, strengthens communities, and drives measurable social and environmental impact.

Long Term Positive Customer Relationships and Experiences Highlights

	Best Retail Bank in Bahrain for 2025 for the 3rd consecutive year from Global Banking and Finance Review Magazine
	Distinction in Advocating Customer Experience Excellence - CX Award, 2025
	Most Trusted Digital Banking Services Provider in Bahrain for 2025
	98.2% of customer transactions are carried out on online and mobile channels
	Developed BBK's Sustainable Finance Framework

SOCIAL RESPONSIBILITY MINDSET

Environmental Responsibility

BBK is committed to minimizing the environmental impact of its operations and embedding sustainability in its business practices. Guided by the Environmental and Responsible Banking Position Statements, the Bank manages energy and water consumption, emissions, and waste directly related to its operations. Key initiatives include energy efficiency measures, LED lighting upgrades, digitalization to reduce paper use, and responsible e-waste management.

In 2025, BBK continued its annual e-waste initiatives, engaging employees across the Bank and its subsidiaries CrediMax and Invita. The campaign resulted in the collection of 755 kilograms of e-waste. The "Time to Reboot Your E-Waste" campaign continued to encourage BBK Group Employees to responsibly dispose of unused electronic devices at BBK's Financial Malls, ensuring safe recycling through a certified partner while promoting environmental awareness and community engagement.

Through awareness campaigns, employee training, and continuous monitoring, BBK ensures regulatory compliance, fosters a culture of environmental stewardship, and drives measurable improvements in operational sustainability.

Community Empowerment & Engagement

BBK actively supports Bahrain's social and economic development through initiatives that enhance quality of life and promote sustainable progress. The Bank's programs focus on education, women's empowerment, child welfare, support for people of determination, food security, poverty alleviation, health awareness, sports development, and cultural heritage. Partnerships with government entities, NGOs, and community organizations strengthen impact, while scholarships, microfinance, and health initiatives build human capital. BBK also fosters national pride and

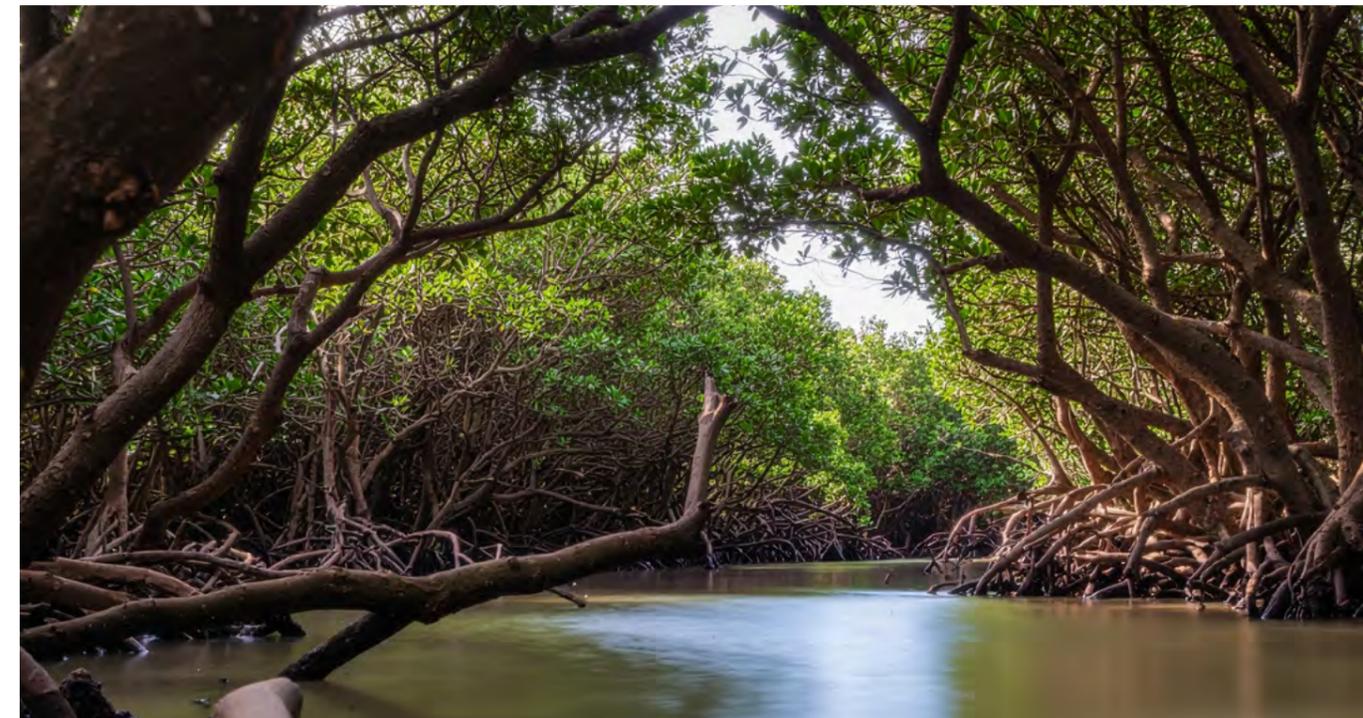
social solidarity by supporting cultural events, sports programs, and initiatives for the elderly and vulnerable groups, reinforcing its commitment to inclusive and resilient communities.

Responsible Procurement

BBK's Supplier Code of Conduct ensures ethical, social, and environmental standards are upheld throughout the supply chain. Suppliers are expected to comply with all laws, implement environmentally responsible practices, respect human rights, prohibit child and forced labor, provide fair working conditions, and maintain high ethical standards including anti-bribery, data privacy, and responsible sourcing. The Bank actively monitors supplier compliance and can take corrective action when necessary, ensuring that its procurement practices contribute to sustainable and socially responsible operations.

Social Responsibility Mindset Highlights

	213 hours of employee volunteering
	2.4 million BHD Invested in the Community
	81% of spending directed to local suppliers



Sustainability review (continued)

CLIMATE ACTION AND RESPONSIBILITY

GHG Emissions and Climate Impact

BBK acknowledges the critical role of financial institutions in addressing climate change. The Bank manages its greenhouse gas (GHG) emissions, works to decarbonize operations, and ensures that sustainability considerations are embedded in lending decisions, portfolio management, client engagement, and operational practices.

BBK continues to implement initiatives aimed at improving energy efficiency, reducing resource consumption, and promoting responsible environmental practices across operations.

In 2025, BBK established 2025 as its baseline year, reporting Scope 1, 2, and selected Scope 3 emissions, including business travel, employee commuting, and leased assets. 2025 marks the first year in which the Bank has quantified financed emissions across

Climate Action and Responsibility Highlights



For more details on our Environmental, Social, and Governance performance, please refer to BBK’s comprehensive 2025 Sustainability Report.

its lending and investment portfolio. This baselining effort will allow BBK to develop a realistic emissions reduction plan to reduce both operational and financed emissions from banking activities. The Bank has set a target to reduce total GHG emissions by 30% by 2030 and implements initiatives such as energy efficiency upgrades, optimized cooling systems, digitalization, and sustainable finance solutions to achieve this goal.

Net-Zero Roadmap & Climate Risk Management

BBK acknowledges the growing importance of transparent climate-related disclosure in line with evolving international standards such as the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS S2.

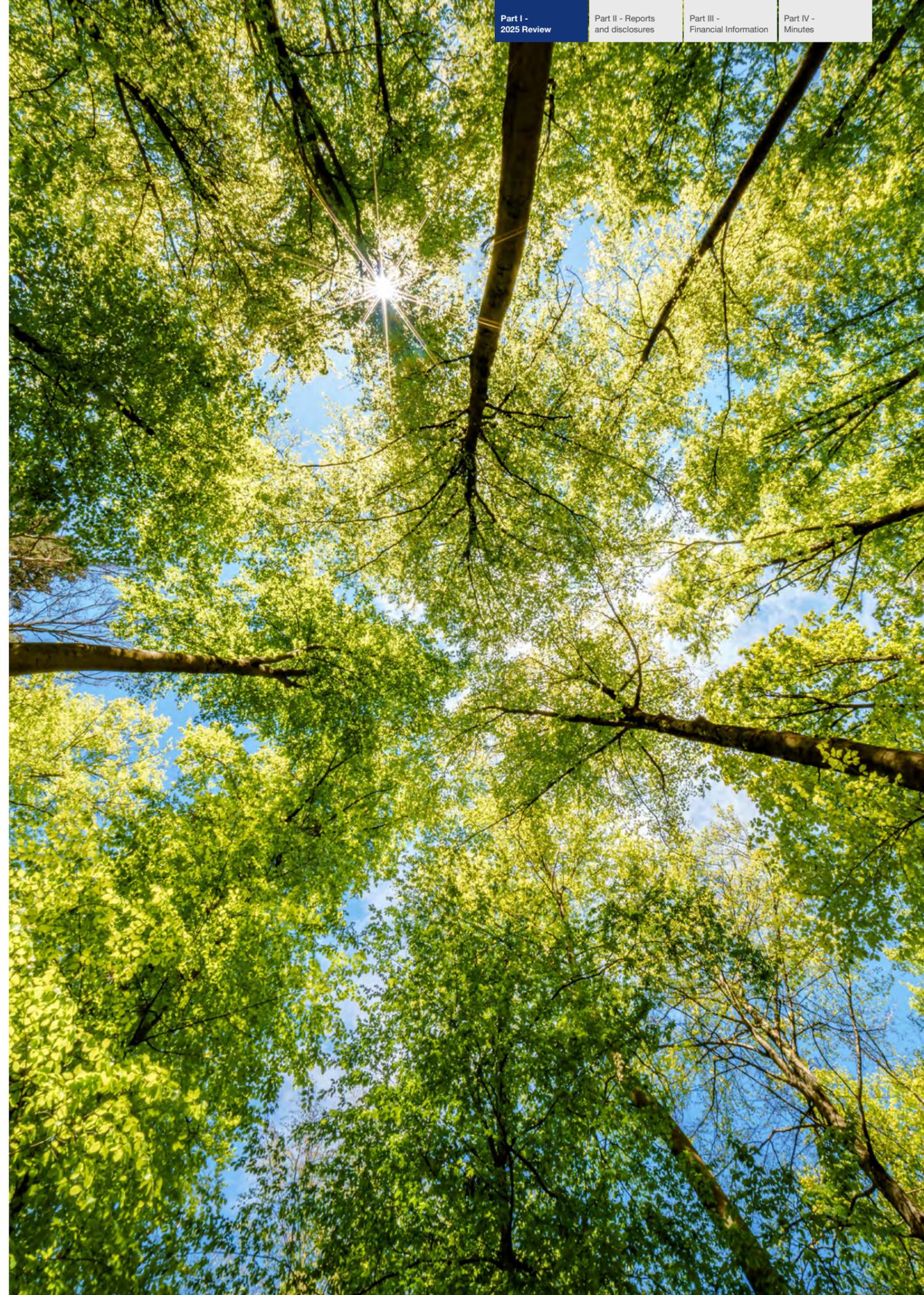
To further strengthen its disclosure practices, BBK will assess opportunities to align its future reporting with IFRS S2, with the aim of strengthening its climate related reporting practices. This alignment will also reinforce BBK’s commitment to ensuring that climate-related risks and opportunities are transparently communicated.

BBK launched a comprehensive suite of sustainable finance products under its newly established Sustainable Finance Framework. Supported by ESG principles and aligned with Bahrain Vision 2030, the initiative reflects BBK’s commitment to embedding sustainability across its operations and advancing responsible finance.

The offerings cater to individuals and businesses, promoting environmentally and socially responsible practices. Key products include:

- **Electric Vehicle Financing** – encourages adoption of green transportation with competitive rates, zero down payment, and deferred first instalment.
- **Green Trade Finance** – provides preferential rates and extended repayment tenors for ESG-aligned trade activities.
- **Sustainable Business Financing** – offers ESG advisory, certification support, and flexible financing tailored for SMEs.
- **Social Housing Financing** – facilitates responsible homeownership with attractive terms, cashback incentives, and extended repayment periods.
- **Education Financing** – supports human capital development with flexible repayment, finance protection insurance, and streamlined approval.

This launch underscores the Bank’s support for the transition to a greener economy while creating long-term positive impacts for society, the environment, and Bahrain’s economic development.



Part II

Reports and Disclosures

- 29 Corporate Governance report
- 46 Remuneration report
- 53 Organization information

Corporate Governance report

BBK Group is committed to upholding robust Corporate Governance standards, aligning with global best practices. The Group remains cognizant that effective Corporate Governance is essential to achieve its goals and maintain a leading position in the local and regional banking sectors.

BBK Group's Corporate Governance vision

BBK and its wholly-owned subsidiaries shall continue to enhance shareholders' value, protect their interests, and defend their rights by practising the pursuit of excellence in corporate life. The Bank shall not only comply with all statutory requirements – including the High-Level Controls module of the Central Bank of Bahrain (CBB) Rulebook – but also formulate and adhere to strong Corporate Governance practices. BBK and its wholly-owned subsidiaries shall also continuously strive to best serve the interests of all other stakeholders, including clients, employees, regulators, and the public.

The adoption and implementation of Corporate Governance is the direct responsibility of the Board of Directors, and this endeavour is in line with the policies of regulatory authorities and statutory requirements in the Kingdom of Bahrain and other countries where BBK operates.

Compliance with Corporate Governance regulatory requirements: Compliance with the regulator's requirements is always ensured by the Bank. A gap assessment was done in early 2024 and no exceptions related to CBB Corporate Governance regulations were noted.

There were no material changes in Corporate Governance or legal requirements.

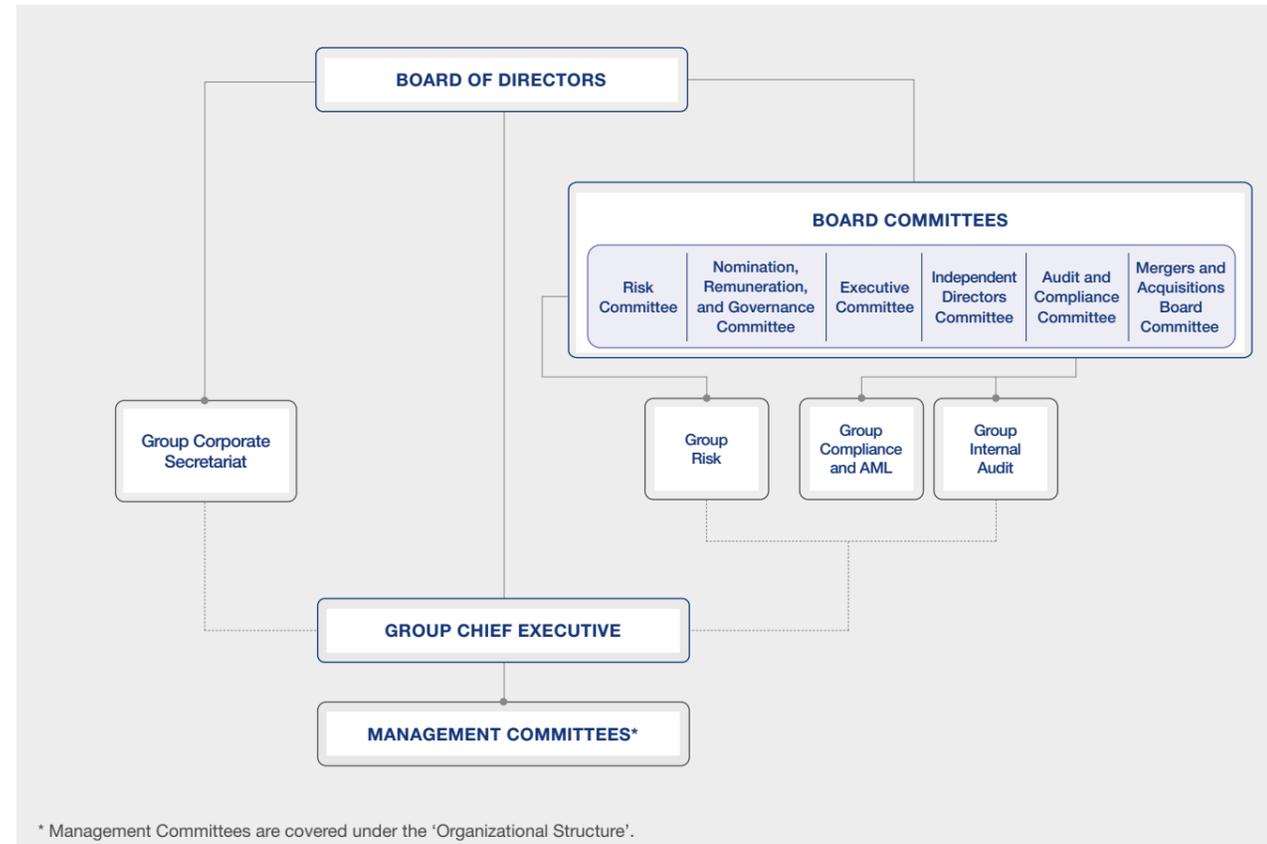
Updates in 2025

- The Board approved an enhanced terms of reference for the mergers and acquisitions Board Committee. Board Committees were recomposed with new members and in line with regulatory requirements and some of the members were rotated for value addition.
- The Board meeting and documentation system was enhanced to include AI features to assist Board members in making more informed decisions.
- The Bank surpassed its internal KPIs concerning governance aspects of ESG framework.
- The Board performed a 360° Performance evaluation for the Board, the Board Committees and Directors with the objective of further enhancing Board practices. This includes interviews with all Directors.
- The Board attended a strategy review session for reviewing the achievements of the first year with the Management of the strategic cycle 2025–2027.
- The Board discussed the customer survey report and the AI road map for the Bank.

Corporate Governance report (continued)

Corporate Governance structure

The Board forms the necessary Board and Management Committees to assist the Board in providing effective oversight of the Bank's operations. The Board reviews the structure periodically and modifies it as necessary. Additional committees may be formed from time to time and/ or the existing committees could be assigned additional responsibilities. The Executive Management is an important part of the Corporate Governance structure, shown below:



BBK Corporate Governance model

The standard Corporate Governance model establishes a dynamic relationship between the three main key stakeholders: Shareholders, the Board, and Management. Although these stakeholders have distinct roles, they work together to achieve the institution's core goals. BBK's Corporate Governance model follows an Anglo-American model but has been expanded to include various stakeholders with a vested interest in the Bank's success.

BBK's Corporate Governance practices ensure healthy relationships with all the stakeholders while achieving the institution's core objectives.

The role of the Head of the Group Corporate Secretariat is to assist in maintaining communication between the Executive Management, the Board, the Board Committees and the Shareholders. The Internal Audit and Compliance are independent and report to the Audit & Compliance Committee of the Board. The Risk Management is independent and reports to the Risk Committee of the Board. The financial control function is independent of the business lines.

Risk Appetite Statement

One of the core governance matters which the Board is responsible for is approving the Risk Framework and Risk Appetite Statement.

The Risk Appetite Statement serves a dual purpose: to clearly define the general principles guiding the Bank's approach to risk-taking and to enhance risk awareness throughout the organization. It plays a crucial role in guiding the staff and is implemented through the Bank's risk policies and procedures, monitoring metrics, limit system, Key Performance / Risk Indicators (KPIs / KRIs) and internal controls. The Risk Appetite Statement is thus embedded in the Bank's core processes and impacts operations in a holistic way.

BBK operates under banking supervision and prudential regulations. The Bank continually reviews and refines its risk management systems, policies, and procedures to comply with regulations in all jurisdictions where it operates. This commitment extends to aligning with relevant market standards, recommendations and best practices. It also applies to the Bank's risk framework.

The basic objectives of the Risk Appetite Statement are:

- To provide a clear articulation of the Bank's risk-taking, risk mitigation and risk avoidance, and to define the risk-taking at the aggregate level. The Risk Appetite Statement creates a foundation for effective communication of risk among internal and external stakeholders.
- To increase understanding of BBK's material risk exposures and raise risk awareness across the organization; and
- To positively impact the defined risk culture of the Bank.

The Bank's primary area of risk-taking lies in its core activity of lending. BBK primarily finances its activities through a mix of retail and corporate deposits, issuing bonds on the international capital markets, market borrowings, and equity. The funding base is diversified across currencies, maturities, and geographic areas. BBK's operating model is supported by the ability to obtain funding at a favorable cost, which enables lending, on attractive terms, to its clients. BBK's funding advantage builds on its sound financial profile and strong shareholder support.

To support its lending and funding operations, the Bank maintains a portfolio of liquid assets. This ensures that the Bank is able to operate and continue its core activities, even during stressed market conditions. The composition and maturity profile of the liquidity portfolio are aligned with this objective, in addition to a liquidity buffer through holding High-Quality Liquid Assets (HQLA).

The Risk Appetite Statement sets the tolerance for risk-taking in BBK's operations within its Risk capacity. It also involves establishing risk limits and assessing risk profiles, forming essential components of the Bank's risk appetite framework.

Risk capacity is limited by the financial and non-financial resources at the Bank's disposal. The risk appetite is set to a level within the risk capacity to ensure that the Bank's risk exposure remains sustainable.

The Bank's financial resources encompass its paid-in capital and retained earnings, customers deposits, funds raised through bonds, and funds from other financial institutions. Non-financial resources include the skills and competences of the employees, IT systems, internal procedures, and control systems. The Bank's risk-bearing capacity builds on a careful customer selection process, individual credit mandate reviews, and a thorough credit-granting process. Therefore, financial resources and robust governance contribute both to maintaining the Bank's competitive position and its strong capital and liquidity position.

Risk limits are used to allocate the aggregate risk-taking mandate to business lines and portfolios. The main risk limits are established in the Bank's risk management policies and approved by the Board of Directors. The limit system sets boundaries for the accepted level of credit, market, liquidity, earnings, capital, and operational risk within the established risk appetite.

The actual position within the risk limits is reviewed at various levels, including the Board Risk Committee, Risk Management Committee (RMC), Asset and Liability Management Committee (ALMC), Operational Risk, Compliance and Audit Management Committee (ORCAMC), Information Security Management Committee (ISMC) and Senior Management. The specific levels for review depend on the nature of the limits as specified in the relevant Risk Policies. The ultimate responsibility for defining the Bank's Risk Appetite lies with the Board. The measurement and monitoring of this appetite in operational activities are carried out by the Senior Management.

The Risk profile assessment aims to ensure that the Bank's risk profile remains within established Risk limits, aligning with its Risk Appetite and Risk Capacity. This assessment involves evaluating the Bank's current risk exposures, covering key areas such as credit, market, liquidity, earnings, capital, information security and operational risk. It offers an overview of the Bank's risk situation at a given point in time.

Credit Risk

BBK is exposed to risk primarily in its core activity of lending to individuals, corporations, small/medium enterprises, governments, public sector entities, and financial institutions. Lending exposes the Bank to credit and concentration risks and to variations in the business cycle. Each lending is thoroughly analyzed from several perspectives to ensure that financing decisions have sound foundations. The overall aim of credit risk management is to maintain high portfolio quality with appropriate risk diversification to avoid excessive risk concentrations.

Corporate Governance report (continued)

Market Risk and Treasury

Funding, asset and liability management, and management of the portfolio of liquid assets are an integral part of the Bank's business operations.

BBK's funding base is diversified across currencies, maturities, and geographic areas. The Bank effectively manages risk exposures arising mainly through maturity mismatches between assets such as loans and treasury investments and liabilities (deposits, borrowings, and equity). The Bank maintains a robust liquidity portfolio to ensure that it can continue to operate and discharge its core activities, even during stressed market conditions.

BBK manages its interest rate risk by financing/investing in a combination of fixed and floating-rate assets, which allows the Bank to generate stable earnings and preserve its capital base in the long-term. BBK's liquidity portfolio is mostly invested in high quality assets and in doing so, BBK takes limited credit risks on this portfolio (credit default and spread risk).

BBK mitigates its currency risk and interest rate risk arising from lending and investment operations by hedging with derivatives. The use of derivatives exposes BBK to counterparty credit risk, liquidity risk, currency basis risk, and operational risks. BBK uses netting and collateral agreements to manage its risk towards derivatives counterparties.

Triggers/policy limits are set as per the Bank's internal risk policies and procedures. This includes Foreign Exchange (FX) Net Open Position and Value at Risk (VAR), Interest Rate Risk (Gap, Stop Loss & VAR), Earnings at Risk (EaR), and Economic Value of Equity (EVE), amongst others.

Operational Risk

To manage operational risk, BBK has established a framework that consists of tools such as Risk Events reporting, Risk and Control Self-Assessment and Key Risk Indicators. This framework ensures that operational risk is managed within the established risk appetite of the Bank. The framework is appropriately documented in a range of suitable policies and procedures. The framework was established to help the business and support areas of the Bank in maintaining a strong process of validating and addressing control deficiencies and having in place enhanced and/or corrective measures to avoid occurrence / recurrence of key issues, as the related tools help in identifying the risks and reviewing the effectiveness of the controls in all areas of the Bank's operations. The implementation of the framework is carried out by an independent Operational Risk Management department reporting to the Group Chief Risk Officer and is separately governed by the Operational Risk, Compliance and Audit Management Committee (ORCAMC).

Information & Cyber Security

BBK is committed to defend against cyberattacks, safeguard the integrity of financial transactions, protect the confidentiality of customer data, and maintain resilience to uphold the trust of

its customers and the broader banking community. The Bank also upholds data privacy practices to ensure the protection of customer information in accordance with applicable regulatory requirements. The Information Security function operates under the Risk Management division and ensures that information and cyber security risks remain within the risk appetite and tolerance set by the Board of Directors, with oversight from the Information Security Management Committee and the Board's Risk Committee. The function is led by the Group Chief Information Security Officer who reports to the Group Chief Risk Officer and operates independently from the Information Technology division. Information Security establishes and maintains a comprehensive risk management framework that includes the cyber security strategy, policies, guidelines, and awareness programs. It independently oversees the effectiveness of administrative and technical security controls.

Information Security continuously monitors the evolving cyber threat landscape, ensuring risks are identified, assessed and reported to relevant stakeholders to ensure these threats and risks are adequately managed. Regular activities are conducted to assess the robustness of the Bank's defenses and ensure continuous improvements. These activities include frequent penetration testing, periodic cyber resilience exercises and simulations to test incident response effectiveness and ensure operational continuity. In addition, the Bank ensures compliance with internationally recognized standards and regulatory mandates, including ISO 27001, PCI DSS, PCI PIN, and the SWIFT Customer Security Program (CSP) Customer Security Controls Framework (CSCF).

Earnings

Banking involves well-judged risk-taking, where all transactions should provide a reasonable margin to compensate for the risk taken. BBK offers financing on competitive market terms and aims for stable earnings, enabling the formation of capital reserves, organic growth, and reasonable return on capital in the long term. Lending operations, the primary source of credit risk, should provide an appropriate return for the level of risk assumed.

Treasury operations, through cost-effective funding and prudent asset and liability management, contribute to the Bank's overall returns in line with defined business objectives and the core goal of safeguarding the Bank's liquidity.

Earning targets are set and monitored at consolidated, entity division and business unit level.

Capital

An adequate capital management framework, with an Internal Capital Adequacy Assessment Process (ICAAP), is an essential part of BBK's operations. BBK is committed to maintaining a strong risk-based capital position in relation to the aggregate risk exposure.

The Bank complements risk-based capital adequacy measures with a volume-based leverage ratio measure.

Liquidity

The Bank maintains a robust liquidity portfolio, primarily designed to ensure uninterrupted core operations, even in the face of adverse market conditions. This portfolio primarily consists of high-quality assets, reinforcing the Bank's operations and overall liquidity. This strategic approach ensures the Bank's ability to sustain essential activities even during severe market stress without access to new funding.

BBK diversifies funding across various parameters, which prevents excessive reliance on individual markets and funding sources. Liquidity parameters are also set to maintain minimum levels as per regulatory guidelines.

Implementation and Review

The Risk Appetite Statement is reviewed annually, approved by the Board of Directors, and applicable to all divisions within the Bank.

The Internal Audit function

The Internal Audit Department (IAD) is an essential part of the overall Corporate Governance at the Bank, established by the Board of Directors to independently examine and evaluate the activities of the BBK Group. BBK Group Internal Audit function provides stakeholders with a mix of assurance and advisory services, reviewing systems and processes, offering insight to support ongoing improvement initiatives. The internal audit function has full and unrestricted access to all the Group's records, documentation, systems, properties and personnel, including Senior Management and the Board's Audit & Compliance Committee.

IAD follows a risk-based methodology in developing its annual audit plan and executing its assignments. The plan is prepared using a top-down approach that aligns audit coverage with the Group's strategic objectives and key risk areas. The process incorporates regulatory requirements, considers internal and external risk factors, and leverages input from stakeholders and other assurance providers. The plan is maintained on a rolling basis to ensure continued relevance, while regulatory audits remain a priority.

The Internal Audit function is headed by the Group Chief Internal Auditor, who reports directly to the Board Audit & Compliance Committee on functional matters, and to the Group Chief Executive with day-to-day administrative reporting. Guided by the approved IA Procedural Manual, IA Charter and applicable regulatory directives, IA assignments are conducted across all functions in the Group towards the accomplishment of its objectives - reviewing the reliability, adequacy and effectiveness of the respective governance, risk management, and internal control systems. Final Audit Reports are issued to the Audit & Compliance Committee and relevant Senior Management members. On a quarterly basis, the internal audit activity report is compiled along with follow up status updates of previously reported audit observations and is submitted as a regular agenda item at the quarterly Audit & Compliance Committee meeting, so that corrective action can be taken on a timely basis.

IAD is subject to periodic internal and external quality assurance reviews in its pursuit of continuous enhancement. Most IAD employees hold at least one professional qualification from well-known professional associations such as CIA, CRMA, SCR, CPA, ACCA, CISA, regularly enhancing their knowledge and skills through Continued Professional Education. Internal audit staff periodically acknowledge adherence with the Bank's Code of Conduct & IIA Code of Ethics.

Compliance, anti-money laundering and fraud

BBK remains steadfast in its commitment to adhering to all regulatory and statutory requirements, recognizing their pivotal role in our operations. We fulfill our regulatory obligations by complying with all relevant regulatory provisions and international best practices in every jurisdiction where we operate.

In accordance with regulatory directives and global standards, BBK has established an autonomous group compliance function. This department is divided into four primary functional areas: Financial Crime Management, Fraud Management, Regulatory Compliance and Advisory, and Compliance Assurance. These functions are carried out based on an Annual Risk-Based Plan, which is approved by the Audit and Compliance Committee of the Board. The Compliance and AML Function operates independently from other departments within the Bank, possessing sufficient seniority and authority, and reports directly to the Board of Directors through the Board's Audit and Compliance Committee. This division serves as the central hub for all regulatory compliance activities and the implementation of best practice compliance principles.

BBK is unwavering in its efforts to enhance compliance across all activities. Our strong commitment to combating money laundering ensures strict adherence to AML legal and regulatory provisions, which are fully aligned with the FATF recommendations and international best practices. We maintain a comprehensive group anti-money laundering program that includes regular employee awareness training, meticulous record-keeping, proactive detection, investigation and reporting procedures and the appointment of a designated Money Laundering Reporting Officer (MLRO). The AML policy and procedures are reviewed and updated annually, with the most recent approval by the Board of Directors in October 2025. The Bank's anti-money laundering measures undergo thorough annual reviews by independent external auditors. The respective Group external review reports, encompassing BBK, its subsidiary, and overseas branches, were issued and submitted to the CBB in June 2025.

BBK adopts proactive measures and strategies in managing fraud as it plays a significant role in our overall anti-financial crime framework and our commitment to ensuring customer safety and excellence.

Corporate Governance report (continued)

In 2021, BBK implemented fraud monitoring systems for scrutiny of customers' payments and card transactions to proactively and effectively protect customers against fraud. A 24/7 fraud monitoring team is in place to monitor and promptly handle any fraud suspicions.

BBK's overseas branches in India and Kuwait and its subsidiary, CrediMax, have designated compliance and MLRO functions to ensure implementation of applicable regulatory requirements, in line with the risk-based Group Compliance and Financial Crime Framework. Regulatory requirements in the Bank's representative offices in the Republic of Türkiye and UAE are referred to the main office.

Shareholder information

BBK's shares are listed on the Bahrain Bourse. The Bank has issued 1,816,590,310 equity shares, each with a face value of 100 fils. All shares are fully paid.

In 2025, BBK distributed Cash dividends 35% of the nominal share value at 35 Bahraini fils per share equivalent to BD 63,163,144 for the year 2024.

BBK distributed interim cash dividends for the year 2025, 12.5% of share nominal value, equivalent to 12.5 fils per share amounting to BD 22,551,997

External Auditor

The Audit and Compliance Committee of the Board oversees the work carried out by external auditor. Annually, the management conducts an assessment of the work and services provided by external auditors, taking into consideration:

1. Quality of audit services;
2. Required skills, experience and adequacy of resources;
3. Communication and interaction with Audit and Compliance Committee, Management and internal audit;
4. Independence, objectivity, and professional skepticism; and
5. Audit firm's reputation.

Hence, the management will share the results of the assessment and make recommendations regarding the appointment or re-appointment of external auditor to the Audit and Compliance Committee of the Board. The Committee discusses the findings, taking note of management concerns and matters, together with feedback from the external audit firm, and also conducts its own review of the external audit scope, process and outcomes.

This committee will then submit its recommendations to the Board of Directors. Subsequently, the matter will be presented at the Annual General Meeting (AGM) for the appointment or re-appointment of external auditors, subject to regulatory approvals.

In 2025, annual audit and quarterly review services amounted to BD 273 thousand and other services amounted to BD 388 thousand.

Annual Ordinary General Meeting 2025

The Annual Ordinary General Meeting (AGM) was held at the Four Seasons Hotel, Kingdom of Bahrain on 25 March 2025.

Apart from normal AGM resolutions and matters, the AGM discussed and took decisions regarding the below mentioned items:

1. Disclosing any transactions during the year ended 31 December 2024 with related parties as per note 26 of the consolidated financial statements.
2. Discussing the Bank's Corporate Governance report for the year 2024 and the compliance with the requirements in this regard.
3. Approving the Board's recommendation of allocating BD 660,000 as Board membership remunerations for 2024.
4. Appointing External Auditors for the Bank for the financial year 2025 upon receiving the approval of the CBB and delegating the Board to determine their fees.
5. Absolving the Board Members of liability for any of their actions during the year ended 31 December 2024.

The AGM minutes and the decisions made at the meeting is published in this annual report.

Annual disclosures at the AGM:

The Bank submits a Corporate Governance Report to the AGM annually, covering the status of compliance with the related regulatory requirements and international best practice.

At the AGM, the Bank discloses and reports to shareholders the details under the Public Disclosure module of the CBB's rulebook. These disclosures include the total remuneration paid to the Directors, Executive Management, and the External Auditor and other important disclosures as elaborated hereunder. The individual remuneration amount paid to each Director and the top 6 Executive Management is also included in the annual report.

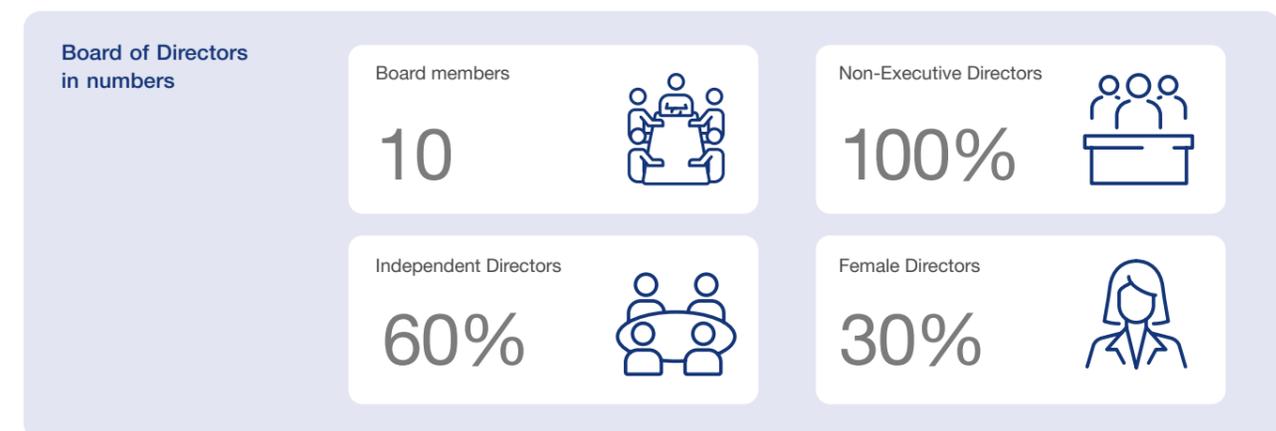
Shareholder composition

Name	Country of origin	Number of shares
Fincorp W.L.L.	Kingdom of Bahrain	475,784,748
Social Insurance Organization (SIO) (GOSI, Civil Pension Fund and Military Pension Fund)	Kingdom of Bahrain	598,936,017
Kuwait Investment Authority	State of Kuwait	348,740,444
Public		393,129,101



Distribution schedule of each class of equity

Category	Number of shareholders	Number of shares	% Holding
Less than 1%	2,798	393,129,101	21.64
1% to less than 5%	-	-	-
5% to less than 10%	-	-	-
10% to less than 20%	1	348,740,444	19.20
20% to less than 50%	2	1,074,720,765	59.16
50% and above	-	-	-



Corporate Governance report (continued)

Board of Directors' information

Board composition during 2025

The Board's composition is based on the Bank's Memorandum of Association and Articles of Association, and comprises of 10 members. The Board represents a mix of high-level professional skills and expertise.

The representation of women on the Board is taken into consideration. There are currently three women directors as shown below:



Furthermore, in compliance with Corporate Governance requirements, the Board Committees consist of members with the appropriate professional experience. The independence requirements are reviewed annually, taking into consideration the CBB criteria and Board of Directors' determination of the same. The Board periodically assesses the contribution of Directors and Committees.

The appointment of Directors is subject to CBB approval. The classification of Executive Directors, Non-executive Directors, and Independent Non-executive Directors follows the definitions stipulated by the CBB. The current term of the Board began in March 2023 and ends in March 2026.

Directors are elected/ appointed by the shareholders at the AGM. The election or re-election of a Director at the AGM is accompanied by a recommendation from the Board based on a recommendation from the Nomination, Remuneration and Governance Committee, with specific information such as biographical and professional qualifications and other directorships.

Board Member Mr. Khalid Taqi was determined to be an Independent Director by the Board of Directors during 2025. The Board has 6 out of 10 Independent Directors i.e. 60%.

Termination of Membership of Directors

A director's membership of the Board of Directors terminates the following events:

1. If she/he was appointed or elected contrary to the provisions of Law of Article of Association.
2. If she/he loses any of the qualifying conditions in Article 23 in Articles 173 and 174 of the Law.
3. If she/he misuses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.
4. If she/he fails to attend three consecutive meetings of the Board without lawful excuse notified in writing to the Board, and the Board shall resolve on this matter as it may deem fit.
5. If she/he resigns or withdraws from his office, provided the foregoing shall be done in an opportune time, otherwise she/ he shall be liable to pay damages to the Company.

6. If she/he accepts appointment in any other office in the Company for which she/he would receive remuneration other than that, which the Board of Directors may decide from time to time to remunerate its occupier because of the executive nature of her/ his duties

Head of Group Corporate Secretariat

The Board is supported by the Head of Group Corporate Secretariat, who provides professional and administrative support to the General Assembly, the Board, its Committees. The Head of Group Corporate Secretariat also assumes the responsibilities of the Group Corporate Governance Officer and, in this capacity, supports Board Committees, and individual Directors as well as the process of access to independent advice and other relevant issues on a Group level. The appointment of the Group Corporate Secretary is subject to the approval of the Board.

BBK's Head of Group Corporate Secretariat is Ahmed A. Qudoos Ahmed, who joined the Bank in 2009. He holds a Bachelor of Science from the University of Bahrain in 1996. He is qualified in Board Secretarial practices from George Washington University. He has attended many advanced training programs in Corporate Governance both in Bahrain and abroad, accumulating over 30 years of experience in the financial sector.

Directors' roles and responsibilities

The Board of Directors approves and oversees the implementation of the Bank's strategic initiatives and its functioning within the agreed framework, in accordance with relevant statutory and regulatory structures. The Board ensures the adequacy of financial and operational systems and internal controls, as well as the implementation of corporate ethics and the Code of Conduct.

The Board exercises its judgment in establishing and revising the delegation of authority for Board Committees and the Executive Management. This delegation may be for authorisation of expenditure, approval of credit facilities, or for other corporate actions. Such delegation may be approved and expressed under various policies of the Bank. The thresholds for the identified authorities depend upon the operating requirements of the Bank.

The issues of major capital expenditure, divestitures, mergers and acquisitions, and certain strategic investments excluding matters requiring shareholders' approval are reserved within the Board's authority.

Directors hold their position for three years, after which they present themselves to the AGM for re-appointment. The majority of BBK Directors (including the Chairperson and/ or Deputy Chairperson) are required to attend Board meetings to ensure a quorum. The Board Charter is published on the Bank's website.

Material transactions that need Board approval

Lending transactions to Directors, at a certain level of exposure, require Board approval. Credit and investment applications exceeding certain pre-defined exposure levels also require Board approval.

Similarly, related party transactions including those involving members of the Board require Board approval.

Independent professional assistance

The Bank has procedures, approved by the NRG Committee, for allowing Board members to obtain independent professional advice related to the affairs of the Bank or to their individual responsibilities as members.

Directors' induction

The Board is required to be up to date with current business, industry, regulatory, and legislative developments, and trends that affect the Bank's business operations. Immediately after appointment, the Bank provides formal induction for a full day. Meetings are also arranged with the Executive Management.

Directors' professional development

A continuing awareness program is essential and may take many forms, through the distribution of publications, workshops, presentations at Board meetings, and attendance at conferences encompassing topics on governance, business, industry, and regulatory developments. The full list of programs prepared for the Board of Directors of the Bank and its wholly owned subsidiaries during 2025 is disclosed in this report.

Board and Committee evaluation

The Board performs a self-evaluation process annually. The Board annually reviews its Charter and its own effectiveness, initiating suitable steps for any amendments. The Board will also review self-evaluations of individual Board members and the Board Committees and consider any recommendations arising out of such evaluation. The Board Evaluation Process is published on the Bank's website.

The Board performs an external evaluation every three years.

The main recommendations emanating from the evaluation process for the year 2025 were as follows:

- Opportunity to refine and strengthen the Corporate Governance framework to be more aligned with industry best practices.
- For the enhancement of expertise in the future, additional expertise in technology, the banking industry and international business to be added either by having Board members specialized in these areas or using advisors if required.
- Rationalizing the number of meetings.
- Approval authority levels may be reviewed to reduce the number of circulations.
- To have clear strategy for stressed sectors.

Summary of results: The overall results from the internal Board Evaluation showed that the Board and its Committees performed very well and that the processes implemented were deemed generally effective.

Evaluation Scope:

- The Board performed a 360° Performance evaluation for the Board, the Board Committees and Directors with the objective of further enhancing Board practices. This includes interviews with all the Directors.
- Strategy and Governance
- Performance Measurement System and Reporting to Shareholders
- Business Decisions and Financial Performance
- Policies, Risk, Compliance and Internal Control
- Communications, Delegation of Authority
- External Auditors, Appropriation of Profit and Listing Requirements

Remuneration of Directors

The Bank has adopted a policy approved by the Board of Directors to apply to the Directors' remunerations and compensation for their involvement in the activities of the Board of Directors and its ad hoc, temporary, and permanent committees. For details, please refer to the remuneration report.

Insurance coverage

The Bank provides personal accident insurance coverage for Board members during travel on Bank assignments. The Bank also has a Directors and Officers liability insurance policy for Directors.

Whistle-blowing policy

The Bank has a whistle-blowing policy with designated officials that employees can approach. The policy provides protection to employees for any reports made in good faith. The Board's Audit and Compliance Committee oversees this policy. The policy applies to all employees of BBK Group.

Key Persons (KP) policy

The Bank has established a KP policy to ensure that KPs are aware of the legal and administrative requirements regarding the holding and trading of BBK shares, with the objective of preventing abuse of inside information. KPs are defined to include the Directors, Executive Management, designated employees, and persons under guardianship or control of KPs. The KP policy is entrusted to the Board's Audit and Compliance Committee and posted on the Bank's website.

Code of Conduct

The Board has approved a Code of Conduct for BBK Directors and a Code of Ethics for the Executive Management and employees. These codes outline among other things areas of prohibition of breach of confidentiality and avoidance of conflict of interest and the responsibilities of signatories to adhere to best practices. The high-level responsibility for monitoring the codes lies with the Board of Directors. The Directors' Code of Conduct is published on the Bank's website.

Relative recruitment/appointment policy

BBK has in place policies that govern the recruitment and appointment of relatives to the Bank and across its wholly- owned subsidiaries. The policies are:

1. Employment of relatives of first and second degrees are prohibited, whereas employment of relatives of third and fourth degree may be approved by the Executive Management provided it does not lead to a conflict of interest.
2. Employment of relatives at the Bank's wholly-owned subsidiaries of first and second degree are prohibited for senior managers and above. Any exception must be approved by the Group Chief Executive.
3. As part of annual reporting, the Group Chief Executive must disclose to the Board individuals occupying controlled functions and who are relatives of any other approved persons within the Bank and its wholly-owned subsidiaries.

Conflict of interest

The Bank has clear policies based on domestic laws and regulations and international best practices to deal with issues related to conflict of interest. This is also stipulated in the Directors Appointment Letters signed between the Board members and the Bank. These policies are posted on the Bank's website and reviewed periodically or whenever needed. Conflict of interest is declared at the start of each meeting.

During Board meetings or Board committees and during discussions on topics related to credit applications, investment or other transactions where there may be conflict of interest, the concerned Board member is required to leave the meeting room and any correspondence or documents related to the application will not be sent to him/her. Decisions are made by the Board of Directors or its Committees

Corporate Governance report (continued)

without the presence of the member concerned and such transactions are recorded in the minutes of the Board meeting or its committees.

In addition, it is the responsibility of the member of the Board and he/ she must immediately disclose to the Board that there is a conflict of interest related to his / her activities and obligations with other parties and not participate in discussions and voting, and these disclosures include documents relating to contracts or transactions related to the member concerned.

During 2025 the Board discussed Mergers and Acquisitions opportunities which appeared to have conflict of interest with one of the Board members and said Board members left the meeting room during discussions.

Development programs arranged for board members during 2025

1. “New Business Models in Banking Embedded Finance and BaaS in Action” dated 30/07/2025
2. “Digital Assets 2025” dated 29/10/2025
3. “Board Legal awareness session” dated 11/12/2025
4. “AI Training” dated 12/12/2025
5. “Brand and Customer Experience” dated 12/12/2025

Environmental, Social and Governance (ESG)

BBK remains committed to integrating sustainability into its core business strategy, aligning with Bahrain’s Vision 2030, the Sustainable Development Goals (SDGs), and global best practices. The Bank’s sustainability framework is structured around four key pillars: Good Corporate Governance, Responsible and Responsive Employer, Long-Term Positive Customer Relationships, and Social Responsibility Mindset. These pillars are reinforced

through robust governance mechanisms, including oversight by the Sustainability Management Committee and the Board’s Nomination, Remuneration, and Governance (NRG) Committee. BBK’s governance framework ensures transparency, ethical conduct, and regulatory compliance, supported by policies on anti-corruption, risk management, business continuity, and cybersecurity.

As a responsible employer, BBK prioritizes employee development, diversity, and well-being, fostering an inclusive and engaging work environment. Investments in continuous learning, leadership programs, and compliance training equip employees with the skills necessary for a dynamic banking landscape. The Bank promotes gender diversity and workplace equity while implementing stringent health and safety measures. Furthermore, BBK enhances customer relationships through digital transformation and customer-centric initiatives, ensuring accessibility, security, and efficiency in banking services. With a strong Net Promoter Score and a high percentage of digital transactions, BBK continues to elevate customer experiences through innovative solutions and a commitment to service excellence.

BBK also advances social and environmental responsibility by embedding sustainability into its operations, from energy efficiency and emissions reduction to responsible procurement and community investment. The Bank’s proactive approach to climate action includes measuring greenhouse gas emissions and integrating sustainability into lending and investment decisions. Through partnerships, volunteering efforts, and financial contributions, BBK supports education, health, and cultural heritage, reinforcing its role as a catalyst for positive societal impact. With a strategic focus on governance, workforce engagement, customer experience, and environmental stewardship, BBK remains steadfast in fostering sustainable growth and long-term value for all stakeholders. For further details, please refer to the sustainability review in part 1.

Disclosures relating to the Board of Directors

Directors’ external appointments

Tariq Jaleel AlSaffar		
Board member/ Executive Director	Mohamed Ebrahim Al Saffar Company (MES)	Kingdom of Bahrain
Executive Director	AbuDawood AlSaffar Company (ASCO)	Kingdom of Bahrain
Board member / Non- Executive Director	Bahrain Economic Development Board (EDB)	Kingdom of Bahrain
Chairman & CEO / Executive Director	Harbour Investment Holding Company (HIH)	Kingdom of Bahrain
Board member	Bahrain International Circuit (BIC)	Kingdom of Bahrain
Chairman / Executive Director	Payment International Enterprise B.S.C (PIE) (Licensed by CBB)	Kingdom of Bahrain
Chairman / Executive Director	KKT MENA and KKT Bahrain	Kingdom of Bahrain
Chairman / Non-Executive Director	Arabian Taxi	Kingdom of Bahrain
Board member / Executive Director	Al Dana Amphitheatre	Kingdom of Bahrain
Member	Shura Council	Kingdom of Bahrain
Chairman	Flooss Bahrain BSC (Licensed by CBB)	Kingdom of Bahrain
Executive Director	TAS Holding Co W.L.L.	Kingdom of Bahrain
Executive Director	Tasola Securities Co W.L.L.	Kingdom of Bahrain
Chairman	Reboot 01	Kingdom of Bahrain

Khalid Hussain Taqi		
Chairman	Gulf Air Group – Bahrain Airport Company – Gulf Air	Kingdom of Bahrain
Chairman	Array Innovation W.L.L.	Kingdom of Bahrain
Director	Amana Bahrain W.L.L.	Kingdom of Bahrain
Managing Director	Mumtalakat	Kingdom of Bahrain

Aref Haider Rahimi		
Chairman	Bahrain International Circuit Company W.L.L	Kingdom of Bahrain
Chairman	BIC Holding Company B.S.C. (Closed)	Kingdom of Bahrain
Chairman	Gulf Aluminium Rolling Mill Co. B.S.C. Closed (GARMCO)	Kingdom of Bahrain
Committee Member	Supreme Judicial Council – Ministry of Justice, Islamic Affairs and Waqf The Committee for Stalled Real Estate	Kingdom of Bahrain
Managing Partner	Masar Professional Services W.L.L	Kingdom of Bahrain

Khalid Nasser Al Shamsi		
Board Member - Non-Executive Director	Oasis Capital	Kingdom of Bahrain
Board Member - Non-Executive Director	Bank Muscat	Oman

Munther Abdulaziz Al-Kooheji		
Proprietor and Managing Director	Delta Industrial Supplies Co. W.L.L.	Kingdom of Bahrain

Nour Nael Al Jassim		
Manager Fixed Income and Portfolios Division	Kuwait Investment Authority (KIA)	State of Kuwait
Acting Director Treasury Department	Kuwait Investment Authority (KIA)	State of Kuwait
Acting Director Fixed Income Department	Kuwait Investment Authority (KIA)	State of Kuwait
Chairperson of the Board and Investment Committee	Al-Ajjal Holding Company	Morocco

Dana Aqeel Raees		
Non-Executive Director	SICO B.S.C (CLOSED)	Kingdom of Bahrain
Chief Legal Officer	Osool Asset Management B.S.C. (C)	Kingdom of Bahrain

Naser Khalid Al Raei		
Deputy Chief Risk Officer	Osool Asset Management B.S.C. (C)	Kingdom of Bahrain
Board Member	Bahrain Car Parks Company (Amakin) B.S.C.	Kingdom of Bahrain

Khaled Mohamed Alasfour		
Division Manager – Private Equity Funds- State of Kuwait	Kuwait Investment Authority (KIA)	State of Kuwait

Dr. Ghaneya Mohsen Al-Derazi		
Managing Director	GMD Consultancy	Kingdom of Bahrain
Board Member	Bahrain Germany Society	Kingdom of Bahrain

Disclosures and related parties’ interests

The number of securities held by Directors as of 31 December 2025 was as follows:

Name of Director	Type of shares	31 December 2025	31 December 2024	Bonds*
Dana Aqeel Raees	Ordinary	37,369	37,369	–

* No bonds held by any Directors.

Corporate Governance report (continued)

Nature and extent of transactions with related parties

None.

Approval process for related parties' transactions

The Bank has a due process for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Board of Directors.

Material contracts and loans involving Directors

No loans above BD 100,000 as of 31 December 2025.

- Notes:
- 1) The materiality amount for such disclosures is considered above BD 100,000.
 - 2) 2 Board Members hold BBK Credit Cards with a total limit of BD 20,000 and outstanding amounts at 31 December 2025 of BD 8,190.739
 - 3) 6 Board Members hold CrediMax Credit cards with a total limit of BD 79,000 and outstanding amounts at 31 December 2025 of BD 24,939.

Board meetings attendance

During 2025, 10 Board meetings were held in the Kingdom of Bahrain and one meeting was held in Paris - France in the following manner:
Key: ● Attended ▲ Virtual Attended x Absent □ was not a member during this period ⊖ did not attend due to conflict of interest.

Quarterly meetings

Members	Feb 24	Apr 30	Jul 28	Oct 30
Tariq Jaleel AlSaffar	●	●	●	●
Khalid Hussain Taqi	●	●	●	●
Aref Haider Rahimi	▲	●	▲	▲
Khalid Nasser Al Shamsi	●	●	●	●
Munther Abdulaziz Al- Kooheji	●	●	●	●
Nour Nael Al Jassim	▲	●	▲	▲
Dana Aqeel Raees	●	●	●	●
Naser Khalid Al Raee	●	●	●	●
Khaled Mohamed Alasfour	●	●	●	●
Dr. Ghaneya Mohsen Al-Derazi	●	●	●	●

Other meetings

Members	28 Jan*	20 Feb*	9 Mar*	25 Mar	9 May*	20 Oct*	11 Dec**	% Attendance
Tariq Jaleel AlSaffar	●	▲	●	●	●	▲	●	100
Khalid Hussain Taqi	⊖	⊖	⊖	●	⊖	⊖	▲	100
Aref Haider Rahimi	▲	▲	●	●	●	▲	●	100
Khalid Nasser Al Shamsi	●	▲	▲	●	●	▲	●	100
Munther Abdulaziz Al- Kooheji	●	▲	▲	●	●	▲	●	100
Nour Nael Al Jassim	▲	▲	▲	●	●	x	▲	90.9
Dana Aqeel Raees	●	▲	●	●	●	▲	▲	100
Naser Khalid Al Raee	●	▲	●	●	●	▲	▲	100
Khaled Mohamed Alasfour	▲	▲	▲	●	●	▲	●	100
Dr. Ghaneya Mohsen Al-Derazi	●	▲	●	●	●	▲	●	100

* Unscheduled meeting.

** Strategy meeting in Paris - State of France

Directors' trading of BBK shares during 2025

There was no Director trading of BBK shares during 2025.

Board meetings

The Board of Directors meets at the summons of the Chairperson (or Deputy Chairperson in the event of his absence or disability) or, if requested to do so, by at least two Directors. The Board meets at least four times a year. A meeting of the Board of Directors is deemed valid if attended by more than half of the members.

Major issues discussed by the Board during 2025

(Subjects that fall under the Board Committees' scope are recommended by the respective Committee for the Board's approval.)

The Board reviewed the Bank's strategy achievements, the operating budget for the year 2025, issues related to mergers and acquisition opportunities, the Bank's financial performance. It also reviewed some of the risk, human resources policies, and other related matters.

Board committees

Board Committees are formed and their members appointed by the Board of Directors each year, after the AGM. They are considered the high-level link between the Board and the Executive Management. The objective of these Committees is to assist the Board in supervising the operations of the Bank by reviewing any issues that are submitted by the Executive Management and making recommendations to the Board for their final review.

The Board reserves the right to form temporary committees and discontinue them from time to time, as necessary.

Members of the Board are provided with copies of the meeting minutes of the committees, as required by the regulators. The terms of reference for the Board committees (Executive; Audit and Compliance; Nomination, Remuneration and Governance; Risk; and Independent Members) were combined into a single document which is available on the Bank's website. There were no significant issues pertaining to the work of the Board Committees during 2025.

Board Committees' composition, roles and responsibilities

Tenure: The term of the Committee members shall be of one year. The tenure of the Director who joins during the term of any Committee would be for the remaining period of the year.

Membership: Each Committee shall be appointed by the Board and shall consist of not less than 3 members having sufficient technical expertise.

Quorum: The quorum shall be of more than half of the members and must include the Chairperson or the Deputy Chairperson.

The Chairperson: Election of the Chairperson is subject to fulfilling regulatory requirements regarding independence for the Audit & Compliance, the Risk and Nomination, Remuneration and Governance Committees.

For more details, please refer to the Bank's website:
<https://www.bbkonline.com/board-committees-terms-of-reference>

Corporate Governance report (continued)

Executive Committee

Members	Summary of responsibilities
Aref Haider Rahimi Chairperson (Independent) Naser Khalid Al Raee Deputy Chairperson (Since 25/03/2025) Nour Nael Al Jassim Member Dr. Ghaneya Mohsen Al-Derazi Member (Independent)	<ul style="list-style-type: none"> Reviews, approves and directs the executive management on matters raised to the Board of Directors such as business plans, donations, credit/investment applications, and such other proposals within its authority, and the periodic review of the Bank's achievements.

Note: The following was a member of the above committee until the date mentioned

Khalid Hussain Taqi (until 25/03/2025)

Material issues discussed by the Committee during 2025:

The Committee paid a visit to the Bank's representative office in the State of Kuwait and discussed the potential of growth in business and support given to the representative office.

Audit and Compliance Committee

Members	Summary of responsibilities
Khalid Nasser Al Shamsi Chairperson (Independent) Khaled Mohamed Alasfour Deputy Chairperson (Since 25/03/2025) Khalid Hussain Taqi Member (Independent) (Since 25/03/2025)	<ul style="list-style-type: none"> Reviews the internal audit programme and internal control system; considers major findings of internal audit reviews, investigations, and management's response. Ensures coordination among internal and external auditors. Monitors trading activities of key persons and ensures prohibition of the abuse of inside information and disclosure requirements. Approves and periodically reviews the Internal Audit Charter, which defines the purpose, authority, responsibilities and other aspects of internal audit activity. The Internal Audit Charter is available to internal and external stakeholders on request addressed to the Corporate Secretariat. Reviewing compliance reports and whistleblowing reports.

Note: The following were members of the above committee until the date mentioned

Naser Khalid Al Raee (until 25/03/2025), Munther Abdulaziz Al-Kooheji (until 25/03/2025)

Material issues discussed by the Committee during 2025:

The Committee monitored the project of Compliance and Financial Crime Transformation.

Nomination, Remuneration and Governance Committee

Members	Summary of responsibilities
Tariq Jaleel AlSaffar Chairperson (Independent) Dana Aqeel Raees Deputy Chairperson Khalid Nasser Al Shamsi Member (Independent) Khalid Hussain Taqi Member (Independent) (Since 25/03/2025)	<ul style="list-style-type: none"> Assess, evaluate and advise the Board on all matters associated with nominations and remunerations of Directors and Executive Management. Ensure that the Bank adopts and enhances sound Corporate Governance practices, which are consistent with the Corporate Governance Code of the Kingdom of Bahrain and the regulatory requirements and which also reflect best market practices in Corporate Governance, and makes recommendations to the Board as appropriate.

Material issues discussed by the Committee during 2025:

The Committee looked at filling the key vacancies in Management positions and reviewed succession planning and changes to structure to align with strategy.

Risk Committee

Members	Summary of responsibilities
Munther Abdulaziz Al-Kooheji Chairperson (Independent) Khalid Nasser Al Shamsi Deputy Chairperson (Independent) Khaled Mohamed Alasfour Member	<ul style="list-style-type: none"> Reviews risk policies and recommends to the Board for approval. Examines and monitors risk issues related to the Bank's business and operations and directs management appropriately and considers and recommends the Risk Appetite Statement to the Board, review risk strategies and material mitigation.

Material issues discussed by the Committee during 2025:

The Committee monitored the progress of improving and simplifying the credit risk policies and enhancing the information security framework.

Independent Directors Committee

Members	Summary of responsibilities
Tariq Jaleel AlSaffar Member (Independent) Khalid Hussain Taqi Member (Independent) (Since 25/03/2025) Aref Haider Rahimi Member (Independent) Khalid Nasser AlShamsi Member (Independent) Munther Abdulaziz Al-Kooheji Member (Independent) Dr. Ghaneya Mohsen Al-Derazi Member (Independent)	Provides independent views on certain issues, especially pertaining to minority shareholders.

Material issues discussed by the Committee during 2025:

The Committee discussed issues of concern to minority shareholders.

Mergers and Acquisitions Board Committee

Members	Summary of responsibilities
Aref Haider Rahimi Chairperson (Independent) Khalid Nasser Al Shamsi Deputy Chairperson (Independent) Khaled Mohamed Alasfour Member Naser Khalid Al Raee Member	<ul style="list-style-type: none"> Manage the process of transactions under review or consideration in accordance with the Board-approved process Monitor the progress of all relevant tasks assigned to it in relation to transactions under review or consideration Plan all steps and tasks appropriately to smoothen ordinary matters relating to transactions under review or consideration

Material issues discussed by the Committee during 2025:

The Committee discussed issues relating to the potential merger.

Board Committee meetings and record of attendance

Key: ● Attended ▲ Virtual Attended x Absent □ was not a member during this period ⊖ did not attend due to conflict of interest.

Meetings of all Board Committees shall be held not less than four times a year, except for the Independent Directors Committee and the Nomination, Remuneration and Governance Committee, where the number of meetings can be less. Actual number of meetings are listed below.

Executive Committee meetings in 2025

Members	23 Jan	9 Feb	9 Mar	8 Apr*	27 Apr	18 May	18 Jun	21 Jul	3 Sep	24 Sep*	26 Oct	13 Nov*	24 Nov*	1 Dec**
Aref Haider Rahimi	●	●	●	●	●	●	●	▲	●	▲	●	●	●	●
Naser Khalid Al Raee	□	□	□	●	●	●	●	▲	●	▲	●	●	●	●
Nour Nael Al Jassim	●	●	▲	▲	▲	▲	▲	x	▲	▲	▲	▲	▲	▲
Dr. Ghaneya Mohsen Al-Derazi	●	●	●	●	●	●	●	▲	●	▲	●	●	●	●
Khalid Hussain Taqi	●	●	●	□	□	□	□	□	□	□	□	□	□	□

* Unscheduled meeting.

** Meeting in the State of Kuwait

Corporate Governance report (continued)

Audit and Compliance Committee meetings in 2025

Members	15 Feb	17 Mar	25 Mar*	28 Apr	17 Jun	20 Jul	21 Oct
Khalid Nasser Al Shamsi	•	•	•	•	•	•	•
Khaled Mohamed Alasfour	□	□	□	•	•	•	▲
Khalid Hussain Taqi	□	□	□	•	•	•	•
Naser Khalid Al Raee	•	•	•	□	□	□	□
Munther Abdulaziz Al-Kooheji	•	•	•	□	□	□	□

* Unscheduled meeting

Nomination, Remuneration and Governance Committee meetings in 2025

Members	26 Jan*	4 Feb*	9 Feb	23 Feb*	27 Feb	6 Apr*	22 Apr	2 Jul*	12 Aug*	18 Sep*	21 Oct*	26 Oct
Tariq Jaleel AlSaffar	•	•	•	•	•	•	•	•	•	•	•	•
Dana Aqeel Raees	•	•	•	•	•	•	•	•	•	•	•	•
Khalid Nasser Al Shamsi	•	•	•	•	•	•	•	•	•	•	•	•
Khalid Hussain Taqi	□	□	□	□	□	•	•	•	•	•	•	•

* Unscheduled meeting

Risk Committee meetings in 2025

Members	11 Feb	28 Apr	21 Jul	28 Oct
Munther Abdulaziz Al-Kooheji	•	•	•	•
Khalid Nasser Al Shamsi	•	•	•	•
Khaled Mohamed Alasfour	▲	▲	•	▲

* Unscheduled meeting

Independent Directors' Committee meetings in 2025

Members	24 Feb	30 Oct*
Tariq Jaleel AlSaffar	•	•
Khalid Hussain Taqi	□	•
Aref Haider Rahimi	•	▲
Khalid Nasser Al Shamsi	•	•
Munther Abdulaziz Al-Kooheji	•	•
Dr. Ghaneya Mohsen Al-Derazi	•	•

* Unscheduled meeting

Mergers and Acquisitions Board Committee meetings in 2025

Members	21 Jan	21 May	1 Jun	16 Jun	27 Jul	6 Aug	27 Aug	9 Oct	23 Dec
Aref Haider Rahimi	▲	▲	▲	▲	▲	▲	▲	▲	▲
Khalid Nasser Al Shamsi	▲	▲	▲	▲	▲	▲	▲	▲	▲
Naser Khalid Al Raee	▲	▲	▲	▲	▲	▲	▲	▲	▲
Khaled Mohamed Alasfour	▲	▲	▲	▲	▲	▲	▲	▲	▲
Other Board members attending:									
Tariq Jaleel AlSaffar	-	▲	▲	▲	▲	▲	▲	▲	▲

Other meetings

Khalid Nasser Al Shamsi, Chairperson of Audit & Compliance Committee attended the periodical CBB prudential meeting on 17 September 2025.

Shariah Supervisory Board disclosures

In 2016, the Bank established a Shariah Supervisory Board as the Bank conducts some of its transactions according to the Islamic Shariah and must ensure that these transactions are within Shariah standards and norms as required by the regulatory authority in the Kingdom of Bahrain. The Shariah Supervisory Board members and the meetings held during 2025 were as follows:

Shariah Supervisory Board attendance in 2025

Members	4 Feb	15 May
Dr. Osama Bahar (Chairperson)	•	•
Sh. Abdalnasser Al Mahmood (Member)	•	•
Dr. Adel Al Marzooqi (Member)	•	•

Communication strategy

The Bank has an open policy on communication with its stakeholders, and has adopted a communication disclosure policy consistent with Basel II requirements. Shareholders are invited by the Chairperson to attend the AGM. The Chairperson and other Directors attend the AGM and are available to answer any questions. The Bank is at all times mindful and conscious of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.

The Bank provides information on all events that merit announcement, either on its website – www.bbkonline.com – or through other forms of publication. The Bank's annual report and three years' financial statements are also published on the website, as well as the Bank's Corporate Governance Report, Corporate Governance Framework, Whistle-Blowing Policy, Board Charter, Code of Conduct, and Key Persons' Dealing Policy, and the Terms of Reference of all Board Committees. Shareholders can complete an online form, which can be found on the website, to forward any queries they may have.

The Bank uses a bulletin board for communicating with its employees on general matters, and sharing information of common interest and concern.

Remuneration report

The Bank follows a total compensation approach to remuneration. This includes the Bank's variable remuneration policy for rewarding performance as well as providing competitive fixed remuneration for attracting and retaining talent.

The Bank adopted regulations concerning sound remuneration practices issued by the Central Bank of Bahrain in 2014, and consequently revised its variable remuneration framework. The revised policy framework and incentive components were approved by the shareholders in the Annual General Meeting on 10 March 2015 and reviewed on 28 March 2022.

Remuneration strategy

The Bank's basic compensation philosophy is to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the shareholders of the Bank. These elements support the achievement of the objectives through balancing rewards for both short-term results and long-term sustainable performance. The strategy is designed to share the success of the Bank and to align employees' incentives with the risk framework and risk outcomes.

The quality and long-term commitment of all of the employees is fundamental to the success of the Bank. Therefore, we aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank and who will perform their role in the long-term interests of our shareholders.

The Bank's reward package comprises the following key elements:

1. Fixed pay
2. Benefits
3. Annual (short term) performance bonus
4. Annual (long term) performance bonus

A robust and effective governance framework ensures that the Bank operates within clear parameters of its remuneration strategy and policy. All remuneration matters, and overall compliance with regulatory requirements, are overseen by the Board Nomination, Remuneration and Governance Committee (NRG).

The Bank's remuneration policy, in particular, considers the role of each employee and sets the criteria to determine whether an employee is a material risk-taker and/or an approved person in a business line, control or support function.

An approved person is an employee whose appointment requires prior regulatory approval because of the significance of his role within the Bank. An employee is considered a material risk-taker if they are the head of a significant business line or any individuals within their control who have a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives, as summarised in our performance management system.

This assessment also takes into account adherence to the Bank's values, risks and compliance measures, and, above all, integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long term but, importantly, also on how it is achieved in order to ensure the long-term sustainability of the business.

Nomination, Remuneration and Governance Committee (NRG) role and focus

The NRG has oversight of all reward policies for the Bank's employees. The NRG is the supervisory and governing body for compensation policy, practices, and plans. It is responsible for determining, reviewing, and proposing a variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all remuneration decisions. The NRG ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed periodically to reflect changes in market practices, the business plan, and the risk profile of the Bank.

The responsibilities of the NRG with regards to the Bank's variable remuneration policy, as stated in Its mandate, include but are not limited to the following:

- Approve, monitor, and review the remuneration system to ensure the system operates as intended
- Evaluate the approved persons' and material risk-takers' performance in light of the Bank's corporate goals, agreed strategy, objectives and business plans
- Review and recommend remuneration for the approval of the Board
- Approve the remuneration amounts for each approved person and material risk-taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, contributions, expenses, bonuses, and other employee benefits
- Recommend the Group Chief Executive's remuneration for the Board of Directors' approval.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that generate the same short-run profit but take a different amount of risk on behalf of the Bank.
- Ensure that for material risk-takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and backtesting results before approving the total variable remuneration to be distributed, including salaries, fees, expenses, bonuses, and other employee benefits.

- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRG will question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial control, and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

NRG Members

As outlined in the Corporate Governance section of the annual report, the Board is satisfied that all Directors are non-executive and that the majority of the NRG members are independent including the Chairman of the Committee. The NRG comprises the following members:

NRG member name	Appointment date	Number of meetings attended	
		2025	2024
Tariq Jaleel AlSaffar	28 March 2023	12	13
Dana Aqeel Raaes	28 March 2023	12	13
Khalid Nasser Al Shamsi	28 March 2023	12	13
Khalid Hussain Taqi	25 March 2025	7*	-

*Member since 25 March 2025

The aggregate remuneration paid to NRG members during the year in the form of sitting fees amounted to BD 24,500 [2024: BD32,150].

Scope of application of the remuneration policy

The variable remuneration policy is adopted on a group basis covering BBK Bahrain, BBK Kuwait and the representative offices in Dubai & Türkiye. BBK India compensation practices are aligned with the Principles for Sound Compensation Practices issued by Board who will receive 200% of that paid to ordinary Directors due to his additional responsibility. A Director is entitled for a one time excuse for not attending a meeting during a year. BD 500/- will be deducted for each additional absence of the scheduled meetings.

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that total remuneration (excluding sitting fees) does not exceed 10 percent of the Bank's net profit after all required deductions in any financial

year. Board remuneration is subject to approval of the shareholders in the AGM. Remuneration of Non-Executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

The Bank has adopted a policy, approved by the Board of Directors, to apply to the Directors' remunerations and compensation for their involvement in the activities of the Board of Directors and its ad hoc, temporary and permanent committees. The following are established bases relating to the directors' compensation and remuneration:

- Members of the Board should be treated equitably when they are compensated for additional work or effort in their participation in Board ad hoc, temporary or permanent committees.
- The principle of participation is to attend meetings as much as possible and therefore no payment will be made for nonattendance of meetings of committees. Attendance of the meeting via Telephone/Video conference shall be considered an attendance of the meeting.
- The payment of Directors' remuneration is governed by Commercial Companies Law No. 21 for the year 2001 and any amendments thereto and therefore such payment must comply with the provision of the Law.
- Directors' remuneration, which is a recommendation by the Board of Directors to the Annual General Assembly, will be paid equally to the members with the exception of the Chairman of the Board who will receive 200% of that paid to ordinary Directors due to his additional responsibility. A Director is entitled for a one time excuse for not attending a meeting during a year. BD 500/- will be deducted for each additional absence of the scheduled meetings.
- Directors shall receive BD 500 as sitting fees for attending any Board Committee meeting. The Chairman of a Board Committee shall receive 150% of the said amount due to his additional responsibility.
- Directors will be entitled to a lump sum Travel Allowance of BD 600 (including hotel and expenses other than the flight) for attending Board and Board Committees' meetings for Directors not domiciled in the Kingdom of Bahrain, and the said travel allowance will be paid once for a duration of 3 days. Expenses incurred during Bank related assignments- other than attending Board and Board Committees' meetings in the Kingdom of Bahrain- outside of Bahrain shall be reimbursed on actual basis upon presentation of bills to the Head of Group Corporate Secretariat and in his absence the Deputy Head of Group Corporate Secretariat.
- The Directors will be entitled to BD 1,000 Sitting Fees for attendance to any of the Board meetings. The Chairperson of the Board is entitled for 150% of that amount paid to the other directors.
- There are no other remuneration methods for Board members and salaries, performance shares, bonuses are not applicable to Board members.

Remuneration report (continued)

Board of Directors Remuneration

Name	Fixed remunerations				Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Fixed remunerations Remunerations of the chairman and BOD recommended to the AGM	Total allowance for attending Board and committee meetings	Salaries	Others (Travel Allowance only)	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others			
First: Directors who were Board members during 2024 from 01/01/2024 to 27/03/2024:												
Murad Ali Murad	28,525.00	2,500.00	-	-	-	-	-	-	-	31,025.00	-	-
Mohamed A.Rahman Hussain	14,264.00	2,000.00	-	-	-	-	-	-	-	16,264.00	-	-
Second: Independent Directors:												
Tariq Jaleel AlSaffar	105,737.00	11,000.00	-	-	-	-	-	-	-	116,737.00	-	-
Aref Haider Rahimi	60,000.00	16,250.00	-	856.13	-	-	-	-	-	77,106.13	-	-
Khalid Nasser Al Shamsi	60,000.00	23,999.85	-	21,599.86	-	-	-	-	-	105,599.71	-	-
Munther Abdulaziz Al-Kooheji	45,737.00	7,750.00	-	-	-	-	-	-	-	53,487.00	-	-
Dr. Ghaneya Mohsen Al-Derazi	45,737.00	4,500.00	-	852.23	-	-	-	-	-	51,089.23	-	-
Third: Non-Executive Directors:												
Khalid Hussain Taqi	60,000.00	6,000.00	-	-	-	-	-	-	-	66,000.00	-	-
Nour Nael Al Jassim *	60,000.00	5,000.00	-	4,800.00	-	-	-	-	-	69,800.00	-	-
Dana Aqeel Raees **	60,000.00	7,000.00	-	-	-	-	-	-	-	67,000.00	-	-
Naser Khalid Al Raee **	60,000.00	11,500.00	-	-	-	-	-	-	-	71,500.00	-	-
Khaled Mohamed Alasfour *	60,000.00	6,500.00	-	5,400.00	-	-	-	-	-	71,900.00	-	-
Forth: Executive Directors:												
NIL	-	-	-	-	-	-	-	-	-	-	-	-
Total	660,000.00	103,999.85	-	33,508.217	-	-	-	-	-	797,508.07	-	-

- Note:**
- All amounts are in Bahraini Dinars.
 - The remuneration for membership of the Board of Directors that was paid in 2025 for the year 2024 after obtaining the approval of the Ordinary General Assembly in 25 March 2025.
 - * Amount paid to Kuwait Investment Authority (KIA).
 - ** Amount paid to Social Insurance Organization (SIO).

Employees' variable remuneration

Variable remuneration is performance-related and consists primarily of the annual performance bonus award and long-term incentives for future performance. As a part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of meeting both satisfactory financial performance and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework

adopted for determining the variable remuneration pool, the NRG aims to balance the distribution of the Bank's profits between shareholders and employees.

Key performance metrics at the Bank level include a combination of short-term and long-term measures and profitability, solvency, liquidity, compliance and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts by setting specific targets and other qualitative performance measures that result in a target bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures, including forward-looking considerations.

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

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings and risk profile. It is the Bank's objective to pay bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRG.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control and support functions

The remuneration level of employees in control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the financial performance of the business areas they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment, apart from value-adding tasks which are specific to each unit.

Variable compensation for business units

The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, and market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the Bank are treated differently by the remuneration system.

Risk assessment framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavour to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgement play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy, as designed, reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes, and delivers an appropriate mix of remuneration that is risk aligned.

The Bank's NRG considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes,

remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus.

The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Bank's current capital position and its ICAAP.

The Risk Assessment Framework is subject to periodic review in order to bring it in line with the latest trends and practices in risk assessment and reflect more focus on the Bank's risk strategy. The last review was conducted and approved by the Board of Directors in October 2022. The review incorporated enhancements of existing risk parameters and added new measures related to Compliance & Cyber Security.

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

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

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions.

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

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

The NRG, with the Board's approval, can rationalise and make the following discretionary decisions:

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

Remuneration report (continued)

Malus and claw back framework

The Bank's malus and claw back provisions allow the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual performance has had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an individual's award can only be made by the Bank's Board of Directors.

The Bank's malus and claw back provisions allow the Bank's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include the following:

- Reasonable evidence of wilful misbehaviour, material error, negligence or incompetence of the employee causing the Bank/ the employee's business unit to suffer material loss in its financial performance, material misstatement of the Bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the concerned performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.

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

Components of variable remuneration

Variable remuneration has the following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over three years.
Upfront short-term share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.
Deferred short-term share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over three years.
Long-term performance share awards	Share-based reward schemes, under which the Bank allocates certain numbers of shares every year to executive management and senior employees based on performance, potential, and job criticality level. Following the assessment of the performance of the Bank against the target performance conditions stipulated for the period, the ownership of the vested shares is transferred to the individual employee.

All deferred and long-term awards are subject to malus provisions. All share awards and related dividends are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's Share Incentive Scheme.

All the shares and deferred cash components of the variable remuneration are being held and administered in a trust registered in the Kingdom of Bahrain.

Deferred compensation

All employees at senior management level and above or earning BD 100,000 per annum in Bahrain and overseas branches, excluding India, are subject to the following rules of deferral:

1. Group CE, and 5 highest paid business line employees

Element of variable remuneration	Payout percentages	Vesting period	Retention	Malus	Claw back
Upfront cash	40%	immediate	–	–	Yes
Deferred cash	10%	3 years	–	Yes	Yes
Deferred share awards	50%	3 years	6 months	Yes	Yes

2. All other covered staff:

Element of variable remuneration	Payout percentages	Vesting period	Retention	Malus	Claw back
Upfront cash	50%	immediate	–	–	Yes
Deferred cash	10%	immediate	6 months	Yes	Yes
Deferred share awards	40%	3 years	6 months	Yes	Yes

The NRG, based on its assessment of role profile and risk taken by an employee, could increase the coverage of employees that will be subject to deferral arrangements.

Details of remuneration paid

(a) Board of Directors

	2025 BD	2024 BD
Sitting fees and travel allowance	167,250.00	137,508.067
Remuneration*	660,000.00	659,500.000
Others	24,596.180	67,099.215

(b) Board of Directors of subsidiaries

	2025 BD	2024 BD
Sitting fees and travel allowance	7,800	8,100
Remuneration*	129,250	128,819
Others	–	–

* The amount received during the year for the performance of the previous year.

(c) Employees

1. Employee remuneration

BD 000's	Number of staff	2025								Total
		Fixed remuneration	Sign on bonuses	Guaranteed bonuses	Variable remuneration					
					Upfront	Deferred			Others	
Cash	(Cash/ shares)	(Cash/ shares)	Cash	Shares	Cash	Shares	Others			
Approved Persons Business lines	11	2,102	–	–	998	12	127	709	–	3,948
Approved Persons Control & support	16	2,130	–	–	499	78	–	360	–	3,068
Other material risk takers	47	4,566	–	–	1,157	216	–	864	–	6,803
Other Staff Bahrain Operations	682	16,033	–	–	3,413	24	–	96	–	19,567
Other Staff Branches & Subsidiaries	599	8,554	–	–	790	3	–	13	–	9,359
TOTAL	1,355	33,384	–	–	6,858	333	127	2,043	–	42,745

The number of headcount includes BBK, its overseas branches and direct wholly owned subsidiaries.

Other Indirect adjustments to staff cost accruals amounting to BD 1,734,273 have been included in the table above. Other Indirect staff cost amounting to BD (10,476) have not been included in the table above.

Board Representation Allowance paid during 2025 to Members of Executive Management for representing the Bank in the boards of wholly owned subsidiaries and / or associate companies of BBK amounting BD 147,372 have been included in the table above.

The total amount of remuneration includes severance payments during the year amounted to BD 68,878 of which the highest paid to a single person amounted to BD 45,226.

BD 000's	Number of staff	2024								Total
		Fixed remuneration	Sign on bonuses	Guaranteed bonuses	Variable remuneration					
					Upfront	Deferred			Others	
Cash	(Cash/ shares)	(Cash/ shares)	Cash	Shares	Cash	Shares	Others			
Approved Persons Business lines**	13	2,613	–	–	999	10	80	459	–	4,160
Approved Persons Control & support	17	2,265	–	–	529	94	–	423	–	3,310
Other material risk takers	42	4,181	–	–	1,033	192	–	768	–	6,174
Other Staff Bahrain Operations	602	14,390	–	–	2,521	9	–	38	–	16,958
Other Staff Branches & Subsidiaries	586	8,754	–	–	693	2	–	12	–	9,461
TOTAL	1,250	32,202	–	–	5,775	308	80	1,700	–	40,063

The number of headcount includes BBK, its overseas branches and direct wholly owned subsidiaries.

Other indirect adjustments to staff cost accruals amounting to BD 387,978 have been included in the table above. Other indirect staff cost amounting to BD 119,564 have not been included in the table above.

Board Representation Allowance paid during 2024 to Members of Executive Management for representing the Bank in the boards of wholly owned subsidiaries and / or associate companies of BBK amounting BD 158,309 have been included in the table above.

No severance payments have been made during 2024.

** Approved Persons Business Lines consists of both the previous and current Group Chief Executive Officer

Remuneration report (continued)

2. Deferred awards

	2025			
	Cash BD '000	Shares		Total BD '000
		Number	BD '000	
Opening balance	421	18,768,428	7,150	7,572
Awarded during the period*	143	4,614,157	2,376	2,519
Paid out/released during the period	(143)	(4,073,601)	(2,016)	(2,159)
Service, performance and risk adjustments	-	-	-	-
Bonus share adjustment	-	223,858	-	-
Closing balance	421	19,532,842	7,511	7,932

* The number of shares for the 2025 Deferred Awards has been calculated using the year-end closing share price at 0.515 fils per share, as the award price will be determined 14 days after the AGM.

	2024			
	Cash BD '000	Shares		Total BD '000
		Number	BD '000	
Opening balance	421	17,777,553	6,871	7,293
Awarded during the period*	129	4,205,328	2,027	2,156
Paid out/released during the period	(129)	(3,608,378)	(1,748)	(1,877)
Service, performance and risk adjustments	-	(58,493)	-	-
Bonus share adjustment	-	452,418	-	-
Closing balance	421	18,768,428	7,150	7,572

* The number of shares for the 2024 Deferred Awards have been recomputed based on the share price 14 days after the AGM of the Bank at 0.482 fils per share, and updated for the actual awards distributed to staff during 2024.

In the case of Long-Term Performance-based Incentive awards, the shares awarded have been included in the purposes of the table above assuming probability of vesting.

The amounts included in the tables are based on granted awards and may not necessary match the accounting charge which factors vesting conditions and service conditions.

3. Top 6 Remuneration for Executives, Including Group Chief Executive and Group Chief Financial Officer

Executive management	Total paid salaries and allowances 2025	Total paid remuneration (bonus) 2025*	Any other cash/ in kind remuneration for 2025**	Aggregate Amount 2025
Top 6 remunerations for executives, including Group Chief Executive and Group Financial Officer	1,539,677	820,345	156,520	2,516,541

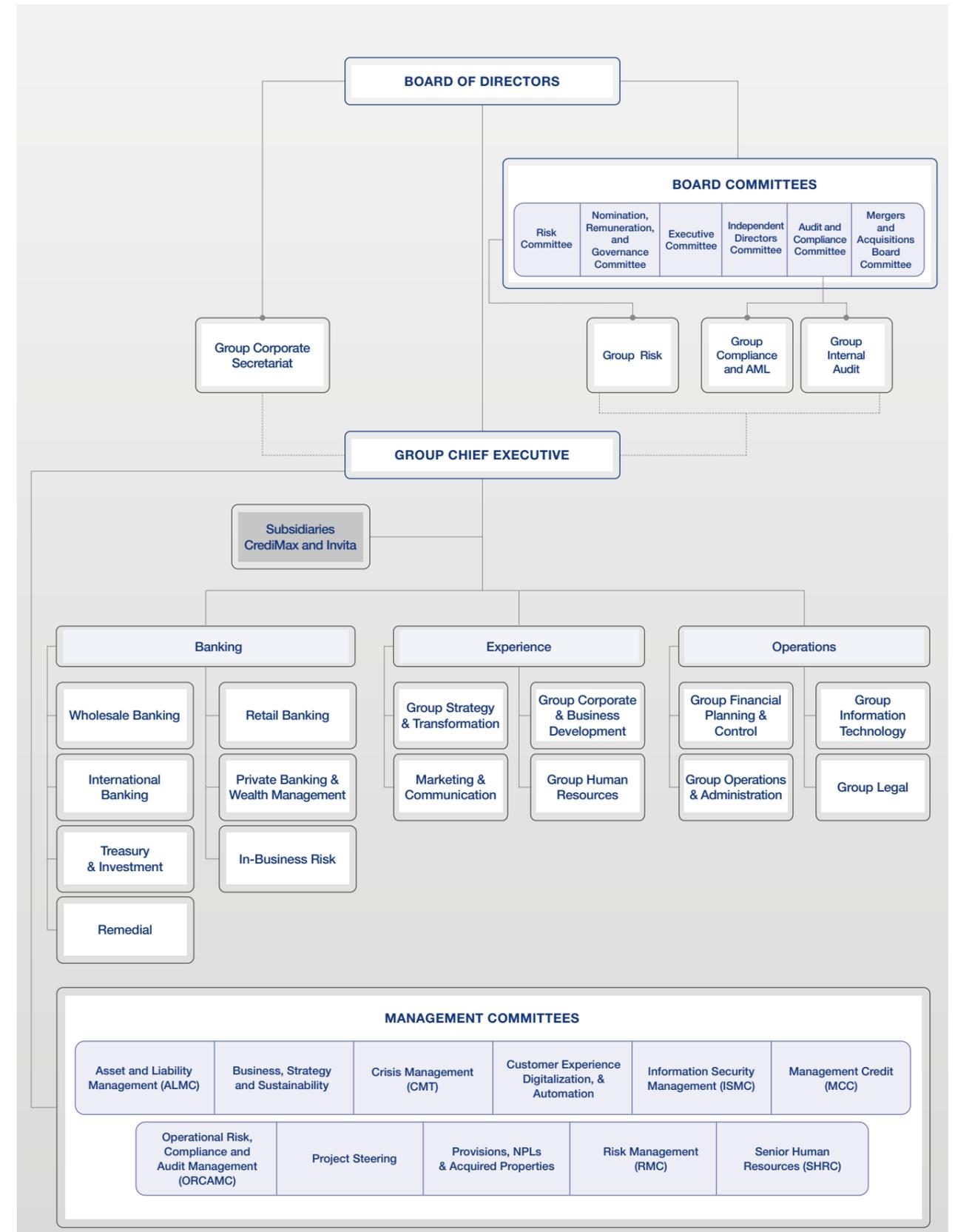
Note: All amounts are in Bahraini Dinars.

* Out of this amount, BD 496,424 was paid in Cash and BD 323,921 was paid in Shares. These amounts were paid in 2025 but relate to the year 2024.

** This represents the number of long-term shares vested during the year.

Organization Information

Organization structure



The above Organizational structure was approved by the Board of Directors on 30th October 2025.

Organization Information (continued)

Management Committees

Management Committees are chaired by the Group Chief Executive. Committee members are heads of the relevant divisions appointed by the Committee Chairman.

Committee	Summary terms of reference, roles and responsibilities	Frequency of Meetings
Asset and Liability Management (ALMC)	Establishes policies and guidelines for the overall management of the statement of financial position and its associated risks.	Monthly
Business, Strategy and Sustainability	Monitors the progress of strategy execution, highlights risks and issues, reviews and oversight respective business division progress in accordance with the agreed strategic initiative, business plans and budget. Monitors the financials and benefits and reviews the Bank's implementation of sustainability framework and roadmap.	Quarterly
Crisis Management (CMT)	Provides executive oversight of business continuity and disaster recovery plans to protect operations, people, and reputation during major incidents. Monitors program performance against Business Continuity Management requirements, endorses annual exercise scope and results, and reports program performance to the Board Risk Committee.	Twice a year
Customer Experience Digitalization, & Automation	Monitors and analyzes customer experience, consolidates key customer complaints and feedback across channels. Tracks performance, adoption and utilization of digital channels/services/solutions and oversees the roadmap of initiatives to streamline processes and enhance service efficiency through digitalization, automation, and robotics, including innovation metrics and Data & AI adoption progress.	Quarterly
Information Security Management (ISMC)	Ensures the confidentiality, integrity, availability, and privacy of BBK's information systems and data, in line with applicable laws, regulatory requirements, and security standards, to safeguard them against compromise, misuse, loss, or damage. Provides Group level oversight and direction on information security and privacy matters and reports the overall status to the Risk Committee and, subsequently, to the Board of Directors.	Quarterly
Management Credit (MCC)	Approves credit and investment proposals above a specific limit. Reviews and recommends any proposal requiring Executive Committee or Board approval.	Weekly
Operational Risk, Compliance and Audit Management (ORCAMC)	Takes decisions on Operational, Compliance and Audit risk related issues as well as reviews reports.	Quarterly
Project Steering	Sets and monitors the Group's three-year projects portfolio roadmap ensuring alignment to the Bank's strategy, regulatory requirements, and financial priorities. Acts as the prioritization board using a standardized selection and execution mechanism; oversees CAPEX, resource allocation, and funding/scope/timeline adjustments to maximize ROI and benefits. Provides governance for the overall portfolio and critical projects and holds sponsors/owners accountable for accurate status updates.	Monthly
Provisions, NPLs & Acquired Properties	Reviews and establishes provisioning requirements for loans, advances, and investments. Reviews and take decisions on acquired properties. Ensures compliance with internal and regulatory requirements.	Quarterly

Committee	Summary terms of reference, roles and responsibilities	Frequency of Meetings
Risk Management (RMC)	Recommends/Approves risk related policies/procedures, and reviews/ monitors different types of risks and sets/recommends risk mitigants. In addition, the Committee is mandated to approve, recommend, monitor cross-border risk and manages geographic exposures / concentrations.	8 times a year
Senior Human Resources (SHRC)	Establishes appropriate policies, procedures, and guidelines for the management of human resources.	Bimonthly

Executive Management Interests

The number of shares held by members of the executive management team and the trading of those during 2025.

Name	Type of shares	31 Dec 2025	Trading through Bahrain Bourse		31 Dec 2024
			Sold	Purchased	
Yaser Alsharifi	Ordinary	-	-	-	-
Hassaan Burshaid	Ordinary	1,059,307	-	321,972	737,335
Mohammed Abdulla	Ordinary	945,762	-	217,186	728,576
Nadeem Al Kooheji	Ordinary	400,671	-	114,671	286,000
Mohamed Al Rayes	Ordinary	200,482	-	75,732	124,750
Salman Al Hasan	Ordinary	282,977	-	61,221	221,756
Ahmed Taqi	Ordinary	174,650	124,202	81,606	217,246
Aqeel Ghaith	Ordinary	-	-	-	-
Simone Carminati	Ordinary	747,237	-	99,958	647,279
Mohamed Al Aali	Ordinary	-	-	-	-
Vidhu Mittal	Ordinary	619,894	-	-	619,894
Nadine Al Shirawi	Ordinary	330,009	-	46,168	283,841
Ebrahim Mashal	Ordinary	-	-	-	-
Khaled Al Naser	Ordinary	-	-	-	-
Ahmed A. Qudoos	Ordinary	-	-	-	-
Salah Al Jassas	Ordinary	280,000	10,000	50,000	240,000
Layla Radhi	Ordinary	39,533	-	16,928	22,605
Iris Edwards	Ordinary	-	-	-	-
Raj Dugar	Ordinary	Left the bank during the year			343,111

Note: The above table represents the total shares held as of 31 December 2025 including the bonus shares and shares transferred during the year as part of the Employee Share Incentive Plan.

Organization Information (continued)

Major BBK shareholdings as of 31 December 2025

Major shareholders of the company's outstanding shares (5% and above):

Name/Entity	Nationality/Headquarters	Legal status	Ownership date	%	Number of shares	
					31 Dec 2025	31 Dec 2024
FINCORP W.L.L.	Bahrain	W.L.L.	2022	26.19	475,784,748	475,784,748
Social Insurance Organization (Pension Fund Commission)	Bahrain	Governmental Institution	1986	19.27	350,103,291	350,103,291
Kuwait Investment Authority (KIA)	Kuwait	Governmental Institution	1990	19.20	348,740,444	348,740,444
Social Insurance Organization (GOSI)	Bahrain	Governmental Institution	1986	13.70	248,832,726	248,832,726

The company's ownership in other companies listed on the Bahrain Bourse (5% and above):

Name/Entity	Nationality/Headquarters	Legal status	Ownership date	%	Number of shares	
					31 Dec 2025	31 Dec 2024
Bahrain Kuwait Insurance (BKIC)	Bahrain	B.S.C.	2006	6.82	10,237,379	10,237,379
Securities Investment Company (SICO)	Bahrain	B.S.C. (c)	2006	7.91	34,913,024	34,913,024
Bahrain Commercial Facilities Company (BCFC)	Bahrain	B.S.C.	1994	23.03	47,023,363	47,023,363

The Company's Holdings in other Companies (Quoted/Unquoted in/out Kingdom of Bahrain) (10% and above)

Name/Entity	Nationality/Headquarters	Legal status	Ownership date	%	Number of shares	
					31 Dec 2025	31 Dec 2024
CrediMax	Bahrain	B.S.C. (c)	1999	100.00	10,000,000	10,000,000
Invita	Bahrain	W.L.L.	2006	100.00	1,000,000	1,000,000
973Labs W.L.L. ⁽¹⁾	Bahrain	W.L.L.	2022	100.00	500,000	500,000
Global Payment Services ⁽²⁾	Bahrain	W.L.L.	2005	70.00	12,728	12,728
The Benefit Company	Bahrain	B.S.C. (c)	1997	22.00	6,843	6,843
Naseej Company	Bahrain	B.S.C.	2009	15.15	130,909,096	130,909,096
Alosra Bank	Bahrain	B.S.C.	2009	10.00	2,000,000	2,000,000
Diyyar Al Hameen Al Ola Limited	Cayman Island	W.L.L.	2011	35.00	16,450,000	16,450,000
BBK Geojit Securities KSC	Kuwait	K.S.C.	2012	40.00	2,000,000	2,000,000
Invita - Kuwait ⁽³⁾	Kuwait	K.S.C. (c)	2014	40.00	400,000	400,000
Bahrain Liquidity Fund	Bahrain	LTD	2016	23.52	4,016	6,336

(1) Shareholding through Credimax & Invita

(2) Shareholding through Credimax

(3) Shareholding through Invita

BBK offices and overseas branches

For contact details of our local and international offices and branches, please visit our website www.bbkonline.com. The Bank is headquartered in Bahrain and also operates in Kuwait, India, the UAE and Türkiye.

Part III Financial information

- 58 Financial review
- 60 Independent auditor's report to the shareholders
- Consolidated statement of:
 - 63 - Financial position
 - 64 - Profit or loss
 - 65 - Comprehensive income
 - 66 - Changes in equity
 - 67 - Cash flows
 - 68 - Notes to the consolidated financial statements
 - 103 - Basel III Regulatory capital disclosures



Financial Review



Overview

The Group reported a net profit, attributable to the owners of the Bank, of BD 80.0 million for the year ending 31 December 2025, reflecting a 11.1 percent increase in comparison to 2024 results.

The Group continued to deliver strong performance in 2025, reflecting the resilience and effectiveness of its business model, sustaining a return on average assets of 1.8 percent and a return on average equity of 12.8 percent, underscoring the Group's solid profitability. Basic and diluted earnings per share increased to 44 fils, compared to 40 fils the previous year. Additionally, the Group reinforced its strong liquidity position, with liquid assets making up 29.9 percent of total assets by the end of 2025, compared to 34.4 percent the previous year.

This section presents a comprehensive overview of the Group's financial performance, highlighting both the consolidated operating results and BBK's overall financial position. It covers the full scope of the Group's operations, including overseas branches, subsidiaries, associates and joint ventures, and indirect investments in associates held through subsidiaries.

The consolidated financial statements have been prepared and presented in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board (IASB). They conform to the Bahrain Commercial Companies Law, the CBB and Financial Institutions Law, the CBB Rulebook, and CBB directives, regulations, and associated resolutions. Additionally, they adhere to the rules and procedures of the Bahrain Bourse and the terms outlined in the Bank's memorandum and articles of association.

Operating results

The Bank's net profit attributable to the owners of the Bank increased by 11.1 percent from the previous year, reaching BD 80.0 million. Total operating income, which includes contributions from associates and joint ventures, also recorded a modest increase by BD 0.6 million or 0.4

percent, reaching BD 161.8 million. This improvement was largely driven by higher net fees and commission income, along with a notable turnaround in the performance of associates and joint ventures, recording a profit of BD 1.5 million compared to a loss of BD 2.7 million reported during 2024, underlining the Bank's agile business model and its efforts to diversify revenue from non-interest income streams.

Net provision charges decreased from BD 17.3 million in 2024 to BD 6.8 million in 2025, reflecting a decrease of 60.7 percent, as a result of the Bank's active management of credit risk and distressed exposures.

Net interest income

Net interest income decreased by 5.9 percent to BD 117.2 million (2024: BD 124.6 million) primarily due to higher interest expense compared to the previous year.

Other income

Other operating income comprises non-interest revenue generated from a diversified range of banking activities, including foreign currency transactions, investments in non-fixed-income funds, corporate and retail banking services, investment trading, and the Group's share of results from associates and joint ventures.

Total other income (including share of results from associates and joint ventures) reported for 2025 stood at BD 44.6 million compared to BD 36.6 million in 2024. Net fee and commission income amounted to BD 22.1 million, compared to BD 19.5 million reported last year, registering a growth of 13.3 percent. Other income relating to foreign exchange and investment income increased by 6.1 percent, from BD 19.8 million to BD 21.0 million during 2025, reflecting positive outcomes of our sound investment strategies. The Group's share of profit from associates and joint ventures has shown an improvement, with a reported profit of BD 1.5 million compared to a loss of BD 2.7 million in 2024.

Operating expenses

Due to the implementation of strategic initiatives and investments in human capital to support the implementation of various strategic and business initiatives aimed at providing our customers with the best banking experience, the Group's operating expenses increased by 3.9 percent, from BD 71.3 million to BD 74.1 million. Staff costs slightly increased by 3.3 percent, from BD 39.6 million to BD 40.9 million, and non-staff related costs increased by 4.7 percent to reach BD 33.2 million (2024: BD 31.7 million). Nevertheless, the Bank's efficient cost control policy and strong revenue-generating capability enabled it to achieve a healthy cost to income ratio of 45.8 percent (2024: 44.3 percent).

Net provisions

Net provision charges decreased from BD 17.3 million during 2024 to BD 6.8 million during 2025, a decrease of 60.7 percent. This reflects the Bank's active management of credit risk and distressed exposures.

Comprehensive income

The Bank's total comprehensive income, attributable to the owners of the Bank, stood at BD 102.2 million for the year ended 31 December 2025, compared to BD 69.5 million for the year ended 31 December 2024. The increase is mainly related to positive market valuations, and higher net profit.

Financial position

The Group maintained its solid financial position and healthy liquidity position, with net loans and advances to customer deposits at 82.7 percent as of end of 2025 (2024: 74.4 percent).

Assets

Total assets stood at BD 4,974.3 million as at 31 December 2025, an increase of 18.6 percent over BD 4,192.6 million recorded in the previous year. Net loans and advances increased by 31.5 percent to stand at BD 2,358.5 million (2024: BD 1,794.1 million), which were funded mainly through the growth in customer deposits. In addition, investment securities portfolio recorded an increase of 26.8 percent to stand at BD 1,190.9 million compared to BD 939.4 million as of end of December 2024.

Liabilities

The Group maintains a solid and well-diversified funding structure, with minimal reliance on the interbank market. Customer deposits remained the principal source of funding, accounting for 66.1 percent of total liabilities. The Group maintained its retail customer base at BD 1,505.0 million as of end of 2025 (2024: BD 1,184.3 million), while the total customer deposits registered a growth of 18.3 percent to stand at BD 2,853.5 million as of end of December 2025 (2024: BD 2,411.3 million). Borrowings under repurchase agreements and term borrowings continue to form an important component of the Bank's medium-term and stable funding base, with the former standing at BD 405.9 million at the end of the year (2024: BD 351.6 million), and the latter standing at BD 405.3 million at the end of the year (2024: BD 306.5 million).

Equity

Total equity, attributable to the owners of the Bank, stood at BD 657.5 million at the end of 2025 (2024: BD 620.8 million). The Group's capital adequacy ratio stood at 19.8 percent, compared to 26.5 percent at the end of the previous year, well above CBB's minimum regulatory requirement of 14.0 percent for Domestic Systemically Important Banks (D-SIBs). The Group is keen to maintain strong capitalisation to support future strategic plans, through the adoption of dynamic profit retention policy.

The Group's resilient performance reflects our strong business model, sustained focus on shareholder value, and our ability to respond effectively to changing market dynamics.

Independent auditor's report to the shareholders of Bank of Bahrain and Kuwait B.S.C.



Shape the future
with confidence

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Bank of Bahrain and Kuwait B.S.C. ("BBK B.S.C." or "the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows 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 (IASB).

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), as applicable to audits of consolidated financial statements of public interest entities, together with the ethical

requirements that are relevant to audits of the consolidated financial statements of public interest entities in the Kingdom of Bahrain, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Expected credit loss on loans and advances

Key audit matter	How the key audit matter was addressed in the audit
<p>The process for estimating Expected Credit Loss ("ECL") on credit risk associated with loans and advances in accordance with IFRS 9 - Financial Instruments ("IFRS 9") is a significant and complex area.</p> <p>IFRS 9 requires use of the ECL model for the purposes of calculating loss allowances. The key areas of judgement applied by the management in the determination of the ECL include:</p> <ul style="list-style-type: none"> • Determining whether the risk of default on a customer has increased significantly; and • Choosing appropriate models and assumptions for the measurement of ECL, including the changes in forward-looking macroeconomic variables. <p>Due to the complexity of the requirements under IFRS 9, the significance of judgments and estimations applied in the ECL calculations and the Group's exposure to loans and advances, which account for 47% of the Group's total assets, the audit of ECL on loans and advances is a key area of focus.</p> <p>As at 31 December 2025, the Group's gross loans and advances amounted to BD 2,429.5 million and the related ECL amounted to BD 71.0 million, comprising BD 23.3 million of ECL against Stage 1 and 2 exposures and BD 47.7 million against exposures classified under Stage 3.</p>	<p>Our approach included testing the controls associated with the relevant processes for estimating the ECL and performing substantive procedures on such estimates.</p> <p>With the involvement of our internal specialists, our key audit procedures focused on the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL model. • We assessed and evaluated: <ul style="list-style-type: none"> o the Group's ECL policy including determination of the significant increase in credit risk and its impact on the staging criteria with the requirements of IFRS 9 and regulatory guidelines; o the key management assumptions related to the determination of the future macroeconomic scenarios including forward-looking information and assigning probability weights; and o the basis of determination of the management overlays.

Expected credit loss on loans and advances (continued)

Key audit matter (continued)	How the key audit matter was addressed in the audit (continued)
<p>Refer to the material accounting policy information, significant estimates and judgments applied in the measurement of the ECL, disclosures of loans and advances and credit quality in notes 3, 7 and 33 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • We reviewed a sample of credit files and performed procedures to assess: <ul style="list-style-type: none"> o timely identification of exposures with a significant increase in credit risk and; o appropriateness of the staging; and o the process of collateral valuation. • We tested the completeness and accuracy of the data used in the measurement of the ECL and performed ECL recalculation on a sample basis. • We considered the adequacy of the disclosures in the accompanying consolidated financial statements in relation to ECL on loans and advances under IFRS Accounting Standards.

Other information included in the Group's 2025 Annual Report

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. Prior to the date of this auditor's report, we obtained the Board of Directors' report, which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the Group audit. We remain solely responsible for our audit opinion.

Notes to the consolidated financial statements (continued)

31 December 2025

We communicate with the Audit 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.

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

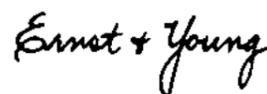
From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless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

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain Rulebook, we report that:

- the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- the financial information contained in the report of the Board of Directors' is consistent with the consolidated financial statements;
- we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the Central Bank of Bahrain (CBB) Rulebook (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse 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
- satisfactory explanations and information have been provided to us by Management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Mr. Nader Rahimi.



Partner's registration No. 115
24 February 2026
Manama, Kingdom of Bahrain

Consolidated statement of financial position

As at 31 December 2025

	Notes	2025 BD millions	2024 BD millions
ASSETS			
Cash and balances with central banks	4	586.6	687.7
Treasury bills	5	304.4	399.2
Deposits and amounts due from banks and other financial institutions	6	290.6	167.9
Loans and advances to customers	7	2,358.5	1,794.1
Investment securities	8	1,190.9	939.4
Interest receivable, derivative and other assets	9	134.5	121.0
Investments in associates and joint ventures	10	35.1	45.2
Premises and equipment	11	39.8	38.1
Goodwill and other intangible assets	51	33.9	-
TOTAL ASSETS		4,974.3	4,192.6
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		512.8	375.5
Borrowings under repurchase agreement		405.9	351.6
Term borrowings	12	405.3	306.5
Customers' deposits	13	2,853.5	2,411.3
Interest payable, derivative and other liabilities	14	136.4	124.0
Total liabilities		4,313.9	3,568.9
Equity			
Share capital	15	181.7	181.7
Treasury stock	15	(5.5)	(5.0)
Share premium	15	105.6	105.6
Statutory reserve	15	90.8	90.8
General reserve	15	64.2	64.2
Cumulative changes in fair values	16	47.6	25.0
Foreign currency translation reserve		(17.0)	(16.6)
Retained earnings		137.4	132.3
Proposed appropriations	17	52.7	42.8
Attributable to the owners of the Bank		657.5	620.8
Non-controlling interests		2.9	2.9
Total equity		660.4	623.7
TOTAL LIABILITIES AND EQUITY		4,974.3	4,192.6

Tariq Jaleel AlSaffar
Chairperson

Khalid Hussain Taqi
Deputy Chairperson

Yaser Alsharifi
Group Chief Executive

The accompanying notes 1 to 51 form part of these consolidated financial statements

Consolidated statement of profit or loss

For the year ended 31 December 2025

	Notes	2025 BD millions	2024 BD millions
Interest and similar income	18a	249.3	251.9
Interest and similar expense	18b	(132.1)	(127.3)
Net interest and similar income		117.2	124.6
Fee and commission income – net	19	22.1	19.5
Investment and other income	20	21.0	19.8
TOTAL OPERATING INCOME		160.3	163.9
Staff costs		(40.9)	(39.6)
Other operating expenses		(33.2)	(31.7)
TOTAL OPERATING EXPENSES		(74.1)	(71.3)
Net impairments, provisions and credit losses	21	(6.8)	(17.3)
NET OPERATING INCOME		79.4	75.3
Share of profit / (loss) from associates and joint ventures	10	1.5	(2.7)
PROFIT FOR THE YEAR BEFORE TAX		80.9	72.6
Income tax (expense) / credit	22	(0.2)	0.1
NET PROFIT FOR THE YEAR		80.7	72.7
Attributable to:			
Owners of the Bank		80.0	72.0
Non-controlling interests		0.7	0.7
		80.7	72.7
Basic and diluted earnings per share (BD)	23	0.044	0.040

Tariq Jaleel AlSaffar
Chairperson

Khalid Hussain Taqi
Deputy Chairperson

Yaser Alsharifi
Group Chief Executive

The accompanying notes 1 to 51 form part of these consolidated financial statements

Consolidated statement of other comprehensive income

For the year ended 31 December 2025

	Notes	2025 BD millions	2024 BD millions
Net profit for the year		80.7	72.7
Other Comprehensive Income (OCI):			
<i>Items that will not be reclassified (or recycled) subsequently to profit or loss</i>			
Net change in fair value of equity investments measured at fair value through other comprehensive income	16	7.9	(0.6)
<i>Items that are or may be reclassified (or recycled) subsequently to profit or loss</i>			
<i>Movement in foreign currency translation reserve:</i>			
Exchange differences on translation of foreign operations		(0.4)	(1.1)
<i>Movement in hedging reserve:</i>			
Effective portion of changes in fair value cash flow hedges	16	(0.1)	(0.4)
<i>Movement in fair value reserve:</i>			
Net change in fair value of debt instruments measured at fair value through other comprehensive income	16	21.2	6.5
Net amount transferred to profit or loss	16	(6.4)	(6.9)
Other comprehensive income / (loss) for the year		22.2	(2.5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		102.9	70.2
Attributable to:			
Owners of the Bank		102.2	69.5
Non-controlling interests		0.7	0.7
		102.9	70.2

The accompanying notes 1 to 51 form part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2025

	Attributable to the owners of the Bank												
	Notes	Share capital BD millions	Treasury stock BD millions	Share premium BD millions	Statutory reserve BD millions	General reserve BD millions	Cumulative changes in fair values BD millions	Foreign currency translation reserve BD millions	Retained earnings BD millions	Proposed appropriations BD millions	Total BD millions	Non-controlling interests BD millions	Total equity BD millions
Balance at 1 January 2024		173.0	(4.1)	105.6	86.0	64.2	24.7	(15.5)	131.9	45.3	611.1	2.8	613.9
Profit for the year		-	-	-	-	-	-	-	72.0	-	72.0	0.7	72.7
Other comprehensive loss		-	-	-	-	-	(1.4)	(1.1)	-	-	(2.5)	-	(2.5)
Total comprehensive (loss) / income		-	-	-	-	-	(1.4)	(1.1)	72.0	-	69.5	0.7	70.2
Share-based payments	42	-	-	-	-	-	-	-	0.3	-	0.3	-	0.3
Sale of equity securities held at fair value through OCI	16	-	-	-	-	-	1.7	-	(1.7)	-	-	-	-
Dividends paid	17	-	-	-	-	-	-	-	(22.6)	(34.4)	(57.0)	(0.6)	(57.6)
Stock dividend	17	8.7	-	-	-	-	-	-	-	(8.7)	-	-	-
Donations	17	-	-	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Movement in treasury stock	15	-	(0.9)	-	-	-	-	-	-	-	(0.9)	-	(0.9)
Transfer to statutory reserve	15	-	-	-	4.8	-	-	-	(4.8)	-	-	-	-
Proposed appropriations	17	-	-	-	-	-	-	-	(42.8)	42.8	-	-	-
Balance at 31 December 2024		181.7	(5.0)	105.6	90.8	64.2	25.0	(16.6)	132.3	42.8	620.8	2.9	623.7
Profit for the year		-	-	-	-	-	-	-	80.0	-	80.0	0.7	80.7
Other comprehensive income / (loss)		-	-	-	-	-	22.6	(0.4)	-	-	22.2	-	22.2
Total comprehensive income / (loss)		-	-	-	-	-	22.6	(0.4)	80.0	-	102.2	0.7	102.9
Share-based payments	42	-	-	-	-	-	-	-	0.3	-	0.3	-	0.3
Dividends paid	17	-	-	-	-	-	-	-	(22.5)	(40.6)	(63.1)	(0.7)	(63.8)
Donations	17	-	-	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Movement in treasury stock	15	-	(0.5)	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Proposed appropriations	17	-	-	-	-	-	-	-	(52.7)	52.7	-	-	-
Balance at 31 December 2025		181.7	(5.5)	105.6	90.8	64.2	47.6	(17.0)	137.4	52.7	657.5	2.9	660.4

The accompanying notes 1 to 51 form part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2025

	Notes	2025 BD millions	2024 BD millions
Profit before tax		80.9	72.6
Adjustment for:			
Depreciation	11	8.2	8.8
Net impairments, provisions and credit losses	21	8.3	19.5
Share of (profit) / loss from associates and joint ventures	10	(1.5)	2.7
Investment income		-	(0.1)
Realised gain on sale of investment securities	20	(6.9)	(7.7)
Interest expense accrual on term borrowings		23.2	24.5
Operating profit before changes in operating assets and liabilities		112.2	120.3
(Increase) / decrease in operating assets			
Mandatory reserve deposits with central banks		(4.4)	(13.5)
Treasury bills having original maturity of ninety days or more		94.7	(9.9)
Deposits and amounts due from banks and other financial institutions		23.4	(23.8)
Loans and advances to customers		(580.0)	(224.0)
Interest receivable, derivative and other assets		(13.5)	8.1
Increase / (decrease) in operating liabilities			
Deposits and amounts due to banks and other financial institutions		137.3	(30.7)
Borrowings under repurchase agreement		54.2	24.8
Customers' deposits		248.2	281.3
Interest payable, derivative and other liabilities		(6.2)	(26.4)
Income tax (paid) / credited	22	(0.2)	0.1
Net cash flows from operating activities		65.7	106.3
INVESTING ACTIVITIES			
Purchase of investment securities		(478.1)	(369.5)
Proceeds from redemption / sale of investment securities		257.3	345.9
Net movement of investment in associates and joint ventures	10	11.6	2.5
Dividends received from associates and joint ventures	10	0.8	0.1
Cash flow arising on acquisition, net	51	166.3	-
Purchase of premises and equipment		(9.9)	(9.1)
Net cash flows used in investing activities		(52.0)	(30.1)
FINANCING ACTIVITIES			
Payment of dividends and other appropriations	17	(65.3)	(59.2)
Payment of dividends to non-controlling interests		(0.6)	(0.6)
Repayment of term borrowings		(94.3)	(207.3)
Additional term borrowings		188.5	214.9
Movement in treasury stock	15	(0.5)	(0.9)
Movement in share-based payments	42	0.3	0.3
Net cash flows from / (used in) financing activities		28.1	(52.8)
NET CHANGE IN CASH AND CASH EQUIVALENTS		41.8	23.4
Foreign currency translation adjustments - net		(1.3)	(0.8)
Cash and cash equivalents at beginning of the year		722.2	699.6
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25	762.7	722.2
Additional cash flow information:			
Interest received		244.3	249.6
Interest paid		129.4	125.0

The accompanying notes 1 to 51 form part of these consolidated financial statements

Notes to the consolidated financial statements

31 December 2025

1 CORPORATE INFORMATION

Bank of Bahrain and Kuwait B.S.C. (“BBK” or “the Bank”), a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri Decree in March 1971 and registered with the Ministry of Industry and Commerce (“MOIC”) under Commercial Registration (“CR”) number 1234 dated 16 March 1971. The Bank operates in the Kingdom of Bahrain under a conventional retail banking license of Volume 1 issued by the Central Bank of Bahrain (“CBB”) and its shares are listed at Bahrain Bourse.

The Bank is engaged in commercial banking activities in the Kingdom of Bahrain and through its branches in the State of Kuwait and Republic of India. It is also engaged in credit card operations and business process outsourcing services through its subsidiaries. The Bank’s registered office is at 43 Government Avenue, P.O. Box 597, Manama, Kingdom of Bahrain.

During the year, the Bank acquired retail banking operations of HSBC Bank Middle East, Bahrain Branch (“HSBC Bahrain”), which included the transfer of all retail loans, deposits and accounts of HSBC Bahrain customers. Refer note 51 for additional details.

During the year, the Bank initiated preliminary negotiations and entered into a non-binding agreement regarding the potential sale of its shareholding in a wholly owned subsidiary, Invita Company W.L.L. to another counterparty. As of the reporting date, negotiations are ongoing in this regard.

The consolidated financial statements for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 24 February 2026.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board (“IASB”) and in conformity with the Bahrain Commercial Companies Law (“BCCL”) and the CBB and Financial Institutions Law, the CBB Rulebook and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of the Bank’s memorandum and articles of association.

2.2 Accounting convention

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, investment securities at Fair Value Through Other Comprehensive Income (FVTOCI), trading investments and financial assets designated at Fair Value Through Profit and Loss (FVTPL), that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to risks that are being hedged.

The consolidated financial statements are prepared in Bahraini Dinars (BD), which is also the functional currency of the Bank. Furthermore, all values are rounded-off to the nearest millions, unless otherwise indicated.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (the “Group”). All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation. The year end of the Bank and all of its subsidiaries is 31 December. The Bank has the following principal subsidiaries:

Held directly by the Bank	Ownership		Country of incorporation	Activity
	2025	2024		
CrediMax B.S.C. (c)	100%	100%	Kingdom of Bahrain	Credit card operations
Invita Company W.L.L.	100%	100%	Kingdom of Bahrain	Business process outsourcing services

The following are the subsidiaries held indirectly through the principal subsidiaries of the Bank:

Held indirectly by the Bank	Effective ownership		Subsidiary held through	Country of incorporation	Activity
	2025	2024			
Global Payment Services W.L.L.	70%	70%	CrediMax B.S.C. (c)	Kingdom of Bahrain	Cards processing and backup services
973LABS W.L.L.*	100%	100%	CrediMax B.S.C. (c)	Kingdom of Bahrain	Computer consultancy and computer facilities management activities

* CrediMax B.S.C. (c) and Invita Company W.L.L. hold 60% and 40% ownership in 973Labs W.L.L., respectively.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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. 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.

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(s) 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. Income and expenses of a subsidiary acquired or disposed-off during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and 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 in line with the Group’s accounting policies. All intra-group assets, 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3 ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards or amendments to existing standards that have become applicable effective from 1 January 2025, which are disclosed below. 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 its 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 had no material impact on the Group’s consolidated financial statements.

3.2 New standards, interpretations and amendments 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, on their respective effective date(s).

(a) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

In 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:

- A clarification that a financial liability is derecognised on the ‘settlement date’ and the introduction of 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, with early adoption permitted for classification of financial assets and related disclosures only.

The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

(b) IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, 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.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and 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.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

(c) 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 reference nature-dependent electricity. The amendments apply only to contracts that reference nature-dependent electricity. The amendments include:

- 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.

As the Group does not engage in such contracts, it is not eligible to elect to apply the amendments to IFRS 9 and IFRS 7.

(d) IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Group has an ultimate parent that prepares its consolidated financial statements, available for public use, which comply with IFRS Accounting Standards. The Group is eligible to elect to apply IFRS 19 and is currently working to identify the impact of this standard.

Notes to the consolidated financial statements (continued)

31 December 2025

3 ACCOUNTING POLICIES (continued)

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

(e) Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The Group is currently assessing the impact such amendments will have on its consolidated financial statements.

3.3 Material accounting policies

(a) Financial assets and financial liabilities

i. Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as at amortised cost, FVTOCI or FVTPL. A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets designation at fair value through profit or loss

The Group designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Business model assessment

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

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

Financial assets that are held for trading or managed 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.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition, which may change over the life of the financial asset. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

iii. Derecognition

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

A financial asset (in whole or in part) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Derecognition of financial instruments in the context of IBOR reform

The Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended or will need amendment as they transition from Interbank Offered Rates (IBORs) to Risk-Free Benchmark Reference Rates (RFRs). In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

For financial instruments measured at amortised cost, the Group first applies the practical expedient to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised Effective Interest Rate (EIR).

(b) Deposits and amounts due from banks and other financial institutions

These are stated at cost, adjusted for effective fair value hedges (if any), less any amounts written-off and related expected credit losses.

(c) Loans and advances to customers

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest rate method, and adjusted for effective fair value hedges (if any) and net of interest suspended, expected credit losses and any amounts written-off.

(d) Investment securities

The investment securities includes:

- Debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest rate method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are carried at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVTOCI; and
- Equity investment securities designated as at FVTOCI.

For debt securities measured at FVTOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest rate method;
- Expected Credit Loss (ECL) allowances and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVTOCI is impaired or derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from statement of changes in equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss, and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of the investment.

(e) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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 to 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 best economic interest. The fair value of financial instruments that are quoted in an active market is determined by reference to market bid priced respectively at the close of business on the statement of financial position date.

In case of unquoted investments, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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.

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 assets or liabilities and the level of the fair value hierarchy as explained above.

Notes to the consolidated financial statements (continued)

31 December 2025

3 ACCOUNTING POLICIES (continued)

3.3 Material accounting policies (continued)

(f) Impairment of financial assets

The Group recognises allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Loans and advances at amortised cost;
- Financial guarantee contracts issued; and
- Loan commitments issued.

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

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

(g) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is 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;
- Undrawn loan commitments and letter of credit: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The determination of the IFRS 9 provision results from a two-step approach:

As step 1, the facilities will have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility has been credit impaired.

As step 2, the expected credit loss is calculated i.e., 12-month expected loss for all facilities in Stage 1 and lifetime expected credit loss for all facilities in Stage 2. The facilities in Stage 3 are covered by specific provisions.

Refer to note 33 for further details.

(h) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial instruments carried at FVTOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that 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 a loan or advance by the Group on terms that the Group would not consider otherwise;
- 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, other than that of the home country sovereign (i.e. Kingdom of Bahrain), is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields; or
- The rating agencies' assessments of creditworthiness.

(i) Presentation of allowances for ECL in the consolidated statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of such assets;
- Loan commitments and financial guarantee contracts as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group has identified the ECL on the loan commitment / off-balance sheet component separately from those on the drawn component, the Group presents a loss allowance for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Loss allowance for undrawn components is presented as a provision in other liabilities; and
- For debt instruments measured at FVTOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of such assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve as a provision.

(j) Write-offs

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

(k) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any ECL 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 continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. Refer to note 33.3 (e) and note 34 for further details.

(l) Term borrowings

Financial instruments or their components issued by the Group, which are not designated at fair value through consolidated statement of profit or loss, are classified as liabilities under 'term borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term borrowings are subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(m) Investments in associates and joint ventures

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.

Subsequently, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

An associate is an entity over which the Group has significant influence. It is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is charged to the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and recognises the loss in the consolidated statement of profit or loss.

Gains or losses arising from a partial disposal of an interest in an associate or a joint venture that does not result in the loss of significant influence are recognised in the consolidated statement of profit or loss. A proportionate share of any amounts previously recognised in other comprehensive income relating to the associate or joint venture is reclassified to the consolidated statement of profit or loss.

When the Group loses significant influence over an associate or a joint venture, it derecognises the investment and measures any retained interest at its fair value on that date. Any difference between (i) the carrying amount of the investment at the date significant influence is lost and (ii) the aggregate of the fair value of the retained interest and the proceeds received from disposal is recognised in the consolidated statement of profit or loss.

(n) Premises and equipment

All items of premises and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land which is deemed to have an indefinite life. The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Properties and buildings	4 to 35 years
- Furniture, equipment and software	3 to 5 years
- Motor vehicles	4 years

(o) Collateral pending sale

The Group occasionally acquires real estate in settlement of certain loans and advances to customers. Such real estate is stated at the lower of the carrying value of the related facility and the current fair value of the collateral acquired, assessed on an individual basis. If the current fair value for any individual asset is lower, a provision is created. Gains or

losses on disposal, and unrealised losses on revaluation, are recognised in the consolidated statement of profit or loss.

(p) Deposits

These are carried at amortised cost, less amounts repaid.

(q) Repurchase and resale agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated statement of financial position, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded as interest income and is accrued over the life of the agreement using the effective interest rate. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale and measured at fair value with any gains or losses included in 'net interest and similar income'.

(r) Taxation

Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the Group operates.

In India, the Bank makes provision for income tax after considering both current and deferred taxes. The tax effect of timing differences between the book profit and taxable profits are reflected through Deferred Tax Asset (DTA) / Deferred Tax Liability (DTL). Current tax is determined in accordance with the provisions of Income Tax Act, 1961 and rules framed there under after considering the contested past adjustments on a prudent basis based on management estimates.

Domestic minimum top-up tax ("DMTT") and rules impact

The OCED Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') apply to multinational enterprise (MNE) groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

In line with the requirements of GloBE rules, the Kingdom of Bahrain has issued and enacted decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the Group for fiscal years commencing on or after 1 January 2025.

(s) Employees' end of service benefits

Costs relating to employees' end of service benefits are accrued in accordance with actuarial and other valuations as required by regulations applicable in each jurisdiction where the Group operates.

(t) Share-based payment transactions

For equity-settled shared-based payment transactions, the Group measures the services received and the corresponding increase in equity at the fair value of the services received by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date. The fair value calculated at the grant date is recognised as an expense in the consolidated statement of profit or loss over the vesting period, with a corresponding credit to retained earnings. When an employee leaves the Group during the vesting period, the shares granted stand forfeited and any amount recognised in respect of these forfeited shares is reversed through the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

31 December 2025

3 ACCOUNTING POLICIES (continued)

3.3 Material accounting policies (continued)

(u) Provisions

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

(v) Treasury stock

Treasury stock is deducted from equity and is stated at consideration paid. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of Group's own equity instruments.

(w) Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets in the subsidiaries not attributable to the Bank's equity shareholders. Any change in Group's ownership interest in the subsidiary that does not result in a loss of control is accounted for as an equity transaction.

(x) Proposed appropriations

Proposed appropriations are included as part of equity and only recognised as liabilities when approved by the shareholders. The payment of a dividend also requires the prior approval of the CBB.

(y) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, letters of credit and loan commitments. All such arrangements are treated as memorandum liabilities and are disclosed as part of contingent liabilities. Financial guarantees, letter of credit and undrawn loan commitments are initially recognised in the consolidated financial statements at fair value, in 'interest payable, derivative and other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit or loss. The premium received is recognised in the consolidated statement of profit or loss in on a straight line basis over the life of the guarantee.

(z) Derivatives

The Group enters into derivative instruments including futures, forwards, swaps, and options in the foreign exchange and capital markets. Derivatives are stated at fair value. Derivatives with positive market values are included in 'interest receivable, derivative and other assets' and derivatives with negative market values are included in 'interest payable, derivative and other liabilities' in the consolidated statement of financial position.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through the consolidated statement of profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

(aa) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

Hedge accounting model introduced under IFRS 9 is designed to better align hedge accounting with risk management activities; permit a greater variety of hedging instruments and risks eligible for hedge accounting; and removed rule based thresholds for testing hedge effectiveness by bringing principle based criteria. Retrospective assessment of hedge effectiveness is no longer required and current accounting treatments of fair value, cashflow and net investment hedge accounting have been retained.

At inception of the hedging relationship, the management undertakes a formal designation and documentation. This includes the Group's risk

management objective underlying, the hedging relationship and how that fits within the overall risk management strategy. The documentation also includes an identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements. IFRS 9 also requires documentation of the hedge ratio and potential sources of ineffectiveness.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group performs a hedge effectiveness assessment in a similar manner as at the inception of the hedging relationship and subsequently on every reporting period.

Classification of hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

i) Fair value hedges

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument to fair value is recognised immediately in the consolidated statement of profit or loss. The hedged item is adjusted for fair value changes and the difference relating to the risk being hedged is recognised in the consolidated statement of profit or loss.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments; or
- Derivatives used as hedging instruments having a non-nil fair value at the time of designation.

ii) Cash flow hedges

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of any gain or loss on the hedging instrument, that is determined to be an effective hedge is recognised initially in the consolidated statement of changes in equity and the ineffective portion is recognised in the consolidated statement of profit or loss.

The gains or losses on effective cash flow hedges recognised initially in the consolidated statement of changes in equity are either transferred to the consolidated statement of profit or loss in the period in which the hedged transaction impacts the consolidated statement of profit or loss or included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated statement of profit or loss.

Discontinuation of hedges

A hedging relationship is discontinued in its entirety when as a whole it ceases to meet the qualifying criteria of the hedging relationship. Voluntary discontinuation when the qualifying criteria are met is prohibited. In the event of discontinuation, any subsequent changes in fair value of the hedging instrument are recognized in the consolidated statement of profit

or loss. For effective fair value hedges of financial instruments with fixed maturities any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in the consolidated statement of changes in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of profit or loss.

(ab) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and are, accordingly, not included in the consolidated statement of financial position.

(ac) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

(ad) Business combination, goodwill and other intangible assets

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in relevant line items in the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill arising from business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets are measured on initial recognition at their fair values on the date of recognition. Following initial recognition, intangible assets are carried at originally recognised values less amortisation and less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the business within that unit is disposed of, the goodwill associated with the disposed business operation is included in the carrying amount of the business operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(ae) Recognition of income and expenses

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.

The following specific recognition criteria must also be met before revenue is recognised.

Interest income and loan commitment fees, which are considered an integral part of the effective yield of a financial asset, are recognised using the effective yield method unless collectability is in doubt. The recognition of interest income is suspended when loans become non-performing i.e. are classified under Stage 3 (when overdue by ninety days or more). Notional interest is recognised on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value based on the original effective interest rate.

Interest expense is recognised using the effective yield method, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for provision of services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not include multiple performance obligations. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Fees and commissions that are linked to certain performance obligations are recognised after fulfilling those obligations.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The fee and commission linked to performance obligation include fees earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over defined periods. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Asset management fees consist of management and performance fees that are considered variable consideration.

The Group recognises dividend income when the right to receive payment is established.

Where the Group enters into an interest rate swap to change interest from fixed to floating (or vice versa), the amount of interest income or expense is adjusted by the net interest on the swap until the hedges are effective.

(af) Foreign currencies

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non-trading activities are recorded in the consolidated statement of profit and loss, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign operation. These differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

31 December 2025

3 ACCOUNTING POLICIES (continued)

3.3 Material accounting policies (continued)

(af) Foreign currencies (continued)

(i) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Group's presentation currency at the rate of exchange as at the statement of financial position date, and their statements of profit or loss are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity through the consolidated statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

(ag) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks (excluding mandatory reserve deposits), treasury bills, deposits and due from banks and other financial institutions having original maturities of ninety days or less. These cash and cash equivalent are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(ah) Leases - Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognised under premises and equipment in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, in this case BIBOR. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

3.4 Significant accounting judgment and estimates

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgment and estimates are as follows:

i) Going concern

The Group's management 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 management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is applied to establish fair values.

These judgment include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

iii) Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio and liquidity requirements in the current market conditions; and
- Management's strategy in terms of earning contractual interest revenues or generating capital gains.

iv) Impairment of goodwill and other intangible assets

The Group determines whether goodwill and intangibles are impaired at least on an annual basis. Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

v) Measurement of ECL

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The measurement of the ECL for financial assets measured at amortised cost and FVTOCI 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.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns PDs to the individual ratings;
- The Group calculates PiT PD estimates under three scenarios, a best case, base case and worst case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, and collateral values, and the effect on PDs, EADs and LGDs;
- 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 facilities and facilities undergoing restructuring at the time of the reporting date.

In preparing the consolidated financial statements, judgments were made by management in applying the Group's accounting policies and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

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

In determining whether credit risk has increased since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, expert credit judgment and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a Significant Increase in Credit Risk ("SICR") based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Refer to note 33.3 for further details.

4 CASH AND BALANCES WITH CENTRAL BANKS

	2025 BD millions	2024 BD millions
Cash in hand and vaults	18.9	21.2
Current accounts and placements with central banks	455.0	558.2
Mandatory reserve deposits with central banks	112.7	108.3
	586.6	687.7

Mandatory reserve deposits with central banks are not available for use in the Group's day-to-day operations.

5 TREASURY BILLS

These are short-term treasury bills issued by the Government of the Kingdom of Bahrain and the Government of Kuwait which are carried at amortised cost and, Government of India which are carried at fair value through other comprehensive income, amounting to BD 291.3 million, BD 11.1 million and BD 2.0 million (31 December 2024: BD 375.5 million, BD 23.7 million and BD Nil), respectively. At 31 December 2025, treasury bills issued by the Government of the Kingdom of Bahrain include short-term Islamic Sukuk amounting to BD 20.1 million (31 December 2024: BD 4.0 million).

6 DEPOSITS AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 BD millions	2024 BD millions
Deposits with banks and other financial institutions	105.7	75.5
Nostro and other amounts due from banks	184.9	92.4
	290.6	167.9

7 LOANS AND ADVANCES TO CUSTOMERS

At 31 December 2025	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit impaired BD millions	Total BD millions
At amortised cost:				
Commercial loans and overdrafts	1,416.1	183.2	60.7	1,660.0
Consumer loans	740.6	18.1	10.8	769.5
	2,156.7	201.3	71.5	2,429.5
Less: Expected credit losses	(4.0)	(19.3)	(47.7)	(71.0)
	2,152.7	182.0	23.8	2,358.5

During the year, certain purchased or originated credit-impaired ("POCI") financial assets that were acquired as part of the business combination at fair value. These assets reflect credit losses for which a lifetime ECL is already recognised.

At 31 December 2024	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit impaired BD millions	Total BD millions
At amortised cost:				
Commercial loans and overdrafts	879.9	247.3	66.3	1,193.5
Consumer loans	641.6	22.9	11.6	676.1
	1,521.5	270.2	77.9	1,869.6
Less: Expected credit losses	(2.7)	(22.1)	(50.7)	(75.5)
	1,518.8	248.1	27.2	1,794.1

Ageing analysis of past due but not impaired loans is as follows:

2025	Up to 30 days BD millions	31 to 60 days BD millions	61 to 89 days BD millions	Total BD millions
Commercial loans and overdrafts	162.1	8.3	19.2	189.6
Consumer loans	15.2	3.6	13.5	32.3
	177.3	11.9	32.7	221.9

2024	Up to 30 days BD millions	31 to 60 days BD millions	61 to 89 days BD millions	Total BD millions
Commercial loans and overdrafts	135.5	11.4	34.5	181.4
Consumer loans	15.7	5.0	15.5	36.2
	151.2	16.4	50.0	217.6

None of the above past due loans are considered to be credit impaired.

Notes to the consolidated financial statements (continued)

31 December 2025

7 LOANS AND ADVANCES TO CUSTOMERS (continued)

The distribution of loans and advances by geographic region and industry sector is as follows:

	2025 BD millions	2024 BD millions		2025 BD millions	2024 BD millions
<i>Geographic region:</i>			<i>Industry sector:</i>		
Gulf Co-operation Council (GCC) countries	2,070.9	1,600.0	Individuals	669.3	574.5
Asia	76.0	71.2	Trading and manufacturing	423.8	404.5
Europe	124.2	71.0	Construction and real estate	473.0	375.8
Others	87.4	51.9	Banks and other financial institutions	324.1	156.9
	2,358.5	1,794.1	Government and public sector	171.2	137.7
			Others	297.1	144.7
				2,358.5	1,794.1

Movements in allowances for ECL on loans and advances are as follows:

i) Commercial loans and overdrafts

2025	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
Balance at 1 January	1.4	17.8	42.5	61.7
Transferred to 12-month ECL	1.9	(1.9)	-	-
Transferred to lifetime ECL not credit-impaired	(0.2)	0.3	(0.1)	-
Transferred to lifetime ECL credit-impaired	-	(3.4)	3.4	-
Net remeasurement of loss allowance	(0.6)	2.3	5.1	6.8
Amounts written-off during the year	-	-	(11.2)	(11.2)
Foreign exchange and other movements	-	0.1	-	0.1
Balance at 31 December	2.5	15.2	39.7	57.4

2024	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
Balance at 1 January	4.4	26.3	25.8	56.5
Transferred to 12-month ECL	1.0	(1.0)	-	-
Transferred to lifetime ECL not credit-impaired	(0.5)	0.5	-	-
Transferred to lifetime ECL credit-impaired	-	(12.5)	12.5	-
Net remeasurement of loss allowance	(2.6)	5.7	12.5	15.6
Amounts written-off during the year	-	-	(10.2)	(10.2)
Foreign exchange and other movements	(0.9)	(1.2)	1.9	(0.2)
Balance at 31 December	1.4	17.8	42.5	61.7

ii) Consumer loans

2025	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
Balance at 1 January	1.3	4.3	8.2	13.8
Transferred to 12-month ECL	0.4	(0.3)	(0.1)	-
Transferred to lifetime ECL not credit-impaired	-	0.4	(0.4)	-
Transferred to lifetime ECL credit-impaired	-	(0.7)	0.7	-
Net remeasurement of loss allowance	(0.2)	0.4	2.8	3.0
Amounts written off during the year	-	-	(3.2)	(3.2)
Balance at 31 December	1.5	4.1	8.0	13.6

2024	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
Balance at 1 January	1.0	5.2	8.5	14.7
Transferred to 12-month ECL	0.5	(0.2)	(0.3)	-
Transferred to lifetime ECL not credit-impaired	-	0.5	(0.5)	-
Transferred to lifetime ECL credit-impaired	-	(1.2)	1.2	-
Net remeasurement of loss allowance	(0.2)	-	2.9	2.7
Amounts written off during the year	-	-	(3.6)	(3.6)
Balance at 31 December	1.3	4.3	8.2	13.8

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be credit impaired at 31 December 2025 amounts to BD 25.4 million (31 December 2024: BD 30.0 million).

At 31 December 2025, gross loans and advances include Islamic financing facilities provided by the Group to corporates amounting to BD 82.9 million (31 December 2024: BD 46.9 million). These mainly consists of Murabaha and Ijarah financing facilities.

A reconciliation of changes in gross carrying amount by stage is as follows:

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
1 January 2025	1,521.5	270.2	77.9	1,869.6
New assets originated	1,148.9	27.9	1.5	1,178.3
Payments and assets derecognised	(569.2)	(37.6)	(1.7)	(608.5)
Transfers between stages	52.3	(59.0)	6.7	-
Amounts written-off during the year	-	-	(14.4)	(14.4)
Foreign exchange and other adjustments	3.2	(0.2)	1.5	4.5
At 31 December 2025	2,156.7	201.3	71.5	2,429.5

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
1 January 2024	1,354.4	255.2	49.9	1,659.5
New assets originated	720.2	52.1	-	772.3
Payments and assets derecognised	(507.6)	(38.0)	(4.7)	(550.3)
Transfers between stages	(43.9)	0.5	43.4	-
Amounts written-off during the year	-	-	(13.8)	(13.8)
Foreign exchange and other adjustments	(1.6)	0.4	3.1	1.9
At 31 December 2024	1,521.5	270.2	77.9	1,869.6

8 INVESTMENT SECURITIES

31 December 2025	FVTPL BD millions	FVTOCI BD millions	Amortised cost BD millions	Total BD millions
Quoted investments:				
Government bonds	-	521.3	30.0	551.3
Other bonds	-	301.9	7.0	308.9
Equities	0.4	69.7	-	70.1
	0.4	892.9	37.0	930.3
Unquoted investments:				
Government bonds	-	-	209.5	209.5
Other bonds	-	19.6	-	19.6
Equities	-	31.1	-	31.1
Managed funds	0.9	-	-	0.9
	0.9	50.7	209.5	261.1
Gross investments	1.3	943.6	246.5	1,191.4
Expected credit losses	-	(0.5)	-	(0.5)
Net Investments	1.3	943.1	246.5	1,190.9

At 31 December 2025, investment securities include government and other bonds of BD 515.7 million (31 December 2024: BD 447.8 million), which are pledged against the borrowings under repurchase agreements.

At 31 December 2025, interest in suspense for past due loans that were credit impaired was BD 11.7 million (31 December 2024: BD 27.9 million).

The contractual amount outstanding on financial assets that have been written-off by the Group during the reporting period and that were still subject to enforcement activity was BD 5.8 million (2024: BD 11.6 million).

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit – impaired BD millions	Stage 3: Lifetime ECL credit – impaired BD millions	Total BD millions
1 January 2024	1,354.4	255.2	49.9	1,659.5
New assets originated	720.2	52.1	-	772.3
Payments and assets derecognised	(507.6)	(38.0)	(4.7)	(550.3)
Transfers between stages	(43.9)	0.5	43.4	-
Amounts written-off during the year	-	-	(13.8)	(13.8)
Foreign exchange and other adjustments	(1.6)	0.4	3.1	1.9
At 31 December 2024	1,521.5	270.2	77.9	1,869.6

31 December 2024	FVTPL BD millions	FVTOCI BD millions	Amortised cost BD millions	Total BD millions
Quoted investments:				
Government bonds	-	430.0	44.0	474.0
Other bonds	-	238.7	7.1	245.8
Equities	-	43.7	-	43.7
	-	712.4	51.1	763.5
Unquoted investments:				
Government bonds	-	-	137.7	137.7
Other bonds	-	9.6	-	9.6
Equities	-	30.0	-	30.0
Managed funds	1.0	-	-	1.0
	1.0	39.6	137.7	178.3
Gross investments	1.0	752.0	188.8	941.8
Expected credit losses	-	(2.4)	-	(2.4)
Net Investments	1.0	749.6	188.8	939.4

31 December 2024	FVTPL BD millions	FVTOCI BD millions	Amortised cost BD millions	Total BD millions
Quoted investments:				
Government bonds	-	430.0	44.0	474.0
Other bonds	-	238.7	7.1	245.8
Equities	-	43.7	-	43.7
	-	712.4	51.1	763.5
Unquoted investments:				
Government bonds	-	-	137.7	137.7
Other bonds	-	9.6	-	9.6
Equities	-	30.0	-	30.0
Managed funds	1.0	-	-	1.0
	1.0	39.6	137.7	178.3
Gross investments	1.0	752.0	188.8	941.8
Expected credit losses	-	(2.4)	-	(2.4)
Net Investments	1.0	749.6	188.8	939.4

At 31 December 2025, investment securities include long-term Islamic Sukuk amounting to BD 51.4 million (31 December 2024: BD 31.0 million).

Notes to the consolidated financial statements (continued)

31 December 2025

Movements in allowances for ECL on investment securities (government and other bonds held at FVTOCI and amortised cost) are as follows:

2025	Stage 1:	Stage 2:	Stage 3:	Total
	12-month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	
	BD millions	BD millions	BD millions	BD millions
Balance at 1 January	1.2	1.2	–	2.4
Net remeasurement of loss allowance	(0.3)	–	–	(0.3)
Financial assets that were derecognised	(0.4)	(1.2)	–	(1.6)
Balance at 31 December	0.5	–	–	0.5

2024	Stage 1:	Stage 2:	Stage 3:	Total
	12-month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	
	BD millions	BD millions	BD millions	BD millions
Balance at 1 January	0.5	1.8	–	2.3
Net remeasurement of loss allowance	0.9	(0.1)	–	0.8
Financial assets that were derecognised	(0.2)	(0.5)	–	(0.7)
Balance at 31 December	1.2	1.2	–	2.4

9 INTEREST RECEIVABLE, DERIVATIVE AND OTHER ASSETS

	2025	2024
	BD millions	BD millions
Interest receivable	36.6	31.6
Accounts receivable*	40.8	22.6
Collateral pending sale**	25.5	20.4
Positive fair value of derivatives (note 28)	22.6	40.4
Prepaid expenses	3.7	2.8
Deferred tax asset (note 22)	0.6	0.9
Other assets	4.7	2.3
	134.5	121.0

* This includes an investment in a fund pending unit allocation amounting to BD 10.0 million (2024: BD nil).

** During the year ended 31 December 2025, an impairment charge of BD 0.5 million (2024: BD 0.5 million) was recorded against collateral pending sale, which were acquired on settlement of loans and advances. Refer to note 21 for further details.

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has a 23.03% (2024: 23.03%) equity interest in Bahrain Commercial Facilities Company B.S.C. (“BCFC”), incorporated in the Kingdom of Bahrain, which is engaged in consumer financing, insurance, dealing in real estate and automobiles.

The Group has a 22.00% (2024: 22.00%) shareholding in The Benefit Company B.S.C. (c) incorporated in the Kingdom of Bahrain, which is engaged in ancillary services to provide payment systems and other related financial services for the benefit of commercial banks and their customers in the Kingdom of Bahrain.

The Group has a 40.00% (2024: 40.00%) stake in BBK Geojit securities K.S.C., a jointly controlled company incorporated in the State of Kuwait.

The Group has a 23.52% (2024: 23.52%) stake in Bahrain Liquidity Fund, an investment vehicle established in the Kingdom of Bahrain to enhance liquidity in the market and to close the valuation gap between securities listed on Bahrain Bourse and their regional peers.

The Group has a Nil stake (2024: 49.96%) in Magnum Partners Holding Limited, a joint venture company incorporated in Jersey to indirectly acquire real estate investment in Netherlands.

The Group has a Nil stake (2024: 24.99%) in Evoque Holdings Jersey Limited, a joint venture company incorporated in Jersey to indirectly acquire real estate investment in Germany.

The Group has a Nil stake (2024: 45.00%) in LSE Jersey Holdings Limited Partnership, a joint venture company registered in Jersey to facilitate the indirect real estate investment in the United Kingdom.

The Group has a 40.00% (2024: 40.00%) indirect stake in Invita Kuwait K.S.C.C. through Invita Company W.L.L., incorporated in Kuwait and engaged in business processing and outsourcing services.

Movement in carrying amount of investment in associates and joint ventures

	2025	2024
	BD millions	BD millions
At 1 January	45.2	51.2
Additional contribution	0.7	–
Share of profit / (loss) for the year	1.5	(2.7)
Dividends received	(0.8)	(0.1)
Change in unrealised fair values - associates (note 16)	(0.1)	(0.4)
Foreign currency translation adjustments	0.7	(0.3)
Capital distribution	(2.1)	(2.5)
Disposal of joint ventures (note 9)	(10.0)	–
At 31 December	35.1	45.2

The following table illustrates the summarised most recent available financial information of the Group’s interest in its non-material associates and joint ventures:

	2025	2024
	BD millions	BD millions

Financial position related information

Total assets	15.6	61.2
Total liabilities	1.7	46.7

Profit or loss related information

Revenue	5.8	7.4
Group’s share of net profit / (loss) for the year	0.4	(3.7)
Total comprehensive income / (loss) for the year	0.4	(3.7)

Investments in associates and joint ventures includes the Group’s investment in BCFC, which is considered to be a material associate. The following table illustrates the summarised financial information of the Group’s investment in BCFC, based on most recent available financial statements adjusted for estimated performance of the last quarter:

	2025	2024
	BD millions	BD millions
Net interest income	8.4	7.7
Gross profit on automotive sales	7.6	6.1
Other operating income	4.5	3.7
Total operating income	20.5	17.5
Operating expenses	(18.4)	(14.1)
Other operating expenses and net loan allowance	2.7	1.1
Adjusted profit for the year	4.8	4.5
Group’s share of adjusted profit for the year	1.1	1.0
Other comprehensive loss	(0.5)	(0.5)
Total other comprehensive income for the year	4.3	4.0
Group’s share of other comprehensive loss for the year	(0.1)	(0.1)

	2025	2024
	BD millions	BD millions

Assets

Cash and balances with banks	11.6	11.9
Loans and advances to customers	138.7	138.8
Inventories	21.9	19.0
Other assets	47.4	50.3
Total assets	219.6	220.0

Liabilities

Trade and other payables	20.7	21.8
Term loans	91.6	91.5
Total liabilities	112.3	113.3
Adjusted equity	107.3	106.7
Proportion of the Group’s ownership	23.03%	23.03%
Group’s share of adjusted equity	24.7	24.6

The market value of the Bank’s investment in BCFC based on the price quoted in the Bahrain Bourse at 31 December 2025 was BD 10.6 million (31 December 2024: BD 14.3 million).

11 PREMISES AND EQUIPMENT

	Freehold land	Properties and buildings	Furniture, equipment and software	Right-of-use assets	Capital work in progress	Total
Cost	13.8	31.2	77.2	8.4	0.2	130.8
Less: Accumulated depreciation	–	(22.7)	(63.6)	(4.7)	–	(91.0)
Net book value at 31 December 2025	13.8	8.5	13.6	3.7	0.2	39.8
Cost	12.5	31.0	71.8	15.7	–	131.0
Less: Accumulated depreciation	–	(22.2)	(59.2)	(11.5)	–	(92.9)
Net book value at 31 December 2024	12.5	8.8	12.6	4.2	–	38.1

The depreciation charge for the year amounted to BD 8.2 million (2024: BD 8.8 million).

12 TERM BORROWINGS

The term borrowings were obtained for general financing purposes and comprised:

Rate of interest	Maturity	Carrying amount	
		2025	2024
		BD millions	BD millions
6.875% (fixed)	2029	190.4	185.9
SOFR + Margin	2028	188.5	–
SOFR + Margin	2026	26.4	26.4
SOFR + Margin	2025	–	94.2
		405.3	306.5

13 CUSTOMERS’ DEPOSITS

	2025	2024
	BD millions	BD millions
Term deposits	1,392.8	1,127.8
Savings accounts	801.0	674.7
Current accounts	562.6	515.1
Other deposit accounts	97.1	93.7
	2,853.5	2,411.3

14 INTEREST PAYABLE, DERIVATIVE AND OTHER LIABILITIES

	2025	2024
	BD millions	BD millions
Interest payable	42.9	40.2
Accounts payable	44.1	30.5
Accrued expenses	31.8	38.8
Negative fair value of derivatives (note 28)	4.0	3.8
Lease liability	4.0	3.7
ECL on financial contracts and commitments (note 29)	3.4	3.2
Other liabilities	6.2	3.8
	136.4	124.0

15 EQUITY

(i) Share capital

	2025	2024
	BD millions	BD millions
<i>Authorised</i>		
2,500,000,000 shares (2024: 2,500,000,000 shares) of BD 0.100 each	250.0	250.0
<i>Issued and fully paid</i>		
1,816,590,310 shares (2024: 1,816,590,310 shares) of BD 0.100 each	181.7	181.7

Movement of ordinary share capital was as follows:

	Number of shares	
	2025	2024
Shares at 1 January	1,816,590,310	1,730,086,010
Add: Issuance of stock dividend	–	86,504,300
Shares at 31 December	1,816,590,310	1,816,590,310

(ii) Treasury stock

Treasury stock represents the Bank’s purchase of its own shares. At the end of the year, the Bank held 13,208,243 (2024: 13,264,765) of its own shares.

	2025	2024
	BD millions	BD millions
Consideration paid	5.5	5.0

(iii) Share premium

The share premium arising on issue of ordinary shares is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law (BCCL) and following the approval of the CBB.

(iv) Employee Performance Share Plan

The Group has an Employee Performance Share Plan (EPSP) under which shares are granted to certain eligible employees (refer to note 42).

(v) Unclaimed dividends

Following a regulatory directive issued by Bahrain Bourse per resolution no (3) of 2021, all the unclaimed dividends were transferred to a designated Bahrain Clear account held with CBB. Prior to this directive and as per the Group’s policy and procedures, any unclaimed dividends outstanding for more than 10 years were transferred to equity, however were available to the respective shareholders for any future claims. The Group did not make any payments to its shareholders from the reserve account in the equity (2024: same).

(vi) Statutory reserve

The statutory reserve has been created in accordance with the BCCL. The Bank transfers 10% of its annual profits to its statutory reserve till such time as the reserve equals 50% of the issued share capital of the Bank. During the year, the Bank transferred BD Nil to statutory reserve (2024: BD 4.8 million) as the reserve reached to 50% of the issued share capital. The reserve is not available for distribution, except in circumstances as stipulated in the BCCL and following the approval from the CBB.

(vii) General reserve

The general reserve has been built up in accordance with the provisions of the Bank’s articles of association and underlines the shareholders’ commitment to enhance the strong equity base of the Bank. During the years ended 31 December 2025 and 2024, the Bank did not transfer any amount to general reserve. The general reserve is distributable subject to the approval from the CBB and the Annual General Assembly of the Shareholders.

Notes to the consolidated financial statements (continued)

31 December 2025

16 CUMULATIVE CHANGES IN FAIR VALUES

	2025 BD millions	2024 BD millions
Fair value through other comprehensive income		
At 1 January	24.9	24.2
Transferred to retained earnings on sale / write-off of equity securities	-	1.7
Transferred to profit or loss on sale of investment securities (debt)	(6.1)	(7.7)
Transferred to profit or loss on impairment (debt)	(0.3)	0.8
Fair value changes on investment securities carried at FVTOCI	29.1	5.9
At 31 December	47.6	24.9
Cash flow hedges		
At 1 January	0.1	0.5
Change in unrealised fair values - associates (note 10)	(0.1)	(0.4)
At 31 December	-	0.1
	47.6	25.0

17 PROPOSED APPROPRIATIONS

	2025 BD millions	2024 BD millions
Cash dividend	49.6	40.6
Donations	3.1	2.2
	52.7	42.8

The Board of Directors proposed cash dividend of BD 0.040 per share (including an interim cash dividend of BD 0.0125 per share, declared and paid during August 2025), net of treasury stock as of 31 December 2025 (2024: cash dividends of BD 0.035 per share, net of treasury stock as of 31 December 2024).

During the year, the Bank paid cash dividend of BD 0.035 per share, including an interim cash dividend of BD 0.0125, net of treasury stock pertaining to 2024 (2024: BD 0.030 per share, net of treasury stock and a stock dividend of BD 0.005 per share pertaining to 2023).

The above appropriations for the year ended 31 December 2025 will be submitted for approval at the forthcoming Annual General Assembly of the Shareholders. The payment of the final cash dividend is subject to the approval of the CBB.

18 NET INTEREST AND SIMILAR INCOME

	2025 BD millions	2024 BD millions
(a) Interest and similar income		
At amortised cost:		
Loans and advances to customers	130.2	117.1
Deposits and amounts due from banks and other financial institutions	32.1	48.5
Treasury bills	18.3	22.9
Investment securities	11.9	8.6
At FVTOCI:		
Investment securities	56.8	54.8
	249.3	251.9

	2025 BD millions	2024 BD millions
(b) Interest and similar expense		
On financial liabilities carried at amortised cost:		
Customers' deposits	(68.1)	(73.5)
Term borrowings	(24.2)	(21.4)
Borrowings under repurchase agreement	(19.9)	(20.2)
Deposits and amounts due to banks and other financial institutions	(19.9)	(12.2)
	(132.1)	(127.3)
Net interest and similar income	117.2	124.6

19 FEE AND COMMISSION INCOME – NET

	2025 BD millions	2024 BD millions
Fee and commission income	58.5	55.3
Fee and commission expense	(36.4)	(35.8)
	22.1	19.5

Included in fee and commission income is a gain of BD 0.02 million (2024: BD 0.03 million) relating to trust and other fiduciary activities.

20 INVESTMENT AND OTHER INCOME

	2025 BD millions	2024 BD millions
Gain on foreign exchange	8.8	6.5
Realised gain on sale of investment securities	6.9	7.7
Dividend income	4.0	3.0
Income from commercial activities*	0.9	1.6
Other income	0.4	1.0
	21.0	19.8

* This represents income arising from non-financial business process outsourcing services provided by a Bank's subsidiary.

21 NET IMPAIRMENTS, PROVISIONS AND CREDIT LOSSES

	2025 BD millions	2024 BD millions
Loans and advances to customers (note 7)	9.8	18.3
Recoveries from fully provided loans and advances written-off in previous years	(1.5)	(2.2)
Investment securities (note 8)	(1.9)	0.8
Off-balance sheet exposures	0.2	(0.1)
Other recoveries	(0.3)	-
Impairment on collateral pending sale (note 9)	0.5	0.5
	6.8	17.3

22 TAXATION

	2025 BD millions	2024 BD millions
Consolidated statement of financial position		
Deferred tax asset (note 9)	0.6	0.9
Consolidated statement of profit or loss		
Deferred tax (expense) / credit on foreign operations	(0.2)	0.1

Current tax is measured at the amount expected to be paid in respect of taxable income of the Group's operations in India for the year, in accordance with the Income Tax Act, 1961 enacted by Parliament of India. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities to the authorities in the respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates. Effective tax rate for the year ended 31 December 2025 is 38.22% (2024: 38.22%).

Domestic minimum top-up tax ("DMTT") and rules impact

As per the Group's assessment, it concluded that it is not in scope for the Bahrain law or the GloBE rules. Accordingly, the Group is not subject to the Bahrain DMTT law and GloBE rules.

23 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year are calculated by dividing the profit for the year attributable to the owners of the Bank by the weighted average number of shares outstanding during the year.

	2025	2024
Profit for the year attributable to the owners of the Bank for basic and diluted earnings per share computation	80.0	72.0
Adjusted net profit for the year attributable to the owners of the Bank	80.0	72.0
Weighted average number of shares, net of treasury stock, outstanding during the year	1,803,771,637	1,806,270,144
Basic and diluted earnings per share (BD)	0.044	0.040

24 OPERATING SEGMENTS

Segment information

For management purposes, the Group is organised into four major business segments:

Retail banking	Principally handling individual customers' deposits and providing consumer finance type loans, overdrafts, credit facilities and funds transfer facilities, credit cards and foreign exchange. In addition, it includes lending to and deposit accounts raising from Private Banking customers.
Corporate banking	Principally handling loans and other credit facilities, deposit and current accounts for corporate and Small-Medium business customers in Bahrain.
International banking	Principally handling loans and other credit facilities, deposit and current accounts for international corporate and financial institution customers. This also covers the operations of the overseas units.
Investment, treasury and other activities	Principally providing money market, trading and treasury services as well as the management of the Group's funding operations. Investment activities involve handling investments in local and international markets, investment advisory services and funds management. Other activities mainly includes business process outsourcing services.

These segments are the basis on which the Group reports its information to the chief operating decision maker. Transactions between segments are generally recorded at estimated market rates. Interest is charged / credited to business segments based on a transfer pricing rate, which approximates the marginal cost of funds on a matched funded basis.

Notes to the consolidated financial statements (continued)

31 December 2025

24 OPERATING SEGMENTS (continued)

Segment information for the year ended 31 December 2025 was as follows:

	Retail Banking BD millions	Corporate Banking BD millions	International Banking BD millions	Investment, Treasury and other activities BD millions	Total BD millions
Interest and similar income	41.0	52.8	40.9	114.6	249.3
Interest and similar expense	(21.9)	(27.8)	(25.9)	(56.5)	(132.1)
Internal fund transfer price	20.4	2.2	0.6	(23.2)	-
Net interest and similar income	39.5	27.2	15.6	34.9	117.2
Other operating income	15.9	3.6	4.6	19.0	43.1
Operating income before results from associates and joint ventures	55.4	30.8	20.2	53.9	160.3
Net impairments, provisions and credit losses	(2.2)	(6.7)	(0.7)	2.8	(6.8)
Segment result	25.1	20.9	8.3	59.1	113.4
Share of profit from associates and joint ventures	-	-	-	1.5	1.5
Common costs					(34.2)
Net profit for the year					80.7
Less: Net profit attributable to non-controlling interests					(0.7)
Net profit attributable to the owners of the Bank					80.0
Segment assets	940.7	911.9	978.6	1,977.3	4,808.5
Goodwill and other intangible assets	33.9	-	-	-	33.9
Investments in associates and joint ventures	-	-	-	35.1	35.1
Common assets*	-	-	-	-	96.8
Total assets					4,974.3
Segment liabilities	1,505.0	919.9	990.5	846.0	4,261.4
Common liabilities**	-	-	-	-	52.5
Total liabilities					4,313.9

* Common assets represent net premises and equipment, net collateral pending sale and other receivables.

** Common liabilities represent other liabilities.

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

	Retail Banking BD millions	Corporate Banking BD millions	International Banking BD millions	Investment, Treasury and other activities BD millions	Total BD millions
Interest and similar income	38.7	55.1	29.6	128.5	251.9
Interest and similar expense	(20.2)	(32.2)	(21.7)	(53.2)	(127.3)
Internal fund transfer price	28.6	11.6	7.5	(47.7)	-
Net interest and similar income	47.1	34.5	15.4	27.6	124.6
Other operating income	15.8	2.4	3.0	18.1	39.3
Operating income before results from associates and joint ventures	62.9	36.9	18.4	45.7	163.9
Net impairments, provisions and credit losses	(2.2)	(13.2)	2.1	(4.0)	(17.3)
Segment result	33.4	20.9	9.6	43.3	107.2
Share of loss from associates and joint ventures	-	-	-	(2.7)	(2.7)
Common costs					(31.8)
Net profit for the year					72.7
Less: Net profit attributable to non-controlling interests					(0.7)
Net profit attributable to the owners of the Bank					72.0
Segment assets	820.3	769.1	562.0	1,910.7	4,062.1
Investments in associates and joint ventures	-	-	-	45.2	45.2
Common assets *	-	-	-	-	85.3
Total assets					4,192.6
Segment liabilities	1,184.3	1,007.2	552.4	775.3	3,519.2
Common liabilities**	-	-	-	-	49.7
Total liabilities					3,568.9

* Common assets represent net premises and equipment, net collateral pending sale and other receivables.

** Common liabilities represent other liabilities.

Geographic information

The Group operates in two geographic markets: Domestic (Bahrain) and International (other markets). The following tables show the distribution of the Group's revenue and assets by geographical segment, allocated based on the countries where the Bank and its Group entities are located.

	Domestic BD millions	International BD millions	Total BD millions
31 December 2025			
Total operating income and share of results from associates and joint ventures	150.5	11.3	161.8
Total assets	4,273.9	700.4	4,974.3

	Domestic BD millions	International BD millions	Total BD millions
31 December 2024			
Total operating income and share of results from associates and joint ventures	150.2	11.0	161.2
Total assets	3,815.1	377.5	4,192.6

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the consolidated statement of cash flows included the following as at 31 December:

	2025 BD millions	2024 BD millions
Cash in hand and vaults (note 4)	18.9	21.2
Current accounts and placements with central banks (note 4)	455.0	558.2
Treasury bills	-	0.1
Deposits and amounts due from banks and other financial institutions having original maturities of ninety days or less	288.8	142.7
	762.7	722.2

26 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent major shareholders, associates and joint ventures, 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. All the loans and advances to related parties are performing and subject to ECL allowances.

Amounts outstanding as of the statement of consolidated financial position date in respect of transactions entered into with related parties are as follows:

	Major shareholders BD millions	Associates and joint ventures BD millions	Directors and key management personnel BD millions	Total BD millions
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31 December 2025				
Loans and advances to customers	7.8	43.0	4.0	54.8
Deposits and amounts due from banks and other financial institutions	7.0	-	-	7.0
Investments in associates and joint ventures	-	35.1	-	35.1
Customers' deposits	22.6	3.2	12.2	38.0
Deposits and amounts due to banks and other financial institutions	50.9	-	-	50.9
Commitments and contingent liabilities	-	1.2	-	1.2

31 December 2024				
Loans and advances to customers	-	31.0	2.5	33.5
Deposits and amounts due from banks and other financial institutions	7.1	-	-	7.1
Investments in associates and joint ventures	-	45.2	-	45.2
Customers' deposits	56.2	2.7	7.6	66.5
Deposits and amounts due to banks and other financial institutions	20.8	-	-	20.8
Commitments and contingent liabilities	-	3.3	-	3.3

The income and expense in respect of related parties included in the consolidated statement of profit or loss are as follows:

	Major shareholders BD millions	Associates and joint ventures BD millions	Directors and key management personnel BD millions	Total BD millions
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31 December 2025				
Interest and similar income	2.4	3.0	0.1	5.5
Interest and similar expense	3.1	-	0.3	3.4
Share of profit from associates and joint ventures	-	1.5	-	1.5

31 December 2024				
Interest and similar income	0.6	2.1	-	2.7
Interest and similar expense	2.4	-	0.4	2.8
Share of loss from associates and joint ventures	-	(2.7)	-	(2.7)

Compensation for key management, including executive officers, comprises the following:

	2025 BD millions	2024 BD millions
Short-term employee benefits	13.5	14.0
Long-term employee benefits	1.6	0.9
	15.1	14.9

For key management personnel interest in the employee share incentive scheme, refer to note 42.

Notes to the consolidated financial statements (continued)

31 December 2025

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of the assets and liabilities given below has been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date, except in the case of customer' deposits. The liquidity profile of customer' deposits has been determined on the basis of the effective maturities indicated by the Group's deposit retention history.

31 December 2025	Within 1 month BD millions	1 to 3 months BD millions	3 to 6 months BD millions	6 to 12 months BD millions	Subtotal BD millions	1 to 5 years BD millions	5 to 10 years BD millions	10 to 20 years BD millions	More than 20 years BD millions	Total BD millions
Assets										
Cash and balances with central banks	473.9	-	-	-	473.9	-	-	-	112.7	586.6
Treasury bills	11.0	12.1	138.3	143.0	304.4	-	-	-	-	304.4
Deposits and amounts due from banks and other financial institutions	287.9	2.2	-	0.1	290.2	0.3	0.1	-	-	290.6
Loans and advances to customers	333.5	247.1	122.3	191.4	894.3	979.9	341.0	83.2	60.1	2,358.5
Investment securities	24.0	16.1	57.0	20.2	117.3	466.7	260.3	192.6	154.0	1,190.9
Interest receivable, derivative and other assets	103.7	-	-	-	103.7	25.5	5.3	-	-	134.5
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	35.1	35.1
Premises and equipment	-	0.1	0.2	0.1	0.4	35.9	2.1	1.4	-	39.8
Goodwill and other intangible assets	0.1	0.1	0.2	0.3	0.7	2.8	3.4	-	27.0	33.9
Total assets	1,234.1	277.7	318.0	355.1	2,184.9	1,511.1	612.2	277.2	388.9	4,974.3
Liabilities										
Deposits and amounts due to banks and other financial institutions	291.9	110.6	52.3	58.0	512.8	-	-	-	-	512.8
Borrowings under repurchase agreement	35.9	60.3	-	84.5	180.7	208.8	7.7	8.7	-	405.9
Term borrowings	-	-	-	26.4	26.4	378.9	-	-	-	405.3
Customers' deposits	345.3	101.2	131.6	108.8	686.9	2.4	-	-	2,164.2	2,853.5
Interest payable, derivative and other liabilities	127.1	0.1	0.2	0.1	127.5	1.7	7.0	0.2	-	136.4
Total liabilities	800.2	272.2	184.1	277.8	1,534.3	591.8	14.7	8.9	2,164.2	4,313.9
Net liquidity gap	433.9	5.5	133.9	77.3	650.6	919.3	597.5	268.3	(1,775.3)	660.4
Cumulative liquidity gap	433.9	439.4	573.3	650.6		1,569.9	2,167.4	2,435.7	660.4	

31 December 2024	Within 1 month BD millions	1 to 3 months BD millions	3 to 6 months BD millions	6 to 12 months BD millions	Subtotal BD millions	1 to 5 years BD millions	5 to 10 years BD millions	10 to 20 years BD millions	More than 20 years BD millions	Total BD millions
Assets										
Cash and balances with central banks	579.4	-	-	-	579.4	-	-	-	108.3	687.7
Treasury bills	31.8	78.4	86.7	202.3	399.2	-	-	-	-	399.2
Deposits and amounts due from banks and other financial institutions	138.4	28.3	-	0.5	167.2	0.4	0.3	-	-	167.9
Loans and advances to customers	203.1	187.1	96.6	116.8	603.6	801.2	274.0	98.5	16.8	1,794.1
Investment securities	-	4.9	22.3	41.4	68.6	336.9	181.1	252.2	100.6	939.4
Interest receivable, derivative and other assets	100.7	-	-	-	100.7	20.3	-	-	-	121.0
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	45.2	45.2
Premises and equipment	-	0.1	0.1	0.4	0.6	33.8	1.4	2.2	0.1	38.1
Total assets	1,053.4	298.8	205.7	361.4	1,919.3	1,192.6	456.8	352.9	271.0	4,192.6
Liabilities										
Deposits and amounts due to banks and other financial institutions	215.4	109.9	12.3	37.9	375.5	-	-	-	-	375.5
Borrowings under repurchase agreement	-	-	91.7	101.9	193.6	158.0	-	-	-	351.6
Term borrowings	-	-	-	94.2	94.2	212.3	-	-	-	306.5
Customers' deposits	284.7	97.2	37.5	54.6	474.0	47.8	-	-	1,889.5	2,411.3
Interest payable, derivative and other liabilities	119.8	0.1	0.1	0.4	120.4	1.9	1.4	0.3	-	124.0
Total liabilities	619.9	207.2	141.6	289.0	1,257.7	420.0	1.4	0.3	1,889.5	3,568.9
Net liquidity gap	433.5	91.6	64.1	72.4	661.6	772.6	455.4	352.6	(1,618.5)	623.7
Cumulative liquidity gap	433.5	525.1	589.2	661.6		1,434.2	1,889.6	2,242.2	623.7	

28 DERIVATIVES

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index. In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. The use of derivatives is governed by the Group's policies approved by the Board of Directors. The Group enters into derivative contracts for the purpose of reducing risks from potential movements in foreign exchange rates and interest rates inherent in the Group's non-trading assets and liabilities. The Group also enters into derivative contracts for the purpose of trading.

The table below shows the positive and negative fair values of derivative financial instruments together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end but are neither indicative of the market risk nor credit risk.

31 December 2025	Positive fair value BD millions	Negative fair value BD millions	Notional amount BD millions
Derivatives held for trading:			
Forward foreign exchange contracts	0.8	0.9	317.7
Derivatives held as fair value hedges:			
Interest rate swaps	21.8	3.1	746.9
	22.6	4.0	1,064.6

31 December 2024	Positive fair value BD millions	Negative fair value BD millions	Notional amount BD millions
Derivatives held for trading:			
Forward foreign exchange contracts	0.5	0.7	253.5
Derivatives held as fair value hedges:			
Interest rate swaps	39.9	3.1	730.6
	40.4	3.8	984.1

Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. Forward rate agreements are effectively tailor-made interest rate futures which fix a forward rate of interest on a notional amount, for an agreed period of time starting on a specified future date.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. For currency swaps, fixed or floating interest payments and notional amounts are exchanged in different currencies.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group does not engage in the writing of options.

Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to back-to-back customer deals. In addition, the Group takes certain foreign exchange positions with the expectation of profiting from favourable movements in prices, rates or indices.

Derivatives held or issued for hedging purposes

The Group has put in place systems for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange

rates (currency risk) and interest rates through asset and liability management activities. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. For strategies adopted to manage interest rate and currency risk, please refer to notes 36 and 37 respectively.

As part of its asset and liability management, the Group uses derivatives for hedging currency and interest rate movements. This is achieved by hedging specific financial instruments, forecasted transactions as well as strategic hedging against consolidated statement of financial position exposures. In all such cases, the objective of the hedging relationship, details of the hedged item and hedging instrument are documented and the transactions are accounted for as fair value or cash flow hedges, as the case may be.

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans, fair value through other comprehensive income debt securities, debt issued and other borrowed funds. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk.

In these hedge relationships, the main sources of ineffectiveness is the maturity mis-matches or the hedging instruments. The hedged instruments are subject to different counterparty risks, resulting in a change to hedge effectiveness measurement elements.

The Group held the following interest rate swaps as hedging instruments in fair value hedges of interest risk:

	BD millions				
	Less than 1 month	1 to 3 months	3 to 6 months	Over 1 year to 5 years	More than 5 years
Interest rate risk					
31 December 2025					
Nominal amount	5.7	5.5	9.4	427.1	299.2
Average fixed interest rate	6%	6%	4%	7%	7%
31 December 2024					
Nominal amount	-	1.9	51.4	373.0	304.3
Average fixed interest rate	-	7%	4%	7%	7%

The line item in the consolidated statement of financial position where the positive fair value of derivatives included is "Interest receivable, derivative and other assets". Refer to note 9 for further details.

The line item in the consolidated statement of financial position where the negative fair value of derivatives included is "Interest payable, derivative and other liabilities". Refer to note 14 for further details.

The amounts relating to items designated as hedged items were as follows:

	2025		2024	
	Carrying amount BD millions	Fair value adjustments* BD millions	Carrying amount BD millions	Fair value adjustments* BD millions
Bonds (Investment securities)	596.5	(12.2)	518.1	(33.1)
Borrowings under repurchase agreement	-	-	35.0	(0.1)
Term loan borrowing	190.4	1.9	185.9	(2.8)

* Represents accumulated fair value hedge adjustments on the hedged item included in the carrying amount.

For the year ended 31 December 2025, the Group recognised a net loss of BD 18.1 million (2024: net loss of BD 5.5 million), representing the loss on the hedging instruments. The total gain on hedged items attributable to the hedged risk amounted to BD 18.0 million (2024: gain of BD 5.5 million).

Fair value hedges of interest rate risk

The Group hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed-rate note or loan are significantly influenced by changes in the benchmark interest rate. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Notes to the consolidated financial statements (continued)

31 December 2025

28 DERIVATIVES (continued)

Fair value hedges of interest rate risk (continued)

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item.

In these hedging relationships, the main sources of ineffectiveness are the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and differences in maturities of the interest rate swap and the loans or the notes.

There were no other sources of ineffectiveness in these hedging relationships.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other investment income.

Cash flow hedges

At 31 December 2025 and 2024, the Group did not hold any instruments to hedge exposures to changes in interest rates and foreign currency.

29 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent the unused portions of contractual commitments to make loans and revolving credits, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most of the commitments to extend credit are contingent upon the customer maintaining specific credit standards. Commitments generally have fixed expiration dates of less than one year or other termination clauses. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

Letters of credit, guarantees (including standby letters of credit) and acceptances commit the Group to make payments on behalf of customers contingent upon certain conditions. Standby letters of credit, which are included under guarantees, would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at a floating rate.

The maturity profile of the credit-related commitments given below has been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date, except in the case of guarantees and undrawn loan commitments, which has been disclosed on the basis of the expected maturities.

	BD millions					Total
	On demand	Less than 3 months	3 to 12 months	Over 1 year to 5 years	More than 5 years	
31 December 2025						
Contingencies:						
Letters of credit	7.7	13.4	141.7	2.2	-	165.0
Guarantees	348.0	-	-	-	-	348.0
						513.0
Commitments:						
Undrawn loan commitments	134.7	-	-	-	-	134.7
Forward foreign exchange Contracts	-	289.2	28.5	-	-	317.7
Interest Rate Swaps	-	11.1	9.4	427.1	299.3	746.9
						1,199.3
						1,712.3

	BD millions					Total
	On demand	Less than 3 months	3 to 12 months	Over 1 year to 5 years	More than 5 years	
31 December 2024						
Contingencies:						
Letters of credit	4.7	12.8	13.7	-	-	31.2
Guarantees	286.4	-	-	-	-	286.4
						317.6
Commitments:						
Undrawn loan commitments	121.0	-	-	-	-	121.0
Forward foreign exchange Contracts	-	219.5	34.0	-	-	253.5
Interest Rate Swaps	-	1.9	51.4	373.0	304.3	730.6
						1,105.1
						1,422.7

The Group does not expect all its commitments to be drawn before the expiry of the commitment.

Exposure (after applying credit conversion factor) and ECL by stage is as follows:

	2025			
	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit - impaired BD millions	Stage 3: Lifetime ECL credit - impaired BD millions	Total BD millions
Credit commitments and contingencies	262.1	17.3	15.8	295.2
ECL allowances (note 14)	0.5	0.1	2.8	3.4
	2024			
	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit - impaired BD millions	Stage 3: Lifetime ECL credit - impaired BD millions	Total BD millions
Credit commitments and contingencies	198.2	20.1	14.3	232.6
ECL allowances (note 14)	0.2	0.1	2.9	3.2

A reconciliation of changes in gross carrying amount for undrawn loan commitments and contingencies by stage is as follows:

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit - impaired BD millions	Stage 3: Lifetime ECL credit - impaired BD millions	Total BD millions
	1 January 2025	359.5	64.6	14.5
New exposures	228.2	0.6	-	228.8
Additional exposures	81.5	5.9	-	87.4
Exposures matured / lapsed	(33.8)	(0.2)	(0.4)	(34.4)
Reduced exposures	(62.0)	(8.0)	(2.7)	(72.7)
Transfers to Stage 1	29.5	(29.5)	-	-
Transfers to Stage 2	(9.5)	9.5	-	-
Transfers to Stage 3	-	(4.5)	4.5	-
Foreign exchange and other movements	-	0.1	(0.1)	-
At 31 December 2025	593.4	38.5	15.8	647.7

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit - impaired BD millions	Stage 3: Lifetime ECL credit - impaired BD millions	Total BD millions
	1 January 2024	380.6	56.8	13.6
New exposures	64.0	5.4	-	69.4
Additional exposures	50.6	14.1	-	64.7
Exposures matured / lapsed	(71.4)	(2.9)	-	(74.3)
Reduced exposures	(60.1)	(9.9)	(2.2)	(72.2)
Transfers to Stage 1	7.1	(7.1)	-	-
Transfers to Stage 2	(11.1)	11.1	-	-
Transfers to Stage 3	(0.1)	(3.0)	3.1	-
Foreign exchange and other movements	(0.1)	0.1	-	-
At 31 December 2024	359.5	64.6	14.5	438.6

30 RISK MANAGEMENT

The activities of the Group entails risk taking on a regular basis through its businesses. Risk management involves the identifying, measuring, monitoring and managing of risks on a continuous basis. Efficient and timely management of risks in the Group's activities is critical for the financial soundness and profitability of the Group. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Group employs leading risk management practices with an aim to manage the overall risk profile of the Group in the most efficient and effective way.

Risk is measured, monitored and reported according to principles and policies approved by the Board of Directors. The Board Risk Committee assists the Board of Directors in fulfilling its responsibilities in terms of overseeing management and control of risk and risk frameworks. The Group Chief Risk Officer (GCRO) is head of Risk and Credit Management Division (RCMD). GCRO reports to Board Risk Committee, ensuring segregation of duties and management oversight from the business originating units – a fundamental principle of risk management process.

Whilst the Board approves and periodically reviews risk management policies and strategies based on the recommendations of the Board Risk Committee, the management establishes procedures to implement the policies and strategies. The Risk Management Committee (RMC) and Asset and Liability Management Committee (ALMC), comprising Executive and Senior Management, are high level management committees responsible for the overall management of the risk profile of the Group. RMC discusses important risk related issues, policies, procedures and reviews implementation of its decisions. ALMC reviews issues relating to the statement of financial position at a micro level and also reviews issues relating to asset-liability mismatches, interest rate risks and liquidity. The RMC also reviews country risk, business strategies and macro-economic conditions with reference to the countries identified for doing business. The Operational Risk Management Committee (ORMC) manages the overall operational risk of the Group by instituting CBB guidelines and Basel standards and carrying out required oversight.

RCMD of the Group maintains a high standard of risk management by means of applying available techniques and methodology. The control environment is, among other things, based on the principle of segregation of duties and independence. RCMD is responsible for looking into risk characteristics inherent in new and existing products, activities, countries, regions, industries and making necessary recommendations to the appropriate authorities. It is also responsible for introducing and amending risk policies, procedures and exposure limits to mitigate these risks with approval from Board Risk Committee and Board or the Risk Management Committee, as applicable. RCMD in collaboration with Financial Control Division, prepares the Risk Appetite, stress testing and the ICAAP document for the Bank. This document assesses the Pillar 2 risks at length and prescribes the required level of capital buffer for the Bank. RCMD is also responsible for ensuring adherence to regulatory and statutory requirements related to risk management such as introducing the use of IFRS 9 guidelines, etc. in the Bank. Group Internal Audit Department makes an independent assessment of the processes regarding risk and capital management in

accordance with the annual audit plan duly approved by the Board, Audit and Compliance Committee.

The various risks to which the Group is exposed to and how the Group manages them is discussed in the notes below.

31 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and thereby cause the other party to incur a financial loss. Credit risk in derivative financial instruments arises from potential counterparty default on contractual obligations and it is limited to the positive fair value in favor of the Group.

The business activities of the Group entail risk of loss due to failure of clients, customers or counterparties, including sovereigns, to fully honor their obligations including the whole and timely payment of principal, interest, collateral and other receivables. The failure thereby causes the Group to incur a financial loss.

The Group's credit risk management objectives are to:

- maintain a framework of controls to oversee credit risk;
- identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio;
- control and plan credit risk taking in line with the Board of Directors expectations and avoiding undesirable concentrations; and
- monitor credit risk and adherence to agreed controls.

A concentration of credit risk exists when a number of counterparties or customers are engaged in similar activities or geographies, and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Group constantly reviews its concentration in a number of areas including, for example, geography, maturity and industry. Policy limits and operating limits are used to maintain concentrations at appropriate levels, which are aligned with the businesses' stated risk appetite. Limits are typically based on the nature of the lending and the amount of the underwriting criteria. Diversification, to reduce concentration risk, is achieved through setting maximum exposure limits to individual counterparties exposures. Excesses are reported to the appropriate authority as set by the Credit Risk Policy.

The Group attempts to control credit risk by monitoring credit exposures continuously, limiting transactions with specific counterparties, assessing the creditworthiness of counterparties, diversifying lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses, and by obtaining security wherever necessary and appropriate. In addition to monitoring credit limits, the Group manages credit exposures by entering into netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposures.

The Group has well defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all of the Group's activities, at the level of individual credit as well as at a portfolio level. Credit limits are approved after a thorough assessment of the creditworthiness of the borrower or counterparty, including the purpose and structure of the credit, and its source of repayment. Credit proposals are reviewed by the Designated Credit and Investment Officers in RCMD before approval of the appropriate approving authority is obtained. The Group has a tiered approval authority level matrix depending on the extent of risk, comprising individuals with proven credit and investment credentials, Management Credit Committee and Board Committees. An Executive Committee, consisting of Board of Directors, reviews and approves larger credits. All larger credits in excess of the approval authority of the Executive Committee are approved by the Board of Directors. The RCMD processes credit applications and ensures that the provisions of credit risk policies are complied with. The RCMD generates regular reports on credit risk exposures, performs credit rating reviews and monitors credit limits. The Designated Credit Officer / Designated Investment Officer in RCMD is one of the signatories in the credit / investment approval chain and provides independent view on credit and investment proposals.

Notes to the consolidated financial statements (continued)

31 December 2025

31 CREDIT RISK (continued)

Day-to-day monitoring of individual borrower or counterparty exposure is the responsibility of the respective business unit. The Group's Credit Administration Unit, a part of the RCMD, ensures that credit facilities are released after appropriate approval and against proper documentation. It also monitors excesses over limits, past dues, expired credits and escalates exceptions if any, for corrective action.

Counterparty credit limits are established for all customers after careful assessment of their creditworthiness and approval (as per the levels of authority prescribed in the policy). These are also subject to large credit exposure limit criteria of the CBB and the local regulators in overseas locations.

The credit growth, quality and portfolio composition are monitored continuously to maximize the risk adjusted return, reduce the level of incidence of impairment and accretion of marginal credits. The Group monitors concentration risk by establishing limits for maximum exposure to individual borrower or counterparty, country, bank and industry. Such limits are also stipulated for certain products. These limits are approved after detailed analysis and are reviewed and monitored regularly.

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position and for commitments and contingent liabilities. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, but after provision for credit losses, where applicable.

	2025 BD millions	2024 BD millions
Balances with central banks	567.7	666.5
Treasury bills	304.4	399.2
Deposits and amounts due from banks and other financial institutions	290.6	167.9
Loans and advances to customers	2,358.5	1,794.1
Investment securities	1,088.8	864.7
Interest receivable, derivative and other assets	104.7	96.9
Total	4,714.7	3,989.3
Contingent liabilities	513.0	317.6
Commitments	1,199.3	1,105.1
Total credit related commitments	1,712.3	1,422.7
Maximum exposure to credit risk	6,427.0	5,412.0

32 CONCENTRATION RISK

The distribution of assets, liabilities and credit commitments and contingencies by geographic region and industry sector was as follows:

	2025			2024		
	Assets BD millions	Liabilities BD millions	Credit commitments and contingencies BD millions	Assets BD millions	Liabilities BD millions	Credit commitments and contingencies BD millions
<i>Geographic region:</i>						
GCC countries	4,200.6	3,571.1	887.7	3,646.0	2,979.5	847.6
North America	166.8	83.7	79.9	74.1	8.2	4.2
Europe	297.1	520.9	637.1	217.2	425.3	491.1
Asia	141.0	105.9	86.5	157.1	134.4	79.1
Others	168.8	32.3	21.1	98.2	21.5	0.7
	4,974.3	4,313.9	1,712.3	4,192.6	3,568.9	1,422.7
<i>Industry sector:</i>						
Trading and manufacturing	545.2	418.6	266.4	501.9	254.2	115.0
Banks and other financial institutions	878.3	1,324.9	1,008.1	540.9	1,054.7	1,026.1
Construction and real estate	485.7	109.4	238.5	397.1	62.3	171.4
Government and public sector	1,803.7	316.8	59.7	1,813.5	276.1	9.8
Individuals	669.3	1,603.3	2.2	574.5	1,317.5	6.3
Others	592.1	540.9	137.4	364.7	604.1	94.1
	4,974.3	4,313.9	1,712.3	4,192.6	3,568.9	1,422.7

33 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS

The credit quality of financial assets is managed by the Group using internal and external credit risk ratings.

The Group follows an internal rating mechanism for grading relationships under loans and advances.

The Group utilises a scale ranging from 1 to 10 for credit relationships, with 1 to 8 denoting performing grades and 9 and 10 as non-performing grades. Grades 1 to 3 represent high grade (undoubted through to good credit risk), 4 to 6 represent standard grade (satisfactory through to adequate credit risk) and 7 to 8 represent sub-standard grade (sub-standard through to high credit risk).

The Group's rating method comprises 19 rating levels for debt instruments. The master scale maps the external credit ratings of rating agencies for debt instruments into high, standard, substandard and past

due or individually impaired. Grades 1 to 7 represent high grade (AAA to A-), 8 to 16 represent standard grade (BBB+ to B-) and 17 to 19 represent sub-standard grade (CCC+ to CCC-).

All key lending relationships are reviewed at least once a year and more frequently in the case of higher credit risk triggers.

33.1 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVTOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2025				
<i>Loans and advances to customers – Commercial loans and overdrafts at amortised cost</i>				
High (Grade 1 to 3)	536.4	0.1	–	536.5
Standard (Grade 4 to 6)	879.7	45.8	–	925.5
Substandard (Grade 7 to 8)	–	137.3	–	137.3
Non-performing (Grade 9 to 10)	–	–	60.7	60.7
	1,416.1	183.2	60.7	1,660.0
Expected credit losses	(2.5)	(15.2)	(39.7)	(57.4)
Net carrying amount	1,413.6	168.0	21.0	1,602.6

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loans and advances to customers – Commercial loans and overdrafts at amortised cost</i>				
High (Grade 1 to 3)	409.2	0.1	–	409.3
Standard (Grade 4 to 6)	465.7	121.5	–	587.2
Substandard (Grade 7 to 8)	5.0	125.7	–	130.7
Non-performing (Grade 9 to 10)	–	–	66.3	66.3
	879.9	247.3	66.3	1,193.5
Expected credit losses	(1.4)	(17.8)	(42.5)	(61.7)
Net carrying amount	878.5	229.5	23.8	1,131.8

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2025				
<i>Loans and advances to customers – Consumer loans at amortised cost</i>				
High (Grade 1 to 3)	740.6	1.2	–	741.8
Standard (Grade 4 to 6)	–	6.4	–	6.4
Substandard (Grade 7 to 8)	–	10.5	–	10.5
Non-performing (Grade 9 to 10)	–	–	10.8	10.8
	740.6	18.1	10.8	769.5
Expected credit losses	(1.5)	(4.1)	(8.0)	(13.6)
Net carrying amount	739.1	14.0	2.8	755.9

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Debt investment securities at FVTOCI</i>				
High (AAA to A-)	114.5	–	–	114.5
Standard (BBB+ to B-) *	545.4	18.4	–	563.8
Substandard (CCC+ to CCC-)	–	–	–	–
	659.9	18.4	–	678.3
Expected credit losses	(1.2)	(1.2)	–	(2.4)
Net carrying amount	658.7	17.2	–	675.9

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Treasury bills and debt investment securities at amortised cost</i>				
High (AAA to A-)	43.3	–	–	43.3
Standard (BBB+ to B-) *	544.7	–	–	544.7
	588.0	–	–	588.0
Net carrying amount	588.0	–	–	588.0

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loan commitments and financial guarantees</i>				
High (Grade 1 to 3)	165.4	0.5	–	165.9
Standard (Grade 4 to 6)	193.1	47.7	–	240.8
Substandard (Grade 7 to 8)	0.8	16.7	–	17.5
Non-performing (Grade 9 to 10)	–	–	14.4	14.4
	359.3	64.9	14.4	438.6
Expected credit losses	(0.2)	(0.1)	(2.9)	(3.2)
Net carrying amount	359.1	64.8	11.5	435.4

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loan commitments and financial guarantees</i>				
High (Grade 1 to 3)	641.6	2.5	–	644.1
Standard (Grade 4 to 6)	–	8.0	–	8.0
Substandard (Grade 7 to 8)	–	12.4	–	12.4
Non-performing (Grade 9 to 10)	–	–	11.6	11.6
	641.6	22.9	11.6	676.1
Expected credit losses	(1.3)	(4.3)	(8.2)	(13.8)
Net carrying amount	640.3	18.6	3.4	662.3

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2025				
<i>Treasury bills and debt investment securities at FVTOCI</i>				
High (AAA to A-)	137.6	–	–	137.6
Standard (BBB+ to B-) *	696.7	10.5	–	707.2
	834.3	10.5	–	844.8
Expected credit losses	(0.5)	–	–	(0.5)
Net carrying amount	833.8	10.5	–	844.3

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2025				
<i>Treasury bills and debt investment securities at amortised cost</i>				
High (AAA to A-)	38.6	–	–	38.6
Standard (BBB+ to B-) *	510.3	–	–	510.3
	548.9	–	–	548.9
Net carrying amount	548.9	–	–	548.9

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loan commitments and financial guarantees</i>				
High (Grade 1 to 3)	275.2	–	–	275.2
Standard (Grade 4 to 6)	318.2	23.1	–	341.3
Substandard (Grade 7 to 8)	–	15.4	–	15.4
Non-performing (Grade 9 to 10)	–	–	15.8	15.8
	593.4	38.5	15.8	647.7
Expected credit losses	(0.5)	(0.1)	(2.8)	(3.4)
Net carrying amount	592.9	38.4	13.0	644.3

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Debt investment securities at FVTOCI</i>				
High (AAA to A-)	114.5	–	–	114.5
Standard (BBB+ to B-) *	545.4	18.4	–	563.8
Substandard (CCC+ to CCC-)	–	–	–	–
	659.9	18.4	–	678.3
Expected credit losses	(1.2)	(1.2)	–	(2.4)
Net carrying amount	658.7	17.2	–	675.9

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Treasury bills and debt investment securities at amortised cost</i>				
High (AAA to A-)	43.3	–	–	43.3
Standard (BBB+ to B-) *	544.7	–	–	544.7
	588.0	–	–	588.0
Net carrying amount	588.0	–	–	588.0

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loan commitments and financial guarantees</i>				
High (Grade 1 to 3)	165.4	0.5	–	165.9
Standard (Grade 4 to 6)	193.1	47.7	–	240.8
Substandard (Grade 7 to 8)	0.8	16.7	–	17.5
Non-performing (Grade 9 to 10)	–	–	14.4	14.4
	359.3	64.9	14.4	438.6
Expected credit losses	(0.2)	(0.1)	(2.9)	(3.2)
Net carrying amount	359.1	64.8	11.5	435.4

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Loan commitments and financial guarantees</i>				
High (Grade 1 to 3)	641.6	2.5	–	644.1
Standard (Grade 4 to 6)	–	8.0	–	8.0
Substandard (Grade 7 to 8)	–	12.4	–	12.4
Non-performing (Grade 9 to 10)	–	–	11.6	11.6
	641.6	22.9	11.6	676.1
Expected credit losses	(1.3)	(4.3)	(8.2)	(13.8)
Net carrying amount	640.3	18.6	3.4	662.3

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Debt investment securities at FVTOCI</i>				
High (AAA to A-)	114.5	–	–	114.5
Standard (BBB+ to B-) *	545.4	18.4	–	563.8
Substandard (CCC+ to CCC-)	–	–	–	–
	659.9	18.4	–	678.3
Expected credit losses	(1.2)	(1.2)	–	(2.4)
Net carrying amount	658.7	17.2	–	675.9

	Stage 1: 12-month ECL BD millions	Stage 2: Lifetime ECL not credit- impaired BD millions	Stage 3: Lifetime ECL credit -impaired BD millions	Total BD millions
31 December 2024				
<i>Treasury bills and debt investment securities at amortised cost</i>				
High (AAA to A-)	43.3	–	–	43.3

Notes to the consolidated financial statements (continued)

31 December 2025

33 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS (continued)

33.2 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties and bank guarantees;
- For retail lending, mortgages over residential properties;
- Cash collaterals such as bank deposits; and
- Marketable securities.

The Group also obtains guarantees from parent companies for loans granted to their subsidiaries.

The Group monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

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

	2025 BD millions	2024 BD millions
Loans, advances and other commitments:		
- Cash	185.2	70.4
- Secured by real estate	955.2	924.4
- Financial Instruments	73.9	15.3
- Tamkeen Guarantees	2.2	0.4

33.3 Inputs, assumptions and techniques used for estimating impairment

(a) Significant increase in credit risk

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

(b) Credit risk grades

The Group allocates each borrower to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each borrower is allocated to a credit risk grade at initial recognition based on available information about the borrower. Borrowers are subject to ongoing monitoring, which may result in a borrower being moved to a different credit risk grade.

(c) Generating the term structure of Probability of Default (PD)

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its Credit risk exposures analysed by credit risk grading for Corporate and days-past-due for Retail portfolio. The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification

and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has taken exposures.

(d) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, expert credit judgment and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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

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

(e) Renegotiated / Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Where possible, the Group seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

The accounts restructured due to credit reasons will be classified under stage 2 as per the CBB Rulebook appendix CM-6. A higher time period may be considered by management on a case-by-case basis.

(f) Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, indications that it is probable that the borrower will enter bankruptcy or other significant financial reorganization, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group. Financial assets are written-off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

A financial instrument is considered as 'cured' and therefore re-classified out of Stage 3 when the criteria in line with the regulatory guidelines are met i.e. exposure is not 90 days past due, continuous repayment period ranging from 3-12 months based on the repayment frequency, assessment that the counterparty's financial situation has improved and the borrower is not considered as defaulted / impaired as per financial reporting and regulatory framework. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(g) Incorporation of forward-looking information

The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the above macroeconomic parameters are statistically significant or the results of forecasted PD's are significantly deviated from the present forecast of the economic conditions, qualitative PD overlays shall be used by management after analysing the portfolio as per the diagnostic tool.

Incorporating forward looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the Stage 1 and Stage 2 exposures which are considered as performing (Stage 3 are the exposures under the default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different geographies to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(h) Measurement of ECL

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

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Market data is used to derive the PD for banks and sovereign counterparties. If a counterparty or exposure migrates between rating PDs are estimated considering the residual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

LGD estimations are estimations of:

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

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

3- Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

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

The contractual life have been considered as maturity for ECL computation for the assets with fixed maturity whereas, for overdraft a maturity of 3 years (Stage 2) and 1 year (Stage 1) shall be considered based upon the stage under which asset lies.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics and counterparty type that include:

- Credit risk gradings;
- Product type; and
- Geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are banks and financial institutions, sovereign and investment securities (debt instruments).

The measurement of ECL is a complex calculation that involves a large number of interrelated inputs and assumptions and the allowance is not sensitive to any one single factor alone. The key drivers of changes in ECL mainly include the following:

- Changes in the credit quality of the borrower or instrument, primarily reflected in changes in internal / external risk ratings;
- Changes in forward-looking macroeconomic conditions, specifically the macroeconomic variables to which the models are calibrated, which are those most closely correlated with credit losses in the relevant BBK portfolio;
- Changes to the value of the underlying collateral held impacting the LGD's;
- Changes in scenario design and the weights assigned to each scenario; and
- Transfers between stages, which can be triggered by changes in the credit quality of the borrower or instrument or any restructuring of the exposures.

Being cognizant of the fact that the economic environment remains uncertain and future impairment changes may be subject to further volatility (including from changes to macroeconomic forecasts), the Group has reviewed and validated the PD methodology to be able to effectively capture the current situation. The Group has also considered the adequacy of the ECL estimates vis-à-vis potential requirements in future based on internal stress testing analysis.

The models used by the Group have been constructed and calibrated using historical trends and correlation as well as forward looking economic scenarios.

Notes to the consolidated financial statements (continued)

31 December 2025

33 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS (continued) (h) Measurement of ECL (continued)

The following table outlines the impact of multiple scenarios (Good:Base:Worst) on the ECL (Stage 1 and Stage 2) used by the Group as compared to the ECL that would have resulted from applying more conservative weighting to the base case or worst case scenarios:

	Scenario mix used by the Group (15:70:15) BD millions	Scenario 1 (10:60:30) BD millions	Scenario 2 (10:50:40) BD millions
31 December 2025			
Loans and advances to customers	23.3	25.0	25.9
Investment securities	0.5	0.5	0.5
Off-balance sheet exposures	0.6	0.7	0.8

	Scenario mix used by the Group (19:70:11) BD millions	Scenario 1 (10:60:30) BD millions	Scenario 2 (10:50:40) BD millions
31 December 2024			
Loans and advances to customers	24.8	27.2	28.2
Investment securities	2.4	2.4	2.4
Off-balance sheet exposures	0.3	0.5	0.5

34 CARRYING AMOUNT OF FINANCIAL ASSETS WHOSE TERMS HAVE BEEN RENEGOTIATED

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. 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.

The table below shows the carrying amount for financial assets by class that were restructured during the year.

	2025 BD millions	2024 BD millions
Loans and advances to customers		
Commercial loans	41.4	68.6
Consumer loans	5.8	6.1
	47.2	74.7

35 MARKET RISK

Market risk is defined as the risk of potential 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, equity, commodity prices and derivatives. This risk arises from asset - liability mismatches, changes that occur in the yield curve, foreign exchange rates and changes in volatilities / implied volatilities in the market value of derivatives.

The Group has clearly defined policies for conducting investments (including trading investments) and foreign exchange business which stipulates limits for these activities. Investments are made strictly in accordance with investment acceptance criteria. The Group does not undertake any commodity trading activities. For management of market risk arising from movement in interest rates, refer to note 36 for further details.

The Group adopts the standardised approach to compute its market risk capital charge, which represents the capital required to cover exposures arising from risk factors in the trading book and foreign exchange positions. Individual capital requirements are calculated for interest rate risk, foreign exchange risk, and equity risk. These are then aggregated to determine the Bank's overall market risk capital requirement. As at 31 December 2025, market risk weighted exposure under the standardised method was BD 9.4 million (2024: BD 12.5 million).

36 INTEREST RATE RISK

Interest rate risk is the exposure of the Group's financial condition to adverse movements of interest rates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. Excessive interest rate risk can pose a significant threat to the Group's earnings and capital base. Accordingly, an effective risk management process that maintains interest rate risk within prudent levels is essential to the safety and soundness of the Group.

It is the Group's policy to keep its assets and liabilities mismatches at stable and acceptable levels to maintain a steady net interest income. The Group monitors interest rate risk based on gap / duration limits. The Group also uses 'what if' scenarios for projecting net interest income and economic value of equity of the Group. The Group uses derivative instruments such as interest rate swaps to manage interest rate risk. Whilst day to day management of interest rate risk is responsibility of the Head of Treasury, ALMC also reviews the interest rate risk reports periodically.

Sensitivity analysis

Based on the consolidated statement of financial position as at 31 December 2025, an increase of 200 basis points in interest rates, with all variables held constant, will result in an increase in the net interest income, for the following 12 months, by approximately BD 11.7 million (2024: increase by BD 11.2 million). On the other hand, for a downward movement of interest rates by 200 basis points with a floor of 0%, the negative impact on the net interest income for the following 12 months is approximately BD 11.7 million (2024: BD 11.2 million).

	Rate Shock Forecasting (+200 bps)		Rate Shock Forecasting (-200 bps)	
	2025 BD millions	2024 BD millions	2025 BD millions	2024 BD millions
Bahraini Dinars	12.7	12.4	(12.7)	(12.4)
US Dollar	(1.0)	(2.0)	1.0	2.0
Kuwaiti Dinars	1.9	1.6	(1.9)	(1.6)
Others	(1.9)	(0.8)	1.9	0.8
Total	11.7	11.2	(11.7)	(11.2)

An increase of 200 basis points in interest rates, with all other variables held constant, will result in a negative impact on capital of approximately BD 79.8 million (2024: BD 66.7 million). Similarly, a decrease of 200 basis points in interest rates, with all other variables held constant, will result in a positive impact on capital of approximately BD 79.8 million (2024: BD 66.7 million).

The table below shows the repricing profile of various assets and liabilities and off statement of financial position instruments. They are placed in maturity buckets based on the remaining period to the contractual repricing or maturity dates, whichever is earlier. Customer deposits for which no specific contractual maturity or repricing date exists are placed in ladders based on the Group's judgement concerning their most likely repricing behaviour.

	Up to three months BD millions	Over three months up to one year BD millions	Over one year BD millions	Rate insensitive BD millions	Total BD millions
31 December 2025					
Cash and balances with central banks	427.0	-	-	159.6	586.6
Treasury bills	23.1	281.3	-	-	304.4
Deposits and amounts due from banks and other financial institutions	254.2	0.1	0.5	35.8	290.6
Loans and advances to customers	1,375.9	236.5	678.9	67.2	2,358.5
Investment securities	68.1	77.3	903.7	141.8	1,190.9
	2,148.3	595.2	1,583.1	404.4	4,731.0
Deposits and amounts due to banks and other financial institutions	357.2	110.2	-	45.4	512.8
Borrowings under repurchase agreement	405.9	-	-	-	405.9
Term borrowings	214.9	-	190.4	-	405.3
Customers' deposits	838.3	676.6	16.5	1,322.1	2,853.5
	1,816.3	786.8	206.9	1,367.5	4,177.5
On balance sheet gap	332.0	(191.6)	1,376.2	(963.1)	553.5
Off balance sheet gap	358.8	(9.4)	(349.4)	(338.2)	(338.2)
Total interest sensitivity gap	690.8	(201.0)	1,026.8		
Cumulative interest sensitivity gap	690.8	489.8	1,516.6		

	Up to three months BD millions	Over three months up to one year BD millions	Over one year BD millions	Rate insensitive BD millions	Total BD millions
31 December 2024					
Cash and balances with central banks	556.2	-	-	131.5	687.7
Treasury bills	110.1	289.1	-	-	399.2
Deposits and amounts due from banks and other financial institutions	141.4	0.5	0.7	25.3	167.9
Loans and advances to customers	990.3	111.9	641.0	50.9	1,794.1
Investment securities	23.6	63.8	773.3	78.7	939.4
	1,821.6	465.3	1,415.0	286.4	3,988.3
Deposits and amounts due to banks and other financial institutions	298.7	50.1	-	26.7	375.5
Borrowings under repurchase agreement	269.6	82.0	-	-	351.6
Term borrowings	120.6	-	185.9	-	306.5
Customers' deposits	804.9	390.5	76.6	1,139.3	2,411.3
	1,493.8	522.6	262.5	1,166.0	3,444.9
On balance sheet gap	327.8	(57.3)	1,152.5	(879.6)	543.4
Off balance sheet gap	281.4	18.9	(300.3)	(277.1)	(277.1)
Total interest sensitivity gap	609.2	(38.4)	852.2		
Cumulative interest sensitivity gap	609.2	570.8	1,423.0		

37 CURRENCY RISK

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates. The functional currency of the Group is Bahraini Dinars. The Group had the following significant non-strategic net exposures denominated in foreign currencies as of the consolidated statement of financial position date:

	Equivalent long (short)	
	2025 BD millions	2024 BD millions
US Dollar	250.2	170.0
Euro	0.2	0.1
GCC currencies (excluding Kuwaiti Dinars)	22.1	17.0
Kuwaiti Dinars	4.3	(1.6)
Others	0.3	0.3

As the Bahraini Dinar and other GCC currencies (except the Kuwaiti Dinars) are pegged to the US Dollar (US\$), positions in US\$ and other GCC currencies are not considered to have a significant currency risk. For currency sensitivity impact, refer to VaR (note 35).

The Group's Board of Directors has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on a daily basis to ensure that they are maintained within established limits. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Notes to the consolidated financial statements (continued)

31 December 2025

38 EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities or managed funds decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The effect on equity (as a result of a change in the fair value of equity instruments held as FVTOCI) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Carrying Value			Effect on equity	
	2025 BD millions	2024 BD millions	% change in Index	2025 BD millions	2024 BD millions
Bahrain Bourse	12.0	11.4	± 15%	1.8	1.7
Other stock exchanges	57.7	32.3	± 15%	8.7	4.8
				10.5	6.5

39 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 or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the Group has diversified funding sources, assets are managed with liquidity in mind and liquidity positions are monitored, maintaining a healthy balance of cash, cash equivalents,

The tables below summarise the maturity profile of the Group's financial liabilities (including interest) based on contractual undiscounted repayment obligations.

	On demand BD millions	Within 1 month BD millions	1 to 3 months BD millions	3 to 6 months BD millions	6 to 12 months BD millions	1 to 5 years BD millions	5 to 10 years BD millions	10 to 20 years BD millions	More than 20 years BD millions	Total BD millions
31 December 2025										
Deposits and amounts due to banks and other financial institutions	135.7	158.9	114.1	55.4	63.7	13.3	-	-	-	541.1
Borrowings under repurchase agreement	-	37.4	64.1	2.8	90.3	217.7	10.2	8.8	-	431.3
Term borrowings	-	0.3	1.8	8.4	36.5	421.8	-	-	-	468.8
Customers' deposits	1,473.1	317.9	382.9	346.0	362.8	34.1	-	-	-	2,916.8
Total undiscounted financial liabilities	1,608.8	514.5	562.9	412.6	553.3	686.9	10.2	8.8	-	4,358.0
Letters of guarantee	348.0	-	-	-	-	-	-	-	-	348.0
Undrawn loan commitments	134.7	-	-	-	-	-	-	-	-	134.7
Derivative financial instruments										
Contractual amounts payable	-	(10.6)	(12.2)	(29.2)	(20.7)	(565.2)	(237.9)	(144.0)	(55.1)	(1,074.9)
Contractual amounts receivable	-	11.0	11.4	19.2	23.0	594.1	240.1	145.7	55.1	1,099.6
	-	0.4	(0.8)	(10.0)	2.3	28.9	2.2	1.7	-	24.7

	On demand BD millions	Within 1 month BD millions	1 to 3 months BD millions	3 to 6 months BD millions	6 to 12 months BD millions	1 to 5 years BD millions	5 to 10 years BD millions	10 to 20 years BD millions	More than 20 years BD millions	Total BD millions
31 December 2024										
Deposits and amounts due to banks and other financial institutions	48.9	167.8	113.1	12.9	39.1	4.3	-	-	-	386.1
Borrowings under repurchase agreement	-	1.3	2.9	95.6	109.4	168.7	-	-	-	377.9
Term borrowings	-	1.3	0.6	8.2	102.6	231.2	-	-	-	343.9
Customers' deposits	1,287.1	343.6	332.6	189.0	222.4	97.4	-	-	-	2,472.1
Total undiscounted financial liabilities	1,336.0	514.0	449.2	305.7	473.5	501.6	-	-	-	3,580.0
Letters of guarantee	286.4	-	-	-	-	-	-	-	-	286.4
Undrawn loan commitments	121.0	-	-	-	-	-	-	-	-	121.0
Derivative financial instruments										
Contractual amounts payable	-	(9.4)	(20.8)	(18.7)	(53.5)	(520.1)	(193.4)	(226.6)	(24.0)	(1,066.5)
Contractual amounts receivable	-	4.4	7.9	23.3	57.3	567.9	210.4	239.4	25.4	1,136.0
	-	(5.0)	(12.9)	4.6	3.8	47.8	17.0	12.8	1.4	69.5

and readily marketable securities. In addition, the Group maintains various statutory deposits with central banks and has taken lines of credit from various banks and financial institutions.

The Bank has in place a liquidity risk policy, which describes the roles and responsibilities of ALMC and Treasury, and stipulates the broad guidelines with regard to minimum liquid assets to be maintained by the Bank, gap limits for time buckets of the maturity ladder and various liquidity ratios to be maintained which are approved by the ALMC based on the Annual Liquidity Strategy.

It is the Bank's policy to keep its assets in high-quality liquid assets such as inter-bank placements, treasury bills and government bonds, to ensure that funds are available to meet maturing liabilities, undrawn facilities and deposit withdrawals as they fall due for payment. A substantial proportion of the Bank's deposits is made up of retail current, savings and fixed deposit accounts which, though payable on demand or at short notice, have traditionally formed part of a stable deposit base and a source of core funding.

The day to day management of liquidity risk is the responsibility of the Head of Treasury, who monitors the sources and maturities of assets and liabilities closely and ensures that limits stipulated by the ALMC are complied with, and that funding is not concentrated from any one source.

The Bank also draws up contingency plans to deal with extraordinary conditions of liquidity risk after comprehensive scenario analysis.

40 LEGAL AND OPERATIONAL RISK

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Group has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced. The Group also has well established legal procedures to scrutinise product offerings and manage risks arising out of its transactions.

As at 31 December 2025, there were legal cases pending against the Group aggregating to BD 0.9 million (2024: BD 1.1 million). Based on the opinion of the Group's legal advisors, the management believes that no liability is likely to arise from these cases. However, on a conservative basis, the Group has made a provision on the same of BD 0.9 million (2024: BD 0.9 million) or its best estimate as of the report date.

Operational risk

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The Operational Risk Department operates independently from other units of the Bank and reports to the GCRO. It conducts regular reviews of all business areas of the Bank and reports control deficiencies and exceptions to the Bank's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

The Bank is steadfast in its pursuit of operational excellence, driven by a robust Business Continuity Management (BCM) framework. Aligned with the internationally recognized standard, ISO 22301, this framework ensures the resilience of the Bank's services by proactively mitigating unforeseen challenges. The BCM Department safeguards the Bank's ability to achieve its strategic objectives by implementing comprehensive crisis management strategies and robust business continuity plans. This ISO 22301 certification reflects the Bank's unwavering commitment to continuous improvement in its business continuity efforts.

Furthermore, the Group operates a formal Information Security Management System (ISMS), certified to ISO/IEC 27001 (2022 version). This framework is supported by compliance with other internationally recognized security standards, including the Payment Card Industry Data Security Standard (PCI DSS), PCI PIN Security Standard and the SWIFT Customer Security Controls Framework (CSCF). Independent external assessments and certifications are conducted annually by accredited third parties, providing assurance over the effectiveness of the Group's security controls and reducing the risk of internal self assessment.

The Bank's BCM framework is founded on a proactive and systematic approach, prioritizing Business Impact Analysis (BIA), Risk Assessment, and the development of robust Recovery Strategies and Comprehensive Plans. This framework empowers the Bank to achieve its strategic objectives while ensuring resilience in line with Business goals. A culture of continuous improvement, fostered through regular testing, training, and awareness campaigns, ensures preparedness across all levels. Seamlessly integrated across the Bank and its subsidiaries, our BCM practices deliver consistent services, reinforcing trust and confidence within the entire Group.

The Bank is using an operational risk management solution for monitoring operational risk, conducting risk and control self-assessments and capturing operational loss data in accordance with Basel III / CBB guidelines.

41 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The significant inputs for valuation of equities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds it is the illiquidity discount. Lower growth rate and higher discount rate, and illiquidity discount will result in a lower fair value. The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December 2025 and 2024:

	Level 1 BD millions	Level 2 BD millions	Level 3 BD millions	Total BD millions
31 December 2025				
Financial assets				
Bonds	822.7	19.6	-	842.3
Equities	70.1	-	31.1	101.2
Managed funds	-	0.9	-	0.9
Derivatives held for trading	-	0.8	-	0.8
Derivatives held as fair value hedges	-	21.8	-	21.8
	892.8	43.1	31.1	967.0
Financial liabilities				
Borrowing under repurchase agreement	-	-	-	-
Term borrowings	-	190.4	-	190.4
Derivatives held for trading	-	0.9	-	0.9
Derivatives held as fair value hedges	-	3.1	-	3.1
	-	194.4	-	194.4

Notes to the consolidated financial statements (continued)

31 December 2025

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31 December 2024	Level 1 BD millions	Level 2 BD millions	Level 3 BD millions	Total BD millions
Financial assets				
Bonds	666.4	9.5	–	675.9
Equities	43.7	–	30.0	73.7
Managed funds	–	1.0	–	1.0
Derivatives held for trading	–	0.5	–	0.5
Derivatives held as fair value hedges	–	39.9	–	39.9
	710.1	50.9	30.0	791.0
Financial liabilities				
Borrowing under repurchase agreement	–	35.0	–	35.0
Term borrowings	–	185.9	–	185.9
Derivatives held for trading	–	0.7	–	0.7
Derivatives held as fair value hedges	–	3.1	–	3.1
	–	224.7	–	224.7

Transfers between Level 1, Level 2 and Level 3

During the years ended 31 December 2025 and 2024, there were no transfers into or out of Level 3 fair value measurements. Further, there were no significant movements in equity instruments classified under level 3.

The table below sets out the estimated carrying value and fair value of financial assets under level 1 carried at amortised cost where fair value is different from the carrying amount shown in the consolidated financial position:

	31 December 2025		
	Carrying value BD millions	Fair value BD millions	Difference BD millions
Financial assets			
Investment securities	246.5	241.5	5.0
	31 December 2024		
	Carrying value BD millions	Fair value BD millions	Difference BD millions
Financial assets			
Investment securities	188.8	180.7	8.1

As at 31 December 2025 and 2024, the fair value of financial assets and financial liabilities approximate their carrying values, other than those disclosed in the table above.

42 SHARE – BASED PAYMENTS

In 2014, the Group adopted regulations concerning sound remuneration practices issued by the CBB and consequently revised its variable remuneration framework. The revised policy framework and incentive components were approved by the shareholders at their Annual General Meeting on 10 March 2015. The new share plan has been combined with the revised remuneration framework mandated by the CBB and is referred to as Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP).

Short-Term and Long-Term Shares Incentive Plan

Long Term Incentive Shares are granted to Executive Senior Managers and above, with more than 12 months service at the date of grant and meeting certain performance criteria. The shares granted are subject to the satisfaction of conditions relating to the Bank's net profit over a three year period and the employee being in employment at the end of the 3 year period (vesting period). Short Term Incentive Shares are granted to employees in line with CBB's Sound Remuneration Guidelines.

The expense recognised for employee services received during the year is shown in the following table:

	2025 BD millions	2024 BD millions
Expense arising from equity-settled share-based payment transactions	2.3	2.3
Shares vested during the year	(2.0)	(2.0)

The movement in the number of shares in the Group's LTIP and STIP was as follows:

	Number of shares	
	2025	2024
Opening balance of shares granted but not vested	9,854,000	9,983,999
Equity shares transferred to trust	4,205,328	3,891,289
Shares released during the year to the participants	(4,620,499)	(4,021,288)
	9,438,829	9,854,000

The market price of the Bank's shares based on the price quoted in the Bahrain Bourse at 31 December 2025 was BD 0.515 (2024: BD 0.482) per share.

43 CAPITAL ADEQUACY

The risk asset ratio calculated in accordance with the capital adequacy guidelines approved by the CBB, for the Group is as follows:

	2025 BD millions	2024 BD millions
CET1 capital	610.1	614.5
Tier 2 capital	24.4	27.0
Total capital base (a)	634.5	641.5
Credit risk weighted exposure	2,923.5	2,156.4
Operational risk weighted exposure	274.0	249.1
Market risk weighted exposure	9.4	12.5
Total risk weighted exposure (b)	3,206.9	2,418.0
Capital adequacy (a/b*100) – %	19.8%	26.5%
Minimum requirement – %	14.0%	14.0%

Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Group has adopted the new Basel III Capital Adequacy Framework (Basel III) with effect from 1 January 2015 as per the guidelines issued by the CBB, which is enhancing the Bank's risk management process, supervisory review, disclosure standards and capital management.

The Group has adopted the Standardised Approach for Credit Risk, the Standardised Approach for Market Risk and the Basic Indicator Approach for Operational Risk.

The Group has established its Internal Capital Adequacy Assessment Process (ICAAP) to provide policy guidance in Capital Planning and Capital Management. The Bank also uses Risk Adjusted Return on Capital (RAROC) model in its decision making process.

44 NET STABLE FUNDING RATIO

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience of banks' liquidity risk profile and to incentivise a more resilient banking sector over a longer time horizon. The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module requirements, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 31 December 2025 is 131.7% (31 December 2024: 142.0%).

The main drivers behind the Group's robust Available Stable Funds (ASF) are the solid capital base, sizeable retail and small business deposits portfolio, large portfolio of non-financial institutions deposits (related to government and corporate deposits), as well as medium term funding from borrowings under repurchase agreements and term borrowings. The capital base formed 19.3% (31 December 2024: 22.3%) of Group's ASF, while the retail and small business deposits formed 45.4% (31 December 2024: 44.2%) of the ASF (after applying the relevant weights).

For the Required Stable Funds (RSF), the primary reason for the relatively low RSF, in comparison to the ASF, is related to the sizeable

portfolio of BBK's High Quality Liquid Assets (HQLAs) which accounts for 23.1% (31 December 2024: 29.1%) of total RSF (before applying the relevant weights).

In comparison to 31 December 2024, the NSFR ratio decreased by 10.3% as the increase in the RSF outpaced the increase in the ASF. The increase in the RSF by BD 614.0 million is primarily due to the increase in the Bank's loan book and investment securities. While the increase in the ASF by BD 597.8 million is primarily driven by the increase in funding from Customer deposits due to organic and inorganic growth, as well as the increase in bank and financial institution deposits and funding from term borrowings.

The consolidated NSFR calculated in accordance with the requirements of the CBB Rulebook, for the Group is as follows:

	2025 BD millions	2024 BD millions
Total available stable funding	3,516.8	2,919.0
Total required stable funding	2,670.3	2,056.3
Group's consolidated NSFR	131.7%	142.0%
Minimum NSFR requirement	100.0%	100.0%

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

Item	Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity BD millions	Less than 6 months BD millions	More than 6 months and less than one year BD millions	Over one year BD millions	Total weighted value BD millions
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	653.5	–	–	24.4	677.9
Retail deposits and deposits from small business customers:					
Stable deposits	–	531.2	8.7	0.6	513.5
Less stable deposits	–	1,067.7	117.2	17.7	1,084.2
Wholesale funding:					
Other wholesale funding	–	1,452.6	343.0	638.7	1,241.2
Other liabilities:					
All other liabilities not included in the above categories	–	135.2	–	–	–
Total ASF	653.5	3,186.7	468.9	681.4	3,516.8
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	319.5
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	–	373.9	55.0	186.5	270.1
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	561.9	116.7	1,098.0	1,272.6
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	–	78.3	12.3	165.9	153.1
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	27.5	43.0	290.7	304.8
Other assets:					
NSFR derivative assets	–	13.0	–	–	13.0
NSFR derivative liabilities before deduction of variation margin posted	–	0.3	–	–	0.3
All other assets not included in the above categories	283.5	–	–	–	283.5
Off-balance sheet items	–	1,067.6	–	–	53.4
Total RSF	283.5	2,122.5	227.0	1,741.1	2,670.3
NSFR (%)					131.7%

Notes to the consolidated financial statements (continued)

31 December 2025

44 NET STABLE FUNDING RATIO (continued)

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

Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value BD millions
	No specified maturity BD millions	Less than 6 months BD millions	More than 6 months and less than one year BD millions	Over one year BD millions	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	623.3	–	–	27.0	650.3
Retail deposits and deposits from small business customers:					
Stable deposits	–	473.5	9.6	0.6	459.4
Less stable deposits	–	759.7	123.9	36.6	831.8
Wholesale funding:					
Other wholesale funding	–	1,326.0	304.4	410.8	977.5
Other liabilities:					
All other liabilities not included in the above categories	–	122.1	–	–	–
Total ASF	623.3	2,681.3	437.9	475.0	2,919.0
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	225.9
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	–	214.8	8.6	100.0	136.5
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	424.5	93.0	898.9	1,022.8
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	–	16.9	8.8	194.1	139.0
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	29.7	47.1	198.9	224.6
Other assets:					
NSFR derivative assets	–	31.9	–	–	31.9
NSFR derivative liabilities before deduction of variation margin posted	–	0.1	–	–	0.1
All other assets not included in the above categories	226.9	–	–	–	226.9
Off-balance sheet items	–	971.3	–	–	48.6
Total RSF	226.9	1,689.2	157.5	1,391.9	2,056.3
NSFR (%)					142.0%

45 DEPOSIT PROTECTION SCHEME

Deposits held with the Bahrain operations of the Bank are covered by the Deposit Protection Scheme established by the CBB regulation concerning the establishment of the Deposit Protection Scheme and Deposit Protection Board. This scheme covers eligible “natural persons” (individuals) up to a maximum of BD 20,000 as set by the CBB requirements. A periodic contribution, as mandated by CBB, is paid by the Bank under this scheme.

46 STAFF SAVING SCHEME

The scheme is a contribution saving fund between the Bank and the employees of the Bank. It was introduced in January 1996 with the objective of providing the employees with a cash benefit upon resignation, retirement or death. Participation in the scheme is discretionary and the employee may contribute any amount. The Bank guarantees a corresponding contribution of an amount that is 3% higher provided that the total Bank contribution is not in excess of 10% of the employees’ salary. The employee becomes eligible for the full amount of the Bank contribution once the employee has completed 5 years of service, otherwise the entitlement is proportionately calculated. The scheme is managed by a committee, consisting of members from management and representatives nominated and selected by staff.

As at 31 December 2025, the total contribution fund including the earned income stands at BD 26.8 million (2024: BD 24.4 million). Out of the total fund amount, payment of the principal amount equal to BD 20.4 million (2024: BD 19.1 million) consisting of the respective staff and Bank’s contribution is guaranteed by the Bank to employees participating in the scheme within the applicable law. Out of the principal amount, BD 7.7 million (2024: BD 13.5 million) is the exposure to Bahrain and GCC sovereigns. The charge to the consolidated statement of profit or loss on account of staff saving scheme for the year amounted to BD 1.5 million (2024: BD 1.5 million).

The Bank is in process of moving the fund of the Staff Saving Scheme into a Trust governed by the Trust Law of Bahrain. The Bank will continue to be involved in investment decisions related to the fund within the scope of the Employee Saving Scheme Investment Committee.

47 FIDUCIARY ASSETS

Funds under management as at 31 December 2025 amounted to BD 260.4 million (2024: BD 202.6 million). These assets are held in a fiduciary capacity, measured at cost and are not included in the consolidated statement of financial position. The total market value of all such funds at 31 December 2025 was BD 267.1 million (2024: BD 209.1 million).

48 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

	Designated as at FVTPL BD millions	FVTOCI – debt instruments BD millions	FVTOCI – equity instruments BD millions	Amortised cost BD millions	Total BD millions
31 December 2025					
Cash and balances with central banks	–	–	–	586.6	586.6
Treasury bills	–	2.0	–	302.4	304.4
Deposits and amounts due from banks and other financial institutions	–	–	–	290.6	290.6
Loans and advances to customers	–	–	–	2,358.5	2,358.5
Investment securities	1.3	842.3	100.8	246.5	1,190.9
Interest receivable, derivative and other assets	–	–	–	104.7	104.7
Total assets	1.3	844.3	100.8	3,889.3	4,835.7
Deposits and amounts due to banks and other financial institutions	–	–	–	512.8	512.8
Borrowings under repurchase agreement	–	–	–	405.9	405.9
Term borrowings	–	–	–	405.3	405.3
Customers’ deposits	–	–	–	2,853.5	2,853.5
Interest payable, derivative and other liabilities	–	–	–	104.6	104.6
Total liabilities	–	–	–	4,282.1	4,282.1
31 December 2024					
Cash and balances with central banks	–	–	–	687.7	687.7
Treasury bills	–	–	–	399.2	399.2
Deposits and amounts due from banks and other financial institutions	–	–	–	167.9	167.9
Loans and advances to customers	–	–	–	1,794.1	1,794.1
Investment securities	1.0	675.9	73.7	188.8	939.4
Interest receivable, derivative and other assets	–	–	–	96.9	96.9
Total assets	1.0	675.9	73.7	3,334.6	4,085.2
Deposits and amounts due to banks and other financial institutions	–	–	–	375.5	375.5
Borrowings under repurchase agreement	–	–	–	351.6	351.6
Term borrowings	–	–	–	306.5	306.5
Customers’ deposits	–	–	–	2,411.3	2,411.3
Interest payable, derivative and other liabilities	–	–	–	85.2	85.2
Total liabilities	–	–	–	3,530.1	3,530.1

49 COMPARATIVE INFORMATION

Certain corresponding figures for 2024 have been reclassified in order to conform to the presentation of the consolidated financial statements for the current year. Such reclassifications did not affect previously reported net profit, total assets, total liabilities or total equity of the Group.

50 PROPOSED TRANSACTION WITH NATIONAL BANK OF BAHRAIN B.S.C.

As of the reporting date, the Bank continues to progress its advance discussions and negotiations on the potential merger with National Bank of Bahrain B.S.C. Both the banks have commenced a reciprocal due diligence process to negotiate definitive and binding terms of the potential merger. In this regard, both banks have appointed a multinational strategy and management consulting firm as joint adviser for the potential merger.

51 HSBC RETAIL PORTFOLIO ACQUISITION

On 27 November 2025, the Bank completed an acquisition of the retail banking portfolio of HSBC Bank Middle East, Bahrain Branch (“HSBC”) as part of its strategic expansion in the Kingdom of Bahrain. The transaction included the transfer of loans and advances to customers, customers’ deposits, and associated business relationships. Certain employees of HSBC were also moved to the Bank.

Notes to the consolidated financial statements (continued)

31 December 2025

51 HSBC RETAIL PORTFOLIO ACQUISITION (continued)

Assets acquired and liabilities assumed:

The fair values of the identifiable assets and liabilities of HSBC's retail banking portfolio as at the date of acquisition have been reported on a provisional basis and will be finalised within a period of 12 months from the date of acquisition. As per IFRS 3 – Business Combinations, adjustments are allowed for a period of one year following the acquisition date if new information becomes available about facts and circumstances that existed as of that date.

	Fair value recognised on acquisition BD Millions
Assets acquired	
Cash balance	194.0
Loans and advances to customers	54.5
Other assets	2.8
	251.3
Liabilities assumed	
Customers' deposits	256.5
Other liabilities	1.0
	257.5
Total identifiable net assets at fair value	(6.2)
Goodwill and other intangibles arising on acquisition	33.9
Total consideration for the acquired portfolio	27.7
Goodwill and intangibles	
Intangible assets	6.9
Goodwill	27.0

The Group incurred professional fees and other acquisition-related costs, including legal, advisory, valuation, and systems integration expenses, in connection with the transfer of the HSBC retail banking portfolio. These costs have been expensed under other operating expenses in the consolidated statement of profit or loss for the year.

Intangibles of BD 6.9 million arising on acquisition comprises the value assigned to the expected benefits arising from the core deposit intangible. The entirety of the intangibles were assigned a useful life of ten years.

Goodwill impairment analysis

Goodwill arising from the acquisition, amounting to BD 27.0 million, is recognised in accordance with IFRS 3. In line with IAS 36, goodwill is not amortised but is subject to annual impairment testing. The goodwill is allocated to the cash-generating unit (CGU) identified as "Retail Banking Bahrain".

Impairment testing is performed at least annually, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses on an annual basis whether there is an indication, based on either internal or external sources of information, that goodwill may be impaired. Given that the acquisition occurred on 27 November 2025, management has assessed whether any indicators of impairment existed during this short post-acquisition period. No such indicators for goodwill impairment were identified, and accordingly, no impairment was recorded during the year ended 31 December 2025.

Basel III Regulatory capital disclosures

31 December 2025

1 EXECUTIVE SUMMARY

This report has been prepared in accordance with Pillar III disclosure requirements prescribed by the Central Bank of Bahrain, hereafter referred to as "CBB". The report has been designed to provide Bank of Bahrain and Kuwait B.S.C. (BBK or the "Bank"), and its subsidiaries (together, the "Group") stakeholders with detailed information on our approach in managing capital and risk, having due regard to the operating environment.

The Bank applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. CBB's Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements for the year ended 31 December 2025 presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). Disclosures with respect to Corporate Governance and Remuneration are provided in relevant sections of the Group Annual Report.

2 INTRODUCTION TO THE BASEL III FRAMEWORK

The CBB's Basel III capital framework is based on three pillars consistent with the Basel III framework developed by the Basel Committee, as follows:

- Pillar I: calculation of the Risk Weighted Assets (RWAs) and capital requirement.
- Pillar II: the Supervisory, Review and Evaluation Process (SREP), including the Internal Capital Adequacy Assessment Process (ICAAP).
- Pillar III: rules for the disclosure of risk management and capital adequacy information.

Pillar I

Pillar I prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar I sets out the definition and calculations of the RWAs, and the derivation of the regulatory total capital. Capital adequacy ratios are calculated by dividing regulatory capital by the total RWAs.

Basel III focuses on increasing both the quantity and quality of Bank's capital. To this end, Tier 1 capital "T1" must be the main component of capital, and the predominant form of T1 capital must be common shares and reserves. Deductions from capital and prudential filters are generally applied at the level of common equity. The remainder of T1 capital base must be comprised of instruments that are subordinated, have fully discretionary noncumulative dividends or coupons and have neither a maturity date nor an incentive to redeem. In addition, Tier 2 capital "T2" instruments are restricted and have a limit on their contribution to total regulatory capital. Furthermore, Basel III introduced a number of capital buffers to promote the conservation of capital (Capital Conservation Buffer or "CCB") and the build-up of adequate buffers above the minimum required capital during times of good economic conditions that can be drawn down in periods of stress (countercyclical capital buffer) and the high loss absorbency buffer for Domestic Systemically Important Banks (D-SIBs).

CBB minimum required total capital adequacy ratio (including CCB) is 12.5 percent, compared to 10.5 percent recommended by the Basel Committee. Moreover, there are limits and minima introduced by the CBB under Basel III, such as minimum Common Equity Tier 1 Capital Ratio "CET1" of 9 percent (including CCB) and minimum T1 Capital Ratio of 10.5 percent (including CCB). In the event that the total capital adequacy ratio falls below 12.5 percent, additional prudential reporting requirements apply, and a formal action plan setting out the measures to be taken to restore the ratio above the minimum required level is to be formulated and submitted to the CBB. BBK had been designated as a D-SIB by the CBB. Consequently, BBK is required to maintain an effective minimum total capital adequacy ratio of 14.0 percent, i.e. inclusive of 1.5 percent as a D-SIB buffer.

The table below summarises the approaches available for calculating RWAs for each risk type in accordance with the CBB's Basel III capital adequacy framework:

Credit Risk	Market Risk	Operational Risk
Standardised Approach	Standardised Approach	Basic Indicator Approach
	Internal Models Approach	Standardised Approach

The approach applied by BBK for each risk type is as follows:

i) Credit Risk

For regulatory reporting purposes, BBK is using the Standardised Approach for credit risk. Credit risk constitutes nearly 90 percent of the overall risk for the Bank. The Bank has a robust credit risk management architecture which is explained in greater details in notes 30 and 31 of the Annual Report. The credit RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.

ii) Market Risk

The Group applies the standardised approach to compute its market risk capital charge, which represents the capital required to cover exposures arising from risk factors in the trading book and foreign exchange positions. Individual capital requirements are calculated separately for interest rate position risk (using the duration method), foreign exchange risk, and equity position risk. These individual capital charges are then aggregated to determine the Group's overall market risk capital requirement.

iii) Operational Risk

All banks incorporated in Bahrain are required to apply the Basic Indicator Approach for operational risk unless approval is granted by the CBB to use the Standardised Approach. The CBB's capital framework does not currently permit the use of the Advanced Measurement Approach (AMA) for operational risk. For regulatory reporting purposes, BBK is currently using the Basic Indicator Approach whereby, the operational risk weighted exposures and regulatory capital requirement are calculated by applying an alpha co-efficient of 15 percent to the average gross income for the preceding three financial years adjusted for exceptional income to determine the Bank's operational risk-weighted exposure. In addition to calculating capital under the Basic Indicator Approach, BBK maintains a comprehensive operational risk management framework, including risk and control assessments, incident reporting, and monitoring processes to ensure effective identification and mitigation of operational risks across the Group.

Basel III Regulatory capital disclosures (continued)

31 December 2025

2 INTRODUCTION TO THE BASEL III FRAMEWORK (continued)

Pillar II

Pillar II defines the process of supervisory review of an institution's risk management framework and, ultimately, its capital adequacy.

Under the CBB's Pillar II guidelines, all banks incorporated in Bahrain are required to maintain a total capital adequacy ratio of 12.5 percent, except those assigned as D-SIB, the minimum would be 14.0 percent.

Pillar II comprises two processes:

- an Internal Capital Adequacy Assessment Process (ICAAP), and
- a Supervisory Review and Evaluation Process (SREP).

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the Bank is exposed. BBK has developed an ICAAP document and it addresses all components of BBK's risk management, from the daily management of more material risks to the strategic capital management of the Group. The projected growth in risk assets, operating profit, shareholders' funds and the corresponding capital requirement are estimated by the Bank as part of the 3 years strategy approved by the Board. In addition, the Bank also forecasts the Capital Base whenever there is a likely reduction in the capital components, and necessary actions are taken in order to ensure regulatory compliance. Moreover, the Bank has a Dividend Policy in place as part of capital management strategy.

The Bank uses the Risk-Adjusted Return On Capital (RAROC) model in its credit decisions in order to assess risk-reward matrix for each credit exposure. The Bank has adopted a Risk Appetite Framework which is reviewed periodically. The Bank also adopts a Risk Management Strategy annually covering all types of relevant risks.

The SREP represents the CBB's review of the Group's capital management and an assessment of internal controls and corporate governance. The SREP is designed to ensure that institutions identify their material risks, allocate adequate capital, and employ sufficient management processes to support such risks. The SREP also encourages institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks in addition to the credit, market and operational risks addressed in the core Pillar I framework. Other risk types which are not covered by the minimum capital requirements in Pillar I includes liquidity risk, interest rate risk in the banking book, strategic risk, concentration risk, reputational risk, and residual risk. These are covered either by capital, or risk management and mitigation processes under Pillar II.

BBK conducts stress testing of its portfolio apart from the ICAAP process in line with CBB requirements from time to time.

Pillar III

Pillar III deals with the Market Discipline guidelines of the regulator to ensure adequate disclosure of risk management practices, corporate governance standards and capital adequacy information. The Bank publishes regulatory disclosures periodically on its website and in its Annual Report.

The disclosures comprise of detailed qualitative and quantitative information. The purpose of the Pillar III disclosure requirements is to complement the first two pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and

market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move toward more advanced forms of risk management.

Under the current regulations, partial disclosure consisting mainly of quantitative analysis is required during half year reporting, whereas full disclosure is required to coincide with the year end financial reporting.

3 GROUP STRUCTURE

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). For capital adequacy purposes, all financial subsidiaries are included within the Group structure. However, the CBB's capital adequacy methodology accommodates both normal and risk weighting consolidation.

The principal subsidiaries, associates and joint ventures and basis of consolidation for capital adequacy purposes are as follows:

	Domicile	Ownership	Consolidation basis
Subsidiaries			
CrediMax B.S.C. (c)	Kingdom of Bahrain	100.00%	Full Consolidation
Invita Company W.L.L.	Kingdom of Bahrain	100.00%	Risk Weighted
973LABS W.L.L. *	Kingdom of Bahrain	100.00%	Full Consolidation
Global Payment Services W.L.L. (GPS)**	Kingdom of Bahrain	70.00%	Full Consolidation
Associates			
Invita Kuwait K.S.C.C.***	State of Kuwait	40.00%	Risk Weighted
Bahrain Liquidity Fund	Kingdom of Bahrain	23.52%	Risk Weighted
Bahrain Commercial Facilities Company B.S.C.	Kingdom of Bahrain	23.03%	Risk Weighted
The Benefit Company B.S.C. (c)	Kingdom of Bahrain	22.00%	Risk Weighted
Joint Venture			
BBK Geojit Securities K.S.C.	State of Kuwait	40.00%	Risk Weighted

* CrediMax B.S.C. (c) and Invita Company W.L.L. hold 60% and 40% ownership in 973Labs W.L.L., respectively.

** Shareholding through CrediMax B.S.C. (c) Subsidiary

*** Shareholding through Invita Company W.L.L. Subsidiary

There are no impediments on the transfer of funds or regulatory capital within the Group other than restrictions over transfers to ensure that minimum regulatory capital requirements are met for subsidiary companies.

4 STATEMENT OF FINANCIAL POSITION UNDER THE REGULATORY SCOPE OF CONSOLIDATION

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

	Statement of financial position as in published financial statements BD millions	Statement of financial position as per Regulatory Reporting BD millions	Reference
Assets			
Cash and balances with central banks	586.6	586.6	
Treasury bills	304.4	304.4	
Deposits and amounts due from banks and other financial institutions	290.6	290.6	
Loans and advances to customers	2,358.5	2,358.5	
of which Expected Credit Loss (1.25% of Credit risk weighted assets)	24.4	24.4	a
of which net loans and advances (gross of Expected Credit Loss)	2,334.1	2,334.1	
Investment securities	1,190.9	1,190.9	
of which investments in financial entities under CET1	48.3	48.3	b
of which related to other investments	1,142.6	1,142.6	
Interest receivable, derivative and other assets	134.5	133.8	
of which deferred tax assets due to temporary differences	0.6	0.6	c
of which intangibles	9.1	9.1	d
of which interest receivable, derivative and other assets	124.8	124.1	
Investments in associates and joint ventures	35.1	37.7	
of which Investment in own shares	0.3	0.3	e
of which equity investments in financial entities	31.0	31.0	f
of which other investments	3.8	6.4	
Premises and equipment	39.8	39.6	
Goodwill and other intangible assets	33.9	33.9	g
Total assets	4,974.3	4,976.0	
Liabilities and equity			
Liabilities			
Deposits and amounts due to banks and other financial institutions	512.8	512.8	
Borrowings under repurchase agreement	405.9	405.9	
Term borrowings	405.3	405.3	
Customers' deposits	2,853.5	2,857.2	
Interest payable, derivative and other liabilities	136.4	135.1	
Total liabilities	4,313.9	4,316.3	
Equity			
Share capital	181.7	181.7	h
Treasury stock	(5.5)	(5.5)	i
Share premium	105.6	105.6	j
Statutory reserve	90.8	90.8	k
General reserve	64.2	64.2	l
Cumulative changes in fair values	47.6	47.6	
of which cumulative changes in fair values on bonds and equities	47.6	47.6	m
of which fair value changes in cash flow hedges	-	-	n
Foreign currency translation reserve	(17.0)	(17.0)	
of which related to unconsolidated subsidiary	-	-	o
of which related to Parent	(17.0)	(17.0)	p
Retained earnings	137.4	136.7	
of which employee stock options	3.3	3.3	q
of which retained earnings	134.1	133.4	r
Proposed appropriations	52.7	52.7	s
Attributable to the owners of the Bank	657.5	656.8	
Non-controlling interests	2.9	2.9	
Total equity	660.4	659.7	
Total liabilities and equity	4,974.3	4,976.0	

Basel III Regulatory capital disclosures (continued)

31 December 2025

4 STATEMENT OF FINANCIAL POSITION UNDER THE REGULATORY SCOPE OF CONSOLIDATION (continued)

Legal entities included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Name	Principle activities	Total assets BD millions	Total equity BD millions
Invita Company W.L.L.	Business processing and outsourcing services	5.4	4.1

5 REGULATORY CAPITAL COMPONENTS - CONSOLIDATED

Under the CBB's Basel III capital framework, total regulatory capital consists of Tier 1 capital "T1" and Tier 2 capital "T2". T1 capital is further divided into Common Equity Tier 1 capital "CET1" and Additional Tier 1 capital "AT1". CET1 capital consists of: (a) Issued and fully paid common shares that meet the criteria for classification as common shares for regulatory purposes, (b) Disclosed reserves including: i) General reserves; ii) Legal / statutory reserves; iii) Share premium; iv) Fair value reserves arising from fair valuing financial instruments; and v) Retained earnings or losses (including net profit / (loss) for the reporting period), (c) Common shares issued by consolidated subsidiaries and held by third parties (i.e. minority interest) that meet the criteria for inclusion in CET1, and (d) Regulatory adjustments applied in the calculation of CET1. AT1 capital consists of: (a) Instruments issued by the bank that meet the criteria for inclusion in AT1, (b) Share premium resulting from the issue of instruments included in AT1, (c) Instruments issued by consolidated subsidiaries and held by third parties that meet the criteria for inclusion in AT1 and are not included in CET1, and (d) Regulatory adjustments applied in the calculation of AT1. T2 capital consists of: (a) Instruments issued by the bank that meet the criteria for inclusion in T2, (b) premium resulting from the issue of instruments included in T2, (c) Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in T2 capital and are not included in T1, (d) Expected Credit Loss reserve for Stage 1 and 2 exposures, (e) Asset revaluation reserves which arise from the revaluation of premises and equipment and investment properties from time to time in line with the change in market values, and (f) Regulatory adjustments applied in the calculation of T2. At present, the T2 capital of BBK consists solely of Expected Credit Losses reserve for Stage 1 and 2 exposures.

The CBB applies various limits and minima to the components of the regulatory capital, as shown in the below table. There is also a restriction on the amount of Expected Credit Losses (ECL) reserve that may be included as part of T2 capital, which should be a maximum of 1.25 percent of the credit risk weighted assets.

	Optional	Minimum Ratio
Components of Consolidated CAR		
Core Equity Tier 1 (CET 1)		6.5%
Additional Tier 1 (AT1)	1.5%	
Tier 1 (T1)		8.0%
Tier 2 (T2)	2.0%	
Total Capital		10.0%
Capital Conservation Buffer (CCB)		2.5%
Domestically Systemic Important Bank (D-SIB) Buffer		1.5%
CAR including Buffers		
CET 1 plus Buffers		10.5%
Tier 1 plus Buffers		12.0%
Total Capital plus CCB		12.5%
Total Capital plus CCB and D-SIB Buffer		14.0%
	Optional	Minimum Ratio
Components of Solo CAR		
Core Equity Tier 1 (CET 1)		4.5%
Additional Tier 1 (AT1)	1.5%	
Tier 1 (T1)		6.0%
Tier 2 (T2)	2.0%	
Total Capital		8.0%
Capital Conservation Buffer (CCB)		0.0%

In accordance with the CBB's Basel III capital adequacy framework, certain exposures are required to be deducted from regulatory capital rather than included in RWAs. The CBB's Basel III capital adequacy framework requires that most of the deductions to be made from the CET1.

5 REGULATORY CAPITAL COMPONENTS - CONSOLIDATED (continued)

The table below provides a detailed breakdown of the Bank's regulatory capital components, including all regulatory adjustments. The table also provides reference to the comparison displayed in the previous table between accounting and regulatory statement of financial positions.

	Component of regulatory capital BD millions	Source based on reference letters of the statement of financial positions under the regulatory scope of consolidation
Common Equity Tier 1: Instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus	281.8	h+i+j
Retained earnings	186.1	o+r+s
Accumulated other comprehensive income and losses (and other reserves)	185.6	k+l+m+n+p
Common Equity Tier 1 capital before regulatory adjustments	653.5	
Common Equity Tier 1 capital: regulatory adjustments		
Goodwill (net of related tax liabilities)	27.1	
Other intangibles other than mortgage servicing rights (net of related tax liabilities)	16.0	d+g
Cash flow hedge reserve	-	n
Investments in own shares	0.3	e
Total regulatory adjustments to Common equity Tier 1	43.4	
Common Equity Tier 1 capital (CET1)	610.1	
Tier 1 capital (T1 = CET1 + AT1)	610.1	
Tier 2 capital: instruments and provisions		
Provisions	24.4	a
Tier 2 capital before regulatory adjustments	24.4	
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	-	
Tier 2 capital (T2)	24.4	
Total capital (TC = T1 + T2)	634.5	
Total risk weighted assets	3,206.9	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	19.0%	
Tier 1 (as a percentage of risk weighted assets)	19.0%	
Total capital (as a percentage of risk weighted assets)	19.8%	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	10.5%	
of which: capital conservation buffer requirement	2.5%	
of which: bank specific countercyclical buffer requirement	N/A	
of which: D-SIB buffer requirement	1.5%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	19.0%	
National minima (where different from Basel III)		
CBB Common Equity Tier 1 minimum ratio	10.5%	
CBB Tier 1 minimum ratio	12.0%	
CBB total capital minimum ratio	14.0%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	48.3	b
Significant investments in the common stock of financials	31.0	f
Deferred tax assets arising from temporary differences (net of related tax liability)	0.6	c
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	24.4	
Cap on inclusion of provisions in Tier 2 under standardised approach	24.4	a

Basel III Regulatory capital disclosures (continued)

31 December 2025

6 CAPITAL ADEQUACY

The Group's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised, as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend payout and other discretionary payments and the issue of new shares and other capital instruments.

As per its ICAAP, BBK aims to maintain a minimum total capital adequacy ratio in excess of the capital assessed as per its ICAAP document (considering D-SIB and CCB). The CBB's current minimum total capital adequacy ratio (including CCB and D-SIB) for banks incorporated in Bahrain is set at 14.0 percent.

Strategies and methods for maintaining a strong capital adequacy ratio

BBK prepares multi-year strategic projections on a rolling annual basis which include an evaluation of short-term capital requirements and a forecast of longer-term capital resources.

Capital ratios - consolidated and subsidiaries above 5% of the group's consolidated regulatory capital

	Total capital ratio	Tier 1 capital ratio
Bank of Bahrain and Kuwait - Consolidated	19.8%	19.0%
CrediMax B.S.C.(c)	62.2%	62.2%

7 CREDIT RISK – PILLAR III DISCLOSURES

This section describes the BBK's exposure to credit risk, and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework, in relation to Pillar III disclosure requirements.

Definition of exposure classes

BBK has a diversified on and off balance sheet credit portfolio, the exposures of which are divided into the counterparty exposure classes defined by the CBB's Basel III capital adequacy framework for the standardised approach for credit risk. A high-level description of the counterparty exposure classes, referred to as standard portfolios in the CBB's Basel III capital adequacy framework, and the generic treatments, i.e. the risk weights to be used to derive the RWAs, are as follows:

Sovereigns portfolio

The sovereigns portfolio comprises of exposures to governments and their respective central banks. The risk weights are zero percent for exposures in the relevant domestic currency, or in any currency for exposures to GCC sovereigns. Foreign currency claims on other sovereigns are risk weighted based on their external credit ratings.

Certain multilateral development banks as determined by the CBB may be included in the sovereigns portfolio and treated as exposures with a zero percent risk weighting.

Public Sector Entities (PSE) portfolio

Claims on Bahraini PSEs, and claims on PSEs on domestic currency - which are assigned a zero percent risk weight by their respective country regulator, can be assigned a zero percent risk weight. All other PSEs are risk weighted according to their external ratings.

Banks portfolio

Claims on banks are risk weighted based on their external credit ratings. A preferential risk weight treatment is available for qualifying short term exposures. Short term exposures are defined as exposures with an original tenor of three months or less. The Bank's portfolio also includes claims on certain investment firms which are risk weighted based on their external credit ratings, though without any option for preferential treatment for short term exposures.

Corporates portfolio

Claims on corporates are risk weighted based on their external credit ratings. A 100 percent risk weight is assigned to exposures to unrated corporates. A preferential risk weight treatment is available for certain corporates owned by the Government of Bahrain, as determined by the CBB, which are assigned a zero percent risk weight.

Regulatory retail portfolio

Claims on retail portfolio are risk weighted at 75 percent, except for past due portfolio. As part of regulatory concessionary measures in response to COVID-19, risk weight for Bahraini based Small Medium Entities (SMEs) was reduced from 75 percent to 25 percent inline with CBB guidance, up till further notice.

Mortgage portfolio

Claims which are fully secured by first mortgages on residential property that is or will be occupied by the borrower, or that is leased, must carry a risk weighting of 75 percent. Claims on residential mortgage granted under Social Housing Scheme of the Kingdom of Bahrain are risk weighted at 25%. Claims secured by mortgages on commercial real estate are subject to a minimum of 100 percent risk weight. If the borrower is rated below BB-, the risk-weight corresponding to the rating of the borrower must be applied.

Equities portfolio

"The equities portfolio comprises equity investments in the Banking Book. Listed equity exposures attract a risk weight of 100%, while unlisted equity exposures are risk-weighted at 150%, unless they fall under specific regulatory treatments.

A 'significant investment' in a commercial entity (defined as an investment equal to or exceeding 10% of the entity's issued common share capital) is subject to higher risk weights. Any portion of such investments that is above 15% of the Bank's capital on an individual basis, or 60% collectively (the "Total Capital Materiality Thresholds"), must be risk weighted at 800%.

Moreover, significant investments in the common shares of unconsolidated financial entities are risk weighted at 250%.

In addition to the standard portfolios, other exposures are assigned to the following exposure classes:

Investments in funds

The risk weight for claims on corporate will be used to determine the risk weight for investments in rated funds. Unrated funds will be assigned a risk weight of 100% if listed, and 150% if not listed.

Past due exposures

This includes claims, for which the repayment is overdue for ninety days or more. The risk weight applied for such loans is either 100 percent or 150 percent, depending on the level of provisions maintained against the loan.

Holding of real estate

All holding of real estate by banks (owned directly or by the way of investments in real estate companies, subsidiaries or associates or other arrangements such as trusts, funds or REITS) must be risk weighted at 200 percent. Premises occupied by the bank are weighted at 100 percent.

Other assets and holdings of securitisation tranches

Other assets are risk weighted at 100 percent, whereas securitisation exposures are risk weighted at 20 percent to 1,250 percent, depending on the external rating.

All BBK's holding of securitisations, if any is reported part of the Bank's investment portfolio.

Large exposures

The excess amount of any exposure above 15% of the bank's regulatory capital to any counterparty or a group of closely related counterparties must be risk weighted at 800%, unless it is an exempted exposure in accordance with the requirements of the CBB Rulebook.

External rating agencies

BBK uses ratings issued by Moody's, Fitch and S&P to derive the risk weightings under the CBB's Basel III capital adequacy framework. Where ratings vary between rating agencies, the highest rating from the lowest two ratings is used to represent the rating for regulatory capital adequacy purposes.

Credit risk presentation under Basel III

The credit risk exposures presented in most of this report differ from the credit risk exposures reported in the consolidated financial statements. Differences arise due to the application of different methodologies, as illustrated below:

7 CREDIT RISK – PILLAR III DISCLOSURES (continued)

- Under the CBB's Basel III framework, statement of financial position exposures are converted into credit exposure equivalents by applying a Credit Conversion Factor (CCF). The off balance sheet exposure is multiplied by the relevant CCF applicable to the off balance sheet exposure category. Subsequently, the exposure is treated in accordance with the standard portfolios as referred to above in this report, in the same manner as on statement of financial position exposures.
- In case of Over-the-Counter (OTC) derivative contracts, in addition to the default risk capital requirements for counterparty credit risk, the bank must add a capital charge to cover the risk of mark-to-market losses on the expected counterparty risk (such losses being known as credit value adjustments or CVA).

8 CAPITAL REQUIREMENT FOR RISK WEIGHTED EXPOSURE

	Gross credit exposures (before risk mitigation) BD millions	Eligible financial collateral BD millions	Credit risk after risk mitigation BD millions	Risk weighted asset BD millions	Regulatory capital required 14.0% BD millions
Sovereign	1,670.3	-	1,670.3	96.2	13.5
Public sector entities	19.0	-	19.0	9.4	1.3
Banks	526.0	-	526.0	317.5	44.5
Corporates	1,946.7	135.8	1,810.9	1,535.3	214.9
Regulatory retail and SME	588.5	3.4	585.1	428.7	60.0
Mortgage	180.6	0.1	180.5	127.9	17.9
Investment in securities #	123.9	-	123.9	177.5	24.9
Past due exposures	23.8	0.1	23.7	24.8	3.5
Real estate	67.0	-	67.0	115.6	16.2
Other assets and cash items	114.8	-	114.8	90.6	12.7
Total Credit Risk	5,260.6	139.4	5,121.2	2,923.5	409.4
Market Risk	-	-	-	9.4	1.3
Operational Risk *	-	-	-	274.0	38.4
Total Risk Weighted Exposure	5,260.6	139.4	5,121.2	3,206.9	449.1

* The amount of adjusted average gross income for the year 2025 is BD 146.1 million.

The quantitative impact on regulatory capital of applying risk weighting to the insurance entity, versus the deduction approach, is set out below:

Included in the Investment in securities category investment is an insurance entity that is risk weighted rather than deducted from eligible capital. This, if deducted will reduce the eligible capital to BD 630.3 million

Entity	Country of Domicile	Ownership %	Risk weighted asset	Regulatory capital required 14.0%
Bahrain and Kuwait Insurance Company B.S.C. © "BKIC"	Bahrain	6.82%	4.2	0.6

Credit Risk Mitigation and Collateral Valuation Policy

BBK employs a range of techniques to mitigate risk in its credit portfolio. Credit risk mitigation includes an objective assessment of the counterparty's capacity and willingness to meet its commitments in the normal course. The Bank strives to optimize facility structure, collateral, lending covenants, terms and conditions.

The Bank maintains comprehensive policies and procedures governing the valuation of collateral and other eligible securities supporting credit facilities. Collateral is valued on an annual basis or more frequently where required, including instances where exposures migrate to Stage 2 or Stage 3, or when market volatility or adverse trends necessitate updated valuations. Less frequent valuations may be permitted depending on the level of security coverage and overall risk profile. Eligible collateral must be legally enforceable, capable of being taken over or liquidated by the Bank and supported by a clearly assignable and verifiable value. All accepted collateral must meet these core criteria, including first charge (where applicable), enforceability under the relevant jurisdiction, appropriate insurance arrangements, and suitability for periodic valuation. Accepted collateral and support may include real estate, mortgages, cash collateral, marketable securities, personal and corporate guarantees, sovereign and bank guarantees, inventories, whether located in Bahrain or overseas, and Tamkeen guarantees. The Bank's policies also define the valuation basis for each collateral type, including equity instruments and real estate.

- Credit risk exposure reporting under Pillar III is frequently reported by standard portfolios based on the type of counterparty. The financial statement presentation is based on asset class rather than the relevant counterparty. For example, a loan to a bank would be classified in the Bank's standard portfolio under the capital adequacy framework although it is classified in loans and advances to customers in the consolidated financial statements.

- Certain eligible collateral is applied to reduce exposure under the Basel III capital adequacy framework, whereas no such collateral netting is applicable in the consolidated financial statements.

- Based on the CBB's Basel III guidelines, certain exposures are either included in, or deducted from, regulatory capital rather than treated as an asset as in the consolidated financial statements.

More frequent valuations are also considered if warranted by market volatility and declining trend in valuations are observed. The basis of valuation for different types of securities such as equity, debt, and real estate is also clearly defined in the policies.

9 FUNDED, UNFUNDED AND AVERAGE CREDIT EXPOSURE

	Total funded credit exposure BD millions	Total un-funded credit exposure BD millions	Average quarterly credit exposure BD millions
Total gross credit exposures			
Sovereign	1,666.5	3.8	1,660.5
Public sector entities	19.0	-	18.5
Banks	484.5	41.5	442.7
Corporates	1,662.4	284.3	1,700.8
Regulatory retail and SME	588.5	-	539.0
Mortgage	180.6	-	163.0
Investment in securities	123.9	-	112.7
Past due exposures	23.8	-	26.0
Real estate	67.0	-	63.2
Other assets and cash items	114.8	-	119.1
Total credit risk exposures	4,931.0	329.6	4,845.5

Basel III Regulatory capital disclosures (continued)

31 December 2025

10 CONCENTRATION OF CREDIT RISK BY REGION (EXPOSURES SUBJECT TO RISK WEIGHTING)

	Gulf Cooperation Council (GCC) BD millions	North America BD millions	Europe BD millions	Asia BD millions	Others BD millions	Total BD millions
Cash and balances with central banks	582.6	-	-	4.0	-	586.6
Treasury bills	302.4	-	-	2.0	-	304.4
Deposits and amounts due from banks and other financial institutions	124.9	156.5	4.8	4.4	-	290.6
Loans and advances to customers	2,093.5	0.1	124.4	76.1	87.7	2,381.8
Investments in associates and joint ventures	34.1	-	-	-	-	34.1
Investment securities	882.9	10.2	166.4	49.9	81.5	1,190.9
Interest receivable, derivative and other assets	136.2	-	1.7	4.7	-	142.6
Total funded exposure	4,156.6	166.8	297.3	141.1	169.2	4,931.0
Unfunded commitments and contingencies	279.7	0.1	28.4	17.2	4.2	329.6
Total credit risk	4,436.3	166.9	325.7	158.3	173.4	5,260.6

11 CONCENTRATION OF CREDIT RISK BY INDUSTRY (EXPOSURES SUBJECT TO RISK WEIGHTING)

	Trading and manufacturing BD millions	Banks and other financial institutions BD millions	Construction and real estate BD millions	Government and public sector BD millions	Individuals BD millions	Others BD millions	Total BD millions
Cash and balances with central banks	-	18.9	-	567.7	-	-	586.6
Treasury bills	-	-	-	304.4	-	-	304.4
Deposits and amounts due from banks and other financial institutions	-	290.6	-	-	-	-	290.6
Loans and advances to customers	434.1	324.4	475.8	171.3	674.8	301.4	2,381.8
Investments in associates and joint ventures	-	34.1	-	-	-	-	34.1
Investment securities	120.9	210.4	12.8	760.4	-	86.4	1,190.9
Interest receivable, derivative and other assets	-	-	-	-	-	142.6	142.6
Total funded exposure	555.0	878.4	488.6	1,803.8	674.8	530.4	4,931.0
Unfunded commitments and contingencies	157.6	60.7	67.4	-	0.6	43.3	329.6
Total credit risk	712.6	939.1	556.0	1,803.8	675.4	573.7	5,260.6

12 CONCENTRATION OF CREDIT RISK BY MATURITY (EXPOSURES SUBJECT TO RISK WEIGHTING)

	Within 1 month BD millions	1 to 3 months BD millions	3 to 6 months BD millions	6 to 12 months BD millions	1 to 5 years BD millions	5 to 10 years BD millions	10 to 20 years BD millions	Above 20 years BD millions	Total BD millions
Cash and balances with central banks	473.9	-	-	-	-	-	-	112.7	586.6
Treasury bills	11.1	12.1	138.3	142.9	-	-	-	-	304.4
Deposits and amounts due from banks and other financial institutions	287.9	2.2	-	0.1	0.3	0.1	-	-	290.6
Loans and advances to customers	336.8	249.5	123.5	193.3	989.6	344.4	84.0	60.7	2,381.8
Investments in associates and joint ventures	-	-	-	-	-	-	-	34.1	34.1
Investment securities	26.5	17.3	66.0	20.2	456.1	258.1	294.9	51.8	1,190.9
Interest receivable, derivative and other assets	32.0	0.2	0.4	0.5	70.1	10.9	1.4	27.1	142.6
Total funded exposure	1,168.2	281.3	328.2	357.0	1,516.1	613.5	380.3	286.4	4,931.0
Unfunded commitments and contingencies	7.4	2.8	11.9	11.0	263.8	29.1	0.8	2.8	329.6
Total credit risk	1,175.6	284.1	340.1	368.0	1,779.9	642.6	381.1	289.2	5,260.6

13 IMPAIRED LOANS AND PROVISIONS

	Impaired loans Balance BD millions	Stage 3: Lifetime ECL credit-impaired BD millions	Stage 1: 12 month ECL and Stage 2: Lifetime ECL not credit-impaired BD millions	Stage 3: Net remeasurement of loss allowance for the year BD millions	Written off during the year BD millions
Trading and manufacturing	41.5	29.5	10.4	0.7	3.2
Banks and other financial institutions	-	-	0.3	(0.4)	-
Construction and real estate	14.1	7.8	2.9	4.0	0.1
Government and public sector	-	-	0.1	0.2	-
Individuals	15.2	10.2	5.5	3.8	3.3
Others	0.7	0.2	4.1	(0.4)	7.8
Total	71.5	47.7	23.3	7.9	14.4

14 AGEING OF IMPAIRED AND PAST DUE LOANS BY REGION

	GCC BD millions	Europe BD millions	Asia BD millions	Others BD millions	Total BD millions
3 months up to 1 year	14.5	-	-	-	14.5
1 to 3 years	38.1	-	0.2	-	38.3
Over 3 years	18.7	-	-	-	18.7
Total past due and impaired loans	71.3	-	0.2	-	71.5
Stage 1: 12-month ECL and stage 2: Lifetime ECL not credit-impaired	(22.6)	(0.2)	(0.1)	(0.4)	(23.3)
Stage 3: Lifetime ECL credit-impaired	(47.5)	-	(0.2)	-	(47.7)

15 AGEING OF IMPAIRED AND PAST DUE LOANS BY INDUSTRY

	Trading and manufacturing BD millions	Banks and other financial institutions BD millions	Construction and real estate BD millions	Government and public sector BD millions	Individuals BD millions	Others BD millions	Total BD millions
3 months up to 1 year	4.3	-	7.0	-	2.9	0.3	14.5
1 to 3 years	28.3	-	6.5	-	3.2	0.3	38.3
Over 3 years	8.9	-	0.6	-	9.1	0.1	18.7
Total past due and impaired loans	41.5	-	14.1	-	15.2	0.7	71.5

16 RESTRUCTURED LOANS

	BD millions
Loans restructured during the year	47.2
Impact of restructured facilities and loans on provisions	2.7

The above restructurings did not have any significant impact on present and future earnings and were primarily extensions of the loan tenor, revisions in interest rate, and additional collateral received.

17 MARKET RISK DISCLOSURES

The group applies the standardized approach for calculating market risk capital charges. The table below presents the capital charges as of 31 December 2025.

Asset class	Capital Charge			
	Amount BD millions	Maximum BD millions	Minimum BD millions	Average BD millions
Foreign exchange	0.33	0.51	0.09	0.16
Interest rate	0.36	0.68	0.09	0.36
Equity	0.06	0.12	0.00	0.01
Total minimum capital required for market risk	0.75			
Multiplier	12.50			
Market risk weighted exposure under the standardised method	9.43			

BBK maintains a prudent approach to Manage Market Risk exposures guided by Market Risk Policy and Procedure. The Position, Stoploss and VaR limits are monitored by Treasury Middle Office (reporting to Risk and Credit Management Department and Independent of Business unit) and a daily risk report is circulated to the Senior Management.

In addition to the above, the Treasury Middle Office also carries out valuation of the Investment Portfolio independently as per the internal policies and procedures. Furthermore, BBK also conducts Stress Testing and Back Testing of Market Risk positions.

18 CONCENTRATION RISK TO INDIVIDUALS WHERE THE TOTAL EXPOSURE IS IN EXCESS OF SINGLE OBLIGOR LIMIT OF 15%

	BD millions
Sovereign	1,509.0
Bank	137.1
Corporate	113.4
Total	1,759.5

19 CREDIT DERIVATIVES EXPOSURE

The Bank is not exposed to any credit derivatives as at 31 December 2025.

20 EQUITY POSITIONS IN THE BANKING BOOK

	BD millions
Publicly traded equity shares	75.2
Privately held equity shares	25.6
Total	100.8
Regulatory capital required 14.0%	14.1

21 NET GAINS ON EQUITY INSTRUMENTS

	BD millions
Realised losses in retained earnings (net)	-
Unrealised gains in CET1 Capital (net)	11.7

22 LEVERAGE RATIO

The leverage ratio is a simple ratio that serves as a supplementary measure to the risk-based capital requirements. It aims to constrain the build-up of leverage in banking sector, reinforce the risk-based requirements with a simple non-risk based "backstop" measure, and serve as a broad measure of both the on and off-balance sheet sources of bank leverage.

The leverage ratio is measured as Tier 1 Capital divided by Total Exposures. Total Exposures consist of on-balance sheet, off-balance sheet, derivatives and securities financing transactions exposures. As per CBB regulations, Bahraini banks must meet a 3% leverage ratio minimum requirement at all times, except for Domestic Systemically Important Banks (D-SIBs), where the minimum ratio is higher at 3.75%. Accordingly, as a D-SIB bank, the minimum ratio applicable for BBK is 3.75%. As of 31 December 2025, the leverage ratio for BBK stood at a healthy position of 11.38%.



Part IV Minutes



113 Minutes of the Ordinary General Assembly Meeting