

United Gulf Bank B.S.C. (c)

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

31 DECEMBER 2025

United Gulf Bank B.S.C. (c)
REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to submit its report and the audited consolidated financial statements of United Gulf Bank B.S.C. (c) ("the Bank") for the year ended 31 December 2025.

Principal activities and review of business developments

The principal activities of the Bank and its subsidiaries (together the "Group") comprise of investment and commercial banking. Investment banking include asset portfolio management, corporate finance, advisory, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking includes extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

Results for the year

During the year ended 31 December 2025, the Group recorded a net profit of US\$ 17.9 million (2024: net profit of US\$ 9.9 million) and total operating income of US\$ 118.4 million (2024: US\$ 97.0 million). The increase is mainly attributable to the recovery of the global and regional economies as compared to last year.

As of 31 December 2025, total assets of the Group were US\$ 838.8 million (2024: US\$ 737.8 million) with total equity of shareholders at US\$ 279.5 million (2024: US\$ 191.9 million).

Appropriations for the year

For the year ended 31 December 2025, the Board of Directors recommends that an allocation of US\$ 0.9 million (2024: nil) of net profit attributable to the Shareholders be done from retained earnings to the each of statutory and general reserves.

Remuneration of Board of Directors and Executive Management

As part of the Group's commitment to transparency and fair disclosures, below are the remunerations paid to the Directors and Executive management of the Bank for the year ended 31 December 2025:

Board of Directors' remuneration

Name	Fixed remunerations					Variable remunerations				Amount in BHD		
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Others	Total	Remunerations of the chairman and BOD	Incentive plans	Others	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance	
First: Independent Directors:												
1- Jawad Kadhem AlAsfoor	-	13,195	-	13,195	-	-	-	-	-	-	-	
2- Dr. Amant Khaled Bouresli	-	18,850	-	18,850	-	-	-	-	-	-	-	
3- Mohamed Sadiq AlRahma	-	13,195	-	13,195	-	-	-	-	-	-	-	
Second: Non-Executive Directors: NIL												
4- Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	-	-	-	-	-	-	-	-	-	-	-	
Third: Executive Directors:												
5- Antoine Jean Daher	-	-	-	-	-	-	-	-	-	-	-	
6- Amro Mohamed ElBanna	-	-	-	-	-	-	-	-	-	-	-	
7- Mishary Yousef AlEssa	-	-	-	-	-	-	-	-	-	-	-	
Total	-	45,240	-	45,240	-	-	-	-	-	-	-	

United Gulf Bank B.S.C. (C)
REPORT OF THE BOARD OF DIRECTORS

Remuneration of Board of Directors and Executive Management (continued)

Executive management's remuneration

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	923,068.394	-	77,845	1,000,913.394

Notes:

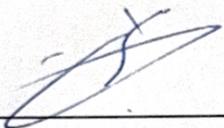
In line with the Service Level Agreement signed between UGB and UGH on 23 August 2017, the CEO, CFO, Corporate Secretary, the Chief Audit Executive & Corporate Secretary, Chief Compliance Officer, and other officers of UGB including the AML, risk management and shareholders/investor relations functions, perform their corresponding roles for UGH. There are hence no employees hired separately by UGH.

In the event it is deemed appropriate to pay certain UGB officers a variable, one-off compensation in lieu of the additional critical responsibilities undertaken by them on behalf of UGH, such compensation is approved by the NRC of UGB and disclosed appropriately.

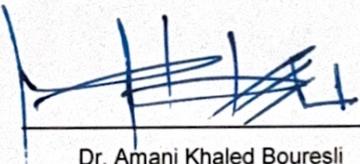
Auditors

Resolution for their appointment of the auditors of the Bank for the year ending 31 December 2026 will be put for approval of the Shareholders.

Signed on behalf of the Board of Directors



Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah
Chairman



Dr. Amani Khaled Bouresli
Independent Director

Date: 19 February 2026



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED GULF BANK B.S.C. (c)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Gulf Bank B.S.C. (c) ("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 income, comprehensive income, changes in equity and cash flows and 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 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information 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 report, we obtained the Report of the Board of Directors 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED GULF BANK B.S.C. (c) (continued)

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
UNITED GULF BANK B.S.C. (c) (continued)**

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

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the CBB and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, 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



Shape the future
with confidence

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
UNITED GULF BANK B.S.C. (c) (continued)**

Report on Other Legal and Regulatory Requirements (continued)

- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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

Partner's registration no. 295
19 February 2026
Manama, Kingdom of Bahrain

United Gulf Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

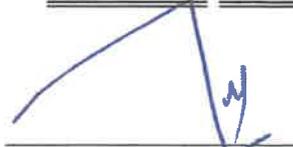
	Notes	2025 US\$ 000	2024 US\$ 000
ASSETS			
Demand and call deposits with banks	5	70,211	104,559
Treasury bills	5	48,031	4,844
Placements with banks	5	92,172	54,749
Investments carried at fair value through profit or loss	6	114,514	106,663
Investments carried at fair value through other comprehensive income	6	141,503	133,174
Loans and receivables	7	31,113	6,149
Other assets	8	52,807	48,937
Investment in associates	9	77,037	68,003
Investment properties	10	133,503	133,145
Property and equipment	11	17,858	17,173
Goodwill and other intangible assets	12	60,009	60,434
TOTAL ASSETS		838,758	737,830
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		137,395	112,078
Deposits from customers		24,580	17,078
Term loans	13	201,235	195,596
Other liabilities	14	73,540	72,734
Total liabilities		436,750	397,486
Equity			
Share capital	15	196,132	116,132
Share premium	15	5,687	5,687
Statutory reserve	15	54,982	54,034
General reserve	15	4,713	3,765
Fair value reserve	16	20,695	21,286
Foreign currency translation reserve	15	(6,177)	(5,923)
Retained earnings / (Accumulated deficit)		3,440	(3,097)
Equity attributable to the shareholders of the Parent		279,472	191,884
Perpetual Additional Tier 1 Capital	17	-	33,000
Non-controlling interests		122,536	115,460
Total equity		402,008	340,344
TOTAL LIABILITIES AND EQUITY		838,758	737,830



Sheikh Abdullah Nasser Al Sabah
Chairman



Antoine Jean Daher
Vice Chairman



Hussain Lalan
Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

United Gulf Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

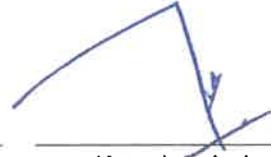
	Notes	2025 US\$ 000	2024 US\$ 000
Interest income	18	7,035	7,741
Investment income - net	19	38,796	25,655
		45,831	33,396
Fees and commissions - net	20	62,891	56,706
Foreign exchange gain - net		221	678
Share of results of associates	9,21	9,440	6,199
Total income		118,383	96,979
Interest expense	22	(17,739)	(21,071)
Operating income before expenses and expected credit losses		100,644	75,908
Salaries and benefits		(49,761)	(41,644)
General and administrative expenses		(32,358)	(21,961)
Operating income before expected credit losses		18,525	12,303
Allowances for expected credit losses	7,8	(255)	(1,697)
Profit before tax		18,270	10,606
Tax expense		(407)	(756)
Net profit for the year		17,863	9,850
Net profit attributable to non-controlling interests		8,388	5,744
Net profit attributable to shareholders of the Parent		9,475	4,106



 Sheikh Abdullah Nasser Al Sabah
 Chairman



 Antoine Jean Daher
 Vice Chairman



 Hussain Lalani
 Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

United Gulf Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 US\$ 000	2024 US\$ 000
Net profit for the year		17,863	9,850
Other Comprehensive Income (OCI)			
Items that will not be reclassified to profit or loss in subsequent periods			
Fair value changes of equity investments carried at fair value through other comprehensive income		3	(4,994)
Share of other comprehensive income of associates		23	-
		26	(4,994)
Items that may be reclassified to profit or loss in subsequent periods			
Foreign currency translation adjustments		(465)	711
Share of other comprehensive income of associates	9	-	3,111
Net change of cash flow hedges	16	(368)	(47)
		(833)	3,775
Other comprehensive loss for the year		(807)	(1,219)
Total comprehensive income for the year		17,056	8,631
Total comprehensive income attributable to:			
- Shareholders of the Parent		8,803	3,646
- Non-controlling interests		8,253	4,985
		17,056	8,631

The attached notes 1 to 29 form part of these consolidated financial statements.

United Gulf Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	<i>Attributable to shareholders of the Parent</i>										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Total	Perpetual Additional Tier 1 Capital	Non-controlling interests	Total equity
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January 2025	116,132	5,687	54,034	3,765	21,286	(5,923)	(3,097)	191,884	33,000	115,460	340,344
Net profit for the year	-	-	-	-	-	-	9,475	9,475	-	8,388	17,863
Other comprehensive loss	-	-	-	-	(418)	(254)	-	(672)	-	(135)	(807)
Total comprehensive (loss) income for the year	-	-	-	-	(418)	(254)	9,475	8,803	-	8,253	17,056
Increase in issued and paid up share capital (note 15)	80,000	-	-	-	-	-	-	80,000	-	-	80,000
Interest payment on Perpetual Tier 1 Capital	-	-	-	-	-	-	(2,214)	(2,214)	-	-	(2,214)
Repayment of Perpetual Tier 1 Capital (note 17)	-	-	-	-	-	-	-	-	(33,000)	-	(33,000)
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	(173)	-	173	-	-	-	-
Transfer from retained earnings to reserves (note 15)	-	-	948	948	-	-	(1,896)	-	-	-	-
Additional acquisition in a subsidiary	-	-	-	-	-	-	999	999	-	(1,453)	(454)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	276	276
Balance at 31 December 2025	196,132	5,687	54,982	4,713	20,695	(6,177)	3,440	279,472	-	122,536	402,008
Balance at 1 January 2024	116,132	5,687	54,034	3,765	14,641	(6,505)	4,007	191,761	33,000	119,815	344,576
Net profit for the year	-	-	-	-	-	-	4,106	4,106	-	5,744	9,850
Other comprehensive (loss) income	-	-	-	-	(1,042)	582	-	(460)	-	(759)	(1,219)
Total comprehensive (loss) income for the year	-	-	-	-	(1,042)	582	4,106	3,646	-	4,985	8,631
Transfer upon disposal of equity investments carried at fair value through OCI	-	-	-	-	(654)	-	654	-	-	-	-
Other movements in associate	-	-	-	-	8,341	-	(8,341)	-	-	-	-
Interest payment on Tier 1 capital	-	-	-	-	-	-	(3,523)	(3,523)	-	-	(3,523)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	(9,340)	(9,340)
Balance at 31 December 2024	116,132	5,687	54,034	3,765	21,286	(5,923)	(3,097)	191,884	33,000	115,460	340,344

The attached explanatory notes 1 to 29 form part of these consolidated financial statements

United Gulf Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	2025 US\$ 000	2024 US\$ 000
OPERATING ACTIVITIES			
Profit before tax		18,270	10,606
Adjustments for non-cash items:			
Depreciation and amortisation	11,12	4,193	3,686
Share of results of associates	21	(9,440)	(6,199)
Allowances for expected credit losses		255	1,697
Unrealised gain on investments carried at fair value through profit or loss	19	(9,924)	(3,825)
Realised gain on investments carried at fair value through profit or loss	19	(4,026)	(3,503)
Unrealised gain on investment properties	10,19	(632)	(5,985)
Interest income	18	(7,035)	(7,741)
Interest expense	22	17,739	21,071
Operating profit before changes in operating assets and liabilities		9,400	9,807
Changes in operating assets and liabilities:			
Placements with banks		(13,193)	12,745
Investments carried at fair value through profit or loss		6,099	28,939
Investments carried at fair value through other comprehensive income		(6,691)	(8,202)
Loans and receivables		(24,964)	13,834
Other assets		(3,479)	15,627
Due to banks and other financial institutions		25,317	(9,432)
Deposits from customers		7,502	1,163
Other liabilities		1,256	(14,163)
Interest received		6,656	10,889
Interest paid		(18,161)	(23,838)
Directors' remuneration		(100)	(95)
Net cash flow (used in) from operating activities		(10,358)	37,274
INVESTING ACTIVITIES			
Purchase of Treasury Bills		(43,187)	-
Investment in associates - net		-	5,503
Property and equipment - net	11	(2,961)	(2,168)
Purchase of intangible assets	12	(1,518)	(421)
Net cash flow (used in) from investing activities		(47,666)	2,914
FINANCING ACTIVITIES			
Term loans obtained (repaid)		5,639	(8,026)
Increase in issued and paid up Share Capital		80,000	-
Repayment of Perpetual Tier 1 Capital		(33,000)	-
Interest payment on Perpetual Tier 1 Capital		(2,214)	(3,523)
Movement in non-controlling interests		276	(7,995)
Net cash flow from (used in) financing activities		50,701	(19,544)
Foreign currency translation adjustments		13,336	(4,839)
NET CHANGE IN CASH AND CASH EQUIVALENTS		6,013	15,805
Cash and cash equivalents at 1 January		159,179	143,374
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	165,192	159,179

The attached notes 1 to 29 form part of these consolidated financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

United Gulf Bank B.S.C. (c) ("UGB" or the "Bank") is a closed joint stock company incorporated in the Kingdom of Bahrain in 1980, under Commercial Registration number 10550. The Bank's registered office is situated at UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, Kingdom of Bahrain.

The Bank operates in the Kingdom of Bahrain under a Wholesale Banking License of Volume 1 issued by the Central Bank of Bahrain (the "CBB").

The principal activities of the Bank and its subsidiaries (together the "Group") comprise of investment and commercial banking activities. Investment banking includes asset and portfolio management, corporate finance, advisory, investment in quoted and private equity funds, real estate, capital markets, international banking and treasury functions. Commercial investment banking includes extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

During the year, Burgan Bank K.P.S.C ("Burgan" or the "Parent") acquired 100% shares of the Bank from United Gulf Holding Company ("UGH"). The ultimate holding company is Kuwait Projects Company Holding K.S.C.P. ("KIPCO" or the "Ultimate Parent"). Both Burgan and KIPCO are incorporated in the State of Kuwait as a public share holding companies and are listed on the Kuwait Stock Exchange (Boursa Kuwait).

These consolidated financial statements were authorised for issue by the Board of Directors on 19 February 2026.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance and framework

The consolidated financial statements of the Group are prepared in accordance with the relevant provisions of the Bahrain Commercial Companies Law, directives, regulations and associated resolutions, rules and procedures of the CBB, which require the preparation of financial statements under IFRS Accounting Standards as issued by the International Standards Accounting Board (IASB).

2.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment properties and financial instruments designated at Fair Value Through Profit or Loss (FVTPL) and at Fair Value Through Other Comprehensive Income (FVOCI), which have been measured at fair value. The Group has prepared its consolidated financial statements on the basis that it will continue to operate as a going concern.

Certain corresponding figures have been reclassified in order to conform to the presentation of the consolidated financial statements for the current period. Such reclassifications did not affect previously reported net profit and total equity of the Group.

2.3 Presentation and functional currency

The consolidated financial statements have been presented in United States Dollar (US\$), which is also the functional currency of the Bank and all the amounts reported in the consolidated financial statements are rounded to the nearest US\$ thousands, unless otherwise indicated.

2.4 New and amended 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 consolidated financial statements for the year ended 31 December 2024, except for the adoption of new and amended standards and interpretations effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 New and amended standards, interpretations and amendments adopted by the Group (continued)

The following new amendments to the accounting standards became effective as of 1 January 2025 and have been adopted by the Group in preparation of these consolidated financial statements as applicable.

2.4.1 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.

The amendments had no impact on the Group's consolidated financial statements.

2.5 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as at 31 December 2025 and 2024. The reporting dates of the subsidiaries and the Bank are identical and the subsidiaries' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group 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. 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation (continued)

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

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

The principal subsidiaries of the Bank are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership at</i>		<i>Year of incorporation</i>
		<i>31 December 2025</i>	<i>2024</i>	
<i>Held directly</i>				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	60%	60%	1998
<i>Partly held directly and partly through KAMCO</i>				
Manafae Investment Company	Kuwait	58%	54%	2005
N.S. 88	Bahrain	77%	77%	2007
<i>Held through KAMCO</i>				
Kuwait Private Equity Opportunities Fund	Kuwait	73%	73%	2004
KAMCO Global Fund (formerly KAMCO GCC Opportunis	Kuwait	98%	97%	2013
KAMCO Mena Plus Fixed Income Fund (OEIC) Limited	UAE	54%	56%	2019
Al Jazi Money Market Fund	Kuwait	51%	51%	2007
Buckeye Power Manager Limited	Jersey	100%	100%	2017
Buckeye Power Advisory Company LLC	USA	48%	48%	2017
HP Plaza Investor Inc.	USA	100%	100%	2019
Centerstone Investor Inc	USA	100%	100%	2021
Lawson Lane Investor Inc.	USA	100%	100%	2020
KAMCO Investment Company - Saudia	KSA	100%	100%	2013
First Securities Brokerage Company K.S.C (Closed) ("FS	Kuwait	93%	93%	1985
1925 Investor Inc.	Jersey	100%	100%	2022
American Blvd Investor, Inc	USA	100%	100%	2022
Kamco Investment Company Ltd	UK	100%	100%	2023
KAMCO Investment Company (DIFC) Limited	UAE	100%	100%	2016
EGLS Holdings, s.r.o.	Czechia	60%	0%	2025
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	100%	96%	2017
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	100%	96%	2017
Kubbar United Real Estate Company (SPC)	Kuwait	100%	100%	2017
Plans United Real Estate Company (SPC)	Kuwait	100%	100%	2017

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies

2.6.1 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of income.

2.6.2 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate / joint venture at the date of the acquisition. Goodwill arising on the acquisition of an associate / joint venture is included in the carrying amount of the respective associate / joint venture and, therefore, is not separately tested for impairment. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the consolidated statement of financial position.

Goodwill acquired in a 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 Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities acquired.

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 re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs to sell, and its value in use. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a part of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.2 Goodwill and other intangible assets (continued)

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or definite.

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

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

2.6.3 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence 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.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's consolidated OCI. In addition, when there has been a change recognised directly in the equity of the associate, 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 are eliminated to the extent of the Group's interest in the associate.

The financial statements of associates are prepared for the same reporting period as that of 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 investments in its associates. At each reporting date, the Group determines whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and then recognises the loss in the consolidated statement of income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.3 Investments in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

2.6.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

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

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in consolidated statement of income. Immediately after initial recognition, an Expected Credit Loss ("ECL") is recognised for financial assets measured at amortised cost and for debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of income.

When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the day 1 profit or loss as follows:

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

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI; or
- FVTPL;

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than derivatives, are measured at amortised cost. Derivative instruments are classified at FVTPL.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets

Classification and subsequent measurement

The classification requirements for financial assets is as below:

(a) Debt type instrument classification and subsequent measurement:

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset i.e. Solely Payments of Principal and Interest (SPPI) test.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised. Interest income from these financial assets is included in 'Interest income' using Effective Interest Rate ("EIR")
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income and recognised in 'Investment income - net'. Interest income from these financial assets is included in 'Interest income' using the EIR method.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in consolidated profit or loss and presented in the consolidated statement of income within 'Investment income - net' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets (continued)

Classification and subsequent measurement (continued)

(a) Debt type instrument classification and subsequent measurement (continued):

Business model (continued)

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

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

SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

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

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

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

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

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

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

(b) Equity type instruments: classification and subsequent measurement

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets (continued)

Classification and subsequent measurement (continued)

(b) Equity type instruments: classification and subsequent measurement (continued)

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to consolidated statement of income, including on disposal. Equity investments at FVOCI are not subject to impairment assessment. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVOCI, are recognised at FVTPL.

Financial assets at FVTPL

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at FVOCI if by doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Changes in fair values gain and losses, financing income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Dividends are recognised in the consolidated statement of income within 'Investment income - net' when the Group's right to receive payments is established.

Impairment

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

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

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets (continued)

Impairment (continued)

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: an estimate is made for the expected portion of the loan commitment that are drawn down over the expected life of the loan commitment; and then a calculation is made for the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and
- financial guarantee contracts: ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

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

- Stage 1 – Performing: when assets are first recognised, the Group recognises an allowance based up to 12-month ECL.
- Stage 2 – Significant Increase in Credit Risk (SICR): when an assets shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 – Credit-impaired: the Group recognises the lifetime ECL for these loans.

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

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

No impairment is recorded on equity investments.

Stage 1

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets (continued)

Impairment (continued)

Measurement of ECL (continued)

Stage 2

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

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks.

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

Stage 3

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of 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.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, an asset that is overdue for 90 days or more is considered impaired.

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.5 Financial assets (continued)

Impairment (continued)

Measurement of ECL (continued)

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

Forward looking information

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

The Group considers forward-looking information such as macroeconomic factors (e.g., GDP growth, inflation and unemployment rates) and economic forecasts.

The Group uses internal information coming from internal economic experts, combined with published external information from government and private economic forecasting services. These forward looking assumptions undergo an internal governance process before they are applied for different scenarios.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss 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 the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Limitation of estimation techniques

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

Experience credit adjustment

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

2.6.6 Financial liabilities

Financial liabilities comprise of due to banks and other financial institutions, deposits from customers, term loans, and other liabilities. Financial liabilities are classified as either FVTPL or at amortised cost. In case of financial liabilities at FVTPL, all fair value movements are taken to profit or loss, except for gains or losses arising from changes to issuers' credit rating which is presented in OCI with no subsequent reclassification to profit or loss. As of the reporting date, all financial liabilities of the Group (apart from derivatives) are classified as at amortised cost.

Classification and subsequent measurement

Gains or losses arising from a change in the entity's own credit risk are presented in OCI with no subsequent reclassification to the consolidated statement of income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.7 Derivatives and hedging activities

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps and forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
- (b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or
- (c) Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as interest income / expense, as the case may be.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income.

Amounts accumulated in equity are recycled to the consolidated statement of income in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the income or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the consolidated statement of income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.7 Derivatives and hedging activities (continued)

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income. Gains and losses accumulated in equity are reclassified in the consolidated statement of income when the foreign operation is disposed of as part of the gain or loss on the disposal.

(d) 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 loan, 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 amounts 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 cross-currency swaps, notional amounts are exchanged in different currencies. For cross-currency interest rate swaps, notional amounts and fixed and floating interest payments 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.

(e) Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments, forecasted transactions as well as strategic hedging against overall statement of financial position exposures. For interest rate risk this is carried out by monitoring the duration of assets and liabilities using simulations to estimate the level of interest rate risk and entering into interest rate swaps and futures to hedge a proportion of the interest rate exposure, where appropriate. Since strategic hedging does not qualify for special hedge accounting, related derivatives are accounted for as trading instruments.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified loans and securities bearing floating interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

(f) Hedge strategies

The Group applies hedge accounting in two separate hedging strategies, as follows:

(i) Interest rate risk on floating rate debt type instruments (cash flow hedge)

The Group holds a long-term variable loan and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages this risk exposure by entering into pay fixed / receive floating interest rate swaps.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.7 Derivatives and hedging activities (continued)

(f) Hedge strategies (continued)

(i) Interest rate risk on floating rate debt type instruments (cash flow hedge) (continued)

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term variable / fixed rate loans and securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a cash flow hedge and its effectiveness is assessed by comparing changes in the fair value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
- counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

(ii) Net investment in foreign operation (net investment hedge)

The Group has investments in foreign operations which are consolidated and equity accounted for in these financial statements. The foreign exchange rate exposure arising from this investment is hedged through the use of forward exchange contracts. These contracts are designated as net investment hedges to hedge the equity of the foreign operations. The Group establishes the hedging ratio by matching the contracts with the net assets of the foreign operations.

(g) Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of exposures to fluctuations in foreign exchange rates, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness.

In hedges of foreign currency exposures, ineffectiveness may arise if the timing of the cash flows changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. In cases, where the Group does not hedge 100% of its loans, the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency. It may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.8 Fair value measurement

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 economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The Group measures financial instruments, such as, derivatives, investments carried at FVTPL and FVOCI and non-financial assets such as investment properties, at fair value at each reporting date.

For financial instruments traded in an active market, fair value is determined by reference to quoted market bid prices for assets and quoted market offer prices for liabilities, without deduction for transaction costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.8 Fair value measurement (continued)

For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques may include the following:

- brokers' quotes;
- recent arm's length market transactions;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- option pricing models; and
- other valuation methods.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date with the resulting value discounted back to present value.

The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

2.6.9 Derecognition

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

- (a) the right to receive cash flows from the asset have expired;
- (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- (c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

2.6.10 Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. 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. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to consolidated statement of income.

2.6.11 Investment properties

All properties held for rental or for capital appreciation purposes, or both, are classified as investment properties. Where a property is partially occupied by the Group and the portions could be sold separately, the Group accounts for the portions separately either as an investment property or property and equipment, as appropriate. If the portions cannot be sold separately, the property is classified as an investment property only if an insignificant portion is held for own use.

The Group applies the fair value model of accounting for investment properties. All investment properties are initially recorded at cost, including acquisition expenses associated with the property.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.11 Investment properties (continued)

Subsequent to initial recognition, all investment properties are remeasured at fair value and changes in fair value are recognised in the consolidated statement of income. The Group engages independent valuation specialists to determine the fair value of investment properties. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of Income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.6.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the consolidated statement of financial position and any gain or loss resulting from disposal is included in the consolidated statement of income.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation is provided on all property and equipment, except land and work in progress, at rates calculated to write off the cost of each asset on a straight line basis to their residual values over its expected useful life which is between 3 to 5 years for all property and equipment, except for certain building fixtures and fittings which are depreciated over expected useful life of 10 years and building civil structure, which is depreciated over its expected useful life of 20 years.

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

2.6.13 Cash and cash equivalents

Cash and cash equivalents include cash, demand and call deposits, highly liquid investments that are readily convertible into cash and placements (excluding escrow balances) with original maturities up to ninety days from the date of acquisition. These cash and cash equivalents are readily convertible to known amount of cash and subject to as insignificant changes in value.

2.6.14 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

2.6.15 Dividends on ordinary shares

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.15 Dividends on ordinary shares (continued)

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.6.16 Taxes

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Pillar 2 Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) agreed to a two-pillar solution to address tax challenges arising from the digitalization of the economy. Under Pillar 2, multinational entities whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15%.

Currently the Group's revenue does not exceed EUR 750 million but may be exposed to the global minimum tax by virtue of the Ultimate Parent Company which is domiciled and operating in the State of Kuwait. The Kingdom of Bahrain issued Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a Domestic Minimum Top-up Tax ("DMTT"). This law is applicable to Multi National Enterprises (MNEs) with consolidated annual revenues equal to or exceeding Euro 750 million during 2 of the previous 4 years. MNEs in scope of the law will be subject to a tax of 15% on their profits generated in the Kingdom of Bahrain for fiscal years commencing on or after 1 January 2025.

The Ultimate Parent Company is located in the State of the Kuwait and constitute as Ultimate Parent Entity (UPE) for the purpose of the DMTT law for the Group. The Ultimate Parent Company, as the Group Tax Function, is responsible for computing the Top-up Tax for each jurisdiction, leveraging its oversight and access to all entities across sub-groups and will be responsible for computation and allocation of the amounts to each sub-group for financial reporting purposes. In line with the above responsibility as UPE under the DMTT law, the Ultimate Parent Company has performed an estimated Top-Up Tax computation at Bahrain jurisdiction level, aggregating all the entities located in Bahrain.

Based on the estimated calculation, the jurisdiction is in a Globe loss position, and accordingly, no top-up tax liability is expected to arise in Bahrain for the year 2025. Consequently, no DMTT liability is recorded in the consolidated financial statements of the Group. The Group applies the mandatory and temporary exception from recognising and disclosing information on the associated deferred tax assets and liabilities as required by the amendments to IAS 12 'International Tax Reform Pillar Two Model Rules'.

For the year ended 31 December 2025, the tax expense disclosed in the consolidated statement of income represents contributions to the Kuwait Foundation for the Advancement of Sciences (KFAS) made by a subsidiary of the Bank.

2.6.17 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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6.18 Employees benefits

The Group provides for end of service benefits to all its employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. National employees of the Bank are also covered by the Social Insurance Organisation scheme and the Bank's obligations are limited to the amount contributed to the scheme.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.19 Provisions

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

2.6.20 Foreign currencies

The consolidated financial statements have been presented in US Dollars being the functional currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

a) Translation of foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange differences arising on the retranslation of monetary items, are included in consolidated statement of income for the year. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary investments carried at fair value through profit or loss are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of investments carried at fair value through other comprehensive income, are recognised in a fair value reserve through the consolidated statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

b) Translation of financial statements of foreign operations

Assets (including goodwill) and liabilities of foreign operations are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at average exchange rates for the relevant period. All resulting exchange differences are taken to a foreign currency translation reserve in equity through OCI.

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in the consolidated statement of income.

2.6.21 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:

(i) Interest income and expense

Interest income and related fees are recognised using the effective yield method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Recognition of interest income is suspended when the related financial asset becomes impaired.

(ii) Fees and commission income

Commission income and other fees are recognised when earned.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 Summary of material accounting policies (continued)

2.6.21 Recognition of income and expenses (continued)

(iii) Performance-based fees

Performance-based fees is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The recognition of performance-based fees requires significant judgement and is unlikely to be recognised in full until it is crystallised or is no longer subject to clawback.

(iv) Advisory income

The Group applies significant judgement to identify the performance obligations in an advisory service contract and whether each service is capable of being distinct in the context of contract. Revenue from these performance obligations are recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

(v) Rental income

Rental income on investment properties is recognised on a straight line basis.

(vi) Dividend income

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

2.6.22 Contingent liabilities and contingent assets

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

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

2.6.23 Financial guarantee contracts and commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the contract. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

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

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

2.7 Significant assumptions, accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made the following assumptions, judgements and estimates in determining the amounts recognised in the consolidated financial statements:

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.7 Significant assumptions, accounting judgements and estimates (continued)

Significant assumptions and accounting judgements

a) Classification of financial assets

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:

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

SPPI test:

Classification of financial assets in the appropriate category depends upon the business model and SPPI test. Determining the appropriate business model and assessing whether the cash flows generated by the financial asset meet the SPPI test is complex and requires significant judgements by management.

The Group applies judgement while carrying out SPPI test and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

b) 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, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Estimates

a) Impairment of goodwill and intangible assets

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The key assumptions and estimates used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 12 to these consolidated financial statements.

b) 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, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.7 Significant assumptions, accounting judgements and estimates (continued)

Estimates (continued)

c) Allowance for expected credit losses on financial assets

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

d) Estimate of fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to assess fair value as at 31 December 2025 for investment properties and land and building.

The best evidence of fair value is current prices in an active market for a property in a similar location and condition subject to similar lease. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The 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 new and amended standards and interpretations, if applicable, when they become effective.

3.1 IFRS 18 Presentation and Disclosure in Financial Statements

In April 2025, 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 (PFS) 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 impact of above amendments on the primary consolidated financial statements and notes to the consolidated financial statements.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

3.2 IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2025, 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.

As the Group's consolidated financial statements are prepared in accordance with IFRS Accounting Standards and are publicly disclosed through the Group's website, the Group is not eligible to elect to apply IFRS 19.

3.3 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.
- 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 Group does not anticipate that the amendments will have a material effect on its consolidated financial statements.

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

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

The Group does not expect that the amendments will have a material impact on its consolidated financial statements.

4 FINANCIAL ASSETS AND LIABILITIES

The table below summarises the accounting classification of the Group's financial assets and financial liabilities:

	<i>At FVTPL</i>	<i>At FVOCI</i>	<i>Amortised</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>cost</i>	<i>US\$ 000</i>
31 December 2025			<i>US\$ 000</i>	
Demand and call deposits with banks	-	-	70,211	70,211
Treasury bills	-	-	48,031	48,031
Placements with banks	-	-	92,172	92,172
Investments carried at fair value through profit or loss	114,514	-	-	114,514
Investments carried at fair value through other comprehensive income	-	141,503	-	141,503
Loans and receivables	-	-	31,113	31,113
Other assets	968	1,146	49,130	51,244
Total financial assets	115,482	142,649	290,657	548,788
Due to banks	-	-	137,395	137,395
Deposits from customers	-	-	24,580	24,580
Term loans	-	-	201,235	201,235
Other liabilities	711	49	72,647	73,407
Total financial liabilities	711	49	435,857	436,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4 FINANCIAL ASSETS AND LIABILITIES (continued)

	<i>At FVTPL</i>	<i>At FVOCI</i>	<i>Amortised</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>cost</i>	<i>US\$ 000</i>
<i>31 December 2024</i>			<i>US\$ 000</i>	
Demand and call deposits with banks	-	-	104,559	104,559
Treasury bills	-	-	4,844	4,844
Placements with banks	-	-	54,749	54,749
Investments carried at fair value through profit or loss	106,663	-	-	106,663
Investments carried at fair value through other comprehensive income	-	133,174	-	133,174
Loans and receivables	-	-	6,149	6,149
Other assets	5,110	775	41,666	47,551
Total financial assets	111,773	133,949	211,967	457,689
Due to banks	-	-	112,078	112,078
Deposits from customers	-	-	17,078	17,078
Term loans	-	-	195,596	195,596
Other liabilities	4,657	-	67,924	72,581
Total financial liabilities	4,657	-	392,676	397,333

5 CASH AND CASH EQUIVALENTS

	2025	2024
	US\$ 000	US\$ 000
Demand and call deposits with banks	70,211	104,559
Treasury bills	48,031	4,844
Placements with banks	92,172	54,749
	210,414	164,152
<i>Adjusted for:</i>		
Mandatory reserves	(318)	(318)
Time deposits having original maturities of more than 90 days	(17,848)	(4,655)
Treasury bills having original maturities of more than 90 days	(27,056)	-
Cash and cash equivalents	165,192	159,179

6 INVESTMENT SECURITIES

	2025		
	<i>At FVTPL</i>	<i>At FVOCI</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Quoted investments			
Equities	14,400	26,113	40,513
Debt securities	12,669	-	12,669
Total quoted investments	27,069	26,113	53,182
Unquoted investments			
Equities	7,963	114,958	122,921
Debt securities	854	-	854
Managed funds	78,628	432	79,060
Total unquoted investments	87,445	115,390	202,835
Total investments	114,514	141,503	256,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

6 INVESTMENT SECURITIES (continued)

	<i>2024</i>		
	<i>At FVTPL</i> <i>US\$ 000</i>	<i>At FVOCI</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Quoted investments			
Equities	14,892	28,127	43,019
Debt securities	11,638	-	11,638
Total quoted investments	<u>26,530</u>	<u>28,127</u>	<u>54,657</u>
Unquoted investments			
Equities	15,571	104,573	120,144
Debt securities	325	-	325
Managed funds	64,237	474	64,711
Total unquoted investments	<u>80,133</u>	<u>105,047</u>	<u>185,180</u>
Total investments	<u><u>106,663</u></u>	<u><u>133,174</u></u>	<u><u>239,837</u></u>

7 LOANS AND RECEIVABLES

	<i>Stage 1</i> <i>US\$ 000</i>	<i>Stage 2</i> <i>US\$ 000</i>	<i>Stage 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
At 31 December 2025				
Loans to customers	28,985	-	7,740	36,725
Staff loans	2,278	-	-	2,278
	<u>31,263</u>	<u>-</u>	<u>7,740</u>	<u>39,003</u>
Less: Expected credit losses	(150)	-	(7,740)	(7,890)
	<u><u>31,113</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>31,113</u></u>
At 31 December 2024				
Loans to customers	4,217	-	7,830	12,047
Staff loans	1,984	-	-	1,984
	<u>6,201</u>	<u>-</u>	<u>7,830</u>	<u>14,031</u>
Less: Expected credit losses	(52)	-	(7,830)	(7,882)
	<u><u>6,149</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>6,149</u></u>

Stage 1 loans in the table above were neither past due nor impaired as of 31 December 2025 (31 December 2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

7 LOANS AND RECEIVABLES (continued)

The movements in the expected credit losses is as follows:

	2025			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2025	52	-	7,830	7,882
Net remeasurement of loss allowances	98	-	(90)	8
As at 31 December 2025	150	-	7,740	7,890

	2024			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2024	337	-	7,840	8,177
Transfers between stages	(285)	-	285	-
Net remeasurement of loss allowances	-	-	(274)	(274)
Written-off during the year	-	-	(2)	(2)
Foreign exchange and other adjustments	-	-	(19)	(19)
As at 31 December 2024	52	-	7,830	7,882

8 OTHER ASSETS

	2025 US\$ 000	2024 US\$ 000
Due from customers	61,934	54,690
Derivative asset (note 25)	2,114	5,885
Accounts receivable	3,571	3,742
Interest receivable	1,154	775
Prepayments	1,563	1,386
Gross receivables	70,336	66,478
Less: Expected credit losses	(17,529)	(17,541)
Net receivables	52,807	48,937

The movement in the expected credit losses is as follows:

	2025			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 1 January 2025	17,541	-	-	17,541
Transfers between stages	(154)	-	154	-
Net remeasurement of loss allowances	247	-	-	247
Written-off during the year*	-	-	(154)	(154)
Foreign exchange and other adjustments	(105)	-	-	(105)
As at 31 December 2025	17,529	-	-	17,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

8 OTHER ASSETS (continued)

	2024			<i>Total</i> US\$ 000
	<i>Stage 1</i> US\$ 000	<i>Stage 2</i> US\$ 000	<i>Stage 3</i> US\$ 000	
As at 1 January 2024	15,889	-	-	15,889
Transfers between stages	(419)	-	419	-
Net remeasurement of loss allowances	2,001	-	(30)	1,971
Written-off during the year*	-	-	(389)	(389)
Foreign exchange and other adjustments	70	-	-	70
As at 31 December 2024	<u>17,541</u>	<u>-</u>	<u>-</u>	<u>17,541</u>

*As at 31 December 2025, the Bank has written off certain financial assets for which no enforcement or recovery efforts are being pursued (2024: same).

9 INVESTMENT IN ASSOCIATES

	<i>Name</i>	<i>Activity</i>	2025		2024	
			<i>Carrying value</i> US\$ 000	<i>Ownership</i> %	<i>Carrying value</i> US\$ 000	<i>Ownership</i> %
a)	Kamco Investment Fund	Fund	53,373	44	44,395	44
b)	KAMCO Real Estate Yield Fund	Real estate	5,491	36	5,658	36
c)	North Africa Holding Company	Investments	16,496	47	16,171	47
d)	United Capital Transport Company K.S.C.C.	Transport	1,671	40	1,773	40
	Others	Various	6	Various	6	Various
			<u>77,037</u>		<u>68,003</u>	

a) The Group holds a 44% (2024: 44%) equity interest in KAMCO Investment Fund ("KIF") through its subsidiary KAMCO.

b) The Group holds a 36% (2024: 36%) equity interest in KAMCO Real Estate Yield Fund through its subsidiary KAMCO.

c) The Bank directly owns 37% and indirectly owns 10% through its subsidiary KAMCO (2024: directly 37% and indirectly 10% through KAMCO), in North Africa Holding Company (NAHC), a closed company incorporated in the State of Kuwait in 2006.

d) United Capital Transport Company K.S.C.C. (UniCap) was incorporated in State of Kuwait in 2011. The Group owns a 40% (2024: 40%) equity interest through its subsidiary KAMCO. UniCap is a dedicated leasing solutions provider to governments, international oil companies and varied construction, mining and industrial services businesses.

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2025 and 2024 on behalf of its associates.

The Group's recoverable amount of investments in associates was in excess of their carrying values and accordingly, no impairment was recognised during the year ended 31 December 2025 (2024: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

9 INVESTMENT IN ASSOCIATES (continued)

The following table reconciles the movements in investment in associates:

	2025	2024
	US\$ 000	US\$ 000
At 1 January	68,003	60,386
Additions *	-	53,413
Share of results	9,440	6,199
Dividend received	(232)	(1,241)
Share of other comprehensive income	23	3,111
Foreign currency translation adjustment	(197)	(329)
Net transfers *	-	2,551
Disposals *	-	(56,087)
At 31 December	77,037	68,003

*In the year ended 31 December 2024, the Group made an investment in a Special Purpose Vehicle ("SPV Entity") and subsequently disposed majority interest in the SPV Entity with the remaining interest amounting to US\$ 2,551 thousand reclassified to investments held at fair value through other comprehensive income.

Investments in material associates

Kamco Investment Fund ("KIF") is considered by the Group as a material associate. Presented below is the financial information of KIF.

	2025	2024
	US\$ 000	US\$ 000
Summarised statement of financial position:		
Total assets	120,561	100,937
Total liabilities	357	773
Equity	120,204	100,164
Group's ownership in equity of associate	44%	44%
	2025	2024
	US\$ 000	US\$ 000
Group's ownership in equity as at 31 December	53,370	44,182
Carrying amount of investment in KIF	53,373	44,395
Summarised statement of income:		
Revenue	22,905	14,639
Expenses	(2,230)	(2,030)
Profit for the year	20,675	12,609
Other comprehensive income for the year	-	-
Total comprehensive income for the year	20,675	12,609

9 INVESTMENT IN ASSOCIATES (continued)**Investments in associates that are not individually significant**

The aggregate summarised financial information of the Group's associates that are not individually significant is provided below:

	2025	2024
	US\$ 000	US\$ 000
Group's share of the operations of associates		
Net revenue	1,660	677
Profit for the year	282	447
Other comprehensive income for the year	23	3,111
Total comprehensive income for the year	305	3,558

10 INVESTMENT PROPERTIES

	2025	2024
	US\$ 000	US\$ 000
At 1 January	133,145	127,388
Change in fair values	632	5,985
Foreign exchange adjustments	(274)	(228)
At 31 December	133,503	133,145

Investment properties comprise of land and buildings owned by the Group. These are stated at fair values, determined based on independent valuations performed by external professional valuers at the year end.

Valuations of investment properties were conducted by independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued. The comparable method of valuation has been used and deemed appropriate considering the nature and usage of the properties. The Group's investment properties are categorized in Level 3 of the fair value hierarchy as at 31 December 2025 and 2024.

The Group's investment property includes one investment property, the legal title of which is held by a related party on behalf of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

11 PROPERTY AND EQUIPMENT

	<i>Land</i> <i>US\$ 000</i>	<i>Buildings*</i> <i>US\$ 000</i>	<i>Furniture and fixtures</i> <i>US\$ 000</i>	<i>Computers and vehicles</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Cost:					
Balance as at 1 January 2025	3,946	15,477	15,406	17,563	52,392
Additions during the year	-	-	2,691	270	2,961
Disposals during the year	-	-	(36)	-	(36)
Transfer from Work in progress	-	-	(6)	6	-
Exchange rate and other movements	(8)	(15)	(37)	(19)	(79)
At 31 December 2025	3,938	15,462	18,018	17,820	55,238
Accumulated depreciation:					
Balance as at 1 January 2025	-	(4,386)	(14,851)	(15,982)	(35,219)
Depreciation charge for the year	-	(1,186)	(585)	(471)	(2,242)
Depreciation relating to disposals during the year	-	-	36	-	36
Exchange rate and other movements	-	6	24	15	45
At 31 December 2025	-	(5,566)	(15,376)	(16,438)	(37,380)
Net book value:					
At 31 December 2025	3,938	9,896	2,642	1,382	17,858
Cost:					
Balance as at 1 January 2024	3,944	13,366	15,846	17,115	50,271
Additions during the year	-	2,106	396	695	3,197
Disposals during the year	-	-	(823)	(206)	(1,029)
Exchange rate and other movements	2	5	(13)	(41)	(47)
At 31 December 2024	3,946	15,477	15,406	17,563	52,392
Accumulated depreciation:					
Balance as at 1 January 2024	-	(3,340)	(15,458)	(15,794)	(34,592)
Depreciation charge for the year	-	(1,050)	(238)	(416)	(1,704)
Depreciation relating to disposals during the year	-	-	823	206	1,029
Exchange rate and other movements	-	4	22	22	48
At 31 December 2024	-	(4,386)	(14,851)	(15,982)	(35,219)
Net book value:					
At 31 December 2024	3,946	11,091	555	1,581	17,173

*The balance contains right of use assets relating to a building leased by one of the Bank's subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

12 GOODWILL AND OTHER INTANGIBLE ASSETS

	<i>Goodwill</i> US\$ 000	<i>Customer relationships</i> US\$ 000	<i>Licenses with indefinite useful lives</i> US\$ 000	<i>Software</i> US\$ 000	<i>Total</i> US\$ 000
Cost:					
Balance as at 1 January 2025	51,334	11,113	3,570	3,504	69,521
Additions during the year	-	-	-	1,518	1,518
Exchange rate and other movements	-	14	-	(2)	12
At 31 December 2025	51,334	11,127	3,570	5,020	71,051
Amortisation and impairment:					
Balance as at 1 January 2025	-	(7,038)	-	(2,049)	(9,087)
Amortisation	-	(1,112)	-	(839)	(1,951)
Exchange rate and other movements	-	(8)	-	4	(4)
At 31 December 2025	-	(8,158)	-	(2,884)	(11,042)
Net book value:					
At 31 December 2025	51,334	2,969	3,570	2,136	60,009
Cost:					
Balance as at 1 January 2024	51,464	11,141	3,574	3,095	69,274
Additions during the year	-	-	-	421	421
Exchange rate and other movements	(130)	(28)	(4)	(12)	(174)
At 31 December 2024	51,334	11,113	3,570	3,504	69,521
Amortisation and impairment:					
Balance as at 1 January 2024	-	(5,942)	-	(1,181)	(7,123)
Amortisation	-	(1,111)	-	(871)	(1,982)
Exchange rate and other movements	-	15	-	3	18
At 31 December 2024	-	(7,038)	-	(2,049)	(9,087)
Net book value:					
At 31 December 2024	51,334	4,075	3,570	1,455	60,434

Goodwill

The goodwill relates to KAMCO (a subsidiary) and is allocated to the asset management and investment banking operating segment, a Cash Generating Unit (CGU). The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. The key assumptions used in the fair value calculation include a perpetuity growth rate of 2.0% (2024: 1.9%) and discount factor of 9.3% (2024: 10.2%). During the years ended 31 December 2025 and 2024, no goodwill impairment was identified as the recoverable amount of the CGU was higher than its net book value.

The calculation of fair value for the CGU is sensitive primarily to the expected growth rate and discount rate. An increase in the discount factor by 10% or a decrease in the perpetuity growth rate by 10% does not result in an impairment of goodwill.

Customer relationships

Customer relationships with finite useful lives have a useful economic life of 10 years each and are amortised on a straight line basis.

12 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Licenses

License represents brokerage license with indefinite useful life and is annually tested for impairment by estimating the recoverable amount of the CGU using value-in-use calculations.

13 TERM LOANS

	<i>Currency</i>	2025 <i>US\$ 000</i>	2024 <i>US\$ 000</i>
Maturing in 2025	KWD*	-	20,772
Maturing in 2025	US\$	-	45,000
Maturing in 2026	KWD*	26,310	-
Maturing in 2027	US\$	45,000	-
Maturing in 2028	KWD*	64,962	129,824
Maturing in 2030	KWD*	64,963	-
		201,235	195,596

* KWD represents Kuwaiti Dinars

The Group is subject to certain debt covenants, and management has assessed that there are no indications of any difficulty in complying with these covenants.

14 OTHER LIABILITIES

	2025 <i>US\$ 000</i>	2024 <i>US\$ 000</i>
Staff related payables	41,823	40,120
Due to customers	20,409	17,404
Derivative liabilities (note 25)	760	4,657
Accrued expenses	3,655	2,340
Interest payable	1,474	1,896
Dividends payable	1,664	1,666
Deferred income	133	153
Tax payable	3,211	3,139
Other payables	411	1,359
	73,540	72,734

15 EQUITY

a) Share capital

	2025 <i>US\$ 000</i>	2024 <i>US\$ 000</i>
Authorised share capital		
Number of shares (in thousands)	500,000	500,000
Par value (US\$)	0.50	0.50
	250,000	250,000
	2025 <i>US\$ 000</i>	2024 <i>US\$ 000</i>
Issued and fully paid up share capital		
Number of shares (in thousands)	392,263	232,263
Par value (US\$)	0.50	0.50
	196,132	116,132

15 EQUITY (continued)**a) Share capital (continued)**

In an Extraordinary General Meeting (the "EGM") held on 6 May 2025, the shareholders approved increasing the issued and paid up share capital of the Bank from the amount of US\$ 116,131,520.50 to the amount of US\$ 196,131,520.50, by issuing 160,000,000 new ordinary shares, of nominal value of US\$ 0.50 each, fully subscribed and settled entirely by the Parent, in cash, after obtaining approvals of the Central Bank of Bahrain and the Ministry of Industry and Commerce.

b) 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.

c) Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the profit for the year is transferred to a statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB. The Bank has transferred US\$ 948 thousand to the statutory reserve in the current year (2024: nil).

d) General reserve

The general reserve has been maintained in accordance with the provisions of the Bank's articles of association. The general reserve is distributable subject to the approval from the Annual General Assembly of the shareholders. The Bank has transferred US\$ 948 thousand to the general reserve in the current year (2024: nil).

e) Dividend paid

No dividend was proposed or paid during the years ended 31 December 2025 or 2024.

f) Foreign currency translation reserve

The foreign currency translation reserve represents the net foreign exchange gain or loss arising from translating the financial statements of the Bank's foreign subsidiaries and associates from their functional currencies into United States Dollars.

16 FAIR VALUE RESERVE

	2025 US\$ 000	2024 US\$ 000
Investments carried at FVOCI		
Balance at 1 January	20,883	14,191
Transferred to retained earnings upon sale of FVOCI investments	(173)	(654)
Net movement in unrealised fair values during the year	(50)	(995)
Other movements	-	8,341
Balance at 31 December	<u>20,660</u>	<u>20,883</u>
Cash flow hedges		
Balance at 1 January	403	450
Net movement in the fair values during the year	(368)	(47)
Balance at 31 December	<u>35</u>	<u>403</u>
	<u><u>20,695</u></u>	<u><u>21,286</u></u>

17 PERPETUAL ADDITIONAL TIER 1 CAPITAL

On 28 March 2016, the Bank issued Perpetual Additional Tier 1 Capital (the “AT1 Capital”) amounting to US\$ 33,000 thousand. The AT1 Capital constitutes subordinated obligations of the Bank and is classified as equity in accordance with IAS 32: Financial Instruments – Classification. The AT1 Capital does not have a maturity date and bears interest on its nominal amount from the date of issue at a fixed annual rate.

The AT1 Capital is redeemable by the Bank at its sole discretion on any interest payment date subject to the prior consent of the Central Bank of Bahrain. The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the AT1 Capital (for whatever reason), then the Bank must not make any other distribution on or with respect to its other shares that rank equally with or junior to the AT1 Capital.

During the year, the Bank voluntarily repaid its Perpetual Additional Tier 1 Capital on 20 May 2025, following approval from the Central Bank of Bahrain.

18 INTEREST INCOME

	2025	2024
	US\$ 000	US\$ 000
Placements with banks	4,558	4,386
Loans and receivables	1,445	2,074
Investments carried at fair value through profit or loss	763	753
Demand and call deposits with banks	269	528
	7,035	7,741

19 INVESTMENT INCOME - NET

	2025	2024
	US\$ 000	US\$ 000
Rental income from investment properties	4,172	4,271
Dividend income	3,474	4,894
Realised gain on investments carried at FVTPL	4,026	3,503
Changes in fair values of investment properties	632	5,985
Unrealised gain on investments carried at FVTPL	9,924	3,825
Other income*	16,568	3,177
	38,796	25,655

*Other income for the year primarily includes an amount of KD 5 million (US\$ 16.2 million) received as a settlement related to a legal case that had been ongoing for several years. During the year, the Qatari courts issued a final and non-appealable judgment in favor of the Group.

20 FEES AND COMMISSIONS - NET

	2025	2024
	US\$ 000	US\$ 000
Management fees from fiduciary activities	44,084	39,807
Credit related fees, commissions and other income - net	16,000	14,175
Advisory fees	2,807	2,724
	62,891	56,706

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21 SHARE OF RESULTS OF ASSOCIATES

	2025	2024
	US\$ 000	US\$ 000
Kamco Investment Fund	9,158	5,752
North Africa Holding Company	288	400
United Capital Transport Company K.S.C.C.	(109)	(169)
KAMCO Real Estate Yield Fund	103	216
	9,440	6,199

22 INTEREST EXPENSE

	2025	2024
	US\$ 000	US\$ 000
Due to banks	5,213	6,402
Deposits from customers	1,321	626
Term loans	11,205	14,043
	17,739	21,071

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Parent, Ultimate Parent, associates and joint ventures, directors and key management personnel and entities which are controlled, jointly controlled or significantly influenced by any of the above mentioned parties.

The income and expenses in respect of related parties transactions during the year and included in the consolidated financial statements are as follows:

	2025			
	Parent	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment income - net	-	-	1	1
Fees and commissions - net*	691	1,180	7,084	8,955
Dividend income	-	-	94	94
Rental income	-	-	1,102	1,102
Interest income	112	-	465	577
Interest expense	(2,742)	-	(4,070)	(6,811)
General and administrative expenses	(996)	-	(2,292)	(3,288)
	2024			
	Parent	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment income - net	-	-	209	209
Fees and commissions - net*	2,000	997	8,708	11,705
Dividend income	-	-	657	657
Rental income	-	-	1,101	1,101
Interest income	-	-	427	427
Interest expense	(355)	-	(4,946)	(5,301)
General and administrative expenses	(64)	-	(2,477)	(2,541)

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23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Equity transactions with related parties during the year included in the consolidated statement of changes in equity are as follows:

	2025	2024
	US\$ 000	US\$ 000
Interest payment on Perpetual Additional Tier 1 Capital	(335)	(534)

*The Bank and UGH entered into arrangement for service sharing between the two entities. In line with the arrangement, the Bank provides certain services to UGH against a mutually agreed service fee.

The year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	2025			
	Parent Associates		Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	19,178	-	587	19,765
Placements with banks	-	-	18,355	18,355
Investments carried at fair value through profit and loss	823	-	1,632	2,455
Investments carried at fair value through other comprehensive income	-	-	66,304	66,304
Loans and receivables	-	-	204	204
Other assets	19	577	4,116	4,712
Due to banks	(50,000)	-	(58,162)	(108,162)
Term loan	(45,000)	-	-	(45,000)
Deposits from customers	-	-	(13,893)	(13,893)
Other liabilities	(984)	-	(2,255)	(3,239)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150
	2024			
	Parent Associates		Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	10,253	10,253
Placements with banks	-	-	18,422	18,422
Investments carried at fair value through profit and loss	-	-	1,725	1,725
Investments carried at fair value through other comprehensive income	-	-	61,883	61,883
Loans and receivables	-	-	238	238
Other assets	234	470	2,412	3,116
Due to banks	-	-	(82,868)	(82,868)
Deposits from customers	(1,822)	-	(4,632)	(6,454)
Other liabilities	(5,101)	-	(557)	(5,658)
Perpetual Additional Tier 1 Capital	-	-	(5,000)	(5,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150

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23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

All related party transactions were on terms that are mutually agreed between the counterparties. All related party exposures are performing as of 31 December 2025 and 2024.

Compensation of key management personnel was as follows:

	2025	2024
	US\$ 000	US\$ 000
Short-term employee benefits	6,053	5,746
Long-term employee benefits	704	398
	6,757	6,144

The Board of Directors of the Bank have proposed a directors' remuneration amounting to USD 100,000 for the year ended 31 December 2025 (2024: USD 95,000). This proposal is subject to the approval of the shareholders at the AGM of the Bank.

24 COMMITMENTS***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.

Letters of credit, guarantees (including standby letters of credit) and acceptances committed by the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

The Group has the following credit and investment related commitments:

	2025	2024
	US\$ 000	US\$ 000
Credit-related commitments:		
Letters of guarantee	2,302	2,318
	2,302	2,318
Investments related commitments *	2,030	5,379
	4,332	7,697

As at 31 December 2025 all the above exposures are classified within Stage 1 (2024: same). No provision against off balance sheet exposures is maintained (2024: same).

*Investment related commitments are Group's commitment to invest in private equity funds representing the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

25 DERIVATIVES (continued)

Cash flow hedges

The Group is exposed to variability in interest cash flows on liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

26 RISK MANAGEMENT

a) Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is considered critical to the Group's continuing profitability. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed while conducting its business and operations, and the means and organisational structure it employs to manage them strategically for building shareholder value, are outlined below.

(i) Risk management structure

Each subsidiary within the Group is responsible for managing its own risks and has its own Board Committees, including Audit and Executive Committees in addition to other management committees such as Credit/ Investment Committee and Asset and Liability Committees (ALCO), or equivalent, with responsibilities generally the same as the Bank's committees.

Board of Directors (the "Board")

The Board's role is to approve investment strategies of the Bank. However, it has delegated authority for the day-to-day decision making to the Executive Committee so risks can be effectively managed within the Bank.

The Board of Directors has delegated the executive management of the Bank to the Chief Executive Officer (who is not a Director) and has appointed several Board Committees to work with them and to form and define policies and approve procedures for all of the Bank's activities.

The Executive Management of the Bank is headed by the Chief Executive Officer (CEO) who is broadly responsible for the day to day conduct of the Bank's business in line with the Board's approved policies and procedures and complements and facilitates the Board in meeting its responsibility towards all stakeholders. He is assisted by the six members of the Bank's management team, each of whom is responsible for his or her respective department. Several management committees have been formed which are chaired by the CEO.

Executive Committee

The Executive Committee comprises of four directors including the Chairman, Vice Chairman and two other directors. Board meetings are held through circulation to approve all proposals not within the Investment Committee's risk authority, as well as to act on all matters within the Board's remit.

Investment Committee

The Investment Committee is mainly responsible for approving or recommending approval to the Executive Committee limits for individual exposures, investments and concentrations towards banks, countries, industries, risk rating classes, or other special risk asset categories. In addition, the Investment Committee also monitors the overall risk profile of the Bank and recommends provision levels to the Executive Committee. The Investment Committee is constituted by a majority motion passed in the Executive Committee. Currently, the Investment Committee consists of four members.

Audit Committee

The Audit Committee is appointed by the Board and consists of three members who are Directors, including two independent Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing (a) the quality and integrity of financial reporting, (b) the audit thereof, (c) the soundness of the internal controls of the Bank, (d) the risk assessment of the Bank's activities, and (e) the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

26 RISK MANAGEMENT (continued)

a) Introduction (continued)

(i) Risk management structure (continued)

Risk and Compliance

The Risk and Compliance Committee is responsible for the monitoring and assessment of risks facing the Group, the review of compliance with internal and external guidelines, the review and recommendation of provisioning requirements, the assessment of the impact on the Bank from new regulatory requirements, and review of Investment Committee decisions. The Risk and Compliance Committee comprises of six senior executives of the Bank including the Chief Executive Officer. Additionally, the Head of Internal Audit and Quality Assurance participates in the Committee meetings in the capacity of observers.

Management Committee

The Management Committee acts as the steering committee of the Group as well as a management forum to discuss any relevant issues. It meets on a weekly basis and consists of the Chief Executive Officer and all Department Heads as well as Internal Audit. It also serves to follow up on a weekly basis on the daily conduct of the Bank's business activities. The Committee is headed by the Chief Executive Officer.

Asset and Liability Committee

The Asset and Liability Committee establishes policies and objectives for the asset and liability management of the Group's statement of financial position in terms of structure, distribution, risk and return and its impact on profitability. It also monitors the cash flow, tenor and cost/yield profiles of assets and liabilities and evaluates the Group's financial position both from interest rate sensitivity and liquidity points of view, making corrective adjustments based upon perceived trends and market conditions, monitoring liquidity, monitoring foreign exchange exposures and positions. The Asset and Liability Committee comprises of six senior executives of the Group, including the Chief Executive Officer.

Key Persons Committee

The Key Persons Committee comprises three members of senior management and is mainly responsible for the supervision of adequacy of compliance with the CBB and Bahrain Bourse guidelines on key persons trading (insider trading).

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

Nominating and Remunerations Committee

The Nominating and Remuneration Committee (NRC) assists the Board in assessing the skills set of Board members and is responsible to oversee the preparation of appropriate nomination documents and notifications proposing candidates for directorships. It reviews the independence of directors on an annual basis, supervises the preparation of induction materials and orientation sessions, makes recommendations to the Board regarding the management structure and ensures that there is a succession plan in place. The NRC comprises of three members, all of whom are independent.

The NRC also recommends/reviews the remuneration policies for the Board of Directors and senior management and submits recommendations for shareholders' approval.

(ii) Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currency transactions.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group.

Where warranted, the Group enters into legally enforceable netting arrangements covering its money market and foreign exchange trading activities whereby the only net amounts may be settled at maturity. With regard to the credit risk in the off statement of financial statement exposures, third party guarantees are obtained wherever possible as a risk mitigation measure.

As at 31 December 2025

26 RISK MANAGEMENT (continued)**b) Concentration risk**

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counterparty limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Robust limit structures put in place by the Board ensures effective monitoring and control of concentration risk and any limit breaches are immediately rectified and reported to the Board. For classifications by Group's exposure by industry, sector and geographical region, refer note 26 (c).

c) Credit risk

Credit risk arises from the extension of credit facilities in the Group's banking and trading activities as well as in investment activities, where there is a possibility that a counterparty may fail to honour its commitment whenever an investment may fail.

Credit risk is mitigated through:

- (i) Establishing an appropriate credit risk environment;
- (ii) Operating under a sound credit and investment approval process;
- (iii) Maintaining appropriate credit administration, measurement and monitoring processes; and
- (iv) Ensuring adequate controls over the credit risk management process.

The Group has well defined policies approved at the individual board level. These provide carefully documented guidelines for credit risk management. There is a two tier committee structure to approve and review credit and investment risk. The Investment Committee comprises of the Chief Executive Officer, Head of Treasury and the Chief Financial Officer. The Head of Credit and Risk Management acts as a non-voting member to the Committee. Exposures beyond Investment Committee limits are approved by the Board's Executive Committee or by the Board of Directors.

(i) Maximum exposure to credit risk without taking account of any collateral or other credit enhancements

The table below shows the Group's maximum exposure to credit risk for the components of on and off statement of financial position exposure. The maximum exposure shown is gross before the effect of mitigation through the use of collateral arrangements, but after any expected credit losses.

	2025	2024
	US\$ 000	US\$ 000
Demand and call deposits with banks	70,211	104,559
Treasury bills	48,031	4,844
Placements with banks	92,172	54,749
Investments carried at FVTPL	13,523	11,963
Loans and receivables	31,113	6,149
Other assets	51,244	47,551
	306,294	229,815
Letters of guarantee	2,302	2,318
	308,596	232,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

c) Credit risk (continued)

(ii) Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any single client or counterparty as of 31 December 2025 was US\$ 48.0 million (2024: US\$ 19.2 million) before taking account of collateral or other credit enhancements.

An analysis of the Group's financial assets, subject to credit risk, by geographical region, before taking into account collateral held or other credit enhancements, is as follows:

	<i>G.C.C. *</i> <i>US\$ 000</i>	<i>MENA **</i> <i>US\$ 000</i>	<i>Europe</i> <i>US\$ 000</i>	<i>Americas</i> <i>US\$ 000</i>	<i>Others</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
At 31 December 2025						
Demand and call deposits						
with banks	57,302	9,785	1,566	1,558	-	70,211
Treasury bills	48,031	-	-	-	-	48,031
Placements with banks	57,547	34,625	-	-	-	92,172
Investments carried at FVTPL	12,540	-	405	578	-	13,523
Loans and receivables	31,113	-	-	-	-	31,113
Other assets	26,209	18,192	5,567	1,276	-	51,244
Letters of guarantee	2,145	157	-	-	-	2,302
	234,887	62,759	7,538	3,412	-	308,596
At 31 December 2024						
Demand and call deposits						
with banks	76,886	4,832	299	22,542	-	104,559
Treasury bills	4,844	-	-	-	-	4,844
Placements with banks	34,918	19,831	-	-	-	54,749
Investments carried at FVTPL	11,963	-	-	-	-	11,963
Loans and receivables	6,149	-	-	-	-	6,149
Other assets	21,235	18,192	6,848	1,276	-	47,551
Letters of guarantee	2,161	157	-	-	-	2,318
	158,156	43,012	7,147	23,818	-	232,133

*Gulf Cooperation Council (G.C.C.)

**Middle East and North Africa (MENA)

An industry sector analysis of the Group's financial assets subject to credit risk, before taking into account collateral held or other credit enhancements, is as follows:

	<i>Banks and other financial institution</i> <i>US\$ 000</i>	<i>Construction and real estate</i> <i>US\$ 000</i>	<i>Trade and Manufacturing</i> <i>US\$ 000</i>	<i>Government and public sector</i> <i>US\$ 000</i>	<i>Others</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
At 31 December 2025						
Demand and call deposits with banks	70,211	-	-	-	-	70,211
Treasury Bills	-	-	-	48,031	-	48,031
Placements with banks	92,172	-	-	-	-	92,172
Investments carried at FVTPL	5,094	-	67	1,646	6,716	13,523
Loans and receivables	24,895	-	-	-	6,218	31,113
Other assets	7,943	4,406	5	38	38,852	51,244
Letters of guarantee	2,302	-	-	-	-	2,302
	202,617	4,406	72	49,715	51,786	308,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

c) Credit risk (continued)

(ii) Risk concentrations of the maximum exposure to credit risk (continued)

	<i>Banks and other financial institutions</i>	<i>Construc- -tion and real estate</i>	<i>Trade and Manufac- -turing</i>	<i>Government and public sector</i>	<i>Others</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<i>At 31 December 2024</i>						
Demand and call deposits with banks	104,559	-	-	-	-	104,559
Treasury Bills	-	-	-	4,844	-	4,844
Placements with banks	54,749	-	-	-	-	54,749
Investments carried at FVTPL	6,020	944	911	1,541	2,547	11,963
Loans and receivables	820	-	-	-	5,329	6,149
Other assets	12,250	4,406	-	-	30,895	47,551
Letters of guarantee	2,318	-	-	-	-	2,318
	<u>180,716</u>	<u>5,350</u>	<u>911</u>	<u>6,385</u>	<u>38,771</u>	<u>232,133</u>

(iii) 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 include charges over trading securities. The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, 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.

(iv) Credit risk exposure by rating

	<i>Investment grade</i>	<i>Non- investment grade</i>	<i>Unrated*</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<i>At 31 December 2025</i>				
Demand and call deposits with banks	54,839	550	14,822	70,211
Treasury bills	-	48,031	-	48,031
Placements with banks	57,030	552	34,590	92,172
Investments carried at FVTPL	11,961	910	652	13,523
Loans and receivables	25,000	-	6,113	31,113
Other assets	3,790	346	47,108	51,244
Letters of guarantee	7	-	2,295	2,302
	<u>152,627</u>	<u>50,389</u>	<u>105,580</u>	<u>308,596</u>

As at 31 December 2025

26 RISK MANAGEMENT (continued)**c) Credit risk (continued)****(iv) Credit risk exposure by rating (continued)**

	<i>Investment grade</i>	<i>Non- investment grade</i>	<i>Unrated*</i>	<i>Total</i>
<i>At 31 December 2024</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	101,368	318	2,873	104,559
Treasury bills	-	4,844	-	4,844
Placements with banks	36,327	-	18,422	54,749
Investments carried at FVTPL	11,638	-	325	11,963
Loans and receivables	-	-	6,149	6,149
Other assets	6,473	278	40,800	47,551
Letters of guarantee	7	-	2,311	2,318
	<u>155,813</u>	<u>5,440</u>	<u>70,880</u>	<u>232,133</u>

* Includes exposures to counterparties not rated by credit rating agencies

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risk and the comparison of credit exposures across all business lines, geographic regions and products. All externally rated credit risk exposures are rated by the relevant External Credit Assessment Institutions ("ECAIs").

Additionally, the internal risk ratings of the Group's externally unrated credit risk exposures which are largely subjective, are tailored to the various categories and are derived in accordance with the internal rating policy and practices. The attributable internal risk ratings are assessed and updated on a regular basis.

The table above reflects the risk ratings of the credit risk exposures rated by the relevant ECAIs. All of the externally unrated credit risk exposures have been classified under "Unrated" category.

(v) Restructured 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, the loan is no longer considered past due. The Group has not restructured any loans during 2025 and 2024.

Restructured loans have a minimum cool-off period of 12 months, from the date when the condition(s) that caused an account to move to Stage 2 or Stage 3 ceases to exist, and provided that up to date payments are received with no arrears.

d) Market risk

Market risk is defined as the risk of losses in the value of on-or-off statement of financial position financial instruments caused by a change in market prices or rates, (including changes in interest rates and foreign exchange rates). The Group's policy guidelines for market risk have been vetted by the Board of Directors in compliance with the rules and guidelines provided by the CBB. The CBB guidelines introduced a risk measurement framework whereby all locally incorporated banks in Bahrain are required to measure and apply capital charges in respect of their market risk in addition to capital requirements for credit risk and operational risk.

(i) Interest rate risk

The market risk subject to capital charge normally arises from changes in value due to market forces in the following exposures:

- Interest rate instruments and securities in the trading book; and
- Foreign exchange throughout the banking book.

The Group has entered into forward foreign exchange contracts for hedging and trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

d) Market risk (continued)

(i) Interest rate risk (continued)

a) Interest rate sensitivity

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's consolidated statement of income based on the consolidated statement of financial position as of 31 December:

	2025		2024	
	<i>Increase in basis points</i>	<i>Sensitivity of net interest income US\$ 000</i>	<i>Increase in basis points</i>	<i>Sensitivity of net interest income US\$ 000</i>
Kuwaiti Dinar	+ 25	(412)	+ 25	(320)
United States Dollar	+ 25	(172)	+ 25	(54)
Euro	+ 25	-	+ 25	1
Pound Sterling	+ 25	1	+ 25	32
Others	+ 25	156	+ 25	57

The decrease of 25 basis points in interest rates will have an equal and opposite impact as shown above.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2025 and 2024, including the effect of hedging instruments.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group considers the United States Dollar as its functional currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The table below indicates the effect on profit before tax for the positions as at statement of financial position date as a result of change in the currency rate with all other variables held constant.

	2025			2024		
	<i>Change in currency rate in %</i>	<i>Effect on profit before tax US\$ 000</i>	<i>Effect on equity US\$ 000</i>	<i>Change in currency rate in %</i>	<i>Effect on profit before tax US\$ 000</i>	<i>Effect on equity US\$ 000</i>
Kuwaiti Dinar	+2	(6,077)	2,229	+2	(6,184)	744
	-2	6,077	(2,229)	-2	6,184	(744)
Euro	+2	(463)	723	+2	(535)	557
	-2	463	(723)	-2	535	(557)
Pound Sterling	+2	249	529	+2	30	-
	-2	(249)	(529)	-2	(30)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

d) Market risk (continued)

iii) Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The geographical distribution of the Group's equity investments is as follows:

Geographical distribution

At 31 December 2025	GCC / MENA US\$ 000	Europe US\$ 000	North America US\$ 000	Others US\$ 000	Total US\$ 000
Investments carried at FVTPL					
Equities	7,019	-	15,313	31	22,363
Managed funds	58,729	9,464	10,435	-	78,628
	65,748	9,464	25,748	31	100,991
Investments carried at FVOCI					
Equities	78,857	56,627	5,587	-	141,071
Managed funds	432	-	-	-	432
	79,289	56,627	5,587	-	141,503
Total	145,037	66,091	31,335	31	242,494
At 31 December 2024					
	GCC / MENA US\$ 000	Europe US\$ 000	North America US\$ 000	Others US\$ 000	Total US\$ 000
Investments carried at FVTPL					
Equities	18,932	4,300	7,200	31	30,463
Managed funds	44,251	17,968	2,018	-	64,237
	63,183	22,268	9,218	31	94,700
Investments carried at FVOCI					
Equities	81,306	46,288	5,106	-	132,700
Managed funds	474	-	-	-	474
	81,780	46,288	5,106	-	133,174
Total	144,963	68,556	14,324	31	227,874

At the reporting date, the exposure to listed equity securities at fair value was US\$ 40,513 thousand (2024: US\$ 43,019 thousand). An increase/ decrease of 10% on the market indices of Middle East and North Africa ("MENA") stock exchanges could have positive/ impact of approximately US\$ 4,051 thousand (2024: US\$ 4,302 thousand) on the income or equity attributable to the Group. The majority of the Group's investment in equities in the MENA region are quoted on the Boursa Kuwait.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

e) Liquidity risk

(i) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that most of its customers would not request repayment on the earliest date the Group is required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

At 31 December 2025

	<i>On demand US\$ 000</i>	<i>1 - 3 months US\$ 000</i>	<i>3 - 12 months US\$ 000</i>	<i>1 - 5 years US\$ 000</i>	<i>Total US\$ 000</i>
Financial liabilities					
Due to banks	-	138,302	-	-	138,302
Deposits from customers	16,627	7,955	-	-	24,582
Term loans	-	26,494	-	202,961	229,455
Other liabilities	-	4,626	35,516	33,398	73,540
Total non-derivative undiscounted financial liabilities	16,627	177,377	35,516	236,359	465,879
Derivatives					
Net cash outflows on interest rate swaps	-	-	-	233	233
Gross settled foreign currency derivatives	-	902	416	-	1,318
Off-statement of financial position items					
Letters of guarantee	2,302	-	-	-	2,302
Investment related commitments	2,030	-	-	-	2,030
Total	20,959	178,279	35,932	236,592	471,762

The Group expects that not all of the contingent items or commitments will be drawn before expiry of the commitments.

United Gulf Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

(i) Analysis of financial liabilities by remaining contractual maturities (continued)

At 31 December 2024

	<i>On demand US\$ 000</i>	<i>1 - 3 months US\$ 000</i>	<i>3 - 12 months US\$ 000</i>	<i>1 - 5 years US\$ 000</i>	<i>Total US\$ 000</i>
<i>Financial liabilities</i>					
Due to banks	2,138	110,407	-	-	112,545
Deposits from customers	9,110	8,140	-	-	17,250
Term loans	-	4,547	63,131	158,395	226,073
Other liabilities	-	-	-	72,581	72,581
Total non-derivative undiscounted financial liabilities	<u>11,248</u>	<u>123,094</u>	<u>63,131</u>	<u>230,976</u>	<u>428,449</u>
<i>Derivatives</i>					
Net cash outflows on interest rate swaps	-	84	86	233	403
Gross settled foreign currency derivatives	-	209	616	-	825
<i>Off statement of financial position items</i>					
Letters of guarantee	2,318	-	-	-	2,318
Investment and loan related commitments	5,379	-	-	-	5,379
Total	<u>18,945</u>	<u>123,387</u>	<u>63,833</u>	<u>231,209</u>	<u>437,374</u>

The Group expects that not all of the contingent items or commitments will be drawn before expiry of the commitments.

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As at 31 December 2025

26 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

In order to ensure that the Group can meet its financial obligations as they fall due, there is a close monitoring of its assets / liabilities position. Besides other functions, the ALCO evaluates the statement of financial position both from a liquidity and an interest rate sensitivity point of view. The whole process is aimed at ensuring sufficient liquidity to fund its ongoing business activities and to meet its obligations as they fall due. A diversified funding base has evolved in deposits raised from the interbank market, deposits received from customers and medium term funds raised through syndicated and commodity based Murabaha transactions. These, together with the strength of its equity and the asset quality, ensure that funds are made available on competitive rates.

ii) Maturity analysis based on expected recoveries

The maturity analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled are as follows:

	<i>No fixed maturity</i>	<i>Less than 12 months</i>	<i>Over 12 months</i>	<i>Total</i>
At 31 December 2025	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	69,893	318	70,211
Treasury bills	-	48,031	-	48,031
Placements with banks	-	92,172	-	92,172
Investments carried at FVTPL	100,991	13,523	-	114,514
Investments carried at FVOCI	141,503	-	-	141,503
Loans and receivables	-	29,471	1,642	31,113
Other assets	-	52,807	-	52,807
Investment in associates	77,037	-	-	77,037
Investment properties	133,503	-	-	133,503
Property and equipment	17,858	-	-	17,858
Goodwill and other intangible assets	60,009	-	-	60,009
Total assets	530,901	305,897	1,960	838,758
Due to banks	-	137,395	-	137,395
Deposits from customers	-	24,580	-	24,580
Term loans	-	26,310	174,925	201,235
Other liabilities	-	40,142	33,398	73,540
Total liabilities	-	228,427	208,323	436,750
Net	530,901	77,470	(206,363)	402,008

United Gulf Bank B.S.C. (c)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

26 RISK MANAGEMENT (Continued)

e) Liquidity risk (continued)

ii) Maturity analysis based on expected recoveries (continued)

At 31 December 2024	No fixed maturity US\$ 000	Less than 12 months US\$ 000	Over 12 months US\$ 000	Total US\$ 000
Demand and call deposits with banks	-	104,241	318	104,559
Treasury bills	-	4,844	-	4,844
Placements with banks	-	54,749	-	54,749
Investments carried at FVTPL	94,700	11,963	-	106,663
Investments carried at FVOCI	133,174	-	-	133,174
Loans and receivables	-	4,564	1,585	6,149
Other assets	-	48,937	-	48,937
Investment in associates	68,003	-	-	68,003
Investment properties	133,145	-	-	133,145
Property and equipment	17,173	-	-	17,173
Goodwill and other intangible assets	60,434	-	-	60,434
Total assets	506,629	229,298	1,903	737,830
Due to banks	-	112,078	-	112,078
Deposits from customers	-	17,078	-	17,078
Term loans	-	65,772	129,824	195,596
Other liabilities	-	72,734	-	72,734
Total liabilities	-	267,662	129,824	397,486
Net	506,629	(38,364)	(127,921)	340,344

f) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group has established a board approved framework for operational risk management which comprehensively outlines operational risk appetite for the Bank and provides operational risk management procedures. The framework is supported by a dedicated operational risk system covering loss data collection, risk and control self assessment and key indicator modules which have been rolled out in the Group. While, the Group cannot expect to eliminate all operational risks, but through dedicated operational risk framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

27 FAIR VALUE MEASUREMENT

The Group uses the hierarchy basis/levels for determining and disclosing the fair value of financial instruments as disclosed in note 2.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2025:

	<i>Fair value measurement using</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Assets measured at fair value				
<i>Investments carried at FVTPL</i>				
Equities	14,400	-	7,963	22,363
Debt securities	12,669	-	854	13,523
Managed funds	-	52,052	26,576	78,628
<i>Investments carried at FVOCI</i>				
Equities	21,597	-	119,474	141,071
Managed funds	-	-	432	432
<i>Investment properties</i>	-	-	133,503	133,503
<i>Derivatives</i>				
Interest rate swaps	-	331	-	331
Forward foreign exchange contracts	-	1,783	-	1,783
	48,666	54,166	288,802	391,634
Liabilities measured at fair value				
<i>Derivatives</i>				
Interest rate swaps	-	296	-	296
Forward foreign exchange contracts	-	464	-	464
	-	760	-	760

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2024:

	<i>Fair value measurement using</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Assets measured at fair value				
<i>Investments carried at FVTPL</i>				
Equities	14,892	-	15,571	30,463
Debt securities	11,638	-	325	11,963
Managed funds	-	40,627	23,610	64,237
<i>Investments carried at FVOCI</i>				
Equities	837	-	131,863	132,700
Managed funds	-	-	474	474
<i>Investment properties</i>	-	-	133,145	133,145
<i>Derivatives</i>				
Interest rate swaps	-	2,772	-	2,772
Forward foreign exchange contracts	-	3,113	-	3,113
	27,367	46,512	304,988	378,867
Liabilities measured at fair value				
<i>Derivatives</i>				
Interest rate swaps	-	2,369	-	2,369
Forward foreign exchange contracts	-	2,288	-	2,288
	-	4,657	-	4,657

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As at 31 December 2025

27 FAIR VALUE MEASUREMENT (continued)
Transfers between Level 1, Level 2 and Level 3

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of fair value measurement of investments in Level 3 of the fair value hierarchy for the year 2025:

	<i>As at 1 January 2025 US\$'000</i>	<i>Net purchases, sales, transfer and settlement US\$'000</i>	<i>Gain / (loss) recorded in the consolidated statement of income US\$'000</i>	<i>Loss recognised in OCI US\$'000</i>	<i>As at 31 December 2025 US\$'000</i>
<i>Investments carried at FVTPL</i>					
Equities	15,571	(7,838)	230	-	7,963
Debt securities	325	529	-	-	854
Managed funds	23,610	3,130	(164)	-	26,576
	39,506	(4,179)	66	-	35,393
<i>Investments carried at FVOCI</i>					
Equities*	131,863	(14,296)	-	1,907	119,474
Managed funds	474	(32)	-	(10)	432
	132,337	(14,328)	-	1,897	119,906
<i>Investment properties</i>	133,145	-	358	-	133,503

*There was one transfer out of Level 3 fair value measurement amounting to US\$ 22.7 million made during the year (2024: no transfers).

Reconciliation of fair value measurement of investments in Level 3 of the fair value hierarchy for the year 2024:

	<i>As at 1 January 2024 US\$'000</i>	<i>Net purchases, sales, transfer and settlement US\$'000</i>	<i>(Loss) gain recorded in the consolidated statement of income US\$'000</i>	<i>Loss recognised in OCI US\$'000</i>	<i>As at 31 December 2024 US\$'000</i>
<i>Investments carried at FVTPL</i>					
Equities	26,449	(11,561)	683	-	15,571
Debt securities	326	-	(1)	-	325
Managed funds	19,430	3,540	640	-	23,610
	46,205	(8,021)	1,322	-	39,506
<i>Investments carried at FVOCI</i>					
Equities	128,316	11,427	-	(7,880)	131,863
Managed funds	93	384	-	(3)	474
	128,409	11,811	-	(7,883)	132,337
<i>Investment properties</i>	127,388	-	5,757	-	133,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

28 REGULATORY RATIOS

The Net Stable Funding Ratio ("NSFR")

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR as of 31 December 2025 is 113.4% (31 December 2024: 109.1%).

45% (2024: 42%) of the total available stable funding is made up of the Group's capital base with 2% (2024: 2%) comprising of secured and unsecured funding.

The Group's required stable funding comprises of 87% (2024: 91%) assets that have no specified maturity, 10% (2024: 6%) that have contractual maturities of less than 6 months, and 0% (2024: 1%) non-HQLA (the High Quality Liquid Assets) assets (after application of risk weights).

	<i>2025</i>				<i>Total weighted value</i>
	<i>Unweighted values</i>				
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one</i>	<i>Over one year</i>	
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Available Stable Funding					
Capital	312,374	-	-	19,770	332,144
Stable deposits	-	-	-	-	-
Less stable deposits	-	-	-	-	-
Secured and unsecured funding	-	24,597	-	77	12,376
Other deposits and funding from financial institutions	-	42,395	-	296,235	296,235
Other liabilities	-	-	-	97,567	97,567
Total available stable funding	312,374	66,992	-	413,649	738,322
Required Stable Funding					
Unencumbered Level 2B HQLA	33,567	-	-	-	16,783
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	-	-	-
Loans	-	70,211	30,731	382	26,279
Deposits held at other financial institutions for operational purposes	-	72,959	-	19,213	55,692
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	552,493	-	-	-	552,493
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total required stable funding	588,134	143,170	30,731	19,595	651,351
NET STABLE FUNDING RATIO					113.4%

28 REGULATORY RATIOS (continued)

The Net Stable Funding Ratio ("NSFR") (continued)

	2024				Total weighted value US\$ 000
	<i>Unweighted values</i>				
	<i>No specified maturity US\$ 000</i>	<i>Less than 6 months US\$ 000</i>	<i>More than 6 months and less than one year US\$ 000</i>	<i>Over one year US\$ 000</i>	
Available Stable Funding					
Capital	256,788	-	-	17,391	274,179
Stable deposits	-	-	-	-	-
Less stable deposits	-	-	-	-	-
Secured and unsecured funding	-	12,503	-	4,575	10,827
Other deposits and funding from financial institutions	-	29,581	16,278	261,815	269,954
Other liabilities	-	-	-	94,698	94,698
Total available stable funding	256,788	42,084	16,278	378,479	649,658
Required Stable Funding					
Unencumbered Level 2B HQLA	35,867	-	-	-	17,933
Unencumbered Non-HQLA securities that are not in default and exchange-traded equities in cases where the issuer is not in default	-	-	6,149	-	3,074
Loans	-	101,940	-	-	15,291
Deposits held at other financial institutions for operational purposes	-	36,327	-	18,422	36,585
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities	522,755	-	-	-	522,755
<i>Off-Balance Sheet exposures</i>					
Trade finance-related obligations (including guarantees and letters of credit)	2,074	-	-	-	104
Total required stable funding	560,696	138,267	6,149	18,422	595,742
NET STABLE FUNDING RATIO					109.1%

29 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements of the CBB and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, or issue equity securities. No changes were made in the capital management objectives, policies and processes from previous years.

As of 31 December 2025, the Group's capital is in compliance the minimum requirements and guidelines implemented by the Cental Bank of Bahrain in the Kingdom of Bahrain.