

**KUWAIT FINANCE HOUSE B.S.C. (c)**  
**[formerly, AHLI UNITED BANK B.S.C. (c)]**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2025**

**KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED BANK B.S.C. (c)]**  
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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED BANK B.S.C. (c)]**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)] ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 31 December 2025, and the related consolidated statements of income, comprehensive income, cash flows, changes in owner equity, income and attribution related to quasi-equity, and changes in off-balance sheet assets under management for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the consolidated results of operations, its cash flows, changes in owner equity, income and attribution related to quasi-equity, and changes in off-balance sheet assets under management for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

#### *Basis for opinion*

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Finance Professionals ("Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

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

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

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED BANK B.S.C. (c)] (continued)**

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

*Key audit matters (continued)*

<b>1. Expected Credit Loss on Financing Receivables and Impairment of Ijarah Assets</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The process for estimating Expected Credit Loss (“ECL”) on credit risk associated with financing receivables and ijarah assets in accordance with FAS 30 – Impairment, Credit Losses and Onerous Commitments (“FAS 30”) is significant and complex. The management’s determination of ECL required application of a significant level of judgment and estimation uncertainty, which may materially change the estimates.</p> <p>The Group exercises significant judgment using subjective assumptions when determining both the timing and the amounts of the ECL for financing receivables and Ijarah assets. Due to the complexity of the requirements under FAS 30, the significance of judgments and estimations applied in the ECL calculations and the Group’s exposure to financing receivables and ijarah assets, which form a significant portion of the Group’s total assets, the audit of ECL on financing receivables and ijarah assets is a key area of focus.</p> <p>As at 31 December 2025, the Group’s gross financing receivables and ijarah assets amounted to US\$ 12,171 million and the related ECL amounted to US\$ 547 million.</p> <p>Refer to the summary of significant accounting policies, disclosures of financing receivables and ijarah assets, and credit risk management in notes 2, 8 and 33 to the accompanying consolidated financial statements.</p>	<p>Our approach included testing the controls associated with the processes for estimating the ECL and performing substantive audit procedures. Amongst others, we performed the following key audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL estimation process, including model build and approval, ongoing monitoring / validation, model governance and mathematical accuracy.</li> <li>• Involved our IT specialists to test the relevant General IT and Application Controls over key systems used for ECL calculation process.</li> <li>• With the support of our Financial Services Risk Management specialists, we assessed: <ul style="list-style-type: none"> <li>- the Group’s ECL policy including determination of the significant increase in credit risk and consequent staging criteria with the requirements of FAS 30 and regulatory guidelines;</li> <li>- the significant modelling and macroeconomic assumptions, including evaluation of forward-looking information and scenarios against the requirements of the Group’s ECL policy; and</li> <li>- the basis of determination of the management overlays.</li> </ul> </li> <li>• Reviewed a sample of credit files and performed procedures to assess timely identification of exposures with a significant increase in credit risk and appropriateness of the staging, and the process of collateral valuation.</li> </ul>

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED BANK B.S.C. (c)] (continued)**  
**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

<b>1. Expected Credit Loss on Financing Receivables and Impairment of Ijarah Assets (continued)</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
	<ul style="list-style-type: none"> <li>• Checked completeness of the data used in ECL calculation and performed ECL recalculation on a sample basis.</li> <li>• Considered the adequacy of the disclosures in the consolidated financial statements in relation to ECL for financing receivables and Ijarah assets under the applicable financial reporting framework.</li> </ul>
<b>2. Acquisition and Disposal of Subsidiaries</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>During the year, the Bank disposed of its wholly owned subsidiary, Ahli United Company (“AUC”), to Kuwait Finance House K.S.C.P. (the “Parent”) for a consideration of US\$ 1,912.2 million. AUC held the Bank’s investment in equity shares of the Parent classified as fair value through other comprehensive income. As a result of the disposal, the related fair value reserve of US\$ 259 million was recycled to the consolidated statement of income.</p> <p>As part of the same transaction, the Bank acquired a 100% equity interest in Baytik Bahrain Real Estate Company W.L.L. (“BBRE”) from Kuwait Finance House Real Estate K.S.C.C., a wholly owned subsidiary of the Parent, valued at US\$ 1,222.8 million, together with additional financial assets amounting to US\$ 689.4 million.</p> <p>The accounting for this transaction was complex and involved significant management judgement, including determining the appropriate accounting treatment under applicable financial reporting framework, assessing the fair value of the assets acquired and liabilities assumed within BBRE, and applying valuation techniques to BBRE’s underlying real estate properties.</p>	<p>Amongst others, we performed the following key audit procedures:</p> <ul style="list-style-type: none"> <li>• Inspected the transaction documentation, including sale and purchase agreements, and obtained acquisition date financial information relevant to the disposal of AUC and the acquisition of BBRE.</li> <li>• In respect of the real estate assets acquired through BBRE, we: <ul style="list-style-type: none"> <li>- assessed the competence, capabilities and objectivity of the external valuers engaged by management; and</li> <li>- evaluated management’s determination of the fair value of the assets acquired and liabilities assumed, including the completeness of identified assets and liabilities and the reasonableness of key assumptions and valuation techniques applied.</li> </ul> </li> <li>• Reperformed the calculation of fair value of the Bank’s investment in equity shares of the Parent and evaluated the basis for recognising fair value reserve in the consolidated statement of income and its compliance with the applicable financial reporting framework.</li> </ul>

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED BANK B.S.C. (c)] (continued)**

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

*Key audit matters (continued)*

<b>2. Acquisition and Disposal of Subsidiaries (continued)</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>Given the judgement involved, the complexity of the valuation processes and the overall financial statement impact, we considered this transaction to be a key audit matter.</p> <p>Refer to the summary of significant accounting policies and disclosures of the transaction in notes 2 and 3 to the accompanying consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>Involved our specialists, where specific expertise was required.</li> <li>Assessed the adequacy of the disclosures in the consolidated financial statements under the applicable financial reporting framework.</li> </ul>

*Other information included in the Group’s 2025 Annual Report*

Other information consists of the information included in the Group’s 2025 Annual Report, other than the consolidated financial statements and our auditor’s report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor’s report, we obtained the Board of Directors’ Report and Report of the Shari’a Supervisory Board which forms part of the Group’s 2025 Annual Report, and the remaining sections of the Group’s 2025 Annual Report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Board of Directors for the consolidated financial statements*

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by AAOIFI 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED 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*

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF KUWAIT FINANCE HOUSE B.S.C. (c) [formerly, AHLI UNITED 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)*

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

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

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

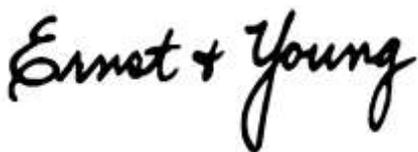
### **Report on Other Legal, Regulatory and Shari'a Requirements**

As required by the Bahrain Commercial Companies Law and Volume 2 of the Central Bank of Bahrain 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 Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 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
- d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

Further, we report that the Bank has also complied with the Islamic Shari'a Principles and Rules as determined by the Shari'a Supervisory Board of the Group during the year ended 31 December 2025.

The partner in charge of the audit resulting in this independent auditor's report is Ashwani Siotia.



Partner's registration no. 117  
16 February 2026  
Manama, Kingdom of Bahrain

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

		<u>2025</u>	<u>2024</u>
	<i>Note</i>	<u>US\$ '000</u>	<u>US\$ '000</u>
Financing and similar income	4a	<b>1,835,022</b>	1,999,422
Finance and similar cost	4b	<b>310,263</b>	692,418
Net distribution to quasi-equity	4c	<b>802,317</b>	541,249
Net financing and similar income		<b>722,442</b>	765,755
Fees and commissions - net	5	<b>82,474</b>	82,418
Trading income	6	<b>31,931</b>	37,300
Investment and other income		<b>389,921</b>	175,354
Profit share from associates and dividend income from investments		<b>65,009</b>	95,263
Fees and other income		<b>569,335</b>	390,335
<b>OPERATING INCOME</b>		<b>1,291,777</b>	1,156,090
Allowance for impairment, credit losses and others	8h	<b>(130,150)</b>	(66,350)
<b>NET OPERATING INCOME</b>		<b>1,161,627</b>	1,089,740
Staff costs		<b>151,030</b>	146,617
Depreciation		<b>32,329</b>	28,086
Other operating expenses		<b>153,860</b>	147,861
<b>OPERATING EXPENSES</b>		<b>337,219</b>	322,564
<b>PROFIT BEFORE TAX</b>		<b>824,408</b>	767,176
Tax expense	23	<b>86,347</b>	47,202
<b>PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>738,061</b>	719,974
Profit after tax for the year from discontinued operations		-	10,891
<b>NET PROFIT FOR THE YEAR</b>		<b>738,061</b>	730,865
Non-controlling interests		<b>7,476</b>	9,349
Non-controlling interests - discontinued operations		-	3,366
<b>NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK</b>		<b>730,585</b>	718,150
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNER OF THE BANK:</b>			
Basic and diluted earnings per ordinary share (US cents)	24	<b>6.3</b>	6.2

**Hamad Abdulmohsen Almarzouq**  
Chairman

**Adel A. El-Labban**  
Deputy Chairman

**Shadi A. Zahran**  
Group Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
<b>Net profit for the year</b>	<b>738,061</b>	<b>730,865</b>
<b>Other Comprehensive Income (OCI)</b>		
<b>Items that may be reclassified subsequently to consolidated statement of income</b>		
Foreign currency translation adjustments	(10,334)	(111,813)
Net change in fair value of equity investments measured at fair value through OCI	223,747	23,555
Net change in fair value of debt-type instruments held as fair value through OCI	147,170	85,676
Transfers to consolidated statement of income arising on sale of debt-type instruments	(47,767)	(9,430)
Transfers to consolidated statement of income arising on sale of equity-type instruments	(259,045)	-
<b>Other comprehensive income / (loss) for the year</b>	<b>53,771</b>	<b>(12,012)</b>
<b>Total comprehensive income for the year</b>	<b>791,832</b>	<b>718,853</b>
Total comprehensive income attributable to non-controlling interests	8,872	891
Total comprehensive income attributable to non-controlling interests - discontinued operations	-	2,068
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b>782,960</b>	<b>715,894</b>

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED BALANCE SHEET

At 31 December 2025

	Note	<u>2025</u> <u>US\$ '000</u>	<u>2024</u> <u>US\$ '000</u>
<b>ASSETS</b>			
Cash and balances with central banks	7a	<b>1,064,208</b>	1,169,512
Due from central banks and sukuk	7b	<b>1,056,365</b>	819,819
Due from banks	7c	<b>2,539,392</b>	1,868,208
Financing receivables and ijarah assets	8	<b>11,624,056</b>	10,005,547
Non-trading investments	9	<b>10,205,228</b>	11,314,146
Investment in associates and joint ventures	10	<b>685,401</b>	455,713
Investment properties	11	<b>675,537</b>	108,184
Profit receivable and other assets	12	<b>861,286</b>	1,096,841
Premises and equipments	13	<b>187,331</b>	188,443
Goodwill and other intangible assets	14	<b>109,098</b>	107,420
<b>TOTAL ASSETS</b>		<b>29,007,902</b>	27,133,833
<b>LIABILITIES, QUASI-EQUITY AND OWNER EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks	15	<b>1,053,695</b>	906,982
Term financing against sukuk	16	<b>4,685,246</b>	4,942,979
Customers' accounts	17	<b>2,138,365</b>	2,457,856
Term financing	18a	<b>1,238,294</b>	806,518
Profit payable and other liabilities	19	<b>861,829</b>	758,680
<b>TOTAL LIABILITIES</b>		<b>9,977,429</b>	9,873,015
<b>QUASI-EQUITY</b>			
Banks		<b>2,215,733</b>	1,449,554
Non-banks and individuals		<b>10,599,565</b>	9,797,602
Sukuk payable	18b	<b>587,997</b>	565,417
<b>TOTAL QUASI-EQUITY</b>	20	<b>13,403,295</b>	11,812,573
<b>OWNER EQUITY</b>			
Ordinary share capital	21b	<b>2,786,983</b>	2,786,983
Share premium and reserves		<b>2,377,924</b>	2,207,836
Equity attributable to the owner of the Bank		<b>5,164,907</b>	4,994,819
Perpetual Tier 1 Sukuk / Capital Securities	21c	<b>400,000</b>	400,000
Non-controlling interests		<b>62,271</b>	53,426
<b>TOTAL OWNER EQUITY</b>		<b>5,627,178</b>	5,448,245
<b>TOTAL LIABILITIES, QUASI-EQUITY AND OWNER EQUITY</b>		<b>29,007,902</b>	27,133,833
<b>OFF-BALANCE SHEET</b>			
Assets under management		<b>1,773,183</b>	1,738,127
Contingencies and commitments	30	<b>2,617,824</b>	1,991,541

**Hamad Abdulmohsen Almarzouq**  
Chairman

**Adel A. El-Labban**  
Deputy Chairman

**Shadi A. Zahran**  
Group Chief Executive Officer

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025	2024
Note	US\$ '000	US\$ '000
<b>OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	824,408	767,176
Profit before tax from discontinued operations	-	11,880
Adjustments for:		
Depreciation	32,329	28,086
Net gain on sale of investments	(345,925)	(87,240)
Allowance for impairment, credit losses and others	8h 130,150	66,350
Share of profit from associates and joint ventures	10 (7,212)	(46,562)
Operating profit before changes in operating assets and liabilities	<b>633,750</b>	739,690
Changes in:		
Mandatory reserves with central banks	(62,350)	204,682
Due from central banks and sukuk	(265,539)	25,867
Due from banks	(357,984)	(240,123)
Financing receivables and ijarah assets	(1,654,897)	674,443
Profit receivable and other assets	222,355	(6,237)
Due to banks and quasi-equity	912,892	239,670
Term financing against sukuk	(257,733)	323,334
Customers' accounts and quasi-equity	482,472	(1,784,137)
Profit payable and other liabilities	73,629	(372,457)
Net cash flows used in operations	<b>(273,405)</b>	(195,268)
Tax paid	(87,436)	(40,840)
Net cash flows used in operating activities	<b>(360,841)</b>	(236,108)
<b>INVESTING ACTIVITIES</b>		
Purchase of non-trading investments	(2,188,450)	(2,159,897)
Proceeds from sale or redemption of non-trading investments	2,439,893	2,850,321
Additional investment in associates and joint ventures	-	(2,570)
Net movement in investment in subsidiaries	(178)	(6,435)
Proceeds from sale of investment in associates and joint ventures	419,544	7,987
Additions in investment properties	11 (2,185)	(3,147)
Net movement in premises and equipments	(31,217)	(12,653)
Dividend received from associates and joint ventures	-	9,612
Net cash flows generated from investing activities	<b>637,407</b>	683,218
<b>FINANCING ACTIVITIES</b>		
Settlement related to Perpetual Tier 1 Capital Securities	(400,000)	-
Proceeds from issuance of Perpetual Tier 1 Sukuk, net of issuance costs	399,641	-
Distributions related to Perpetual Tier 1 Sukuk / Capital Securities	22j (25,096)	(23,356)
Issuance / (repayment) of term financing	430,000	(300,000)
Dividends paid	(585,266)	(278,698)
Net cash flows used in financing activities	<b>(180,721)</b>	(602,054)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>95,845</b>	(154,944)
Net foreign exchange difference	20,711	(45,408)
Cash and cash equivalents at 1 January	2,144,838	2,345,190
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>25 2,261,394</b>	2,144,838
<b>Additional cash flow information:</b>		
Profit received	1,862,011	2,020,026
Profit paid	1,113,792	1,240,153

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF CHANGES IN OWNER EQUITY

For the year ended 31 December 2025

	<i>Attributable to the owner of the Bank</i>										
	<i>Share premium and reserves</i>						<i>Total share premium and reserves</i>	<i>Total</i>	<i>Perpetual Tier 1 Capital Securities and Sukuk</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>Ordinary share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed appro- priations</i>	<i>Other reserves [Note 22(h)]</i>					
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2025	2,786,983	758,170	958,630	759,859	587,266	(856,089)	2,207,836	4,994,819	400,000	53,426	5,448,245
Distribution on Perpetual Tier 1 Sukuk / Capital Securities [note 22(j)]	-	-	-	(25,096)	-	-	(25,096)	(25,096)	-	-	(25,096)
Settlement of Perpetual Tier 1 Capital Securities [note 21(c)]	-	-	-	-	-	-	-	-	(400,000)	-	(400,000)
Issuance of Perpetual Tier 1 Sukuk [note 21(c)]	-	-	-	-	-	-	-	-	400,000	-	400,000
Expense related to Perpetual Tier 1 Sukuk issued	-	-	-	(359)	-	-	(359)	(359)	-	-	(359)
Ordinary share dividend paid [note 22(i)]	-	-	-	-	(585,266)	-	(585,266)	(585,266)	-	-	(585,266)
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Movement in subsidiaries	-	-	-	(151)	-	-	(151)	(151)	-	(27)	(178)
Total comprehensive income for the year	-	-	-	730,585	-	52,375	782,960	782,960	-	8,872	791,832
Transfer to statutory reserve [note 22(c)]	-	-	73,059	(73,059)	-	-	-	-	-	-	-
Proposed dividend on ordinary shares [note 22(i)]	-	-	-	(401,326)	401,326	-	-	-	-	-	-
Proposed donations	-	-	-	(2,000)	2,000	-	-	-	-	-	-
<b>Balance at 31 December 2025</b>	<b>2,786,983</b>	<b>758,170</b>	<b>1,031,689</b>	<b>988,453</b>	<b>403,326</b>	<b>(803,714)</b>	<b>2,377,924</b>	<b>5,164,907</b>	<b>400,000</b>	<b>62,271</b>	<b>5,627,178</b>

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF CHANGES IN OWNER EQUITY

For the year ended 31 December 2025

	<i>Attributable to the owner of the Bank</i>										
	<i>Share premium and reserves</i>						<i>Total share premium and reserves</i>	<i>Total</i>	<i>Perpetual Tier 1 Capital Securities and Sukuk</i>	<i>Non-controlling interests</i>	<i>Total</i>
	<i>Ordinary share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Other reserves [Note 22(h)]</i>					
<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Balance at 1 January 2024	2,786,983	752,540	886,815	721,844	280,698	(841,372)	1,800,525	4,587,508	1,000,000	471,434	6,058,942
Distribution on Perpetual Tier 1 Capital Securities [note 22(j)]	-	-	-	(23,356)	-	-	(23,356)	(23,356)	-	-	(23,356)
Ordinary share dividend paid [note 21(i)]	-	-	-	-	(278,698)	-	(278,698)	(278,698)	-	-	(278,698)
Donations	-	-	-	-	(2,000)	-	(2,000)	(2,000)	-	-	(2,000)
Transfer from OCI reserve	-	-	-	(289)	-	289	-	-	-	-	-
Movement in associates	-	-	-	(10,159)	-	-	(10,159)	(10,159)	-	-	(10,159)
Movement in subsidiaries	-	5,630	-	12,750	-	(12,750)	5,630	5,630	(600,000)	(420,967)	(1,015,337)
Total comprehensive income for the year	-	-	-	718,150	-	(2,256)	715,894	715,894	-	2,959	718,853
Transfer to statutory reserve [note 22(c)]	-	-	71,815	(71,815)	-	-	-	-	-	-	-
Proposed dividend on ordinary shares [note 22(i)]	-	-	-	(585,266)	585,266	-	-	-	-	-	-
Proposed donations	-	-	-	(2,000)	2,000	-	-	-	-	-	-
Balance at 31 December 2024	2,786,983	758,170	958,630	759,859	587,266	(856,089)	2,207,836	4,994,819	400,000	53,426	5,448,245

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December 2025

	2025 US\$'000	2024 US\$'000
<b>Gross financing and similar income</b>	<b>1,835,022</b>	1,999,422
Less: Income not attributable to quasi-equity	<b>(626,736)</b>	(1,018,217)
	<b>1,208,286</b>	981,205
Adjusted for:		
Expenses attributable to quasi-equity	<b>(79,897)</b>	(51,635)
Bank's share of income for its own / share of investments	<b>(172,636)</b>	(159,807)
Allowance for impairment and credit losses - attributable to quasi-equity	<b>(43,505)</b>	(7,619)
<b>Total income attributable to quasi-equity</b>	<b>912,248</b>	762,144
Net Wakala fees and Mudarib share of profit	<b>(109,931)</b>	(220,895)
<b>Net profit distributable to quasi-equity</b>	<b>802,317</b>	541,249

The attached notes 1 to 42 form part of these consolidated financial statements

Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]

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

For the year ended 31 December 2025

	<i>Participatory investments</i>	<i>Investments in real estate</i>	<i>Investments in sukuk, shares and other securities</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Balance at 1 January 2025</b>	<b>295,479</b>	<b>533,675</b>	<b>908,973</b>	<b>1,738,127</b>
Additions	47,886	-	635,185	683,071
Disposals / maturities	(49,663)	(202,758)	(448,076)	(700,497)
Net (decrease) / increase	(1,777)	(202,758)	187,109	(17,426)
Market movements	18,751	10,431	23,300	52,482
<b>Balance at 31 December 2025</b>	<b>312,453</b>	<b>341,348</b>	<b>1,119,382</b>	<b>1,773,183</b>
Balance at 1 January 2024	455,157	837,388	665,009	1,957,554
Additions	40,689	-	314,409	355,098
Disposals / maturities	(176,098)	(225,355)	(224,330)	(625,783)
Net (decrease) / increase	(135,409)	(225,355)	90,079	(270,685)
Market movements	(24,269)	(78,358)	153,885	51,258
Balance at 31 December 2024	295,479	533,675	908,973	1,738,127

At 31 December 2025

## **1 CORPORATE INFORMATION**

Kuwait Finance House B.S.C. (c) ("KFH Bahrain" or "the Bank") was incorporated in the Kingdom of Bahrain on 12 July 2000. The Bank and its subsidiaries (collectively referred to as "the Group") are engaged in banking business, global fund management and private banking services through its 78 branches as at 31 December 2025 (31 December 2024: 79) in the Kingdom of Bahrain, the Arab Republic of Egypt, Republic of Iraq, the United Kingdom and an overseas branch in Dubai International Financial Centre ("DIFC"). It also operates through its associates and joint ventures in the Kingdom of Bahrain and State of Libya. The Bank operates under a Islamic retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain, and it has 21 branches in the Kingdom of Bahrain, 45 branches in the Arab Republic of Egypt, 10 branches in Republic of Iraq, 1 branch in the United Kingdom and 1 branch in DIFC.

KFH Bahrain is a 100% owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH" or "Parent"). KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and operates under an Islamic banking licence issued by the Central Bank of Kuwait and its ordinary shares are listed in the Boursa Kuwait and Bahrain Bourse.

In line with the Bank's plan to convert its operations in compliance with the Islamic Shari'a principles, after complying with all the requirements and guidelines by the respective central banks of Bahrain, UK, Egypt, Iraq and their respective Shari'a boards, the Group has converted its Bahrain, UK, Egypt and Iraq based conventional business according to the Islamic Shari'a principles and commenced its operations under the licence of an Islamic retail bank in Bahrain effective 10 December 2023 and in the UK, Egypt and Iraq from 22 August 2024, 1 September 2024 and 1 January 2025 respectively. From these dates, all activities in Bahrain, UK, Egypt and Iraq are conducted in accordance with the Islamic Shari'a principles.

Effective 10 July 2025, the legal name of the Bank was changed from Ahli United Bank B.S.C. (c) to Kuwait Finance House B.S.C. (c). All legal and regulatory formalities has been completed in this regard.

All income and expenses from non-Shari'a compliant activities are treated based on the guidelines provided by the Shari'a Supervisory Board.

The consolidated financial statements of the Group for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors ("BOD") dated 16 February 2026.

## **2 ACCOUNTING POLICIES**

### **2.1 Statement of compliance and basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI") and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives.

For matters not covered by FAS, the Group uses relevant IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, as modified for the remeasurement at fair value of freehold land included in "Premises and equipment", certain financial instruments [as detailed in note 2.5(c)] and all derivative financial instruments. In addition, as detailed in note 2.5(h)(i), carrying values of recognised assets that are designated as hedged items in fair value hedges are adjusted to the extent of the fair value attributable to the risk being hedged. The consolidated financial statements are presented in United States Dollars, which is also the Bank's functional currency and all values are rounded-off to the nearest thousands, unless otherwise indicated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**2 ACCOUNTING POLICIES (continued)****2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the years ended 31 December 2025 and 2024. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement from its 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 is any change to elements of control. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. Adjustments are made to the consolidated financial statements to bring into line any dissimilar accounting policies that may exist. Changes in parent's ownership interest in a subsidiary that do not result in loss of control are treated as transactions between equity holders and are reported in equity.

All material intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full upon consolidation. The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities.

The following are the Bank's principal subsidiaries:

<i>Name</i>	<i>Incorporated in</i>	<i>Group's nominal holding</i>	
		<i>2025</i>	<i>2024</i>
Kuwait Finance House PLC ("KFHUK")	United Kingdom	<b>100.0%</b>	100.0%
Kuwait Finance House Bank - Egypt S.A.E. ("KFHE")	Arab Republic of Egypt	<b>95.7%</b>	95.7%
Commercial Islamic Bank of Iraq P.S.C.	Republic of Iraq	<b>85.3%</b>	85.3%
Al Ahli Real Estate Company W.L.L. ("AREC")	Kingdom of Bahrain	<b>100.0%</b>	100.0%
Ahli United Company W.L.L. ("AUC") *	Kingdom of Bahrain	-	100.0%
Baytik Bahrain Real Estate Holdings Co. W.L.L. **	Kingdom of Bahrain	<b>100.0%</b>	-

\* Sold during the year. Refer to note 3 for details.

\*\* Acquired during the year. Refer to note 3 for details.

**2.3 New and amended standards and interpretations issued but not yet effective**

The 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 will adopt these standards from the effective date.

- FAS 45 Quasi - Equity (Including Investment Accounts)  
AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic Financial Institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.
- FAS 46 Off - Balance - Sheet Assets Under Management  
AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.

**2 ACCOUNTING POLICIES (continued)**

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

- FAS 47 Transfer of Assets between Investment Pools  
AAOIFI issued FAS 47 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic Financial Institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.
- FAS 48 Promotional Gifts and Prizes  
AAOIFI issued FAS 48 "Promotional Gifts and Prizes" in 2024. The objective of this standard is to prescribe the accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic Financial Institution to their customers, including quasi-equity and other investment accountholders. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted.

**2.4 Significant accounting judgments and estimates**

In preparing these consolidated financial statements, significant judgments and estimates were made by the management in applying the Group's accounting policies.

The most significant uses of judgement and estimates applied in the preparation of these consolidated financial statements are as follows:

***i) Business model***

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

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

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

***ii) Measurement of the Expected Credit Loss (ECL) allowances***

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

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

- Internal credit rating model, which assigns Probability of Defaults (PDs) to the obligor ratings;
- The Group calculates Point-in-Time PD (PiT PD) estimates under three scenarios, a base case, good case and bad case. An appropriate probability weighted ECL is then calculated by assigning probabilities, based on current and expected market condition, to each scenario;
- Determining and applying criteria for significant increase in credit risk;
- Determination of associations between macroeconomic variables such as, gross domestic product, oil prices and unemployment levels on the one hand and default / loss rates on the other, and the consequent impact on PDs, Exposure at Defaults (EADs) and Loss Given Defaults (LGDs);

**2 ACCOUNTING POLICIES (continued)**

**2.4 Significant accounting judgements and estimates (continued)**

*ii) Measurement of the Expected Credit Loss (ECL) allowances (continued)*

- Selection and relative weights to the forward-looking scenarios;
- Segmentation of financial assets for the purposes of determining and applying the most appropriate risk rating model; and
- Determining the behavioral maturities of exposures for revolving facilities and other facilities where contractual maturities are not an accurate representation of actual maturities.

*iii) Going concern*

The management has made an assessment of its ability to continue as a going concern and is satisfied that it 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 on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

*iv) Fair value of financial instruments*

Estimates are also made in determining the fair values of financial assets and Islamic derivative financial instruments that are not quoted in an active market. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty and actual results may differ resulting in future changes in such estimates.

*v) 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.

The recoverable amount of each CGU's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the management, extrapolated for five year projections using nominal projected banking sector growth rates in the respective countries in which they operate. The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these business segments.

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

*vi) On-going economic environment impact*

The Group has performed an assessment of the relevant macro-economic information based on the available guidance of regulators and FAS, which has resulted in changes to the expected credit loss methodology, valuation estimates and judgements as at and for the year ended 31 December 2025.

The Group has taken note of the current economic environment and ongoing geopolitical tensions. The Group has also considered the impact of the challenging economic environment due to geopolitical conditions, and potential recession on vulnerable sectors in determining the ECL which has been reflected through adjustments in the established regression relationship and increased volatility in collateral haircuts. Accordingly, the Group has updated inputs and assumptions used for the determination of ECL supplemented with management overlays, as needed.

## 2 ACCOUNTING POLICIES (continued)

### 2.5 Summary of significant accounting policies

The key accounting policies which are applied in the preparation of these consolidated financial statements are set out below.

#### (a) Investment in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in an associate and joint ventures are initially recognised at cost and subsequently accounted for by the equity method of accounting. The Group's share of its associates' or joint ventures' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The financial statements of associates and joint ventures are prepared using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the impairment in the consolidated statement of income. Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Gain or loss on such transaction is computed by comparing the carrying amount of the associate or joint venture at the time of loss of significant influence or joint control with the aggregate of fair value of the retained investment and proceeds from disposal. Such gain or loss is recognised in the consolidated statement of income.

#### (b) Foreign currency translation

##### (i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in "trading income" in the consolidated statement of income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary investments classified as FVTOCI measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and the differences are included in other comprehensive income as part of the fair value adjustment of the respective items, unless these non-monetary investments items are designated as Fair Value Through Income Statement (FVTIS) or are part of an effective hedging strategy, in which case it is recorded in the consolidated statement of income.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(b) Foreign currency translation (continued)**

**(ii) Group companies**

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not US Dollars are translated into US Dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates prevailing for the reporting period for consolidation purpose, any exchange differences arising on translation are included in "foreign exchange translation reserve" forming part of other comprehensive income, except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognised in other comprehensive income are recognised in the consolidated statement of income.

**(c) Financial instruments**

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus transaction costs that are directly attributable to its acquisition or issue, except for items recorded as FVTIS. Premiums and discounts are amortised on a systematic basis to maturity using the effective profit rate method and taken to financing income or finance cost as appropriate.

The Group has converted a certain portion of its financial instruments to Shari'a compliant instruments through controlled special purpose entities as approved by the Shari'a Supervisory Board of the Bank.

Financial assets consist of cash balances with central banks, due from central banks and sukuk, due from banks, financing receivables and ijarah assets, non-trading investments, profit receivables and other assets, hedge used for risk management, financing commitments and financial guarantee contracts. Balances relating to these contracts are stated net of impairment and allowance for credit losses.

Financial liabilities contracts consist of due to banks, term financing against sukuk, customers' accounts, sukuk payable, term financing, quasi-equity accounts, profit payable and other liabilities.

Except for investments carried at FVTOCI or FVTIS and risk management instruments, all financial assets and financial liabilities are carried at amortised cost.

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e., the date that the Group receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The Group has determined the classification and measurement of its financial assets as follows:

**(i) Due from central banks and sukuk**

Due from central banks and sukuk are initially recognised at amortised cost. Premiums and discounts are amortised to their maturity using the effective profit rate method.

**(ii) Due from banks, financing receivables and ijarah assets**

Due from banks (including nostro accounts) and other financial institutions and financing receivables and ijarah assets are financial assets with fixed or determinable payments and fixed maturities. After initial recognition, these are subsequently measured at amortised cost using the effective profit rate method, adjusted for effective fair value hedges, less any amounts written-off and impairment for credit losses. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "allowance for impairment, credit losses and others" and in an ECL allowance account in the consolidated balance sheet. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation is included in "Financing and similar income" in the consolidated statement of income.

The repayment plan of financing receivables and ijarah assets is revised as part of ongoing customer relationship to align with change in cash flows of the obligor, in some instances with improved security and with no other concessions.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(c) Financial instruments (continued)**

*Financing contracts*

Financing contracts comprise Shari'a compliant financing contracts with fixed or determinable payments. These include financing provided through murabaha, tawarruq and ijarah contracts. Financing assets are recognised on the date they are originated and are carried at their amortised cost less impairment allowances, if any.

Following contracts are primarily used to structure the financing receivables and ijarah assets based on Shari'a principles:

*Trade-based financing contracts*

- Murabaha and tawarruq

A murabaha agreement is one whereby the Group sells to a customer commodities, real estate and certain other assets at cost plus an agreed profit mark up whereby the Group (seller) informs the purchaser of the price at which the asset had been purchased and also stipulates the amount of profit to be recognised. A tawarruq sale agreement is one whereby a customer buys commodities from the Group on a deferred payment basis and then immediately resells them for cash to a third party. Murabaha and tawarruq receivables are stated net of deferred profits, any amounts written-off and provision for impairment, if any.

*Lease-based financing contracts*

- Ijarah assets ("Ijarah Muntahia Bittamleek")

A lease agreement between the Group (lessor) and the customer (lessee), whereby the Group earns profit by charging rentals on assets leased to customers.

Ijarah assets mainly comprise of land and buildings and certain other assets. Ijarah is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease term), provided that all ijarah instalments are settled.

Ijarah assets are stated at cost less accumulated depreciation and any impairment. Depreciation is calculated using rates that systematically reduce the cost of the leased assets over the period of the lease in a pattern of economic benefits arising from these assets. The Group assesses at each reporting date whether there is objective evidence that the ijarah assets are impaired. Impairment loss is the amount by which the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses, if any, are recognised in the income statement. The estimates of future cash flows, when dependent on a single customer, takes into consideration the credit evaluation of the respective customer in addition to other factors.

*Other financing receivables*

Other financing receivables are financial assets with fixed or determinable payments and fixed maturities and includes the assets under the conversion process based on the Islamic Shari'a principles. After initial recognition, they are subsequently measured at amortised cost using the effective profit rate method, adjusted to reflect actual fair value hedges, less any amounts written-off and allowance for credit losses. Amortised cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective profit rate.

(iii) Debt-type instruments

Debt-type instruments are measured at amortised cost using the effective profit rate method, if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(iii) Debt-type instruments (continued)**

Debt-type instruments are measured at FVTOCI when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

FVTOCI debt-type instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

If either of these two criteria is not met, the financial assets are classified and measured at FVTIS. Additionally, even if the financial asset meets the amortised cost criteria, the Group may choose at initial recognition to designate the financial asset at FVTIS based on the business model.

The Group accounts for any changes in the fair value in the consolidated statement of income for assets classified as "FVTIS".

Monetary debt-type instruments are instruments whereby the transaction structure results in creation of a financial liability / debt, such as murabaha payable. Non-monetary debt-type instruments are instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (salam or istisna'a) or usufruct (ijarah) or services (ijarah) to be delivered in future.

**(iv) Equity investments**

Investments in equity instruments are classified as FVTIS, unless the Group designates an equity investment as FVTOCI on initial recognition. At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an equity instrument as FVTOCI. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

**(v) Other financial assets**

A financial asset is classified as FVTIS, if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of short term profitability; or
- it is a Islamic derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

**(vi) Islamic derivative financial instruments (other than hedging instruments)**

Changes in fair values of the Islamic derivative financial instruments utilised for customer-focused activities are included in the consolidated statement of income under "trading income".

Islamic derivative financial instruments embedded in other financial instruments are not separated from the host contract and the entire contract is considered in order to determine its classification. These financial instruments are classified as FVTIS and the changes in fair value of the entire hybrid contract are recognised in the consolidated statement of income.

**(vii) Due to banks, customers' accounts, sukuk payable and term financing**

These financial liabilities are carried at amortised cost, less amounts repaid. Sukuk issued is initially recognised at their fair value being the issue proceeds. Changes in fair value to the extent of the changes in fair value of the sukuk hedged and unamortised transaction costs are adjusted under "sukuk payable and term financing". Term financing from financial institutions represents financing obtained through wakala / murabaha contracts recognised on the origination date and carried at amortised cost.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(c) Financial instruments (continued)**

(vii) Due to banks, customers' accounts, sukuk payable and term financing (continued)

Current account balances based on Qard Hasan contracts with the customers are recognised when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the year, the accounts are measured at their book value, which represents the settlement value to the customers. These accounts are not entitled to any profits nor do they bear any risk of loss as the Bank pays to the customers on demand. Accordingly, these accounts are considered Qard Hasan from customers to the Bank under Shari'a.

(viii) Quasi-equity

Quasi-equity mainly includes fixed maturity accounts as specified in the term of the contract, based on the mudaraba or wakala contracts and are automatically renewable for the same periods unless notified to the contrary in writing by the account holder. Quasi-equity call / savings accounts are valid for an unlimited period. In all cases, the quasi-equity accounts receive a proportion of the profit as determined by the Bank, or bear a share of loss based on the results of the financial year.

Financial instruments also include contracts with the Bank's customers in accordance with conventional banking contracts.

**(d) Derecognition of financial assets and financial liabilities**

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**(e) Term financing against sukuk**

Where investments are sold subject to a commitment to repurchase them at a predetermined price, they remain on the consolidated balance sheet and the consideration received is included in "Term financing against sukuk". The difference between the sale price and repurchase price is treated as finance cost and is accrued over the life of the agreement using the effective profit rate method.

**(f) Determination of fair value**

The Group measures certain financial instruments and non-financial assets such as investment in real estate, excluding investment properties, at fair value at the reporting date.

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

The fair value of financial instruments that are quoted in an active market is determined by reference to market bid prices respectively at the close of business on the balance sheet date.

The fair value of liabilities with a demand feature is the amount payable on demand.

The fair value of profit-bearing financial assets and financial liabilities that are not quoted in an active market and are not payable on demand is determined by a discounted cash flow model using the current market profit rates for financial instruments with similar terms and risk characteristics.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(f) Determination of fair value (continued)**

For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument that is substantially similar, or is determined using net present valuation techniques. Equity securities classified under Level 3 are predominantly valued based on discounted cash flows and dividend discount models.

The fair value of unquoted Islamic derivative financial instruments is determined either by discounted cash flows or option-pricing models.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities.

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 as disclosed in note 39.

**(g) Impairment of financial assets**

The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under FAS 30, for the following categories of financial instruments that are not measured at FVTIS:

- Amortised cost financial assets;
- Sukuk and debt-type instruments classified as FVTOCI;
- Off-balance sheet financing commitments; and
- Financial guarantee contracts, letters of credit and acceptances.

ECL allowances are recognised for financial instruments that are not measured at FVTIS and are reflected in provisions for credit losses. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

***Expected credit loss model***

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

ECL allowances are the product of the PD, EAD and LGD. The PD represents likelihood of a obligor defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the funded exposure after the reporting date, including repayments of principal and profit. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioural analysis and regulatory Credit Conversion Factors (CCF). The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc. Furthermore, management overlays are applied to the model outputs, as required.

The impairment model measures credit loss allowances using a three-stage approach to measure ECL based on the extent of credit deterioration since origination, as described below:

Stage 1 – Measures and recognises credit loss allowance equal to 12-month ECL for financial instruments for which credit risk has not significantly increased since initial recognition. All investment grade assets are deemed to be Stage 1 as per the Bank's policy under the low credit risk presumption, except in cases where there are past dues in excess of 30 days (rebuttable) or 60 days (non-rebuttable).

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(g) Impairment of financial assets (continued)**

*Expected credit loss model (continued)*

Stage 2 – If credit risk has increased significantly since initial recognition (whether assessed on an individual or collective basis), then credit loss allowance is measured and recognised at an amount equal to the lifetime ECL. The key drivers to consider an asset under Stage 2 are as follows:

- Movements in risk rating since origination. Where the rating movement has deteriorated significantly, the amortised cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of Group Provisioning and Impairment Committee ("GPIC") decision; 60 days (non-rebuttable).
- Restructured credits: All restructured facilities are required to remain in Stage 2 for a minimum period of three to twelve months from the date of restructuring depending on the repayment frequency.
- Delays in credit reviews or resolving credit exceptions, subject to GPIC decision.
- Sector or country specific weakness, subject to GPIC decision.
- Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, law suits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc., and when GPIC determines that these represent a significant deterioration in credit quality.

Stage 3 – Financial instruments considered to be credit impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Exposures which are classified as Stage 2 are not moved back to Stage 1 unless a minimum cooling-off period of six months has elapsed from the date when the exposure qualifies to be reclassified, except for restructured facilities for which a minimum cooling off period of twelve months is applied. Further, no exposure classified in Stage 3 is moved to Stage 2 till a period prescribed by regulators has elapsed from the date on which the account qualifies for reclassification.

*Incorporation of forward looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of PiT PD. The Group performs historical analysis and identifies the key economic variables impacting credit risk and expected credit losses. The forecast economic variables are applied to established regression relationships to determine PiT PD. Macro-economic factors taken into consideration mainly include crude oil related variables, gross domestic product, unemployment and real estate indices. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

*Definition of default*

Financial assets that are subject to ECL measurement are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in profit or principal payments, indications that it is probable that the obligor will enter bankruptcy or other significant financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of obligors or issuers in the group, or economic conditions that correlate with defaults in the group. The Group continues its policy of treating financial instruments as credit impaired under Stage 3 category when the repayment of the principal or profit is overdue for 90 days or more.

Financial assets are written-off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(g) Impairment of financial assets (continued)**

***Sukuk or similar instruments measured at FVTOCI***

The ECL for sukuk measured at FVTOCI is recognised as an amount equal to the allowance that would arise if the assets were measured at amortised cost and is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated income statement. The accumulated gain / loss recognised in OCI is recycled to the consolidated income statement upon derecognition.

**(h) Hedge accounting**

In the ordinary course of business, the Group enters into currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts ("Islamic derivative financial instruments") and other derivative instruments to mitigate foreign currency and profit rate risk. The Islamic currency swaps and forward commodity contracts are based on Wa'ad (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through unilateral purchase undertaking. For Islamic profit rate swaps, counterparties generally exchange fixed and floating rate profit payments based on a notional value in a single currency through series of transactions to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future based on Wa'ad (promise) structure. For currency swaps, fixed or floating payments as well as notional amounts are exchanged in different currencies. The currency swaps, profit rate swaps, forward foreign exchange and forward commodity contracts are being used for hedging purpose.

In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria. These Islamic derivative financial instruments are stated at fair value. Islamic derivative financial instruments with positive market values are included in "other assets" and Islamic derivative financial instruments with negative market values are included in "other liabilities" in the consolidated balance sheet.

At inception of the hedge relationship, the Group formally designates and documents the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, management objectives and strategy for undertaking the hedge. The methods that will be used to assess the effectiveness of the hedging relationship form part of the Group's documentation.

In addition, at the inception of the hedge relationship, the Group undertakes a formal assessment to ensure the effectiveness of changes in the hedging instruments fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are regarded as effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated. For situations where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

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

**(i) Fair value hedges**

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

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(h) Hedge accounting (continued)**

**(i) Fair value hedges (continued)**

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost or at FVTOCI, the difference between the carrying value of the hedged item on termination and the value at which it would have been carried without being hedged is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Hedge ineffectiveness can arise from:

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

**(ii) Cash flow hedges**

For cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument which is determined to be an effective hedge is recognised initially in OCI. The ineffective portion of the fair value of the Islamic derivative financial instruments is recognised immediately in the consolidated statement of income under "trading income".

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. In the case of cash flow hedges, the cumulative gain or loss on the hedging instrument recognised in OCI remains in OCI until the forecasted transaction occurs, unless the hedged transaction is no longer expected to occur, in which case the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income for the year.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, as to whether the hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items. In case of cash flow hedges, the Group makes an assessment of whether the forecasted transaction is highly probable to occur in order to ascertain whether any variations in those cash flows could affect the profit and loss.

**(i) Offsetting financial instruments**

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a currently enforceable religious or legal right to offset the recognised amounts and the Group intends to settle on a net basis to realise the assets and liabilities simultaneously.

**(j) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(j) Revenue recognition (continued)**

**(i) Financing and similar income and finance and similar cost**

For all profit bearing financial instruments, financing income or expense is recorded using the effective profit rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial asset or financial liability. Recognition of financing income is suspended on financing receivables and ijarah assets where profit and / or principal is overdue by 90 days or more. If the Stage 3 financial asset is cured and no longer credit-impaired, the Group reverts to calculating financing income on a gross basis.

Income on Islamic products recognised is as follows:

Income from murabaha and tawarruq are recognised on an effective profit rate, which is established on the initial recognition of the asset and is not revised subsequently.

Income from ijarah assets is recognised over the term of the ijarah agreement so as to yield a constant rate of return on the net investment outstanding. Ijarah income is recognised on effective profit rate basis, net of depreciation, over the lease term.

During the year ended 31 December 2024, since the subsidiaries were in the phase of converting their operations based on Islamic Shari'a principles, therefore, financing income and cost included yield earned and cost incurred on the conventional portfolio of financial instruments.

**(ii) Net income attributable to quasi-equity**

Return on Quasi Equity Accounts (QEA) is computed after taking into account all income and expenses at the end of the year and is distributed between the quasi-equity, which include mudaraba / wakala account holders and the Bank's shareholder. The share of profit of the quasi-equity is calculated on the basis of their average account balances over the period, after deducting the agreed and declared mudarib / wakala fee.

**(iii) Fees and commissions**

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for provision of services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Credit origination fees are treated as an integral part of the effective profit rate of financial instruments and are recognised over their lives, except when the underlying risk is sold to a third party at which time it is recognised immediately. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling those obligations.

**(iv) Dividend income**

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

**(k) Business combinations, goodwill and other intangible assets**

Business combinations are accounted for using the purchase method of accounting. Assets and liabilities acquired are recognised at the acquisition date fair values with any excess of the cost of acquisition over the net assets acquired being recognised as goodwill. Investments acquired that do not meet the definition of a business combination are accounted for as asset acquisitions. Such acquisitions are recognized as individual assets (e.g., financial assets or investment properties, as applicable). The cost of acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the acquisition date. The total cost comprises all consideration transferred and any non controlling interest recognised, where applicable.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(k) Business combinations, goodwill and other intangible assets (continued)**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's profit in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

Impairment of goodwill and intangible assets with indefinite life is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised immediately in the consolidated statement of income.

For the purpose of impairment testing, goodwill and intangible assets with indefinite life acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format determined in accordance with FAS 22 - Segment Reporting.

**(l) Premises and equipments**

Freehold land is initially recognised at cost. After initial recognition, freehold land is carried at the revalued amount. The revaluation is carried out periodically by independent professional property valuers. Fair value is determined by using unobservable valuation inputs. The resultant revaluation surplus is recognised, as a separate component under equity. Revaluation deficit, if any, is recognised in the consolidated statement of income, except that a deficit directly offsetting a previously recognised surplus on the same asset is directly offset against the surplus in the revaluation reserve in equity.

Premises and equipments are stated at cost, less accumulated depreciation and impairment, if any.

Depreciation on buildings and other premises and equipments is provided on a straight-line basis over their estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- |                                 |   |
|---------------------------------|---|
| - Freehold buildings            | 40 to 50 years                          |
| - Fixtures and improvements     | Over the lease period or up to 10 years |
| - Other premises and equipments | Up to 10 years                          |

**(m) Investment properties**

Land and buildings held for the purpose of capital appreciation or for long term rental yields and not occupied by the Group are classified as investment properties. Investment properties are remeasured at cost less accumulated depreciation (depreciation for buildings based on an estimated useful life of 40 years using the straight-line method) and accumulated impairment. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or when sale is completed.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash and balances with central banks, excluding mandatory reserves, together with those due from banks and other financial institutions and sukuk having an original maturity of three months or less. These cash and cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

**(o) Provisions**

Provisions are recognised when the Group has a present obligation arising from a past event and the costs to settle the obligation are both probable and able to be reliably estimated.

**(p) Employee benefits**

*Defined benefit pension plan*

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling (if any) both excluding profit are recognised immediately in OCI.

*Defined contribution plans*

The Group also operates a defined contribution plan, the costs of which are recognised in "staff costs" in the period to which they relate.

**(q) Taxes**

The Bank is taxable under Decree-Law no (11) of 2024 (the "Law") issued in the Kingdom of Bahrain on 1 September 2024 introducing Domestic Minimum Top-up Tax ("DMTT"), effective 1 January 2025. Taxation on income from foreign entities is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities' operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognised if recovery is probable.

**(r) Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not incorporated in the consolidated balance sheet. These include assets under management and custodial assets. These are disclosed separately in the consolidated financial statements.

**(s) Non-controlling interests**

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

**(t) Perpetual Tier 1 Capital Securities and sukuk**

Perpetual Tier 1 Capital Securities and sukuk of the Group are recognised under equity in the consolidated balance sheet and the corresponding distribution on those securities are accounted as a debit to the retained earnings.

**(u) Dividends on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholder.

Dividends for the period that are approved after the balance sheet date are shown as an appropriation and reported in the consolidated statement of changes in equity, as an event after the balance sheet date.

**2 ACCOUNTING POLICIES (continued)**

**2.5 Summary of significant accounting policies (continued)**

**(v) Financial guarantees and financing commitments**

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss that is incurred because a specified debtor fails to make payments when due in accordance with the terms of a debt-type instrument. Financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, adjusted for transaction costs that are directly attributable to the issuance of guarantee. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised commission and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Group expects to recover. Any change in a liability relating to guarantees is recognised in the consolidated statement of income.

**(w) Repossessed assets**

Repossessed assets are assets acquired in settlement of debt. These assets are carried at the lower of their repossessed value or their fair value and reported under "other assets" in the consolidated balance sheet.

**(x) Ijarah**

*Right-of-use assets (Group as a lessee)*

The Group recognises right-of-use assets at the commencement date of the ijarah (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of ijarah liabilities. The cost of right-of-use assets includes the amount of ijarah liabilities recognised, initial direct costs incurred, and ijarah payments made at or before the commencement date less any ijarah incentives received.

Unless the Group is reasonably certain to obtain ownership of the ijarah asset at the end of the ijarah term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the ijarah term. Right-of-use assets are subject to impairment. The carrying value of right-of-use assets are recognised under "premises and equipments" in the consolidated balance sheet.

*Ijarah liabilities (Group as a lessee)*

At the commencement date of the ijarah contract, the Group recognises ijarah liabilities measured at the present value of ijarah payments to be made over the ijarah term. In calculating the present value of ijarah payments, the Group uses the incremental funding rate at the ijarah commencement date if the profit rate implicit in the ijarah is not readily determinable. After the commencement date, the amount of ijarah liabilities is increased to reflect the accretion of profit and reduced for the ijarah payments made. In addition, the carrying amount of ijarah liabilities is remeasured if there is a modification, a change in the ijarah term, a change in the in-substance fixed ijarah payments or a change in the assessment to purchase the underlying asset and is recognised under "other liabilities" in the consolidated balance sheet.

**(y) Zakah**

Payment of Zakah is the responsibility of the shareholder of the Bank, accordingly no Zakah has been recorded in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**3 ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

On 10 November 2025, the Bank sold its wholly owned subsidiary, Ahli United Company W.L.L. ("AUC"), to its Parent for a total consideration of US\$ 1.9 billion. AUC held the Bank's investment in equity shares of the Parent classified as fair value through other comprehensive income. On disposal of AUC, the Group transferred fair value reserve of US\$ 259 million to the consolidated statement of income. The consideration comprised acquisition of 100% equity interest in Baytik Bahrain Real Estate Holding Company W.L.L. ("BBRE"), an entity under common control, valued at US\$ 1.2 billion, with the remaining balance payable in the form of cash and other financial instruments. The required regulatory and corporate approvals were obtained in this regard. The Group has consolidated the results and financial position of BBRE from 10 November 2025, which is the date from which control was obtained.

Although business combinations under common control are outside the scope of IFRS 3 Business Combinations, management has elected to apply the acquisition method by analogy to IFRS 3 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Accordingly, the identifiable assets were recognised and liabilities were assumed of BBRE at a net fair value of US\$ 1.2 billion as disclosed below.

	<i>US\$'000</i>
Due from banks	18,505
Investment in associates and joint ventures	671,690
Investment properties	592,367
Profit receivable and other assets	3,166
Premises and equipments	321
<b>Total assets (A)</b>	<b>1,286,049</b>
Due to banks	32,996
Profit payable and other liabilities	30,264
<b>Total liabilities (B)</b>	<b>63,260</b>
Fair value of identifiable net assets acquired (C = A-B)	1,222,789
Settled through money market transactions (D)	138,370
Due from Parent (E)	551,000
<b>Carrying value of AUC on date of disposal (F=C+D+E)</b>	<b>1,912,159</b>

From the date of acquisition, BBRE contributed an operating loss of US\$ 0.5 million and loss attributable to shareholder of the Bank of US\$ 1.8 million. Until the date of disposal, AUC contributed an operating income and income attributable to shareholder of the Bank of US\$ 50.9 million.

**4 NET FINANCING AND SIMILAR INCOME**

	<i>2025</i>	<i>2024</i>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>(a) FINANCING AND SIMILAR INCOME</b>		
Murabaha financing and tawarruq	847,020	648,349
Ijarah muntahia bittamleek	111,273	87,588
Other financing receivables	29,961	319,555
Deposits and sukuk with banks and central banks	252,035	226,195
Non-trading investments *	594,733	717,735
	<b>1,835,022</b>	<b>1,999,422</b>

\* Includes income from FVTOCI investments of US\$ 282.1 million (2024: US\$ 260.3 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**4 NET FINANCING AND SIMILAR INCOME (continued)**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>(b) FINANCE AND SIMILAR COST</b>		
Due to banks	17,544	27,464
Term financing against sukuk	226,602	250,285
Customers' accounts	14,612	352,414
Term financing	51,505	62,255
	<u>310,263</u>	<u>692,418</u>
<b>(c) NET DISTRIBUTION TO QUASI-EQUITY</b>		
Banks	71,678	61,651
Non-banks and individuals	691,623	435,437
Sukuk payable	39,016	44,161
	<u>802,317</u>	<u>541,249</u>
<b>NET FINANCING AND SIMILAR INCOME</b>	<u>722,442</u>	<u>765,755</u>

Net income attributable to quasi-equity relates to mudaraba of US\$ 0.7 million and wakala of US\$ 801.6 million.

All financial liabilities and related finance cost relates to amortised cost items.

**5 FEES AND COMMISSIONS - NET**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
Fees and commission income		
- Transaction banking services	80,338	78,751
- Management, performance and brokerage fees*	8,018	8,733
Fees and commission expense	(5,882)	(5,066)
	<u>82,474</u>	<u>82,418</u>

\* This includes US\$ 2.1 million (2024: US\$ 1.3 million) of fee income relating to trust and other fiduciary activities.

**6 TRADING INCOME**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
Foreign exchange	28,982	34,344
Proprietary trading	2,949	2,956
	<u>31,931</u>	<u>37,300</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**7 (a) CASH AND BALANCES WITH CENTRAL BANKS**

	<u>2025</u>	<u>2024</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Cash and balances with central banks	<b>459,921</b>	627,575
Mandatory reserve with central banks	<b>604,287</b>	541,937
	<b>1,064,208</b>	1,169,512

**7 (b) DUE FROM CENTRAL BANKS AND SUKUK**

	<u>2025</u>	<u>2024</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Central Bank of Bahrain	<b>726,393</b>	579,953
Central Bank of Egypt	<b>329,972</b>	239,866
	<b>1,056,365</b>	819,819

Due from central banks and sukuk are local currency denominated and match funded by underlying respective local currencies.

**7 (c) DUE FROM BANKS**

		<u>2025</u>	<u>2024</u>
	<i>Note</i>	<u>US\$'000</u>	<u>US\$'000</u>
Balances with banks		<b>1,790,192</b>	1,195,784
Placements with banks:			
Murabaha	7(c)(i)	<b>565,587</b>	491,252
Wakala	7(c)(ii)	<b>183,613</b>	181,172
		<b>2,539,392</b>	1,868,208

7(c)(i) Murabaha placements are net of deferred profits of US\$ 2.0 million (31 December 2024: US\$ 1.3 million).

7(c)(ii) Under the wakala arrangement, the agent pays the Bank profit at the expected profit rate stated in the respective wakala offer, when realised and anything beyond this rate is passed on to the agent as an incentive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS****a) Financing contracts by type of facility**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Murabaha financing and tawarruq*	<b>10,442,952</b>	8,972,779
Ijarah assets	<b>1,573,050</b>	1,375,411
Other financing receivables	<b>154,852</b>	190,914
	<b>12,170,854</b>	10,539,104
Allowance for impairment and credit losses	<b>(546,798)</b>	(533,557)
	<b>11,624,056</b>	10,005,547

\*Murabaha financing and tawarruq is net of deferred profit of US\$ 1,047.9 million (31 December 2024: US\$ 693.2 million).

**b) By industry sector**

	<u>2025</u>		<u>2024</u>	
	<u>US\$ '000</u>	<u>%</u>	<u>US\$ '000</u>	<u>%</u>
Consumer / personal	<b>1,209,304</b>	<b>9.9</b>	1,009,553	9.6
Residential mortgage	<b>1,179,878</b>	<b>9.7</b>	1,244,401	11.8
Trading and manufacturing	<b>3,244,237</b>	<b>26.7</b>	3,410,199	32.4
Real estate	<b>2,199,631</b>	<b>18.1</b>	1,809,193	17.2
Banks and other financial institutions	<b>963,592</b>	<b>7.9</b>	668,731	6.3
Services	<b>1,933,833</b>	<b>15.9</b>	1,547,301	14.7
Government / public sector	<b>754,267</b>	<b>6.2</b>	362,840	3.4
Others	<b>686,112</b>	<b>5.6</b>	486,886	4.6
	<b>12,170,854</b>	<b>100.0</b>	10,539,104	100.0
ECL allowances (Stage 1 and 2)	<b>(306,088)</b>		(329,114)	
ECL allowances (Stage 3)	<b>(240,710)</b>		(204,443)	
	<b>11,624,056</b>		10,005,547	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS (continued)****c) By geographic region**

	2025		2024	
	US\$ '000	%	US\$ '000	%
GCC countries	7,036,607	57.8	5,757,573	54.7
United Kingdom	1,683,587	13.9	1,816,318	17.3
Arab Republic of Egypt	2,546,702	20.9	1,996,373	18.9
Europe (excluding United Kingdom)	241,166	2.0	192,159	1.8
Asia (excluding GCC countries)	475,151	3.9	498,365	4.7
Others	187,641	1.5	278,316	2.6
	<b>12,170,854</b>	<b>100.0</b>	10,539,104	100.0
ECL allowances (Stage 1 and 2)	(306,088)		(329,114)	
ECL allowances (Stage 3)	(240,710)		(204,443)	
	<b>11,624,056</b>		10,005,547	

**d) Credit quality of financing receivables and ijarah assets**

	2025			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
High standard grade				
Retail	1,884,277	55,964	-	1,940,241
Corporate	4,348,237	16,674	-	4,364,911
Standard grade				
Retail	191,589	85,058	-	276,647
Corporate	4,108,494	1,177,871	-	5,286,365
Credit impaired				
Retail	-	-	113,389	113,389
Corporate	-	-	189,301	189,301
	<b>10,532,597</b>	<b>1,335,567</b>	<b>302,690</b>	<b>12,170,854</b>
ECL allowances	(79,166)	(226,922)	(240,710)	(546,798)
	<b>10,453,431</b>	<b>1,108,645</b>	<b>61,980</b>	<b>11,624,056</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS (continued)****d) Credit quality of financing receivables and ijarah assets (continued)**

	2024			Total US\$ '000
	Stage 1	Stage 2	Stage 3	
	US\$ '000	US\$ '000	US\$ '000	
High standard grade				
Retail	1,792,864	91,326	-	1,884,190
Corporate	4,132,757	112,453	-	4,245,210
Standard grade				
Retail	90,673	67,715	-	158,388
Corporate	2,777,566	1,219,159	-	3,996,725
Credit impaired				
Retail	-	-	76,011	76,011
Corporate	-	-	178,580	178,580
	8,793,860	1,490,653	254,591	10,539,104
ECL allowances	(79,474)	(249,640)	(204,443)	(533,557)
	8,714,386	1,241,013	50,148	10,005,547

Refer to note 33 for further details on credit quality of financing receivables and ijarah assets.

**e) Age analysis of past due but not credit impaired financing receivables and ijarah assets**

The amounts presented in the table below are gross of ECL allowances.

	2025			Total US\$ '000
	Up to 30 days	31 to 60 days	61 to 89 days	
	US\$ '000	US\$ '000	US\$ '000	
Retail	97,258	33,470	11,346	142,074
Corporate	97,626	42,986	62,330	202,942
	194,884	76,456	73,676	345,016
	2024			Total US\$ '000
	Up to 30 days	31 to 60 days	61 to 89 days	
	US\$ '000	US\$ '000	US\$ '000	
Retail	64,005	32,070	16,947	113,022
Corporate	203,993	94,390	25,857	324,240
	267,998	126,460	42,804	437,262

None of the above past due financing receivable and ijarah assets are considered to be credit impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS (continued)****f) Individually credit impaired financing receivables and ijarah assets**

	<i>2025</i>		
	<i>Retail</i> <i>US\$ '000</i>	<i>Corporate</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Gross credit impaired financing receivables and ijarah assets	113,389	189,301	302,690
ECL allowances (Stage 3)	(90,119)	(150,591)	(240,710)
	<b>23,270</b>	<b>38,710</b>	<b>61,980</b>
ECL coverage on credit impaired financing receivables and ijarah assets	<b>79.5%</b>	<b>79.6%</b>	<b>79.5%</b>
Gross financing receivables and ijarah assets	<b>2,330,277</b>	<b>9,840,577</b>	<b>12,170,854</b>
Credit impaired financing receivables and ijarah assets ratio	<b>4.9%</b>	<b>1.9%</b>	<b>2.5%</b>
	<i>2024</i>		
	<i>Retail</i> <i>US\$ '000</i>	<i>Corporate</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Gross credit impaired financing receivables and ijarah assets	76,011	178,580	254,591
ECL allowances (Stage 3)	(60,577)	(143,866)	(204,443)
	15,434	34,714	50,148
ECL coverage on credit impaired financing receivables and ijarah assets	79.7%	80.6%	80.3%
Gross financing receivables and ijarah assets	2,118,589	8,420,515	10,539,104
Credit impaired financing receivables and ijarah assets ratio	3.6%	2.1%	2.4%

The fair value of collateral that the Group holds relating to financing receivables and ijarah assets individually determined to be credit impaired at 31 December 2025 amounted to US\$ 377.7 million (31 December 2024: US\$ 292.8 million). The collateral mainly consists of cash, securities and properties.

At 31 December 2025, the carrying amount of restructured credit facilities was US\$ 732.7 million (31 December 2024: US\$ 669.1 million) on which the Group maintained ECL allowances of US\$ 137.8 million (31 December 2024: US\$ 106.4 million).

**g) ECL allowances on financing receivables and ijarah assets**

A reconciliation of the ECL allowances for financing receivables and ijarah assets by class is as follows:

*i) ECL allowances for financing receivables and ijarah assets - Retail*

	<i>2025</i>			
	<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>
<b>At 1 January 2025</b>	<b>24,630</b>	<b>8,925</b>	<b>60,577</b>	<b>94,132</b>
Transfer from Stage 1	(2,774)	2,774	-	-
Transfer from Stage 2	2,881	(4,369)	1,488	-
Transfer from Stage 3	-	2,103	(2,103)	-
Net remeasurement of ECL allowances	(7,468)	716	32,575	25,823
Amounts written-off *	-	-	(28,671)	(28,671)
Exchange rate and other adjustments	2,355	(4,653)	26,253	23,955
<b>At 31 December 2025</b>	<b>19,624</b>	<b>5,496</b>	<b>90,119</b>	<b>115,239</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS (continued)****g) ECL allowances for financing receivables and ijarah assets (continued)***i) ECL allowances for financing receivables and ijarah assets - Retail (continued)*

	2024			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
At 1 January 2024	18,696	9,482	71,983	100,161
Transfer from Stage 1	(1,182)	1,182	-	-
Transfer from Stage 2	4,749	(5,295)	546	-
Transfer from Stage 3	-	6,233	(6,233)	-
Net remeasurement of ECL allowances	1,081	(521)	31,708	32,268
Amounts written-off *	-	-	(86,105)	(86,105)
Exchange rate and other adjustments	1,286	(2,156)	48,678	47,808
<b>At 31 December 2024</b>	<b>24,630</b>	<b>8,925</b>	<b>60,577</b>	<b>94,132</b>

*ii) ECL allowances for financing receivables and ijarah assets - Corporate*

	2025			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
<b>At 1 January 2025</b>	<b>54,844</b>	<b>240,715</b>	<b>143,866</b>	<b>439,425</b>
Transfer from Stage 1	(18,045)	18,045	-	-
Transfer from Stage 2	13,002	(14,866)	1,864	-
Transfer from Stage 3	-	459	(459)	-
Net remeasurement of ECL allowances	8,872	(23,669)	57,869	43,072
Amounts written-off *	-	-	(26,735)	(26,735)
Exchange rate and other adjustments	869	742	(25,814)	(24,203)
<b>At 31 December 2025</b>	<b>59,542</b>	<b>221,426</b>	<b>150,591</b>	<b>431,559</b>

	2024			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
At 1 January 2024	63,794	265,182	153,956	482,932
Transfer from Stage 1	(708)	708	-	-
Transfer from Stage 2	16,153	(38,640)	22,487	-
Transfer from Stage 3	-	1,411	(1,411)	-
Net remeasurement of ECL allowances	(16,627)	66,138	89,121	138,632
Amounts written-off *	-	-	(92,698)	(92,698)
Exchange rate and other adjustments	(7,768)	(54,084)	(27,589)	(89,441)
<b>At 31 December 2024</b>	<b>54,844</b>	<b>240,715</b>	<b>143,866</b>	<b>439,425</b>

\* Represents the full carrying value of the financing receivables and ijarah assets written-off.

The contractual amount outstanding on financing receivables and ijarah assets that have been written-off during the year, and under legal action was US\$ 21.3 million at 31 December 2025 (2024: US\$ 129.4 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**8 FINANCING RECEIVABLES AND IJARAH ASSETS (continued)****h) Allowance for impairment, credit losses and others**

The net charge for provision in the consolidated statement of income is as follows:

	<u>2025</u>	<u>2024</u>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net remeasurement of ECL on financing receivables and ijarah assets (note 8g)	(68,895)	(170,900)
Recoveries from financing receivables and ijarah assets during the year (from fully provided financing receivables and ijarah assets written-off in previous years)	32,507	43,670
Net remeasurement of ECL on non-trading investments (note 9c)	(3,449)	16,547
Net remeasurement of ECL on off-balance sheet exposures and others	(7,274)	3,580
Provision charge on real estate assets	(40,203)	-
Provision charge on investment in associates and joint ventures	(25,002)	21,582
Net other provision (charges) / write-back	(17,834)	19,171
	<u>(130,150)</u>	<u>(66,350)</u>

**i) Ijarah Muntahia Bittamleek**

	<u>2025</u>	<u>2024</u>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Ijarah Muntahia Bittamleek - cost	1,813,312	1,661,335
Accumulated depreciation	(240,262)	(285,924)
Ijarah Muntahia Bittamleek - financing contracts	1,573,050	1,375,411
Allowance for impairment and credit losses	(88,525)	(84,074)
	<u>1,484,525</u>	<u>1,291,337</u>

**9 NON-TRADING INVESTMENTS****a) By sector and classification**

	<u>2025</u>			
	<i>Held at amortised cost</i>	<i>Held at FVTOCI</i>	<i>Held at FVTIS</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b><i>Quoted investments</i></b>				
GCC government sukuk and similar instruments	2,253,002	1,085,333	-	3,338,335
Other government sukuk and similar instruments	661,449	957,700	-	1,619,149
GCC government entities' securities	1,016,603	307,827	-	1,324,430
Sukuk and similar instruments:				
- banks and other financial institutions	203,561	303,703	-	507,264
- corporates	2,129,378	922,497	-	3,051,875
Equity instruments	-	2,159	1,342	3,501
	<u>6,263,993</u>	<u>3,579,219</u>	<u>1,342</u>	<u>9,844,554</u>
<b><i>Unquoted investments</i></b>				
Sukuk and similar instruments:				
- issued by banks and other financial institutions	251,908	20,422	-	272,330
Equity instruments	-	93,218	10,282	103,500
	<u>251,908</u>	<u>113,640</u>	<u>10,282</u>	<u>375,830</u>
Total	<u>6,515,901</u>	<u>3,692,859</u>	<u>11,624</u>	<u>10,220,384</u>
ECL allowances	(9,597)	(5,559)	-	(15,156)
	<u>6,506,304</u>	<u>3,687,300</u>	<u>11,624</u>	<u>10,205,228</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**9 NON-TRADING INVESTMENTS (continued)****a) By sector and classification (continued)**

	2024			
	<i>Held at amortised cost</i>	<i>Held at FVTOCI</i>	<i>Held at FVTIS</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Quoted investments</i>				
GCC government sukuk and similar instruments	2,128,678	1,446,913	-	3,575,591
Other government sukuk and similar instruments	125,252	602,755	-	728,007
GCC government entities' securities	991,004	219,093	-	1,210,097
<i>Sukuk and similar instruments:</i>				
- banks and other financial institutions	608,676	395,775	-	1,004,451
- corporates	2,315,727	434,434	-	2,750,161
Equity instruments	-	1,656,314	1,027	1,657,341
	<u>6,169,337</u>	<u>4,755,284</u>	<u>1,027</u>	<u>10,925,648</u>
<i>Unquoted investments</i>				
<i>Sukuk and similar instruments:</i>				
- issued by banks and other financial institutions	259,534	27,586	-	287,120
Equity instruments	-	104,743	8,131	112,874
	<u>259,534</u>	<u>132,329</u>	<u>8,131</u>	<u>399,994</u>
Total	6,428,871	4,887,613	9,158	11,325,642
ECL allowances	(7,903)	(3,593)	-	(11,496)
	<u>6,420,968</u>	<u>4,884,020</u>	<u>9,158</u>	<u>11,314,146</u>

The fair value of the non-trading investments held at amortised cost is US\$ 6,624.7 million as at 31 December 2025 (31 December 2024: US\$ 6,526.5 million).

Gain on FVTIS investments for the year ended 31 December 2025 amounted to US\$ 2.5 million (2024: US\$ 0.6 million).

**b) Credit quality of non-trading investments**

	2025			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	6,400,308	-	-	6,400,308
Standard grade	3,709,345	3,730	-	3,713,075
	<u>10,109,653</u>	<u>3,730</u>	<u>-</u>	<u>10,113,383</u>
ECL allowances	(15,152)	(4)	-	(15,156)
	<u>10,094,501</u>	<u>3,726</u>	<u>-</u>	<u>10,098,227</u>
Equity instruments at fair value				<u>107,001</u>
				<u>10,205,228</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**9 NON-TRADING INVESTMENTS (continued)****b) Credit quality of non-trading investments (continued)**

	<b>2024</b>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
High standard grade	5,604,807	-	-	5,604,807
Standard grade	3,740,622	209,998	-	3,950,620
	<u>9,345,429</u>	<u>209,998</u>	<u>-</u>	<u>9,555,427</u>
ECL allowances	(10,094)	(1,402)	-	(11,496)
	<u>9,335,335</u>	<u>208,596</u>	<u>-</u>	<u>9,543,931</u>
Equity instruments at fair value				1,770,215
				<u>11,314,146</u>

Refer to note 33 for further details on credit quality of non-trading investments.

**c) Reconciliation of ECL allowances**

	<b>2025</b>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>At 1 January 2025</b>	<b>10,094</b>	<b>1,402</b>	<b>-</b>	<b>11,496</b>
Net remeasurement of ECL allowances	<b>4,959</b>	<b>(1,510)</b>	<b>-</b>	<b>3,449</b>
Exchange rate and other adjustments	<b>99</b>	<b>112</b>	<b>-</b>	<b>211</b>
<b>At 31 December 2025</b>	<b>15,152</b>	<b>4</b>	<b>-</b>	<b>15,156</b>

	<b>2024</b>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2024	25,661	2,572	-	28,233
Net remeasurement of ECL allowances	(15,472)	(1,075)	-	(16,547)
Exchange rate and other adjustments	(95)	(95)	-	(190)
At 31 December 2024	<u>10,094</u>	<u>1,402</u>	<u>-</u>	<u>11,496</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES****a) Investment in associates**

The associates of the Group are as follows:

<i>Name</i>	<i>Incorporated in</i>	<i>Group's nominal holding</i>	
		<i>2025</i>	<i>2024</i>
United Bank for Commerce and Investment S.A.L. ("UBCI")	State of Libya	<b>40.0%</b>	40.0%
South City W.L.L. ("South City")	Kingdom of Bahrain	<b>24.8%</b>	-
Danat Al Bahrain Real Estate Development Co. W.L.L. ("Danat")	Kingdom of Bahrain	<b>20.0%</b>	-
Ahli Bank S.A.O.G. ("ABO")	Sultanate of Oman	-	35.0%

The summarised financial information of the Group's associates is as follows:

	<i>2025</i>	<i>2024</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Total assets	<b>1,903,174</b>	10,341,423
Total liabilities	<b>725,367</b>	8,812,740
Share of results for the year (Group's share)	<b>7,212</b>	46,562

Financial information of South City and ABO, being the material associates, is provided below. The information is based on latest available unaudited financial information of these companies.

South City *	<i>2025</i>
	<i>US\$ million</i>
<b><i>Balance sheet related information</i></b>	
Total assets	<b>946.0</b>
Total liabilities	<b>0.1</b>
<b><i>Income statement related information</i></b>	
Total operating income	<b>0.1</b>
Net profit for the year	<b>0.1</b>
<b><i>Cash flow related information</i></b>	
Net cash used in operating activities	<b>(0.3)</b>
Net cash from investing activities	<b>0.1</b>

\* Acquired during the year, hence comparative information has not been disclosed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)****a) Investment in associates (continued)**

ABO	2025	2024
	<i>US\$ million</i>	<i>US\$ million</i>
<b><i>Balance sheet related information</i></b>		
Total assets	-	9,753.0
Total liabilities	-	8,303.7
<b><i>Income statement related information</i></b>		
Total operating income	-	281.3
Net profit for the year	-	108.2
Dividends received during the year	-	9.6
<b><i>Cash flow related information</i></b>		
Net cash from operating activities	-	455.5
Net cash used in investing activities	-	(121.0)
Net cash used in financing activities	-	(111.7)

**b) Investment in joint ventures**

The joint ventures of the Group are as follows:

<b><i>Name</i></b>	<b><i>Incorporated in</i></b>	<b><i>Group's nominal holding</i></b>	
		<b><i>2025</i></b>	<b><i>2024</i></b>
Diyar Al Muharraq Company W.L.L. ("Diyar")	Kingdom of Bahrain	<b>52.5%</b>	-
PK Development Company W.L.L.	Kingdom of Bahrain	<b>50.0%</b>	-

The summarised financial information of the Group's joint ventures is as follows:

	2025	2024
	<i>US\$ '000</i>	<i>US\$ '000</i>
Total assets	<b>933,601</b>	-
Total liabilities	<b>290,790</b>	-
Share of results for the year (Group's share)	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)****b) Investment in joint ventures (continued)**

Financial information of Diyar, being the material joint venture, is provided below. The information is based on latest available unaudited financial information of Diyar.

Diyar *	<u>2025</u> <i>US\$ million</i>
<b><i>Balance sheet related information</i></b>	
Total assets	<b>870.8</b>
Total liabilities	<b>290.8</b>
<b><i>Income statement related information</i></b>	
Total operating income	<b>35.4</b>
Net profit for the year	<b>18.1</b>
<b><i>Cash flow related information</i></b>	
Net cash used in operating activities	<b>(13.9)</b>
Net cash from investing activities	<b>10.0</b>
Net cash used in financing activities	<b>(5.0)</b>

\* Acquired during the year, hence comparative information has not been disclosed.

**c) Movements in associates and joint ventures**

	<u>2025</u> <i>US\$ '000</i>	<u>2024</u> <i>US\$ '000</i>
At 1 January	<b>455,713</b>	375,313
Additions	-	2,570
Share of results of associates and joint ventures	<b>7,212</b>	46,562
Acquired as part of BBRE's acquisition (note 3)	<b>671,690</b>	-
Disposals	<b>(420,315)</b>	(3,847)
Dividend received	-	(9,612)
Impairment and other movements	<b>(28,899)</b>	44,727
At 31 December	<b>685,401</b>	455,713

**11 INVESTMENT PROPERTIES**

These represent properties acquired by the Group and are recognised at cost. As at 31 December 2025, the fair value of the investment properties is US\$ 786.6 million (31 December 2024: US\$ 120.2 million). Investment properties were valued by independent valuers using unobservable valuation inputs such as comparable sales, potential revenue etc. and are classified under Level 3 (2024: Level 3) of the fair value hierarchy.

Movements during the year are as follows:

	<u>2025</u> <i>US\$ '000</i>	<u>2024</u> <i>US\$ '000</i>
At 1 January	<b>108,184</b>	105,037
Additions	<b>2,185</b>	3,147
Acquired as part of BBRE's acquisition (note 3)	<b>592,367</b>	-
Depreciation, impairment and other movements	<b>(27,199)</b>	-
At 31 December	<b>675,537</b>	108,184

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**12 PROFIT RECEIVABLE AND OTHER ASSETS**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Repossessed real estate assets	265,624	270,165
Derivative assets (note 29)	258,941	533,329
Profit receivable *	235,244	262,233
Prepayments and others	72,955	20,082
Tax assets (note 23)	18,942	1,972
Accounts receivables	9,580	9,060
	<u>861,286</u>	<u>1,096,841</u>

\* As at 31 December 2025, profit receivable includes US\$ 59.1 million (2024: US\$ 57.0 million) relating to financial assets held at FVTOCI and US\$ 176.1 million (2024: US\$ 205.2 million) relating to financial assets held at amortised cost.

**13 PREMISES AND EQUIPMENTS**

The net book values of the Group's premises and equipments are:

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Freehold land	42,237	42,199
Freehold buildings	17,477	16,903
Fixtures and improvements	11,074	5,456
IT equipment and others	89,886	102,314
Capital work-in-progress	12,941	6,958
Right-of-use assets	13,716	14,613
	<u>187,331</u>	<u>188,443</u>

Annually, the freehold land is revalued by independent valuers, close to year end, using significant unobservable valuation inputs such as comparable sales, potential revenue etc. and is classified under Level 3 (2024: Level 3) of the fair value hierarchy. During the years ended 31 December 2025 and 2024, there have been no movements in Level 3 freehold land other than valuation and foreign currency revaluation changes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**14 GOODWILL AND OTHER INTANGIBLE ASSETS**

	2025			2024		
	<i>Intangible</i>			<i>Intangible</i>		
	<i>Goodwill</i>	<i>assets</i>	<i>Total</i>	<i>Goodwill</i>	<i>assets</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>
At 1 January	90,151	17,269	107,420	107,759	28,421	136,180
Impairment	-	-	-	(12,457)	-	(12,457)
Exchange rate and other movements	530	1,148	1,678	(5,151)	(11,152)	(16,303)
At 31 December	90,681	18,417	109,098	90,151	17,269	107,420

**Goodwill:**

Goodwill acquired through business combinations has been allocated to the cash-generating units of the acquired entities for impairment testing purposes. The carrying amount of goodwill and intangible assets allocated to each of the cash-generating units is shown under note 31.

*Key assumptions used in estimating recoverable amounts of cash-generating units*

The discount rate used in goodwill impairment testing ranged between 10.5% to 28.1% (2024: 11.8% to 29.0%). The key assumptions used in estimating recoverable amounts of cash generating units were sensitised to test the resilience of value-in-use calculations. On this basis, management believes that reasonable changes in the key assumptions used to determine the recoverable amount of the Group's cash-generating units will not result in any additional impairment.

**Intangible assets:**

Intangible assets comprises primarily the subsidiaries' banking licenses which have indefinite lives. The fair values of banking licenses are determined at the time of acquisition by discounting the future expected profits from acquisition and their projected terminal value.

**15 DUE TO BANKS**

	2025	2024
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha deposits	795,004	486,600
Demand and call deposits	221,360	365,123
Other deposits	37,331	55,259
	1,053,695	906,982

**16 TERM FINANCING AGAINST SUKUK**

The Group has collateralised obligation lines of credit with various financial institutions through term financing against sukuk, amounting to US\$ 8.4 billion (31 December 2024: US\$ 6.9 billion).

As at 31 December 2025, the obligations under these agreements were US\$ 4.7 billion (31 December 2024: US\$ 4.9 billion). As at 31 December 2025, the fair value of investment securities that were provided as collateral was US\$ 5.2 billion (31 December 2024: US\$ 5.4 billion).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**17 CUSTOMERS' ACCOUNTS**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Murabaha	<b>285,566</b>	753,095
Current and call deposits	<b>1,850,464</b>	1,689,241
Time deposits	<b>2,335</b>	15,520
	<b><u>2,138,365</u></b>	<u>2,457,856</u>

**18 SUKUK PAYABLE AND TERM FINANCING**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
(a) Term financing	<b>1,238,294</b>	806,518
(b) Long term sukuk payable	<b>587,997</b>	565,417
	<b><u>1,826,291</u></b>	<u>1,371,935</u>

(a) These represent murabaha term financing agreements entered into by the Group. As at 31 December 2025, the term financing of US\$ 807.0 million (31 December 2024: US\$ 806.5 million) is repayable in 2027 and carry profit rate (SOFR + Margin) of 5.0% (31 December 2024: 5.6%) per annum. In addition, additional term financing of US\$ 431.3 million was obtained in 2025 and repayable in 2028 carrying profit rate of 4.9%.

(b) The sukuk was issued during 2021 through a wholly owned special purpose vehicle with a tenor of 5 years maturing on 9 September 2026 and carries a fixed profit rate of 2.615% per annum, payable semi-annually in arrears on 9 September and 9 March respectively. The sukuk is listed on the London Stock Exchange.

**19 PROFIT PAYABLE AND OTHER LIABILITIES**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Accruals and other payables*	<b>231,219</b>	182,847
Profit payable	<b>208,565</b>	209,777
Other credit balances**	<b>207,510</b>	158,246
Derivative liabilities (note 29)	<b>150,606</b>	161,930
ECL allowances***	<b>28,030</b>	20,444
Tax liabilities (note 23)	<b>35,899</b>	25,436
	<b><u>861,829</u></b>	<u>758,680</u>

\* Accruals and other payables include US\$ 14.2 million (31 December 2024: US\$ 15.2 million) relating to lease liabilities.

\*\* This mainly includes clearing accounts, contingent liabilities, unearned fees and sundry creditors.

\*\*\* This represents ECL allowances on financial contracts such as guarantees and undrawn commitments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**20 QUASI-EQUITY**

Type of quasi-equity	2025	2024
	<i>US\$ '000</i>	<i>US\$ '000</i>
Mudaraba-based accounts	<b>971,649</b>	764,400
Wakala-based accounts	<b>12,431,646</b>	11,048,173
	<b>13,403,295</b>	11,812,573

Quasi Equity Account Holders' (QEH) fund are commingled to form one general pool. This pooled fund is deployed into profit generating banking assets based on the underlying contractual arrangement. The Group allocates certain portfolios of profit generating assets towards QEH pool and only profits earned on pool of assets funded from QEH are used for distribution towards the QEH after allocation of relevant expenses and wakala and mudarib fees. Under wakala agreements, the Group agrees an expected rate with the fund providers and any rate beyond that is considered as an incentive fee for the Group.

Assets in which QEH funds were invested jointly with the Group's own funds.

	2025		
	<i>US\$ '000</i>		
	<i>Self financed assets</i>	<i>Jointly financed assets</i>	<i>Total</i>
Cash and balances with central banks	<b>959,244</b>	<b>104,964</b>	<b>1,064,208</b>
Due from banks and central banks and sukuk	<b>2,633,677</b>	<b>962,080</b>	<b>3,595,757</b>
Financing receivables and ijarah assets	<b>97,637</b>	<b>11,526,419</b>	<b>11,624,056</b>
Non-trading investments	<b>9,395,396</b>	<b>809,832</b>	<b>10,205,228</b>
Investment in associates and joint ventures	<b>685,401</b>	-	<b>685,401</b>
Investment properties	<b>675,537</b>	-	<b>675,537</b>
Profit receivable and other assets	<b>861,286</b>	-	<b>861,286</b>
Premises and equipments	<b>187,331</b>	-	<b>187,331</b>
Goodwill and other intangible assets	<b>109,098</b>	-	<b>109,098</b>
	<b>15,604,607</b>	<b>13,403,295</b>	<b>29,007,902</b>
	2024		
	<i>US\$ '000</i>		
	<i>Self financed assets</i>	<i>Jointly financed assets</i>	<i>Total</i>
Cash and balances with central banks	849,919	319,593	1,169,512
Due from banks and central banks and sukuk	2,156,713	531,314	2,688,027
Financing receivables and ijarah assets	2,478,097	7,527,450	10,005,547
Non-trading investments	7,879,930	3,434,216	11,314,146
Investment in associates and joint ventures	455,713	-	455,713
Investment properties	108,184	-	108,184
Profit receivable and other assets	1,096,841	-	1,096,841
Premises and equipments	188,443	-	188,443
Goodwill and other intangible assets	107,420	-	107,420
	<b>15,321,260</b>	<b>11,812,573</b>	<b>27,133,833</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**20 QUASI-EQUITY (continued)**

The following is the average percentage of profit allocation applied during the year for each type of QEH account as agreed contractually with the customers:

	<u>2025</u>		
	<i>Utilisation</i>	<i>Mudarib share and agency fees</i>	<i>Profit to QEH</i>
<b>Account type:</b>			
Mudaraba	<b>100%</b>	<b>92%</b>	<b>8%</b>
Wakala	<b>100%</b>	<b>13%</b>	<b>87%</b>
	<u>2024</u>		
	<i>Utilisation</i>	<i>Mudarib share and agency fees</i>	<i>Profit to QEH</i>
Account type:			
Mudaraba	100%	97%	3%
Wakala	100%	27%	73%

**21 EQUITY**

	<u>2025</u>	<u>2024</u>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>(a) Authorised:</b>		
Share capital		
12,000 million shares (2024: 12,000 million shares) of US\$ 0.25 each	<b>3,000,000</b>	3,000,000

Authorised share capital is available for issuance of ordinary shares and various classes of preference shares.

**(b) Issued and fully paid:**

	<u>2025</u>	<u>2024</u>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Ordinary share capital (US\$ 0.25 each)	<b>2,786,983</b>	2,786,983
Number of shares (millions)	<b>11,147.9</b>	11,147.9

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**21 EQUITY (continued)****(c) Perpetual Tier 1 Sukuk / Capital Securities**

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Perpetual Tier 1 Sukuk (note i)	<b>400,000</b>	-
Perpetual Tier 1 Capital Securities (note ii)	-	400,000
	<b>400,000</b>	400,000

- (i) On 29 April 2025, the Bank recalled its existing Basel III compliant Additional Perpetual Tier I Capital Securities amounting to US\$ 400 million.
- (ii) On 22 April 2025, the Bank through a Shari'a compliant sukuk arrangement issued Perpetual Tier 1 Sukuk amounting to US\$ 400 million. The Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the underlying Mudaraba Agreement. The Perpetual Tier 1 Sukuk is callable by the Bank after five year period ending in April 2030 (the "First Call Date") or any profit payment date thereafter, subject to certain redemption conditions. Perpetual Tier 1 Sukuk bears an estimated profit rate of 6.709% per annum to be paid semi-annually in accordance with the terms of the Mudaraba agreement.

**22 SHARE PREMIUM AND RESERVES****a) Share premium**

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

**b) Capital reserve**

As required under BCCL, any profit on the sale of treasury stock is transferred to a capital reserve. The reserve is not distributable except in such circumstances as stipulated in the BCCL.

**c) Statutory reserve**

As required under BCCL and the Bank's Articles of Association, 10% of the net profit is transferred to a statutory reserve on an annual basis. The Bank may resolve to discontinue such transfers when the reserve totals 50% of the paid up capital. The reserve is not distributable except in such circumstances as stipulated in the BCCL.

**d) Property revaluation reserve**

The revaluation reserve arising on revaluation of freehold land is not distributable except in such circumstances as stipulated in the BCCL.

**e) Foreign exchange translation reserve**

It comprises mainly of translation effects arising on consolidation of subsidiaries and investment in associates.

**f) Other comprehensive income reserve**

This reserve represents changes in the fair values of equity and debt instruments that are classified as FVTOCI.

**g) Cash flow hedge reserve**

This reserve represents the effective portion of gain or loss on the Group's cash flow hedging instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**22 SHARE PREMIUM AND RESERVES (continued)****h) Movements in other reserves**

	<i>Other comprehensive income</i>						<i>Total other reserves</i>
	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes</i>			
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve *</i>	
					<i>US\$ '000</i>	<i>US\$ '000</i>	
<b>Balance at 1 January 2025</b>	<b>17,240</b>	<b>35,090</b>	<b>(939,077)</b>	<b>85,803</b>	<b>-</b>	<b>(55,145)</b>	<b>(856,089)</b>
Currency translation adjustments	-	-	(11,385)	-	-	(143)	(11,528)
Transfers to consolidated statement of income	-	-	-	(47,715)	-	-	(47,715)
Net fair value movements	-	-	-	370,663	-	-	370,663
Transfers to consolidated statement of income on sale of subsidiary	-	-	-	(259,045)	-	-	(259,045)
<b>Balance at 31 December 2025</b>	<b>17,240</b>	<b>35,090</b>	<b>(950,462)</b>	<b>149,706</b>	<b>-</b>	<b>(55,288)</b>	<b>(803,714)</b>

	<i>Other comprehensive income</i>						<i>Total other reserves</i>
	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes</i>			
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve *</i>	
					<i>US\$ '000</i>	<i>US\$ '000</i>	
Balance at 1 January 2024	17,240	39,840	(837,247)	(6,161)	-	(55,044)	(841,372)
Currency translation adjustments	-	(54)	(205,830)	-	-	(101)	(205,985)
Transfers to consolidated statement of income	-	-	-	(9,411)	117	-	(9,294)
Transfers to retained earnings on sale of equity investments	-	-	-	289	-	-	289
Net fair value movements	-	-	-	109,140	(117)	-	109,023
Transfers to retained earnings on sale of subsidiary	-	(4,696)	-	(8,054)	-	-	(12,750)
Transfers to consolidated statement of income on sale of subsidiary	-	-	104,000	-	-	-	104,000
Balance at 31 December 2024	17,240	35,090	(939,077)	85,803	-	(55,145)	(856,089)

\* Refer to note 27 for further details on pension fund reserve.

Foreign currency translation risk primarily arises from Group's investments in diverse countries. Assets and liabilities of the Group's subsidiaries are translated into US Dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at average exchange rates prevailing for the reporting periods for consolidation purpose, any exchange differences arising on translation are included in "foreign exchange translation reserve" forming part of other comprehensive income prorated between non-controlling interests and equity owner.

The Group undertakes hedging of such net investment in foreign operations to mitigate any currency risk in a number of ways including obligation in the underlying currency, structural hedging in the form of holding US Dollar long position to the extent possible and forward contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**22 SHARE PREMIUM AND RESERVES (continued)****i) Dividends proposed and paid**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Proposed for approval at the forthcoming Annual General Assembly of Shareholder</b>		
Total cash dividend proposed / paid on the ordinary shares	<b>401,326</b>	585,266
Cash dividend on each ordinary share (US cents per share)	<b>3.60</b>	5.25

**j) Distribution on Perpetual Tier 1 Sukuk and Capital Securities**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
Distribution on the Perpetual Tier 1 Sukuk	<b>13,418</b>	-
Distribution on the Perpetual Tier 1 Capital Securities	<b>11,678</b>	23,356
	<b>25,096</b>	23,356

**23 TAXATION**

	<u>2025</u>	<u>2024</u>
	<i>US\$'000</i>	<i>US\$'000</i>
Consolidated balance sheet (note 12 and note 19):		
- Current tax asset (foreign operations)	<b>1,294</b>	1,972
- DMTT receivable (Bahrain)	<b>17,648</b>	-
	<b>18,942</b>	1,972
- Current tax liability (foreign operations)	<b>33,167</b>	20,985
- Deferred tax liability (foreign operations)	<b>2,732</b>	4,451
	<b>35,899</b>	25,436
Consolidated statement of income:		
- BEPS Pillar 2 expense (including Bahrain DMTT)	<b>33,367</b>	-
- Current tax expense on foreign operations	<b>52,980</b>	47,202
	<b>86,347</b>	47,202

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities to the authorities in the respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates. Tax expense on foreign operations primarily relates to KFHE and KFHUK. Tax rate at KFHE is 22.5% (2024: 22.5%) and KFHUK is 25.0% (2024: 25.0%).

**BEPS Pillar 2**

During 2025, OECD Pillar Two tax reforms were introduced in many of the overseas jurisdictions where the Group operates. For example, both governments of Bahrain and United Arab Emirates enacted a DMTT effective for financial years beginning on or after 1 January 2025 ensuring a minimum effective tax rate of 15% in line with OECD Pillar Two requirements. In addition to jurisdictions that have enacted a DMTT, certain countries have also introduced the Income Inclusion Rule (IIR) and the Undertaxed Payments Rule (UTPR) effective for fiscal years beginning on or after 1 January 2025. These rules ensure that multinational groups are subject to a minimum effective tax rate of 15% globally, and any shortfall in tax is addressed either through top-up taxes in the parent jurisdiction under IIR or through allocation of top-up taxes to other jurisdictions under UTPR. The Group has provided for additional tax liabilities arising from the implementation of Pillar two regulations in all applicable jurisdictions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**23 TAXATION (continued)****Domestic Minimum Top-up Tax (DMTT)**

The Kingdom of Bahrain issued Decree-Law no (11) of 2024 (the “Law”) on 1 September 2024 introducing DMTT effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. This was followed by executive regulations issued on 15 December 2024 under decision no (172) of 2024. Similar DMTT laws were announced in State of the Kuwait of which the Group is part of. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within the Kingdom of Bahrain. The Group has performed an assessment and estimated the top-up tax charge in line with the Law and based on OECD guidance. As the regulatory framework continues to evolve and implementation guidance is further clarified, the Group continues to monitor developments and assess the impact of evolving Pillar 2 tax regulations on its future financial performance and resultant tax obligations.

**Bahrain Corporate Income Tax**

The executive and legislative authorities in the Kingdom of Bahrain have publicly announced their intention to introduce a Corporate Income Tax (“CIT”) regime in Bahrain, which is currently expected to be effective in January 2027. Initial announcements suggest an anticipated CIT rate of 10%, potentially applicable to entities generating annual revenues of BHD 1 million or more, or annual net profits exceeding BHD 200,000. However, as at the reporting date, no formal law, regulations, or authoritative guidance have been issued by the authorities. In accordance with IAS 12 Income Taxes (“IAS 12”), the recognition of current and deferred tax consequences is required only when the underlying tax legislation has been enacted or substantively enacted. Substantive enactment occurs when the remaining steps in the legislative process are unlikely to result in significant changes to the proposed law. As the CIT legislation in Bahrain has not yet been enacted or substantively enacted, no amounts relating to proposed CIT – current or deferred - have been recognized in these consolidated financial statements. The Bank continues to monitor developments associated with the introduction of CIT in Bahrain. Once the legislation is enacted or substantively enacted, the Bank will assess and recognize the impact of CIT in accordance with IAS 12.

**24 EARNINGS PER SHARE**

Basic and diluted earnings per ordinary share are calculated by dividing the net profit for the year attributable to the Bank’s ordinary equity shareholder less distribution on Perpetual Tier 1 Capital Securities and sukuk, by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in basic and diluted earnings per ordinary share computations:

	<u>2025</u>	<u>2024</u>
	<u>US\$'000</u>	<u>US\$'000</u>
<b>Net profit for basic and diluted earnings per ordinary share computation</b>		
Net profit attributable to Bank's equity shareholder	730,585	718,150
Less: Share of Perpetual Tier 1 Sukuk and Capital Securities distributions	25,096	23,356
Adjusted net profit attributable to Bank's ordinary equity shareholder for basic and diluted earnings per ordinary share	<u>705,489</u>	<u>694,794</u>
Basic and diluted earnings per ordinary share (US cents)	<u>6.3</u>	<u>6.2</u>
	<i>Number of shares</i>	
	<i>(in millions)</i>	
	<u>2025</u>	<u>2024</u>
Weighted average ordinary shares outstanding during the year for basic and diluted earnings per share	<u>11,147.9</u>	<u>11,147.9</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**25 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the consolidated statement of cash flows include the following balance sheet amounts:

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Cash and balances with central banks, excluding mandatory reserve deposits [note 7(a)]	459,921	627,575
Deposits with central banks and other banks - with an original maturity of three months or less	1,801,473	1,517,263
	<u>2,261,394</u>	<u>2,144,838</u>

**26 RELATED PARTY TRANSACTIONS**

The Group enters into transactions with shareholder, associates, joint ventures, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. All the financing receivables and ijarah assets to related parties are performing and subject to ECL assessment. Share of results from associates and joint ventures and investment in associates and joint ventures are shown separately in these consolidated financial statements.

The income, expense and the period end balances in respect of related parties included in the consolidated financial statements were as follows:

	<u>2025</u>				
	<u>US\$ '000</u>				
	<i>Major</i>	<i>Associates</i>	<i>Board of</i>	<i>Senior</i>	<i>Other</i>
	<i>shareholders</i>	<i>and joint</i>	<i>Directors</i>	<i>management</i> <sup>1</sup>	<i>related</i>
	<i>ventures</i>	<i>parties</i>			<i>parties</i>
<b>For the year ended 31 December 2025</b>					
Financing and similar income	5,291	-	135	-	-
Finance and similar cost	28,171	338	484	104	-
Fees and commissions - net	39	1,467	1	7	-
Investment and dividend income <sup>2</sup>	309,988	-	-	-	-
Short term employee benefits	-	-	-	9,667	-
End of service benefits	-	-	-	453	-
Directors' fees and related expenses <sup>3</sup>	-	-	2,360	-	-
<b>As of 31 December 2025</b>					
Due from banks	580,880	1,572	-	-	-
Financing receivables and ijarah assets	-	-	3,878	189	-
Profit receivable and other assets	1,853	-	135	-	-
Due to banks	621,201	15,939	-	-	-
Customers' accounts and quasi-equity <sup>4</sup>	365,266	-	3,789	1,809	-
Sukuk payable and term financing	476,901	-	-	-	-
Profit payable and other liabilities	1,584	27	4	-	-
Perpetual Tier 1 Sukuk	400,000	-	-	-	-
Commitments and contingent liabilities	2,456	26,515	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**26 RELATED PARTY TRANSACTIONS (continued)**

	2024				
	US\$ '000				
	<i>Major shareholders</i>	<i>Associates and joint ventures</i>	<i>Board of Directors</i>	<i>Senior management<sup>1</sup></i>	<i>Other related parties</i>
For the year ended					
31 December 2024					
Financing and similar income	510	-	153	-	-
Finance and similar cost	35,715	217	403	257	12,618
Fees and commissions - net	7	1,520	-	4	-
Dividend income	42,655	-	-	-	-
Short term employee benefits	-	-	-	9,519	-
End of service benefits	-	-	-	705	-
Directors' fees and related expenses <sup>3</sup>	-	-	2,221	-	-
Net operating (loss) / income from discontinued operations	(10,436)	17	(78)	-	(849)
As of 31 December 2024					
Due from banks	34,410	2,038	-	-	-
Financing receivables and ijarah assets	-	-	1,581	93	-
Non-trading investments	1,654,753	-	-	-	-
Profit receivable and other assets	797	-	92	-	-
Due to banks	135,867	49,194	-	-	17
Customers' accounts and quasi-equity <sup>4</sup>	308,202	-	3,639	5,102	-
Sukuk payable and term financing	75,000	-	-	-	-
Profit payable and other liabilities	5,407	989	9	-	-
Commitments and contingent liabilities	2,319	46,597	-	-	-

The Bank's Shari'a Supervisory Board's remuneration for the year 2025 amounted to US\$ 0.20 million (2024: US\$ 0.15 million).

<sup>1</sup> KFHB Group Management Directors (Employees) who are appointed by the shareholder of the Group to the KFHB Board to represent management or by KFHB to the boards of any of its subsidiaries or affiliates or their related committees, are excluded from receiving any additional remuneration for their membership of or attendance at board or related committee meetings at KFHB or its subsidiaries / affiliates as per their specific contractual arrangements and as per the BOD approved Human Resource Policy covering all of KFHB Group.

<sup>2</sup> Also, refer to Note 3 for transactions with related parties.

<sup>3</sup> Directors fees and related expenses for 2024 were approved by the shareholder in the annual general meeting on 24 March 2025 and the same for 2025 will be presented for shareholder's approval at the forthcoming annual general meeting to be convened in during March 2026.

<sup>4</sup> Customers' accounts and quasi-equity comprise of deposits from GCC government-owned institutions amounting to US\$ 365.3 million (31 December 2024: US\$ 308.2 million).

## 27 EMPLOYEE BENEFITS

The Group operates Defined Benefit and Defined Contribution retirement benefit schemes for its employees in accordance with the local laws and regulations in the countries in which it operates. The costs of providing retirement benefits, including current contributions, are charged to the consolidated statement of income.

### Defined benefit plans

The charge to the consolidated statement of income on account of end of service benefits for the year ended 31 December 2025 amounted to US\$ 2,598 thousand (2024: US\$ 2,548 thousand).

KFHUK's defined benefit pension scheme was closed to future service accruals on 31 March 2010. In accordance with the IAS-19 Employee Benefits, the Group immediately recognises the actuarial gains and losses relating to 'Defined Pension Benefit' scheme through consolidated statement of changes in equity.

In May 2023, the trustees of the Kuwait Finance House PLC (formerly, Ahli United Bank (U.K.) PLC) Pension Fund invested the fund's assets in a bulk annuity policy ("buy-in" policy) with a takaful company. Under the terms of this "buy-in" policy, the takaful company will make payments into the fund that exactly match the benefit outgo for all covered members. The policy therefore had the effect of removing the fund's normal funding and investment risks; however, KFHUK remains legally responsible to fund benefits in the unlikely event the takaful company defaults on any payments to covered members.

### Defined contribution plans

The Group contributed US\$ 8,400 thousand during the year ended 31 December 2025 (2024: US\$ 7,565 thousand) towards defined contribution plans. The Group's obligations are limited to the amounts contributed to various schemes.

## 28 ZAKAH

Payment of Zakah is the responsibility of the shareholder and QEA holders of the Bank, accordingly no Zakah has been recorded in these consolidated financial statements. The calculation of Zakah for shareholder as below is reviewed by the Shari'a Supervisory Board.

The total Zakah payable by the shareholder for 2025 has been computed as 1.2 US cents (2024: 1.1 US cents) per share in accordance with FAS 9. Zakah was computed at 2.577% (2024: 2.577%) on Zakah base of US\$ 5,233 million (2024: US\$ 4,565 million) determined based on the Net Invested Funds method.

## 29 DERIVATIVES

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

### Islamic forward agreements (Wa'ad)

The Bank enters into forward foreign exchange agreements (Wa'ad) to mitigate foreign currency risk. A Wa'ad is a financial transaction between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index in accordance with Islamic Shari'a. The notional amount, disclosed gross, is the amount of a Wa'ad's underlying asset/liability and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor credit risk.

### Derivatives utilised for customer-focused activities

Most of the Group's derivative utilised for customer-focused activities relate to customer driven transactions.

### Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk.

At 31 December 2025

**29 DERIVATIVES (continued)****Derivatives held for hedging purposes (continued)**

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and profit rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall balance sheet exposures.

The Group uses options and currency swaps to hedge against specifically identified currency and equity risks. In addition, the Group uses profit rate swaps and forward rate agreements to hedge against the profit rate risk arising from specifically identified, or a portfolio of, fixed profit rate sukuk and financing receivables and ijarah assets. The Group also uses profit rate swaps to hedge against the cash flow risks arising on certain floating rate deposits. 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 derivatives held for hedging purposes.

Hedging of profit rate risk is also carried out by monitoring the duration of assets and liabilities and entering into profit rate swaps to hedge net profit rate exposures.

Derivative financial instruments held for hedging is amounted to US\$ 10.3 billion (2024: US\$ 9.5 billion) out of which US\$ 1.8 billion (2024: US\$ 0.9 billion) matures within one year and balance US\$ 8.5 billion (2024: US\$ 8.6 billion) matures after one year.

**Profit rate swaps**

Profit rate swaps are contractual agreements between two parties and may involve exchange of profit or exchange of both principal and profit for a fixed period of time based on contractual terms. The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk. Most of the Group's profit rate swaps are held for hedging.

The table below shows the net fair values of derivative financial instruments utilised for customer-focused activities.

	2025		2024	
	<i>Derivative assets</i>	<i>Derivative liabilities</i>	<i>Derivative assets</i>	<i>Derivative liabilities</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Derivatives utilised for customer-focused activities:</i>				
- Profit rate swaps	<b>40,325</b>	<b>40,782</b>	86,312	68,146
- Forward foreign exchange contracts	<b>13,543</b>	<b>11,781</b>	47,961	24,127
- Options	<b>34</b>	<b>8</b>	62	62
	<b>53,902</b>	<b>52,571</b>	134,335	92,335

At 31 December 2025

**29 DERIVATIVES (continued)**

The table below shows the net fair values of derivative financial instruments held for hedging.

	2025			2024		
	<i>Derivative assets</i>	<i>Derivative liabilities</i>	<i>Notional amounts</i>	<i>Derivative assets</i>	<i>Derivative liabilities</i>	<i>Notional amounts</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>Derivatives held as fair value hedges:</i>						
- Profit rate swaps on amortised cost instruments	<b>92,016</b>	<b>70,111</b>	<b>7,336,980</b>	255,960	45,652	6,938,652
- Profit rate swaps on FVTOCI instruments	<b>113,023</b>	<b>27,924</b>	<b>2,935,828</b>	143,034	23,943	2,577,612
	<b>205,039</b>	<b>98,035</b>	<b>10,272,808</b>	398,994	69,595	9,516,264

Major financial counterparties with whom the Group has entered into above derivative contracts are covered through margin monies for the fair values of contracts outstanding.

In respect of derivative assets above, the Group has US\$ 72.5 million (2024: US\$ 83.1 million) of liabilities that can be offset through master netting arrangements. These master netting arrangements create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of counterparties or following other predetermined events.

**Fair value hedges**

The net fair value of profit rate swaps held as fair value hedges as at 31 December 2025 is positive US 107.0 million (2024: Positive US\$ 329.3 million) which is offset by loss recognised on the hedged item at 31 December 2025, attributable to the hedged risk of US\$ 107.0 million (2024: loss of US\$ 329.3 million). These offsetting gains and losses are included in "trading income" in the consolidated statement of income during the years ended 31 December 2025 and 2024 respectively.

Hedging instruments are issued to hedge against profit rate and foreign exchange risks pertaining to hedged items. Hedged items include certain financing receivable and ijarah assets amounting to US\$ 66.1 million (31 December 2024: US\$ 86.1 million), sukuk payable amounting to US\$ 600.0 million (31 December 2024: US\$ 600.0 million), non-trading investments amounting to US\$ 7,669.2 million (31 December 2024: US\$ 8,125.4 million) and customers' accounts amounting to US\$ 1,935.4 million (31 December 2024: US\$ 704.2 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**30 COMMITMENTS AND CONTINGENT LIABILITIES****Credit-related commitments**

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees which are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent contractual commitments to make financing receivables and ijarah assets and revolving credits available and generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Standby facilities would have market risk if issued or extended at a fixed rate of profit. However, these contracts are primarily made at floating rates.

The Group has the following credit related commitments:

	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Contingent liabilities:		
Guarantees	<b>2,093,937</b>	1,496,583
Letters of credit	<b>311,853</b>	336,388
	<b><u>2,405,790</u></b>	<u>1,832,971</u>
Maturity of contingent liabilities is as follows:		
Less than one year	<b>2,188,950</b>	1,668,661
Over one year	<b>216,840</b>	164,310
	<b><u>2,405,790</u></b>	<u>1,832,971</u>
Irrevocable commitments:		
Undrawn financing commitments	<b><u>212,034</u></b>	<u>158,570</u>

Also, refer to note 19 for ECL allowances and note 36 for additional liquidity disclosures.

**31 SEGMENT INFORMATION**

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

Retail banking	Principally handling individual customers' accounts, providing consumer financing receivables, ijarah, other credit facilities, credit cards and fund transfer facilities.
Corporate banking	Principally handling financing and other credit facilities, and deposit and current accounts for corporate and institutional customers.
Treasury and investments	Principally providing money market, trading and treasury services, managing real estate investments as well as management of the Group's investments and funding.
Private banking	Principally servicing high net worth clients through a range of investment products, funds, credit facilities, trusts and alternative investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**31 SEGMENT INFORMATION (continued)**

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at approximate market rates on an arm's length basis. Profit is charged/credited to business segments based on a pool rate which approximates the cost of funds.

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Year ended 31 December 2025:</b>					
Net financing and similar income	137,647	201,166	334,336	49,293	722,442
Fees and commissions - net	19,231	40,459	15,443	7,341	82,474
Other operating income	198	384	485,592	687	486,861
<b>OPERATING INCOME</b>	<b>157,076</b>	<b>242,009</b>	<b>835,371</b>	<b>57,321</b>	<b>1,291,777</b>
Allowance for impairment, credit losses and others	(27,034)	(19,369)	(76,369)	(7,378)	(130,150)
<b>NET OPERATING INCOME</b>	<b>130,042</b>	<b>222,640</b>	<b>759,002</b>	<b>49,943</b>	<b>1,161,627</b>
Operating expenses	76,573	80,743	139,147	40,756	337,219
<b>PROFIT BEFORE TAX</b>	<b>53,469</b>	<b>141,897</b>	<b>619,855</b>	<b>9,187</b>	<b>824,408</b>
Tax expense					86,347
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>					<b>738,061</b>
<b>Attributable to non-controlling interests</b>					<b>(7,476)</b>
<b>NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK</b>					<b>730,585</b>
Inter segment financing income (cost) included in net financing income above	211,772	(269,382)	(184,859)	242,469	-
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>As at 31 December 2025:</b>					
Segment assets	1,371,536	9,888,853	15,008,772	895,625	27,164,786
Goodwill	81,486	3,055	5,780	360	90,681
Other intangible assets	4,998	6,610	6,029	780	18,417
Investment in associates					685,401
Unallocated assets					1,048,617
<b>TOTAL ASSETS</b>					<b>29,007,902</b>
Segment liabilities and quasi-equity	3,429,833	5,416,370	11,514,979	2,157,713	22,518,895
Unallocated liabilities					861,829
<b>TOTAL LIABILITIES AND QUASI-EQUITY</b>					<b>23,380,724</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

## 31 SEGMENT INFORMATION (continued)

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury and investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Year ended 31 December 2024:					
Net financing and similar income	142,345	229,104	347,667	46,639	765,755
Fees and commissions - net	21,995	38,956	15,031	6,436	82,418
Other operating income	1,083	144	305,773	917	307,917
<b>OPERATING INCOME</b>	<b>165,423</b>	<b>268,204</b>	<b>668,471</b>	<b>53,992</b>	<b>1,156,090</b>
(Allowance) / reversal for impairment, credit losses and others	(20,282)	(63,663)	19,587	(1,992)	(66,350)
<b>NET OPERATING INCOME</b>	<b>145,141</b>	<b>204,541</b>	<b>688,058</b>	<b>52,000</b>	<b>1,089,740</b>
Operating expenses	75,384	62,269	144,482	40,429	322,564
<b>PROFIT BEFORE TAX</b>	<b>69,757</b>	<b>142,272</b>	<b>543,576</b>	<b>11,571</b>	<b>767,176</b>
Tax expense					47,202
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>					<b>719,974</b>
Profit after tax for the year from discontinued operations					10,891
Attributable to non-controlling interests					(12,715)
<b>NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK</b>					<b>718,150</b>
Inter segment financing income (cost)					
included in net financing income above	211,754	(305,439)	(39,750)	133,435	-
As at 31 December 2024:					
Segment assets	1,197,504	8,701,356	14,470,586	915,970	25,285,416
Goodwill	81,341	2,865	5,607	338	90,151
Other intangible assets	4,687	6,198	5,653	731	17,269
Investment in associates					455,713
Unallocated assets					1,285,284
<b>TOTAL ASSETS</b>					<b>27,133,833</b>
Segment liabilities and quasi-equity	3,029,578	4,847,263	10,536,302	2,513,765	20,926,908
Unallocated liabilities					758,680
<b>TOTAL LIABILITIES</b>					<b>21,685,588</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**31 SEGMENT INFORMATION (continued)****Geographic segmentation**

Although the management of the Group is based primarily on business segments, the Group's geographic segmentation is based on the countries where the Bank and its subsidiaries are incorporated. Thus, the operating income generated by the Bank and its subsidiaries based in the Gulf Cooperation Council (GCC) are grouped as "GCC Countries", while those generated by the Bank's subsidiaries located outside the GCC region is grouped under "Others". Similar segmentation is followed for the distribution of total assets. The following table shows the distribution of the Group's operating income and total assets by geographical segments:

	<i>Operating income</i>		<i>Total assets</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
GCC Countries	<b>1,033,645</b>	634,735	<b>17,455,606</b>	16,055,785
Others	<b>258,132</b>	521,355	<b>11,552,296</b>	11,078,048
Total	<b>1,291,777</b>	1,156,090	<b>29,007,902</b>	27,133,833

**32 RISK MANAGEMENT**

The Group Board of Directors ("GBOD") seeks to optimise the Group's performance by enabling the various business units to realise the Group's business strategy and meet agreed business performance targets within the GBOD approved Group Risk Management Framework.

The Group Management Risk Committee, Group Assets and Liability Committee, Group Credit and Investment Committee, Group Operational and Fraud Risk Management Committee, Group Information and Cyber Security Risk Committee, Retail Management Risk Committee and Group Impairment and ECL Oversight Committee are set up as part of the Group's Risk Management Governance structure. The Terms of Reference for these committees are approved by the GBOD. Group Board Risk Committee ("GBRC") has oversight over Group's risk activities and implementation of the risk management framework.

The Shari'a Supervisory Board of the Bank, as well as the Shari'a boards of its subsidiaries in the United Kingdom, Egypt, and Iraq have been assigned the responsibility of ensuring that the respective entities comply with the rules and principles of Islamic Shari'a by providing independent Shari'a opinions on the transactions and activities presented to these boards. The responsibility for ensuring compliance with Shari'a rules and principles ultimately rests with the Bank's management. The Bank's Shari'a Supervisory Board consists of four members.

The GBOD reviews and approves the Group Risk Management Framework on an annual basis. The GBRC monitors the Group's risk profile against the risk parameters. The GBOD and GBRC receive quarterly risk updates including detailed risk exposures analysis reports. The Group faces a range of risks in its business and operations including (i) credit risk; (ii) market risk (comprising of profit rate risk, currency risk, equity price risk and displaced commercial risk); (iii) liquidity risk; (iv) operational risk; and (v) legal risk as detailed in notes 33 to 38.

**33 CREDIT RISK**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a financial obligation under a contract. It arises principally from financing, trade finance and treasury activities. Credit risk also arises where assets are held in the form of debt securities, the value of which may fall. The Group attempts to mitigate credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

**a) Concentration risk**

Concentration of credit risk arises 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.

Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**33 CREDIT RISK (continued)****a) Concentration risk (continued)**

The Group manages its credit risk exposure so as to avoid over concentration to a particular sector or geographic location. It also obtains securities, where appropriate. Guidelines are in place regarding the acceptability of types of collateral and valuation parameters.

The principal collateral types are as follows:

- In the personal sector – cash, mortgages over residential properties and assignments over salary income;
- In the commercial sector – cash, charges over business assets such as premises, inventories, receivables, debt securities and bank guarantees;
- In the commercial real estate sector – charges over the properties being financed; and
- In the financial sector – charges over financial instruments, such as debt securities and equities.

The Group monitors the market value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.

Details of the concentration of the financing receivables and ijarah assets by industry sector and geographic region are disclosed in note 8(b) and 8(c) respectively.

Details of the industry sector analysis and the geographical distribution of the assets, liabilities and commitments on behalf of customers are set out in note 34.

**b) Gross maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The table below shows the gross maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, but after provision for credit losses, where applicable.

	<i>Gross maximum exposure 2025</i>	<i>Gross maximum exposure 2024</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Balances with central banks	<b>998,239</b>	1,098,336
Due from central banks and sukuk	<b>1,056,365</b>	819,819
Due from banks	<b>2,539,392</b>	1,868,208
Financing receivables and ijarah assets	<b>11,624,056</b>	10,005,547
Non-trading investments	<b>10,098,227</b>	9,543,931
Profit receivable and other assets	<b>579,285</b>	815,627
<b>Total</b>	<b>26,895,564</b>	24,151,468
Contingent liabilities	<b>2,405,790</b>	1,832,971
Undrawn financing commitments	<b>212,034</b>	158,570
<b>Total credit related commitments</b>	<b>2,617,824</b>	1,991,541
<b>Total credit risk exposure</b>	<b>29,513,388</b>	26,143,009

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

## 33 CREDIT RISK (continued)

## c) Credit quality of financial assets

The tables below shows distribution of financial assets before ECL allowances:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</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>				
Balances with central banks:				
High standard grade	998,239	-	-	998,239
Due from central banks and sukuk:				
Standard grade	726,393	329,972	-	1,056,365
Due from banks:				
High standard grade	2,179,307	1,744	-	2,181,051
Standard grade	285,479	72,862	-	358,341
Financing receivables and ijarah assets:				
High standard grade	6,232,514	72,638	-	6,305,152
Standard grade	4,300,083	1,262,929	-	5,563,012
Credit impaired	-	-	302,690	302,690
Non-trading investments:				
High standard grade	6,400,308	-	-	6,400,308
Standard grade	3,709,345	3,730	-	3,713,075
Credit related contingent items:				
High standard grade	2,973,922	8,726	-	2,982,648
Standard grade	1,588,283	192,407	-	1,780,690
Credit impaired*	-	-	17,349	17,349
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>At 31 December 2024</i>				
Balances with central banks:				
High standard grade	1,098,336	-	-	1,098,336
Due from central banks and sukuk:				
Standard grade	579,953	239,866	-	819,819
Due from banks:				
High standard grade	1,565,605	773	-	1,566,378
Standard grade	219,422	82,408	-	301,830
Financing receivables and ijarah assets:				
High standard grade	5,925,621	203,779	-	6,129,400
Standard grade	2,868,239	1,286,874	-	4,155,113
Credit impaired	-	-	254,591	254,591
Non-trading investments:				
High standard grade	5,604,807	-	-	5,604,807
Standard grade	3,740,622	209,998	-	3,950,620
Credit related contingent items:				
High standard grade	2,479,707	70,520	-	2,550,227
Standard grade	1,040,169	232,908	-	1,273,077
Credit impaired*	-	-	29,257	29,257

\* After application of credit conversion factors, credit impaired contingent items amounted to US\$ 8,624 thousand (31 December 2024: US\$ 15,049 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**33 CREDIT RISK (continued)****c) Credit quality of financial assets (continued)**

Except for certain financing receivables and ijarah assets and non-trading investments that are classified as FVTOCI or FVTIS, all the above financial instruments are carried at amortised cost.

It is the Group's policy to maintain consistent internal risk ratings across the credit portfolio. The credit quality of the portfolio of financing receivables and ijarah assets that were neither past due nor impaired can be assessed by reference to the Group's internal credit rating system. This facilitates focused portfolio management of the inherent level of risk across all lines of business. The credit quality ratings disclosed below can be equated to the following risk rating grades, which are either internally applied or external ratings mapped to internal ratings.

<b>Credit quality rating</b>	<b>Risk rating</b>	<b>Definition</b>
High standard	Risk rating 1 to 4	Undoubted through to good credit risk
Standard	Risk rating 5 to 7	Satisfactory through to adequate credit risk and watchlist
Credit impaired	Risk rating 8 to 10	Substandard doubtful through to loss

The risk rating system is supported by various financial analytics and qualitative market information for the measurement of counterparty risk. Refer to note 2.5(g) for detailed ECL measurement methodology.

There are no financial assets which are past due but not impaired as at 31 December 2025 and 2024 other than those disclosed under note 8(e).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**34 CONCENTRATION ANALYSIS**

The distribution of assets, liabilities and contingent liabilities on behalf of customers by geographic region and industry sector was as follows:

	2025			2024		
		<i>Liabilities and quasi- equity</i>	<i>Contingent liabilities on behalf of customers</i>	<i>Assets</i>	<i>Liabilities and quasi- equity</i>	<i>Contingent liabilities on behalf of customers</i>
	<i>Assets</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Geographic region:</b>						
GCC countries	17,455,606	13,651,254	908,051	16,055,785	12,078,749	961,176
United Kingdom (UK)	2,612,782	1,615,709	6,556	3,162,359	1,612,407	7,760
Arab Republic of Egypt	4,001,887	3,280,500	487,123	2,940,901	2,756,586	467,846
Europe (excluding UK)	1,340,180	2,882,472	496,828	1,270,543	2,820,362	36,234
Asia (excluding GCC)	1,510,605	1,852,755	394,571	1,860,991	1,864,224	257,161
United States of America	837,844	10,993	83,914	722,589	424,568	56,196
Rest of the World	1,248,998	87,041	28,747	1,120,665	128,692	46,598
	<b>29,007,902</b>	<b>23,380,724</b>	<b>2,405,790</b>	27,133,833	21,685,588	1,832,971
<b>Industry sector:</b>						
Banks and other financial institutions	7,467,757	11,758,934	163,572	8,608,338	10,341,986	156,533
Consumer/personal	1,162,765	4,690,640	19,095	952,467	4,899,514	9,090
Residential mortgage	1,161,391	3,173	-	1,242,369	1,916	-
Trading and manufacturing	4,504,298	1,731,694	776,940	4,722,895	1,465,701	712,711
Real estate	4,002,199	657,336	7,066	2,278,372	480,373	4,573
Services	2,776,768	1,812,605	831,594	2,310,602	1,920,055	706,405
Government / public sector	7,141,263	1,424,363	127	6,385,831	1,722,894	390
Others	791,461	1,301,979	607,396	632,959	853,149	243,269
	<b>29,007,902</b>	<b>23,380,724</b>	<b>2,405,790</b>	27,133,833	21,685,588	1,832,971

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**35 MARKET RISK**

Market risk is the risk of potential financial loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in profit rates, foreign exchange rates, equity prices, commodity prices and derivatives. The Group classifies exposures to market risk into either trading or non-trading portfolios. Given the Group's low risk strategy, aggregate market risk levels are considered low. The Group utilises Value-at-Risk (VaR) models to assist in estimating potential losses that may arise from adverse market movements in addition to non-quantitative risk management techniques. The market risk for the trading portfolio is managed and monitored on a VaR methodology which reflects the inter-dependency between market risk factors. Non-trading portfolios are managed and monitored using stop loss limits and other sensitivity analyses.

**i) Value-at-Risk**

The Group calculates historical VaR using a one day holding period at a confidence level of 99%, which takes into account the actual correlations observed historically between the market risk factors.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management. Actual outcomes are compared to the VaR model derived predictions on a regular basis as a means of validating the assumptions and parameters used in the VaR calculation.

The table below summarises the risk factor composition of the VaR including the diversification effects intrinsic to the trading book:

	<i>Foreign exchange</i>	<i>Profit rate</i>	<i>Diversification effect</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>31 December 2025</b>	<b>401</b>	<b>101</b>	<b>(100)</b>	<b>402</b>
31 December 2024	475	58	(93)	440

**ii) Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect the value of financial instruments or the future profitability of the Group. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets, liabilities, perpetual tier 1 capital securities and sukuk and off balance sheet instruments that mature or reprice in a given period. The Group measures and manages profit rate risk by establishing levels of profit rate risk by setting limits on the profit rate gaps for stipulated periods. Profit rate gaps on assets and liabilities are reviewed periodically and hedging strategies are used to reduce the profit rate gaps to within the limits established by the BOD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**35 MARKET RISK (continued)****ii) Profit rate risk (continued)**

The table below provides an analysis of the Group's profit rate risk exposure:

	2025			<i>Total</i> US\$ '000
	<i>Less than three months</i> US\$ '000	<i>Three months to one year</i> US\$ '000	<i>Over one year</i> US\$ '000	
Cash and balances with central banks	998,239	-	-	998,239
Due from central banks and sukuk	794,135	262,230	-	1,056,365
Due from banks	1,973,817	11,248	3,327	1,988,392
Financing receivables and ijarah assets	9,190,334	1,447,784	985,938	11,624,056
Non-trading investments	192,911	460,100	9,445,216	10,098,227
	<b>13,149,436</b>	<b>2,181,362</b>	<b>10,434,481</b>	<b>25,765,279</b>
Due to banks and quasi-equity	1,639,906	1,629,522	-	3,269,428
Term financing against sukuk	4,685,246	-	-	4,685,246
Customers' accounts and quasi-equity	7,127,011	4,067,844	1,543,075	12,737,930
Term financing	1,238,294	587,997	-	1,826,291
	<b>14,690,457</b>	<b>6,285,363</b>	<b>1,543,075</b>	<b>22,518,895</b>
Perpetual Tier 1 Capital Sukuk	-	-	400,000	400,000
On balance sheet gap	(1,541,021)	(4,104,001)	8,491,406	2,846,384
Off balance sheet gap	7,092,539	1,208,333	(8,300,871)	
<b>Total profit sensitivity gap</b>	<b>5,551,518</b>	<b>(2,895,668)</b>	<b>190,535</b>	
<b>Cumulative profit sensitivity gap</b>	<b>5,551,518</b>	<b>2,655,850</b>	<b>2,846,385</b>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**35 MARKET RISK (continued)****ii) Profit rate risk (continued)**

	2024			Total US\$ '000
	<i>Less than three months</i>	<i>Three months to one year</i>	<i>Over one year</i>	
	US\$ '000	US\$ '000	US\$ '000	
Cash and balances with central banks	1,098,336	-	-	1,098,336
Due from central banks and sukuk	805,394	14,425	-	819,819
Due from banks	1,846,046	17,680	4,482	1,868,208
Financing receivables and ijarah assets	8,457,879	825,361	722,307	10,005,547
Non-trading investments	195,580	490,169	8,858,182	9,543,931
	<u>12,403,235</u>	<u>1,347,635</u>	<u>9,584,971</u>	<u>23,335,841</u>
Due to banks and quasi-equity	1,344,087	1,012,449	-	2,356,536
Term financing against sukuk	4,942,979	-	-	4,942,979
Customers' accounts and quasi-equity	7,229,297	3,683,425	1,342,736	12,255,458
Term financing	806,518	-	565,417	1,371,935
	<u>14,322,881</u>	<u>4,695,874</u>	<u>1,908,153</u>	<u>20,926,908</u>
Perpetual Tier 1 Capital Securities	-	400,000	-	400,000
On balance sheet gap	(1,919,646)	(3,748,239)	7,676,818	2,008,933
Off balance sheet gap	6,683,921	544,419	(7,228,340)	
Total profit sensitivity gap	<u>4,764,275</u>	<u>(3,203,820)</u>	<u>448,478</u>	
Cumulative profit sensitivity gap	<u>4,764,275</u>	<u>1,560,455</u>	<u>2,008,933</u>	

The following table demonstrates the sensitivity of the Group's net financing and similar income for the next one year, to a change in profit rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities held at 31 December 2025 and 2024 including the effect of hedging instruments.

*Sensitivity analysis - profit rate risk*

		2025	2024
		US\$ '000	US\$ '000
At 25 bps - increase (+) / decrease (-)	+/-	<b>10,262</b>	6,930

**iii) Currency risk**

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The risk management process manages the Group's exposure to fluctuations in foreign exchange rates (currency risk) through the asset and liability management process. It is the Group's policy to reduce its exposure to currency fluctuations to acceptable levels as determined by the BOD which has established levels of currency risk by setting limits on currency position exposures. Positions are monitored periodically and hedging strategies are used to ensure positions are maintained within the established limits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**35 MARKET RISK (continued)****iii) Currency risk (continued)**

The Group's significant net exposures arising out of banking operations as of the consolidated balance sheet date and the effect of change in currency rate by + 1% on the consolidated statement of income is presented below:

	<i>(Loss) / gain</i>		<i>Net exposures</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
British Pound Sterling	<b>239</b>	45	<b>23,854</b>	4,471
Euro	<b>9</b>	17	<b>909</b>	1,713
Egyptian Pound	<b>1</b>	21	<b>60</b>	2,103
Iraqi Dinar	<b>(1)</b>	(356)	<b>(68)</b>	(35,618)
Kuwaiti Dinar	<b>(6)</b>	(1,213)	<b>(580)</b>	(121,305)

*Sensitivity analysis - currency risk*

All foreign currency exposures with the exception of investments in subsidiaries, associates and joint ventures are captured as part of the customer-focused activities book. The risk of the exposures are subject to quantification via a daily VaR calculation, the results of which are disclosed in note 35 (i).

The effect of foreign currency translation on the Group's investments in subsidiaries, associates and joint ventures are reported in the "foreign exchange translation reserve" in note 22(h).

**iv) Equity price risk**

Equity price risk arises from fluctuations in equity indices and prices. The Board of Directors has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group Risk Committee. The non-trading equity price risk exposure arises from the Group's investment portfolio. The Group is not exposed to any significant equity price risk.

The effect on equity valuations (as a result of a change in the fair value of equity investments held as FVTOCI) due to a reasonably possible change in equity indices, with all other variables held constant is as follows:

<i>Market indices</i>	<i>Change in equity indices</i>	<i>%</i>	<i>Effect on OCI</i>	
			<i>2025</i>	<i>2024</i>
			<i>US\$ '000</i>	<i>US\$ '000</i>
Boursa Kuwait	+/-	5%	-	82,738

Sensitivity to equity price movements will be on a symmetric basis, as financial instruments giving rise to non-symmetric movements are not significant.

**v) Displaced commercial risk**

Each of the Group's subsidiaries follows an appropriate framework for managing displaced commercial risk, where applicable. The Group is exposed to displaced commercial risk in the event Profit rates for quasi-equity accountholders are lower than the market rates and the Group has mitigated this risk by adopting the approach to waive the applicable wakala / mudarib fees and their rights to part or entire mudarib share of profit to meet the market expectation.

### 36 LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. Funding risk arises when the funding and liquidity profile is not appropriately sized to support the assets and the balance sheet growth.

The management of the Group's liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) supported by the Group Treasurer, and is responsible for ensuring that all foreseeable funding commitments, including deposit withdrawals, can be met when due, and that wholesale market access is coordinated and controlled.

The Group maintains a stable funding base comprising core retail and corporate customer deposits and institutional balances, augmented by wholesale funding and portfolios of highly liquid assets, which are diversified by currency and maturity, in order to enable the Group to respond quickly to any unforeseen liquidity requirements.

The Group subsidiaries and affiliates maintain a strong individual liquidity position and manage their liquidity profiles so that cash flows are balanced and funding obligations can be met when due.

Limits for liquidity risk are set across the various group entities, and monitored by Risk Management and GALCO. Specifically GALCO and the Group Treasurer are responsible for:

- projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- managing contingent liquidity commitment exposures within predetermined caps;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications for the business.

The maturity profile of the assets and liabilities at 31 December 2025 and 2024 given below reflects management's best estimates of the maturities of assets and liabilities. These have been determined on the basis of the remaining period at the balance sheet date to the contractual or expected maturity date, where relevant. The liquidity profile of customer deposits has been determined on the basis of the effective maturities indicated by the Group's deposit retention history and the liquidity profile of sukuk has been determined on the basis of liquidity requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

## 36 LIQUIDITY RISK (continued)

31 December 2025	<i>Over three</i>			<i>Undated</i>	<i>Total</i>
	<i>Up to three months</i>	<i>months to one year</i>	<i>Above one year</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Assets</i>					
Cash and balances with central banks	1,064,208	-	-	-	1,064,208
Due from central banks and sukuk	794,135	262,230	-	-	1,056,365
Due from banks	2,373,867	-	165,525	-	2,539,392
Financing receivables and ijarah assets	1,986,075	2,591,215	7,046,766	-	11,624,056
Non-trading investments	3,957,928	60,308	6,186,992	-	10,205,228
Investment in associates and joint ventures	-	-	-	685,401	685,401
Investment properties	-	-	-	675,537	675,537
Profit receivable and other assets	479,306	74,077	307,903	-	861,286
Premises and equipments	1,029	2,401	10,288	173,613	187,331
Goodwill and other intangible assets	-	-	-	109,098	109,098
<b>Total</b>	<b>10,656,548</b>	<b>2,990,231</b>	<b>13,717,474</b>	<b>1,643,649</b>	<b>29,007,902</b>
<i>Liabilities and quasi-equity</i>					
Due to banks and quasi-equity	1,359,436	930,758	979,234	-	3,269,428
Term financing against sukuk	1,508,497	3,176,749	-	-	4,685,246
Customers' accounts and quasi-equity	4,601,757	2,273,453	5,862,720	-	12,737,930
Sukuk payable and term financing	-	587,997	1,238,294	-	1,826,291
Profit payable and other liabilities	738,404	94,233	29,192	-	861,829
<b>Total</b>	<b>8,208,094</b>	<b>7,063,190</b>	<b>8,109,440</b>	<b>-</b>	<b>23,380,724</b>
Total owner equity	-	-	400,000	5,227,178	5,627,178
<b>Net liquidity gap</b>	<b>2,448,454</b>	<b>(4,072,959)</b>	<b>5,208,034</b>	<b>(3,583,529)</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**36 LIQUIDITY RISK (continued)**

31 December 2024	<i>Up to three months</i>	<i>Over three months to one year</i>	<i>Above one year</i>	<i>Undated</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>Assets</i>					
Cash and balances with central banks	1,169,512	-	-	-	1,169,512
Due from central banks and sukuk	802,578	17,241	-	-	819,819
Due from banks	1,868,208	-	-	-	1,868,208
Financing receivables and ijarah assets	2,701,649	2,123,377	5,180,521	-	10,005,547
Non-trading investments	3,463,248	250,423	7,600,475	-	11,314,146
Investment in associates and joint ventures	-	-	-	455,713	455,713
Investment properties	-	-	-	108,184	108,184
Profit receivable and other assets	639,934	61,685	395,222	-	1,096,841
Premises and equipments	1,096	2,557	10,960	173,830	188,443
Goodwill and other intangible assets	-	-	-	107,420	107,420
<b>Total</b>	<b>10,646,225</b>	<b>2,455,283</b>	<b>13,187,178</b>	<b>845,147</b>	<b>27,133,833</b>
<i>Liabilities and quasi-equity</i>					
Due to banks and quasi-equity	1,199,100	196,385	961,051	-	2,356,536
Term financing against sukuk	2,488,130	2,454,849	-	-	4,942,979
Customers' accounts and quasi-equity	4,751,075	2,430,910	5,073,473	-	12,255,458
Sukuk payable and term financing	-	-	1,371,935	-	1,371,935
Profit payable and other liabilities	647,234	75,941	35,505	-	758,680
<b>Total</b>	<b>9,085,539</b>	<b>5,158,085</b>	<b>7,441,964</b>	<b>-</b>	<b>21,685,588</b>
Total owner equity	-	400,000	-	5,048,245	5,448,245
Net liquidity gap	1,560,686	(3,102,802)	5,745,214	(4,203,098)	-

The Group has lines of credit with various financial institutions through term financing against sukuk arrangements. Refer note 16 for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

## 36 LIQUIDITY RISK (continued)

**Analysis of financial liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the Group's financial liabilities (including profit) and quasi-equity based on contractual undiscounted repayment obligations. However, the Group's expected cash flows on these instruments vary significantly from this analysis. In particular, customers' accounts and quasi-equity are expected to maintain stable or increased balances.

	<i>Up to One month</i>	<i>Over one month to three months</i>	<i>Over three months to one year</i>	<i>Over one year to five years</i>	<i>Over five years</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>As at 31 December 2025</i>						
Due to banks and quasi-equity	775,017	591,457	955,994	1,106,674	-	3,429,142
Term financing against sukuk	367,542	1,149,972	3,257,805	-	-	4,775,319
Customers' accounts and quasi-equity	6,678,813	1,819,228	3,126,190	1,580,346	-	13,204,577
Sukuk payable and term financing	-	-	-	2,055,658	-	2,055,658
Profit payable	112,162	23,897	52,768	19,738	-	208,565
<b>Total</b>	<b>7,933,534</b>	<b>3,584,554</b>	<b>7,392,757</b>	<b>4,762,416</b>	<b>-</b>	<b>23,673,261</b>
Credit related commitments	336	6,941	110,832	93,925	-	212,034
Derivatives (net)	108,335	-	-	-	-	108,335
	<i>Up to One month</i>	<i>Over one month to three months</i>	<i>Over three months to one year</i>	<i>Over one year to five years</i>	<i>Over five years</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>As at 31 December 2024</i>						
Due to banks and quasi-equity	1,085,714	118,995	202,657	1,108,380	-	2,515,746
Term financing against sukuk	985,016	1,518,621	2,526,316	-	-	5,029,953
Customers' accounts and quasi-equity	6,344,592	2,006,410	3,435,230	777,672	-	12,563,904
Sukuk payable and term financing	-	-	-	1,578,869	-	1,578,869
Profit payable	119,787	23,790	47,073	19,128	-	209,778
<b>Total</b>	<b>8,535,109</b>	<b>3,667,816</b>	<b>6,211,276</b>	<b>3,484,049</b>	<b>-</b>	<b>21,898,250</b>
Credit related commitments	178	5,233	66,750	86,409	-	158,570
Derivatives (net)	371,399	-	-	-	-	371,399

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**37 OPERATIONAL RISK**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. This definition includes legal and Shari'a non-compliance risk, but excludes strategic and reputational risk. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The GBOD acknowledges that it has an ultimate responsibility for operational risk. Oversight rests with the GBRC, whilst day to day monitoring is carried out by the Group Operational and Fraud Risk Management Committee.

**38 LEGAL RISK**

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Group has a dedicated Legal Department whose role is to identify, and provide analysis and advice on the legal risks. The department is governed by the Group Legal Policy approved by the BOD, which facilitates the management and control of operational risks from pending legal actions. The Group Legal Policy is reviewed on a periodic basis.

**39 FAIR VALUE MEASUREMENT**

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 9, approximate their carrying values. Please refer to note 9 for the fair value of non-trading investments carried at amortised cost.

The Group's primary medium and long-term financial liabilities are the sukuk payable and term financing. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for financing with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**39 FAIR VALUE MEASUREMENT (continued)**

	<i>2025</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>
Equity instruments at fair value	609	58,246	48,146	107,001
Debt instruments (FVTOCI)	3,582,360	15,122	-	3,597,482
Financing receivables and ijarah assets	-	-	4,650	4,650
Islamic derivative financial assets	-	258,941	-	258,941
Islamic derivative financial liabilities	-	150,606	-	150,606
	<i>2024</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>
Equity instruments at fair value	1,655,233	57,559	57,423	1,770,215
Debt instruments (FVTOCI)	3,098,970	27,586	-	3,126,556
Financing receivables and ijarah assets	-	-	7,518	7,518
Islamic derivative financial assets	-	533,329	-	533,329
Islamic derivative financial liabilities	-	161,930	-	161,930

During the years ended 31 December 2025 and 2024, there have been no transfers between Level 1, 2, 3. During the year, net decline in Level 3 financial instruments was US\$ 12.1 million (2024: net addition of US\$ 14.8 million) and fair value decline of US\$ 9.7 million (31 December 2024: US\$ nil).

For an explanation of valuation techniques used to value these financial instruments, refer to note 2.5(f).

The significant inputs for valuation of equity securities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds, it is the illiquidity discount. Lower growth rate and higher discount rate, illiquidity discount will result in a lower fair value. The impact on the consolidated balance sheet or the consolidated statement of changes in owner equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

**40 CAPITAL ADEQUACY AND NET STABLE FUNDING RATIO (NSFR)**

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder's value. Capital adequacy for each of the Group entities is also managed separately at individual entity level. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholder or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

The total capital ratio is calculated in accordance with the capital adequacy guidelines, under Basel III, issued by the CBB. The minimum capital adequacy ratio as per CBB is 12.5%, including mandatory Capital Conservation Buffer (CCB) of 2.5%. KFHB had been designated as a Domestic Systemically Important Banks (DSIB) by the CBB. CBB has mandated in its rule book (DS-1.2.1) that DSIBs must hold additional Common Equity Tier 1 (CET 1) capital buffer of 1.5% of total RWA as calculated for the purpose of capital adequacy. Consequently, KFHB is required to maintain minimum total capital adequacy ratio of 14.0%. The Group's total capital ratio is 31.4% as of 31 December 2025 (31 December 2024: 27.6%).

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 ratio as of 31 December 2025 is 117.1% (31 December 2024: 116.3%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

**40 CAPITAL ADEQUACY AND NET STABLE FUNDING RATIO (NSFR) (continued)**

	<u>2025</u>	<u>2024</u>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<u>Available Stable Funding:</u>		
Regulatory capital	<b>5,781,327</b>	5,614,995
Stable deposits	<b>4,107,940</b>	4,283,133
Wholesale funding	<b>7,628,387</b>	6,175,570
Others	<b>149,473</b>	445,330
<b>Total Available Stable Funding (A)</b>	<b>17,667,127</b>	16,519,028
<u>Required Stable Funding:</u>		
High-Quality Liquid Assets (HQLA)	<b>1,898,654</b>	1,819,632
Performing financing receivables and ijarah assets	<b>8,561,706</b>	7,047,966
Securities (other than HQLA)	<b>1,957,876</b>	3,257,556
Derivative contracts	<b>344,119</b>	618,422
Others	<b>2,087,962</b>	1,250,201
Off-balance sheet items	<b>236,040</b>	205,671
<b>Total Required Stable Funding (B)</b>	<b>15,086,357</b>	14,199,448
<b>NSFR (%) (A/B)</b>	<b>117.1%</b>	116.3%

**41 DEPOSIT PROTECTION SCHEME**

Certain customers' accounts and quasi-equity accounts of the Group are covered by deposit protection schemes established by the CBB, the Financial Services Compensation Scheme in UK and Central Bank of Iraq.

Kingdom of Bahrain: Customers' accounts and unrestricted investment accounts held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits and Unrestricted Investment Accounts issued by the CBB in accordance with Resolution No. (34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of BD 20,000 as set out by CBB requirements. A periodic contribution, as mandated by the CBB, is paid by the Bank under this scheme.

United Kingdom: Customers' accounts and quasi-equity accounts in KFH PLC are covered under the Financial Services Compensation Scheme, up to a limit of GBP 120,000 per customer. No up-front contribution is currently mandated under this scheme and no liability is due unless any member bank of the scheme is unable to meet its depository obligations.

Republic of Iraq: Customers' accounts and quasi-equity accounts held in CIBIQ are covered by the Regulation Protecting Deposits issued by the Central Bank of Iraq in accordance with Resolution No. (121) of 2018 up to a maximum limit of IQD 25 million per customer and an overall limit of IQD 150 million per bank.

**42 SUBSIDIARIES**

Financial information of subsidiaries that have material non-controlling interests are provided below.

**Proportion of equity interest held by non-controlling interests are provided below:**

<i>Name</i>	<i>Incorporated in</i>	<u>2025</u>	<u>2024</u>
Kuwait Finance House (Egypt) S.A.E. ["KFHE"]	Arab Republic of Egypt	<b>4.3%</b>	4.3%
Commercial Islamic Bank of Iraq P.S.C. ("CIBIQ")	Republic of Iraq	<b>14.7%</b>	14.7%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 42 SUBSIDIARIES (continued)

	2025	2024
	<u>US\$ '000</u>	<u>US\$ '000</u>
<b>Accumulated material non-controlling interests as at 31 December:</b>		
KFHE	19,328	13,503
CIBIQ	42,943	39,923
<b>Profit allocated to material non-controlling interests:</b>		
KFHE	4,449	5,062
CIBIQ	3,027	4,287

Summarised financial information of KFHE and CIBIQ is provided below. The information is based on amounts as reported in the consolidated financial statements before inter-company eliminations and adjustments.

	2025	2024
	<u>US\$ '000</u>	<u>US\$ '000</u>
<b>Kuwait Finance House (Egypt) S.A.E.</b>		
<b><i>Balance sheet related information</i></b>		
Financing receivables and ijarah assets	2,039,484	1,505,772
Non-trading investments	382,070	229,489
Total assets	3,607,311	2,832,098
Customers' accounts and quasi-equity	2,973,112	2,314,446
Total liabilities	3,139,902	2,466,688
<b><i>Income statement related information</i></b>		
Total operating income	171,365	244,359
Net profit attributable to shareholders	83,433	107,973
Total comprehensive income attributable to shareholders	87,743	109,444
<b><i>Cash flow related information</i></b>		
Net cash from operating activities	187,259	123,427
Net cash (used in) / from investing activities	(142,591)	5,530
Net cash used in financing activities	(2,965)	(6,290)
	<u>2025</u>	<u>2024</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>

**Commercial Islamic Bank of Iraq P.S.C.**

<b><i>Balance sheet related information</i></b>		
Financing receivables and ijarah assets	5,448	5,669
Non-trading investments	251,604	260,597
Total assets	408,307	407,552
Customers' accounts and quasi-equity	101,526	115,500
Total liabilities	115,976	135,785
<b><i>Income statement related information</i></b>		
Total operating income	37,906	45,062
Net profit attributable to shareholders	20,612	29,181
Total comprehensive income attributable to shareholders	20,741	29,243
<b><i>Cash flow related information</i></b>		
Net cash from operating activities	545	45,974
Net cash from / (used in) investing activities	5,466	(18,704)
Net cash used in financing activities	(2,050)	(407)