

Annual Report 2025

Kuwait Finance House B.S.C. (c)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah the Most Gracious, the Most Merciful.

﴿O ye who Believe, Fear Allah and give up what remains of your demand for
usury, if ye are indeed believers ﴿278﴾ If ye do it not. take notice of war from
Allah and his Apostle, but if ye turn back, ye shall have your capital sums
deal not unjustly and ye shall not be dealt unjustly ﴿279﴾﴾

Holy Quran - Al Baqara - Verses (278 - 279)



His Highness Sheikh
Shaikh Isa bin Salman Al Khalifa
The Late Amir



His Majesty King
Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain



His Royal Highness Prince
Salman bin Hamad Al Khalifa
The Crown Prince and Prime Minister
of the Kingdom of Bahrain

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Key Financial Highlights

Net Profit (US\$'000)

730,585

Financing Receivables and Ijarah Assets (US\$'000)

11,624,056

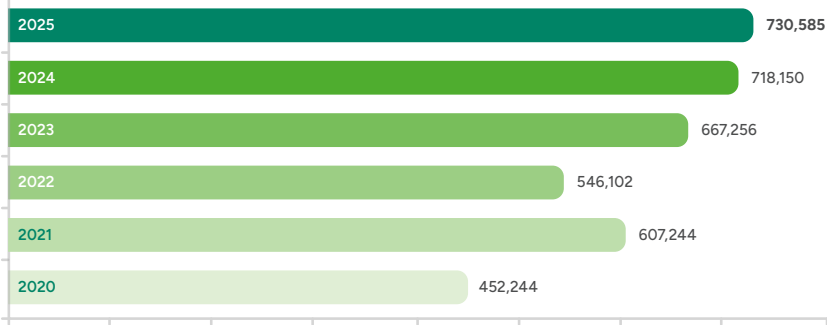
Total Assets (US\$'000)

29,007,902

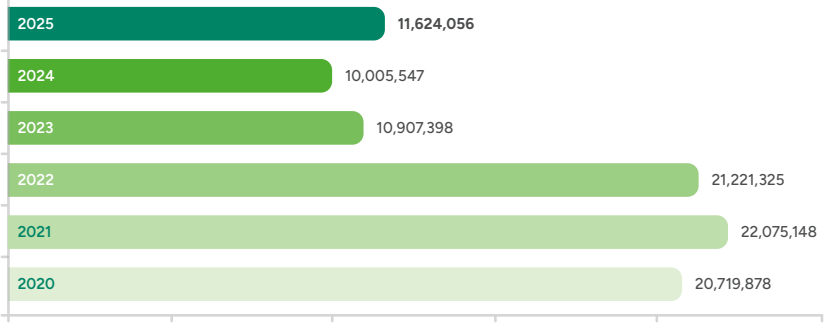
Owner Equity (US\$'000)

5,164,907

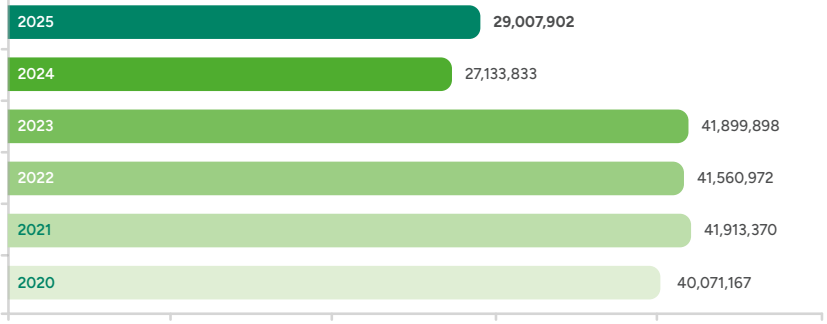
Net Profit (US\$'000)



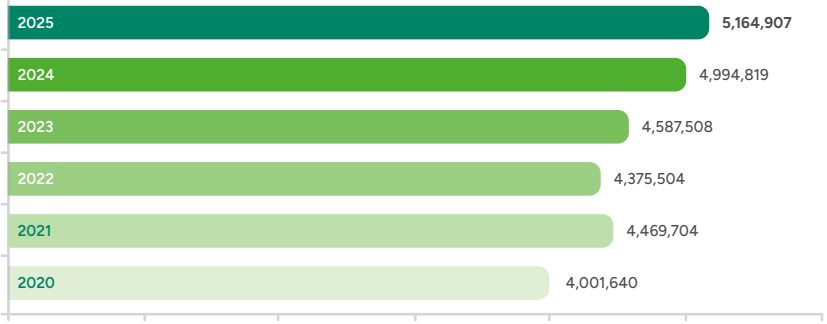
Financing Receivables and Ijarah Assets (US\$'000)



Total Assets (US\$'000)



Owner Equity (US\$'000)



Financial Highlights

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

	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
Net profit	730,585	718,150	667,256	546,102	607,244	452,244
Total assets	29,007,902	27,133,833	41,899,898	41,560,972	41,913,370	40,071,167
Financing receivables and Ijarah assets	11,624,056	10,005,547	10,907,398	21,221,325	22,075,148	20,719,878
Total liabilities (including quasi-equity)	23,380,724	21,685,588	35,840,956	35,731,573	35,995,405	35,034,809
Owner equity	5,164,907	4,994,819	4,587,508	4,375,504	4,469,704	4,001,640
Non-controlling interests	62,271	53,426	64,600	453,895	448,261	434,718
Return on average assets	2.8%	2.6%	1.8%	1.4%	1.6%	1.2%
Return on average equity	14.7%	15.4%	15.3%	12.3%	14.7%	10.4%
Cost to income ratio	26.1%	27.9%	26.2%	25.8%	29.5%	29.3%
Financial leverage	4.5	4.3	7.7	7.4	7.3	7.9
Risk assets ratio	31.4%	27.6%	17.2%	16.9%	17.0%	16.1%
Net finance margin	3.09%	3.30%	3.39%	2.28%	2.24%	2.06%
Earnings per share (US cents)	6.3	6.2	5.6	4.5	5.1	3.8

United Kingdom: Kuwait Finance House PLC

	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
Net profit	22,420	39,218	46,986	39,462	18,893	25,752
Total assets	2,581,377	2,739,874	2,925,213	2,837,717	2,998,843	2,828,031
Financing receivables and Ijarah assets	1,524,604	1,512,591	1,536,066	1,454,873	1,602,103	1,735,370
Total liabilities	2,246,128	2,391,860	2,590,485	2,506,008	2,674,599	2,549,641
Shareholder equity	335,249	348,014	334,727	331,709	324,244	278,390
Return on average assets	0.8%	1.3%	1.6%	1.4%	0.6%	0.8%
Return on average equity	6.6%	11.7%	14.3%	12.1%	6.6%	9.0%
Cost to income ratio	53.4%	44.4%	35.8%	35.7%	58.4%	43.6%
Financial leverage	6.7	6.9	7.7	7.6	8.2	9.2
Risk assets ratio	20.1%	19.2%	19.4%	19.9%	22.5%	19.2%
Earnings per share (US cents)	11.2	19.6	23.5	19.8	9.4	12.9

Egypt: Kuwait Finance House Bank - Egypt S.A.E.

	EGP' 000	EGP' 000	EGP' 000	EGP' 000	EGP' 000	EGP' 000
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
Net profit	4,096,852	5,489,213	3,325,217	2,040,904	1,175,628	1,217,264
Total assets	171,964,864	143,980,473	113,391,206	85,712,688	64,462,686	56,362,418
Financing receivables	97,224,671	76,551,625	62,392,903	48,608,208	36,716,271	29,698,946
Total liabilities	149,682,883	125,403,470	100,015,114	75,054,281	55,288,633	48,155,980
Shareholders' equity	22,281,981	18,577,003	13,376,092	10,658,407	9,174,053	8,206,438
Return on average assets	2.7%	4.4%	3.4%	2.8%	2.0%	2.4%
Return on average equity	21.0%	35.9%	27.7%	21.4%	13.9%	15.9%
Cost to income ratio	34.4%	19.5%	21.0%	19.6%	32.1%	28.0%
Financial leverage	6.7	6.8	7.5	7.0	6.0	5.9
Risk assets ratio	16.2%	16.0%	14.5%	16.2%	18.2%	19.9%
Earnings per share (EGP)	3.6	4.9	3.0	1.8	1.0	1.1

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

	IQD Million	IQD Million	IQD Million	IQD Million	IQD Million	IQD Million
	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021	Dec 2020
Net profit	27,001	38,227	15,077	11,662	13,009	35,457
Total assets	534,882	533,894	486,366	528,984	512,312	616,949
Financing receivables	7,137	7,427	11,291	13,030	27,136	18,841
Total liabilities	151,928	177,878	168,658	202,926	197,769	309,195
Shareholders' equity	382,954	356,016	317,708	326,058	314,543	307,755
Return on average assets	5.0%	8.0%	2.9%	2.3%	2.0%	7.4%
Return on average equity	7.4%	11.6%	4.9%	3.7%	4.2%	13.0%
Cost to income ratio	41.4%	32.8%	46.9%	55.3%	61.6%	29.4%
Financial leverage	0.4	0.5	0.5	0.6	0.6	1.0
Risk assets ratio	123.7%	179.1%	139.3%	100.8%	98.9%	73.7%
Earnings per share (IQD - fils)	82.4	116.7	46.0	35.6	39.7	108.2

KFH - Bahrain
Group Overview

Bahrain's urban skyline and coastline
captured from high aerial view

KFH Group Overview

Vision

To lead the international development of Islamic financial services, and become one of the most trusted and sustainably most technologically advanced Shari'a-compliant bank in the world

Mission

To deliver superior innovation and customer service excellence while protecting and enhancing the interests of all our stakeholders

Values

- Leadership
- Accountability
- Partnership
- Sustainable Growth
- Cybersecurity

Global Integrated Operations

KFH Group leads Islamic finance globally, where it provides various Islamic financial products and services as it operates in several regions around the world.

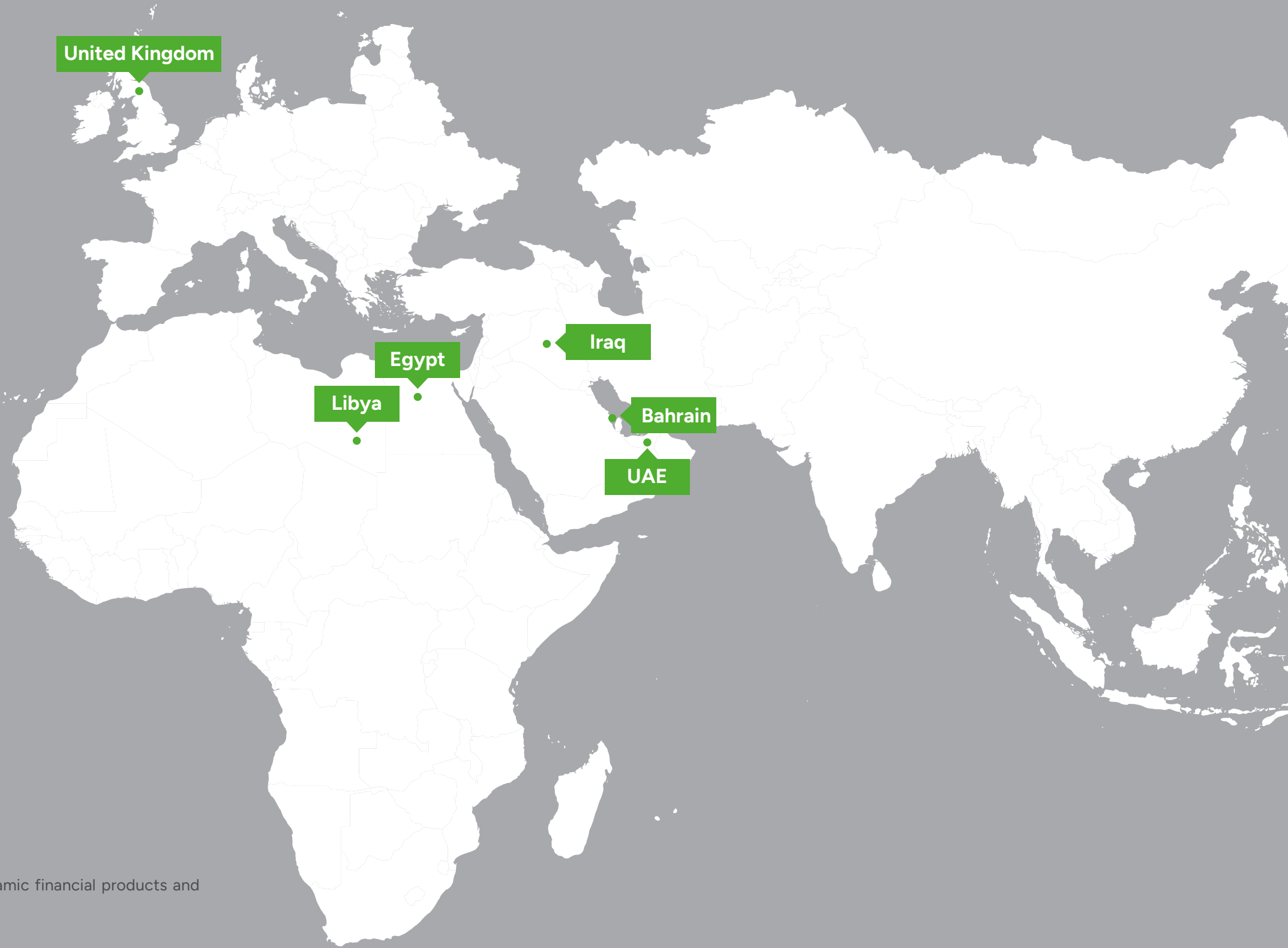
87

Branches

Over

2,900

Employees



Board of Directors’ Report

The Directors of Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)] (“KFHB” or the “Bank”) are pleased to submit the accompanying consolidated financial statements for the year ended 31 December 2025.

General Operating Environment

During 2025, the global economy continued to demonstrate strong resilience despite elevated policy uncertainty, trade barriers, geopolitical tensions, and structural challenges. According to the IMF, global growth is estimated at 3.3% in 2025 broadly in line with the prior year, reflecting the world economy’s ability to absorb shocks and sustain momentum. This performance was supported by easing inflation, solid private sector activity and robust investment flows into advanced technologies especially artificial intelligence (AI), which have become an increasingly important driver of productivity and innovation.

In the MENA region, growth strengthened notably, rising to 3.4% in 2025 from 2.2% in the previous year, largely due to increased activity among oil exporting economies. The region collectively maintained current account surpluses, underpinned by firm non oil merchandise and services export performance particularly in travel and transportation as well as a continued recovery in oil exports.

Looking ahead to 2026, the IMF projects global growth to remain steady at 3.3%, supported by a constructive mix of economic forces. While adjustments in global trade policies present challenges, these are expected to be outweighed by increasing technology led investments, continued fiscal and monetary support and broadly accommodative financial conditions, along with ongoing adaptability and resilience from the private sector.

Growth in the MENA region is expected to further strengthen to 3.9% in 2026, led by oil exporters where rising output levels are anticipated to more than offset the impact of moderate oil prices. The region’s outlook is also supported by improving export performance with net exports turning positive and continued expansion in private investment.

While risks remain including potential escalation of regional conflicts, tighter global financial conditions and shifts in global trade policy there are also meaningful upside opportunities. These include faster than expected technology driven investment, and stronger progress on structural reforms that enhance productivity and long term growth.

Performance Overview

Despite a challenging operating environment and market volatility along with sale of KFHB’s stake in Ahli Bank Oman (ABO), the Bank delivered improved results in 2025. The key highlights of the KFHB Group’s consolidated financial performance for 2025 are given below.

I. The Income Statement

KFHB achieved improved results in 2025 for the continuing operations as explained below:

- Consolidated net profit from continuing operations, attributable to the Bank’s equity shareholder, of US\$ 730.6 million was achieved showing a rise of 2.8% versus US\$ 710.7 million in 2024, contributed by total operating income increase of 11.7% to US\$ 1,291.8 million in 2025 (2024: US\$ 1,156.1 million).
- Reported net financing income for 2025 was slightly lower at US\$ 722.4 million (2024: US\$ 765.8 million) primarily due to the impact of benchmark rate cuts. This was partly offset by positive contribution from higher average profit earning assets during the year.
- Impairment charges for 2025 amounted to US\$ 130.2 million (2024: US\$ 66.4 million), highlighting the Bank’s continued commitment to maintaining a prudent and forward looking provisioning approach across all asset categories
- The cost to income ratio for 2025 was 26.1% (2024: 27.9%) reflecting continuing efforts towards intelligent cost spend discipline and operational efficiencies.
- Consolidated net profit attributable to the Bank’s equity shareholder of US\$ 730.6 million was 1.7% higher than US\$ 718.2 million in 2024 after considering the profit of US\$ 7.5 million from discontinued operations of AUB Kuwait.

Performance Overview (continued)

II. The Balance Sheet

- The KFHB Group’s total assets increased by 6.9% as at 31 December 2025 to US\$ 29.0 billion (31 December 2024: US\$ 27.1 billion) mainly contributed by the strong financing growth across the Group entities.
- Financing receivables increased by 16.2% to US\$ 11.6 billion as of 31 December 2025, reflecting strong portfolio momentum compared to the prior year. This strong growth is especially commendable given the scale of customer portfolio realignments, the Bank successfully managed during the year. Corporate banking financing grew by 13.6% while retail banking assets by 14.5% over the same period.
- Non-trading investment portfolio reported at US\$ 10.2 billion (31 December 2024: US\$ 11.3 billion), the decline is being impacted by the sale of KFH shares during the year excluding this the non trading investments recorded a growth of 5.7%.
- Customers’ accounts and related quasi equity totaled US\$ 12.7 billion (2024: US\$ 12.3 billion), reflecting a 3.9% increase.
- The Bank’s asset quality remained stable during the year, with the non performing financing receivables (Stage 3) ratio recorded at 2.5% compared to 2.4% at the end of 2024 reflecting consistent risk profile across the portfolio.
- Provision coverage ratio for Stage 3 exposures stood at 79.5% as of 31 December 2025, compared to 80.3% for 2024 underscoring the Bank’s continued commitment to maintaining prudent provisioning levels in line with its conservative risk management framework.
- The Bank’s balance sheet mix continued to improve during the year, with the proportion of financing receivables to total assets rising from 36.9% at 31 December 2024 to 40.1% at 31 December 2025. This shift reflects the Bank’s ongoing focus on growing its core financing portfolio and enhancing the asset base’s yield profile.
- The Group’s equity attributable to the owner increased to US\$ 5.2 billion as of 31 December 2025, representing growth of 3.4% compared with US\$ 5.0 billion at the end of 2024. Return on Average Equity for 2025 stood at 14.7% (2024: 15.4%), with the year on year movement primarily reflecting the increase in average equity following stronger capital levels.
- Return on Average Assets improved to 2.8% (2024: 2.6%), supported by higher profitability and an enhanced asset mix.
- Capital adequacy ratio further strengthened, rising to 31.4% as at 31 December 2025 (31 December 2024: 27.6%), reflecting the Group’s solid capital position and sustained resilience.

Strategic & Corporate Developments

Rebranding of AUB Bahrain and Group Entities

As part of integration with KFH Group, the following entities were successfully rebranded during 2025, positioning them to benefit from the strong market presence and brand equity of Kuwait Finance House:

- Ahli United Bank (UK) PLC rebranded as Kuwait Finance House PLC in January 2025.
- Ahli United Bank Egypt (S.A.E.) rebranded as Kuwait Finance House Bank – Egypt in January 2025.
- Ahli United Bank B.S.C. (c) and its DIFC branch rebranded as Kuwait Finance House B.S.C. (c) in July 2025.

Sale of Stake in Ahli Bank Oman

As part of its Islamic conversion process, KFH Bahrain divested its 35% stake in Ahli Bank Oman (ABO), a conventional bank. The stake was successfully sold to Omani investors in February 2025.

KFH Share swap

On 10 November 2025, the Bank completed the sale of 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 Parent’s equity shares on behalf of KFHB and upon disposal the KFHB Group recorded a gain of US\$ 259 million to the consolidated statement of income.

Replacement of AT1 Securities

KFH Bahrain successfully raised a new US\$ 400 million AT1 Sukuk on 22 April 2025 at a profit rate of 6.709%. Following this issuance, the Bank redeemed its existing AT1 Capital Securities on 29 April 2025, further optimizing its capital structure and strengthening its regulatory capital base.

Board of Directors’ Report

Recognition

The KFHB Group received several prestigious industry recognitions during the year, reflecting its strong performance, market leadership, and continued commitment to excellence. These awards include:

Awards Provider	Name of the Awards
Global Finance	• Best Bank in Bahrain – 2025 • Best Bank for Financial Institutions in ME • Best Islamic Financial Institutions in Bahrain 2025
Euromoney	• Best digital bank for large corporates 2025 in Bahrain • Best Islamic bank in Bahrain 2025 • Bahrain's best transaction bank 2025
MEED	• Best for Supply Chain Finance in ME • Best Islamic Bank – Bahrain • Best Private Bank – Bahrain
Annual HRM Summit 2025	• Best Employee-Driven Business Change
Bahrain Society for Human Capital Management	• Employee Wellbeing & Workplace Quality Award

Directors’ and Executive Management’s Remuneration

First: Board of Directors’ Remuneration Details: (Amounts stated in Bahraini Dinars)

Name	Fixed remunerations				Variable remunerations						
	Remunerations of the Chairman and BOD	Total allowance for attending Board and Board committee meetings	Others	Total	Remunerations of the Chairman and BOD	Incentive plans	Others	Total			
First: Independent Directors											
1. Jamal Abdel Razzaq Al-Naif	44,297	44,297	-	88,593	-	-	-	-	-	88,593	-
2. Khalid Mohamed Najibi (Deputy Chairman)	49,952	49,952	-	99,903	-	-	-	-	-	99,903	-
3. Dr. Khalid Mohamad Al Saad	44,297	44,297	-	88,593	-	-	-	-	-	88,593	-
Second: Non-Executive Directors											
1. Hamad Abdulmohsen Almarzouq (Chairman)	103,674	103,674	-	207,348	-	-	-	-	-	207,348	-
2. Adel A. El-Labban (Deputy Chairman)	48,068	48,068	-	96,135	-	-	-	-	-	96,135	-
3. Khaled Salem Al-Nisf	49,011	49,011	-	98,022	-	-	-	-	-	98,022	-
4. Muad Suad Al Osaimi	49,011	49,011	-	98,022	-	-	-	-	-	98,022	-
Third: Executive Directors											
1. Haitham AbdulAziz Al Tarkait ¹	28,275	28,275	-	56,550	-	-	-	-	-	56,550	-
2. Khaled Yousef Al Shamlan ¹	28,275	28,275	-	56,550	-	-	-	-	-	56,550	-
Total	444,858	444,858	-	889,717	-	-	-	-	-	889,717	-

1 Executive Director by virtue of role within the Kuwait Finance House (K.S.C.P.) and not in an executive capacity for the Kuwait Finance House B.S.C. (c)

Note:

All KFHB Executive Directors are excluded from receiving any form of additional remuneration for their membership of or attendance at Board or Board related committee meetings at KFHB or its subsidiaries / affiliates as per their specific contractual arrangements and as per the Board approved KFHB Group HR Policy.

Directors’ and Executive Management’s Remuneration (continued)

Second: Executive management remuneration details: (Amounts stated in Bahraini Dinars)

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,116,083	285,600	226,651	1,628,334
Note: All amounts must be stated in Bahraini Dinars.				
* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.)				
** The company's highest financial officer (CFO, Finance Director, ...etc)				

Appropriations

Based on the Bank’s results for the year ended 31 December 2025, the Board of Directors recommends the following appropriations for approval by the shareholders:

- Cash dividend of 3.6 US cents per share (2024: 5.25 US cents per share)
- Transfer of US\$ 73.1 million to the statutory reserve
- Donations of US\$ 2.0 million

Conclusion

Our achievements in 2025 were made possible through the continued support and guidance of our regulators and the Shari’a Supervisory Board, the trust and confidence of our clients, customers, and business partners, and the unwavering dedication and professionalism of our management and staff.

As we embrace our new identity under the KFH brand, we are confident that this strategic transformation will unlock new avenues for growth and further strengthen group synergies. Our priorities for 2026 remain clear: to position the Bank as the Islamic bank of choice while consistently delivering sustainable value to all our stakeholders.

Hamad Abdulmohsen Almarzouq
Chairman

Adel A. El-Labban
Deputy Chairman

16 February 2026

Board of
Directors

Sunrise view of The King Fahd Causeway connecting, Saudi Arabia and Bahrain.

Board of Directors



Mr. Hamad Abdulmohsen Almarzouq
(Non-Executive Director)
Chairman of the Group Board and
Chairman of the Group Board Executive
Committee
Director since 22 March 2023

Mr. Al-Marzouq earned his BA in Industrial Systems Engineering from the University of Southern California in the US in 1985. He received his MA in International Finance and Business Management from Claremont Graduate University in the US in 1987.

Mr. Al-Marzouq possesses 39 years of experience in the banking, financial services, and investment sectors, both in Kuwait and internationally. He has served as Chairman of Kuveyt Türk Participation Bank in Turkey since 2015, and as Chairman of both Kuwait Finance House B.S.C. (c) and KFH Egypt since 2023.

Mr. Al-Marzouq has held numerous prominent positions across various banking, financial, and regulatory institutions. He served as Chairman of the Kuwait Banking Association (KBA) from 2010 to 2016 and returned to the role in February 2025. He has also been a board member of the KBA since 2002. Furthermore, his leadership includes board memberships at the Union of Arab Banks (2003–2010), the Kuwait Institute of Banking Studies (KIBS) (2003–2014), and the Public Authority for Applied Education and Training (PAAET) (2007–2016). He also served on the Board of Trustees of the Arab Academy for Financial and Banking Sciences from 2004 to 2009. In the private sector, Mr. Al-Marzouq was the Chairman and Managing Director of Ahli United Bank - Kuwait (2002–2014) and held Vice Chairman positions at Ahli United Bank in the UK (1998–2014), Egypt (2006–2014), Bahrain (2000–2014), and Oman (2007–2014). Additionally, he served as Chairman of Kuwait Finance House - Bahrain from 2015 to 2023.

Mr. Al-Marzouq served as a board member, Vice Chairman, and Chairman of Kuwait and Middle East Financial Investment Company in Kuwait from 2002 to 2010.

He held the position of Vice Chairman of the Middle East Financial Investment Company in the Kingdom of Saudi Arabia from 2009 to 2013 and was Vice Chairman of Ahli Bank in Qatar from 2004 to 2013.

Prior to his current roles, Mr. Al-Marzouq held several executive positions at the Central Bank of Kuwait, serving as Deputy Manager of the Technical Affairs Office in 1990. He subsequently held the roles of Deputy Manager and then Manager of the Supervision Department from 1992 to 1996 and 1996 to 1998, respectively. He commenced his professional career as an investment officer specializing in US equity portfolios and derivatives within the Investment Department at Kuwait Investment Company (1987–1990).

39 years of experience in the financial services sector



Mr. Adel A. El-Labban
(Independent Director)
Deputy Chairman of the Group
Board, Chairman of the Group Board
Corporate Governance Committee and
Member of the Group Board Executive
Committee
Director since 30 July 2000

Holds a Masters in Economics (Highest Honors) from the American University in Cairo, 1980, Bachelors in Economics (Highest Honors) from the American University in Cairo, 1977.

Currently holds the positions of Director, Kuwait Finance House PLC, UK. He is also the Trustee at Nile University Egypt (non-profit organisation), Director of the National Printing Co. S.A.E. (NPC) in Egypt, and Chairman of the Audit & Risk Committee of NPC, as well as a Director of ASCOM SAE, Egypt.

Formerly: Deputy Chairman, United Bank for Commerce & Investment S.A.C., Libya; Group Chief Executive Officer, Ahli United Bank B.S.C., Bahrain, from April 2022 until March 2023; Group Chief Executive Officer and Managing Director, Ahli United Bank B.S.C., Bahrain, from November 2000 until April 2022; Director, Ahli United Bank K.S.C.P., Kuwait; Chief Executive Officer and Director, United Bank of Kuwait P.L.C., UK; Managing Director, Commercial International Bank, Egypt S.A.E.; Chairman, Commercial International Investment Company, Egypt; First Deputy Chairman, Ahli Bank S.A.O.G., Oman; Vice Chairman, Middle East Financial Investment Co., Saudi Arabia; Deputy Chairman, Ahli United Bank S.A.E., Egypt; Deputy Chairman, Commercial Bank of Iraq; Director, Ahli United Bank Limited, UAE; Vice President, Morgan Stanley, USA; Assistant Vice President, Arab Banking Corporation, Bahrain; Director, Bahrain Bourse, formerly Bahrain Stock Exchange; and Director, Bahrain Association of Banks, Bahrain.

47 years of experience in international and regional financial service sector.

Board of Directors



Khalid Mohamed Najibi

(Independent Director)

Deputy Chairman of the Group Board, Chairman of the Group Board Risk Committee, Member of the Group Board Audit & Compliance Committee and Member of the Group Board Nominating and Remuneration Committee

Director since 2023

Holds a Bachelor Degree in Business Administration (with major in Finance) from BA Schiller International University, UK, 1990; Passed CPA 1993 (from The American Institute of CPA) USA.

Currently: Board Member, Social Insurance Organisation (SIO), Board Member, Kuwait Finance House PLC, UK, Founding Member and Managing Director, Najibi Investment Co. B.S.C(c), Co-Chairman, Al Souq Group W.L.L., Board Member, King Fahad Causeway Authority (KFCA), Deputy Chairman of Oman Bahrain Investment Co., Board Member, Arab British Chamber of Commerce (ABCC), and Board Member, Arab German Chamber of Commerce.

Awarded the Royal National Decoration of the first degree by His Majesty King Haman Bin Isa Al Khalifa, King of the Kingdom of Bahrain.

Formerly: First Vice Chairman, Bahrain Chamber of Commerce and Industry (BCCI) (NGO), Board Member, AUB PLC UK, Board Member & Member, Executive Committee, AUB B.S.C Bahrain, Chairman, Osool Asset Management B.S.C. (C), Chairman, Bahrain Marina Development Co., Board Member, Bahrain Tourism and Exhibitions Authority (BTEA), Vice Chairman of Ibdar Bank, Vice Chairman, Managing Director/ Chief Executive Officer, Capital Management House B.S.C. (c), Board Member, & Chairman of Executive Committee of Bahrain Islamic Bank, Board Member of Gulf Finance House, Board Member of First Energy Bank, Board Member of QInvest Regulated by QFC in Qatar, Board Member & Member of Executive Committee of Arbah Capital Regulated by CMA in Kingdom of Saudi Arabia. Also, Board Member & Chairman of Executive Committee of Crown Industries & Bahrain Scrapmould, Board Member of Skaugen Gulf Petchem Carriers.

35 years of experience covering Investments & Real Estate development, Islamic banking both wholesale and retail.



Dr. Khalid Mohamad Al Saad

(Independent Director)

Chairman of the Group Board Nominating and Remuneration Committee, Member of the Group Board Corporate Governance Committee, Member of the Group Board Audit & Compliance Committee and the Group Board Risk Committee.

Director since 8 August 2024

Holds Ph.D. in Finance, from the Claremont Graduate University, May 1986; MBA from the Claremont Graduate University, December 1979; and BA in Accounting from the Kuwait University, June 1975.

Formerly: Board Member, Kuwait Finance House B.S.C. (c), Kingdom of Bahrain (2016-2024); Board member, National Bureau for Academic Accreditation & Education Quality Assurance (2021-2023); Chair of the Committee for the Accreditation of Foreign Universities (NBAQ) (2018-2022); Board Member of Institute Banking Studies, Kuwait (2018-2022); Vice Chairman of the Board of Directors, Sama Educational Co., Kuwait (2016-2018); Member of the Board of the Supreme Council of Planning, Kuwait (2008-2010); Member of the Board of Directors of Contracting and Marine Services Co., Kuwait (2006-2009); Member of the Board and Investment Committee of the Public Institution of Social Security, Kuwait (2002-2008); and Member of the Board of Directors of Gulf Insurance Company, Kuwait (1987-1989).

Additionally, Dr. Al Saad held several roles in the higher education and financial services sectors, the latest of which were Program Director, Master of Science in Finance, Kuwait (2016-2020); Associate Professor, Finance Dep., CBA, Kuwait University, Kuwait (2008- 2022); President, Gulf Monetary Council, Riyadh, KSA (2012-2015); Undersecretary, Ministry of Higher Education, Kuwait (2009 –2012); and Executive Director, World Bank, USA (1995-2001). He served as a member of the Boards of several higher education institutions during his tenure at the Ministry of Higher Education (MOHE); as well as a Vice Dean of the WB Board, Personnel Committee Chairman, and Vice Chair of the Audit Committee.

Dr. Al Saad participated in several academic and administrative committees, and developed finance program curriculum for a new college and developed and delivered several training programs for the business community. Furthermore, he participated in several conferences and workshops in the field of banking and finance.

Over 32 years of experience in financial services and higher education sectors.



Mr. Khalid Salem Al Nisf

(Non-Executive Director)

Member of the Group Board Executive Committee and Member of the Group Board Risk Committee

Director since 22 March 2023

Mr. Al Nisf received his Bachelor's Degree in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. He also pursued specialized courses in Financial Statement Analysis from the Institute of International Research, in addition to several specialized courses in Islamic Banking.

Mr. Al Nisf is a Board Member of Kuwait Finance House since 2014. In addition, Mr. Al Nisf holds the position of Board Member at Al-Shamiya Holding Company since 2016 and is a Board Member at Al Tadamon Al Kuwaitiya Holding Company since 2016.

Mr. Al Nisf held the position of Chairman of the Executive Board specialized in setting strategies and implementation at Al Nisf Group of Companies. Mr. Al Nisf is the CEO of Mohamed Bin Yusuf Al Nisf & Partners Company, Al Tadamon Al Kuwaitiya Company, and Trading and Industrial Equipment Company since 2005.

Mr. Al Nisf previously held several executive positions including the position of Investment and Finance Manager at Al Nisf Companies from 1997 until 2008 and was the Administration Manager of the Company from 1995 until 1997. In addition, Mr. Al Nisf previously held the position of Deputy Chairman at the Kuwaiti Digital Computer Company from 2016 until 2019. He held the position of a Board Member at Kuwait Digital Computer Company since 2001 until March 2022.

28 years of experience in the general trade, real estate investments and financial services sectors.



Mr. Muad Saud Al Osaimi

(Non-Executive Director)

Member of the Group Board Executive Committee and Member of the Group Board Audit & Compliance Committee

Director since 22 March 2023

Mr. Al Osaimi received his Bachelor's of Science Degree in Finance from George Mason University in the U.S. in 2001, and completed an 18 months specialized training program for graduates at Kuwait Investment Authority (KIA) in 2001.

Mr. Al Osaimi was appointed as the Chairman of Kuwait Finance House – Malaysia since 2017 and Board Member of Kuwait Finance House (Kuwait) since 2014. He also served as a Board Member of numerous companies including Kuwait Gate Holding Company from 2004 until 2014, Kuwait Financial Center Company from 2008 until 2011 and Al Raya International Holding Company from 2005 until 2009.

Mr. Al Osaimi is the CEO of Faiha International Real Estate Company since 2017. He previously held the position of Deputy General Manager of Global Retail Company from 2003 until 2020. In addition, Mr. Al-Osaimi worked at the Investment Department of Aayan Leasing and Investment Company in 2002.

24 years of experience in the Banking and Investment sectors.

Board of Directors



Mr. Noorur Rahman Abid
(Independent Director)
Chairman of the Group Board Audit & Compliance Committee, Member of the Group Board Risk Committee, Member of the Group Board Nominating and Remuneration Committee and Member of the Group Board Corporate Governance Committee
Director since 29 March 2026

Mr. Abid holds Bachelor of Commerce from the University of Punjab (September 1972). He has been a Fellow Chartered Accountant from the Institute of Chartered Accountants in England and Wales (ICAEW) since 1976.

He currently serves as an Independent Board member of Arcapita Investment Company, Bahrain since 2014; and as a Board member of Liva Insurance, Kingdom of Saudi Arabia since 2024.

Mr. Abid held prominent positions in Ernst & Young across the region, latest of which he was appointed Assurance Leader for Ernst and Young Middle East and North Africa (1999-2012) and has vast experience within the profession spanning more than 41 years. In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award in recognition of his contribution to the Islamic Banking industry.

Formerly: Mr. Abid served as Chairman of the Accounting Standards Committee and Vice Chairman of the Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); Independent Director, Kuwait Finance House in State of Kuwait (2014-2026), Kingdom of Bahrain (2015-2020) and Malaysia (2017-2020); Chairman of the Audit Committee and Chairman of the Board Human Resources Committee at Meezan Bank, one of the largest Islamic Banks in Pakistan (2014-2021); Board Member at Dr. Soliman Fakeeh Hospital in Jeddah in the Kingdom of Saudi Arabia (2014-2025); Chairman of the Board of Directors of Al Shaheer Corporation, Pakistan (ended in 2019).

47 years of experience in the Banking sector.



Mr. Khaled Yousif Al-Shamlan
(Executive Director)
Member of the Group Board Nominating and Remuneration Committee and Group Board Corporate Governance Committee
Director since 22 March 2023

Mr. Al Shamlan received his BA in Economics from Kuwait University in 1995. He has completed numerous specialized courses in Leadership, Financial Analysis and Risk Management, such as the Managing Strategically and Leading for Results conducted by Harvard Business School and a 2-year specialized training program for graduates at Kuwait Investment Authority (KIA).

Currently, Mr. Al Shamlan is the Group Chief Executive Officer at KFH since January 2025. He serves as Chairman of KFH Capital Investment Company, Board Member of Kuwait Turk Participation Bank in Turkiye and Board Member of KFH Egypt.

His extensive experience in the banking industry spans over 25 years, and was accumulated over an extended professional career. He held numerous leadership roles at Kuwait Finance House including Chief Executive Officer, KFH Kuwait from August 2023 to December 2024, Group Chief Retail and Private Banking Officer from March 2022 to August 2023, Group General Manager Retail Banking from January 2021 to March 2022 and General Manager Corporate Banking -Kuwait from January 2018 to January 2021.

28 years of experience in the Banking sector.



Mr. Haitham Abdulaziz Al-Terkait
(Executive Director)
Member of the Group Board Nominating and Remuneration Committee
Director since 22 March 2023

Mr. Alterkait received his Bachelor's Degree in Mechanical Engineering Technology from Metropolitan State Colleague in U.S in 1989.

Mr. Alterkait is currently the Deputy Group CEO Transformation, Technology and Operations at Kuwait Finance House since September 2024. In addition, Mr. Alterkait is a Board Member of International Turnkey Systems Group (ITS) since 2021.

Mr. Alterkait possesses a vast Information Technology experience, spanning more than 30 years. During his professional career, he held numerous prominent leadership roles positions including Chief Technology Officer at Warba Bank from 2012 until May 2021 and Infrastructure Services Department Manager at Kuwait Finance House from 2002 until 2012. and Chief Information Officer at Kuwait Finance House since 2021 to June 2023, and Group Chief Technology, Digital Transformation and PMO Officer at Kuwait Finance House since July 2023 to September 2024.

11 years of experience in Research sector (Kuwait Institute for Scientific Research)

25 years of experience in Banking sector (KFH and Warba Bank.)

Shari'a Supervisory Board

Panoramic aerial view of Bahrain skyline at twilight with
iconic towers and waterfront views

Shari’a Supervisory Board



Sheikh Prof.
Abdulaziz Khalifa Al Qassar
Chairman of the Shari'a Supervisory Board and Member of the SSB Executive Committee and the Group Board Corporate Governance Committee

Sheikh Professor Dr. Abdulaziz Khalifa Al Qassar, former Professor of Comparative Jurisprudence at the Faculty of Shari’a and Islamic Studies at Kuwait University, holds a PhD in Comparative Jurisprudence from the Faculty of Shari’a and Law at Al-Azhar University – Cairo, Arab Republic of Egypt, obtained in 1997.

He served as a faculty member at the Faculty of Shari’a and Islamic Studies at Kuwait University from 1997 to 2017, and held the position of Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Shari’a and Islamic Studies at Kuwait University from 2001 to 2005.

He is a member of the Fatwa and Shari’a Supervisory Boards in several Islamic institutions and banks inside and outside the State of Kuwait. He is also a lecturer in Islamic financial transactions and has authored numerous scholarly papers and studies in Islamic jurisprudence and contemporary financial transactions.



Sheikh Prof.
Ali Ibrahim Al Rashed
Member of the Shari’a Supervisory Board

Sheikh Professor Dr. Ali Ibrahim Al Rashed, Professor of Fiqh and its Principles at the Faculty of Shari’a and Islamic Studies at Kuwait University, holds a PhD in Shari’a from the Faculty of Dar El-Ulum at Cairo University – Cairo – Arab Republic of Egypt, obtained in 2005.

He serves as a faculty member at the Faculty of Shari’a and Islamic Studies at Kuwait University.

He is a member of the Fatwa and Shari’a Supervisory Boards in several Islamic institutions and banks inside and outside the State of Kuwait. He is also a lecturer in Islamic financial transactions and has authored numerous scholarly papers and studies in Islamic jurisprudence and contemporary financial transactions.



Sheikh Dr.
Fareed Mohamed Hadi Al Abbasi
Vice Chairman of the Shari’a Supervisory Board

Sheikh Dr. Fareed Mohamed Hadi Al Abbasi, former Dr. of Hadith and Fiqh at the University of Bahrain, holds his first PhD from the University of Edinburgh – Scotland – United Kingdom, and his second PhD from Mohammed V University in the Kingdom of Morocco.

He served as Head of the Department of Arabic and Islamic Studies at the Faculty of Arts at the University of Bahrain, and was seconded to teach medical students and postgraduate students at the Arabian Gulf University for four years. He was appointed Chairman of the Committee for Developing the Islamic Banking Program at the University of Bahrain, and subsequently served as Head of the Islamic Banking Department since the establishment of the program from 2012 to 2018. He has also been the Director of the Bahrain Institute for Shari’a Studies, operating under the supervision and oversight of the Ministry of Justice and Islamic Affairs and Endowments in the Kingdom of Bahrain, from its establishment in 2002 until the present.

He is a member of the Fatwa and Shari’a Supervisory Boards in several Islamic institutions and banks inside and outside the Kingdom of Bahrain. He has also participated in reviewing numerous academic research papers, and has authored numerous scholarly papers and studies in Islamic jurisprudence and contemporary financial transactions.



Sheikh Prof.
Esam Khalaf Al Enezi
Member of the Shari’a Supervisory Board and Member of the SSB Executive Committee

Sheikh Professor Dr. Esam Khalaf Al Enezi, Professor of Comparative Jurisprudence and Shari’a Politics at the Faculty of Shari’a and Islamic Studies at Kuwait University, holds a PhD in Philosophy in Fiqh and its Principles from the School of Graduate Studies at the University of Jordan – Amman – Hashemite Kingdom of Jordan, obtained in 2004.

He has been serving as a faculty member at the Faculty of Shari’a and Islamic Studies at Kuwait University since 2010 and continues in this position to the present.

He is a member of the Fatwa and Shari’a Supervisory Boards in several Islamic institutions and banks inside and outside the State of Kuwait. He is also a lecturer in Islamic financial transactions and has authored numerous scholarly papers and studies in Islamic jurisprudence and contemporary financial transactions.

Shari'a Supervisory Board Report to the Shareholders

On the Activities of Kuwait Finance House B.S.C. (Closed) - Bahrain

27th Sha'ban 1447 AH

15th February 2026 AD

In the name of Allah, the Entirely Merciful, the Especially Merciful.

All praise is due to Allah, Lord of the Worlds, and may the blessings and peace be upon our prophet Mohammed, and upon all his Family and Companions.

Based on the Letter of Assignment and the Articles of Association of Kuwait Finance House B.S.C. (Closed) - Bahrain (the "Bank"), the Shari'a Supervisory Board (the "SSB") is pleased to submit its report to the Shareholders on the Bank's activities according to the Consolidated Financial Statements as of 31st December 2025.

Respective Responsibility of the Board of Directors and the SSB

The SSB confirms that as a general principle and practice, the Bank's management is responsible for ensuring that it conducts its business in accordance with Shari'a rules and principles, while the SSB's responsibility is limited to form an independent Shari'a opinion based on what has been presented and reviewed of the Bank's operations and to prepare this report.

Basis of Opinion

Based on the Fatawa and resolutions of the SSB, and in compliance with the Shari'a Governance Module issued by the Central Bank of Bahrain and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and through the SSB's periodic meetings, which amounted to four (4) meetings during the financial year ending 31st December 2025, with all members present, the SSB issued eighty-eight (88) Fatwa and resolution on the matters presented to it, along with the Fatawa and resolutions approved by the SSB Executive Committee and adopted as SSB resolutions, whereby the SSB Executive Committee held eight (8) meetings during the same financial year and issued one hundred and twenty-two (122) Fatwa and resolution pertaining to urgent transactions and matters presented to it, and carried out monitoring, review, and audit activities in accordance with the Internal Shari'a Audit plan, and reviewed the Internal Shari'a Audit reports. These audits were based on examining documents and transactions by testing samples to ensure the Bank and its activities comply with the rules and principles of Shari'a. In addition, to coordinating with the Shari'a Coordination and Implementation Department to review contracts, agreements, financing and investment structures, offered products and related internal policies and procedures, the clarifications related to the financial year ending on 31st December 2025. The report of the Independent External Shari'a Compliance Auditor (IESCA) was also reviewed.

Opinion

Based on the aforementioned monitoring, review, and auditing, the SSB concludes the following:

1. That the Bank's activities, contracts, agreements and transactions concluded by the Bank and reviewed by the SSB are in accordance with the rules and principles of Shari'a, the SSB's Fatawa and resolutions, and the Shari'a Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
2. The distribution of profits and the allocation of losses to investment accounts are consistent with the principles and foundations approved by the SSB and are compatible with the rules and principles of Shari'a.
3. All gains that are not compliant with the Shari'a rules and principles, whether accrued to the Bank or resulted from its conversion to the Islamic license, were allocated in accordance with the Fatawa and resolutions issued by the SSB in this regard.
4. The basis for calculating Zakah was established in accordance with the Shari'a standards adopted for calculating Zakah on Islamic financial institutions. The SSB indicates that the responsibility for paying Zakah on shares falls on the shareholders.

And Allah is the Grantor of success, and all praise is due to Allah, Lord of the Worlds, and may the blessings and peace be upon our prophet Mohammed, and upon all his Family and Companions.

Members of the Shari'a Supervisory Board

Sheikh Prof. Abdulaziz Khalifa Al Qassar
Chairman

Sheikh Dr. Fareed Mohamed Hadi
Vice Chairman

Sheikh Prof. Esam Khalaf Al Enezi
Member

Sheikh Prof. Ali Ibrahim Al Rashed
Member

Chairman's Message

Panoramic view of the Bahrain Fort glowing at dusk
beneath clear skies.

Chairman
Hamad Abdulmohsen Almarzouq



Chairman's Message

In the name of Allah, the Most Gracious, the Most Merciful
Praise be to Allah the Almighty, and peace and blessings be upon our Prophet, his family, and companions.
Dear Esteemed Shareholders,
Assalamu Alaikum Warahmatu Allah Wabarakatuh

On behalf of myself and my fellow members of the Board of Directors of Kuwait Finance House B.S.C. (c) (“KFH-Bahrain” or “KFH Bahrain Group”), I would like to present to you the 2025 KFH Bahrain Group Annual Report, highlighting major achievements, consolidated financial statements, and other reports..

The year 2025 marked a significant milestone in steering the growth trajectory of KFH-Bahrain, driven by solid financial performance, disciplined execution of our governance framework, and a clear strategic vision that enabled us to navigate an evolving and competitive landscape, while strengthening our position as a leading Islamic financial institution in the region.

Despite a global environment shaped by elevated policy uncertainty, trade barriers, geopolitical tensions, and structural market challenges, the world economy remained resilient during the year. Growth in the MENA region also strengthened, bolstered by increased activity across both oil and non-oil sectors, expanding private investment, and sustained reform momentum. Against this backdrop, KFH-Bahrain remained focused on disciplined growth, prudent risk management, and the delivery of sustainable long-term value to shareholders and stakeholders alike.

A key milestone during the year was the ongoing integration of KFH-Bahrain within the wider Kuwait Finance House Group. Following the transformational acquisition of Ahli United Bank in 2022, the completion of rebranding of Group entities in 2025 represented an important strategic step in aligning the franchise under a unified identity. In Bahrain and across other key markets, this transition strengthened brand consistency, enhanced market visibility, and reinforced customer confidence in KFH as a trusted Islamic banking group. More importantly, it supports greater operational alignment, stronger collaboration across the Group, and an improved platform for long-term growth.

Alongside this strategic progress, the Bank completed several key corporate initiatives during the year. These included the divestment of KFH-Bahrain’s 35% stake in Ahli Bank Oman as part of the Islamic conversion process, the sale of Ahli United Company W.L.L. (which resulted in a consolidated gain of US\$ 259 million), and the successful issuance of a new US\$ 400 million AT1 Sukuk to replace maturing securities and further strengthen regulatory capital. Collectively, these strategic transactions reflect disciplined portfolio management, active capital optimization, and clear strategic intent in positioning the Bank for its next phase of growth.

Our steadfast commitment to excellence consistently earned distinguished recognition during 2025 from respected local, regional, and international institutions. These accolades reflected the breadth of KFH - Bahrain’s capabilities across core areas of the business, including Islamic banking, corporate and transaction banking, private banking, and supply chain finance. They also recognised our persistent investment in organisational development, employee-led transformation, and the creation of a high-quality workplace. Collectively, these honors affirm the strength of our franchise, the quality of our services, and our enduring commitment to excellence across both business performance and human capital development.

Looking ahead to 2026, KFH-Bahrain will continue to build on its strategic momentum, leveraging opportunities arising from a strengthening regional economy, technology-driven innovation, and evolving customer needs. Our priorities include expanding core financing activities, enhancing digital and operational capabilities, and deepening engagement across all customer segments. We remain committed to prudent risk management, disciplined capital allocation, and sustainable growth initiatives that create long-term value.

On behalf of the Board of Directors, I extend our deepest gratitude and appreciation to the wise leadership of the Kingdom of Bahrain, to His Majesty King Hamad bin Isa Al Khalifa, may Allah safeguard him, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, for their visionary leadership and steadfast commitment to the Kingdom’s progress and prosperity.

I also extend our sincere appreciation to the Central Bank of Bahrain and to the regulatory authorities across our operating jurisdictions for their unwavering guidance, oversight, and commitment to maintaining the resilience, integrity, and soundness of the financial sector.

My sincere thanks also go to our Executive Management for their leadership and disciplined execution throughout the year. Above all, I extend my heartfelt appreciation to our employees, whose dedication, integrity, and professionalism remain the foundation of our success. I also thank our valued customers, shareholders, and business partners for their steadfast trust and confidence.

May Allah grant us continued success and guide us in fulfilling our responsibilities with wisdom, integrity, and dedication.

Chairman
Hamad Abdulmohsen Almarzouq

A wide-angle photograph capturing a massive flock of flamingos in flight over a vast, flat, wetland landscape. The birds, appearing as dark silhouettes against the bright sky, are scattered across the middle ground, creating a sense of dynamic movement. The foreground is a calm, reflective body of water, mirroring the sky and the birds. In the upper center, a large, glowing orange sun is partially obscured by a single bird in flight. The sky is a pale, hazy pink, suggesting the time is either dawn or dusk. The overall composition is horizontal, emphasizing the expanse of the natural environment.

Group Chief
Executive Officer's
Message

Flamingo migration season at
Asker coast, Bahrain.

Group Chief Executive Officer
Dr. Shadi Zahran

Group Chief Executive Officer's Message

In the Name of Allah, the Most Gracious, the Most Merciful
Praise be to Allah the Almighty, and Peace and Blessings be upon our Prophet, his family, and companions.
Assalamu Alaikum Warahmatu Allah Wabarakatuh

It is my privilege to present the Annual Report and Consolidated Financial Statements of Kuwait Finance House Bahrain B.S.C. (c) ("KFH-Bahrain") for the year ended 31 December 2025. This report reflects a year of meaningful progress, disciplined strategic execution and continued resilience, as we advanced our priorities, strengthened our foundations and remained focused on delivering sustainable value to our stakeholders.

In 2025, KFH-Bahrain navigated a complex operating environment shaped by market volatility, portfolio realignments and wider global challenges. Throughout this period, the Bank remained firmly focused on strengthening its core business, serving its customers with agility, delivering sustainable value to shareholders and fostering a workplace that supports the growth and success of its people.

This performance reflects the strength of KFH-Bahrain's franchise, the depth of its governance and risk management frameworks, and its continued commitment to prudent, disciplined and sustainable growth.

The year also marked an important milestone in the Bank's strategic development, as KFH-Bahrain completed the integration and rebranding of Group entities under the unified KFH identity. This was more than a branding exercise; it represented a meaningful step in aligning capabilities, governance, and operational standards across the franchise, while reinforcing a stronger and more cohesive institutional identity in our key markets.

Against this backdrop, KFH-Bahrain delivered solid financial results in 2025. Consolidated net profit from continuing operations attributable to the Bank's equity shareholder reached US\$ 730.6 million, representing an increase of 2.8% compared with US\$ 710.7 million in 2024. This performance was supported by an 11.7% increase in total operating income to US\$ 1,291.8 million, driven by higher average profit-earning assets, diversified revenue streams and disciplined cost management, as well as a significant one-off gain of US\$ 259 million arising on the sale of Ahli United Company W.L.L. Impairment charges for the year totaled US\$ 130.2 million, reflecting the Bank's continued commitment to prudent and forward-looking provisioning across all asset categories. Operational efficiency improved further, with the cost-to-income ratio declining to 26.1% from 27.9% in 2024.

The Bank's balance sheet strengthened further during the year. Total assets increased by 6.9% to US\$ 29.0 billion, supported by strong financing growth across both corporate and retail portfolios, which rose by 13.6% and 14.5%, respectively. Net financing receivables increased by 16.2% to US\$ 11.6 billion, reflecting sustained demand and healthy portfolio momentum. The non-trading investment portfolio stood at US\$ 10.2 billion at year-end, reflecting the impact of the sale of KFH shares during the year. Excluding this transaction, the portfolio recorded underlying growth of 5.7%. Customers' accounts and related quasi-equity increased to US\$ 12.7 billion.

Asset quality remained stable, underpinned by the Bank's disciplined approach to risk management. Non-performing financing receivables (Stage 3) stood at 2.5%, while Stage 3 coverage was maintained at 79.5%. The quality of the balance sheet continued to improve, with financing receivables accounting for 40.1% of total assets, reflecting a deliberate focus on growing core financing assets and enhancing overall yield. Equity attributable to owners increased to US\$ 5.2 billion, representing growth of 3.4% compared with 2024. Return on average equity stood at 14.7%, while return on average assets improved to 2.8%. Capital adequacy strengthened further to 31.4%, demonstrating the Bank's resilience and the strength of its capital base.

Group Chief Executive Officer’s Message

Capital management remained a priority throughout the year. The successful issuance of a US\$ 400 million AT1 Sukuk enabled the Bank to replace maturing securities, strengthen regulatory capital, and enhance overall balance sheet resilience. This reflects KFH-Bahrain’s firm commitment to financial discipline and prudent capital optimisation, ensuring that the Bank remains well positioned to capture future growth opportunities while maintaining a strong and resilient capital base.

Digital investment remained a strategic priority and a key enabler of KFH-Bahrain’s transformation agenda in 2025. Across KFH-Bahrain and the Group entities, we continued to advance a scalable, secure and integrated digital ecosystem designed to serve the evolving requirements of corporate and retail customers, strengthen operational resilience, and support consistent service standards across the KFH franchise. For corporate banking clients, our enhanced platforms improved access to transaction banking, cash management, trade finance, supply chain finance and digital service channels, enabling businesses to manage liquidity, execute transactions and oversee their financial operations with greater efficiency, transparency and control. For retail customers, we continued to enrich end-to-end digital journeys across onboarding, everyday banking, financing, payments, cards and self-service capabilities, supported by the ongoing evolution of our mobile banking application across Group entities. These enhancements are delivering a more intuitive, reliable and personalised customer experience, while improving customer engagement, accelerating process efficiency, strengthening data-driven decision-making and reinforcing our competitiveness in an increasingly digital Shari’a-compliant banking landscape.

Our people remained at the heart of this progress. During the year, KFH-Bahrain continued to invest in talent development, succession planning, leadership capability, and employee wellbeing, while reinforcing a culture built on inclusion, accountability, and performance. The Bank placed particular emphasis on diversity and the empowerment of women in leadership, supporting broader female participation and career progression across the organisation. We also remained committed to developing national talent by investing in, hiring, and advancing Bahraini leaders, ensuring that local expertise, institutional knowledge, and future-ready capabilities continue to support the Bank’s long-term growth and contribution to the Kingdom’s financial sector.

Alongside these achievements, KFH-Bahrain continued to advance its sustainability and social responsibility agenda by embedding ESG principles across its operations in line with national priorities and global standards. In 2025, the Bank extended over US\$ 400 million in sustainable finance and more than US\$ 120 million in non-funded limits to sectors including water desalination, energy security, safety enhancements and social housing, while reducing printing volumes by more than 75% through digitalisation, introducing structured recycling following its rebranding, and strengthening financing due diligence through the SEMS framework. Its social impact also expanded through financial inclusion, housing support, community investment and talent development, with social housing financing rising to US\$ 281.2 million, supported by financing of up to 110% under Mazaya and up to 100% under Tasheel. The Bank also invested US\$ 1.2 million in CSR programme benefiting 41 organisations. Internally, female representation reached 37%, senior female leadership exceeded 18%, and training surpassed 46,400 hours, alongside graduate, internship and employee wellbeing initiatives. This progress was underpinned by a robust governance framework aligned with CBB regulations, Bahrain Commercial Companies Law and Shari’a requirements, supported by the Board’s Corporate Governance Committee, the three lines of defense model, dedicated ESG governance policies, annual ESG reporting, and a zero-tolerance approach to bribery and corruption.

KFH-Bahrain’s strong performance and market leadership were recognised through a number of distinguished awards during the year. Global Finance named the Bank Best Bank in Bahrain and Best Islamic Financial Institution in Bahrain. Euromoney recognised KFH-Bahrain as Best Digital Bank for Large Corporates in Bahrain, Best Islamic Bank in Bahrain, and Bahrain’s Best Transaction Bank. MEED awarded the Bank Best for Supply Chain Finance in the Middle East, Best Islamic Bank, and Best Private Bank in Bahrain. In addition, the Bank was recognised by the Annual HRM Summit for Best Employee-Driven Business Change, while the Bahrain Society for Human Capital Management presented KFH-Bahrain with the Employee Wellbeing & Workplace Quality Award. Together, these accolades reflect the Bank’s operational excellence, market standing, and continued commitment to creating value for customers, employees, and shareholders alike.

Looking ahead to 2026, we remain clear in our strategic direction and confident in our ability to build on this momentum. Our priorities will centre on expanding core financing activities, deepening customer relationships, accelerating digital innovation, and leveraging the benefits of integration across the KFH Group. We will continue to focus on maximising shareholder value, maintaining strong capital adequacy and liquidity, and upholding the highest standards of corporate governance and regulatory compliance. At the same time, we remain committed to developing talent, strengthening capabilities, and investing in our people to ensure the Bank’s long-term institutional strength.

As we move forward, we do so with a strong sense of responsibility to the communities we serve. We pray for the continued health, safety, and wellbeing of all people, and for peace, stability, and security across the region and beyond.

Finally, I would like to express my profound gratitude to His Majesty King Hamad bin Isa Al Khalifa, may Allah safeguard him, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, for their visionary leadership and continued support. I also extend my sincere thanks to our Chairman, Mr. Hamad Abdulmohsen Almarzouq, and to the Board of Directors for their guidance, oversight, and unwavering support. My appreciation also goes to the Central Bank of Bahrain and to the regulatory authorities across our operating jurisdictions for their continued guidance and stewardship.

I would also like to recognise my colleagues in management and all employees across KFH-Bahrain, whose dedication, professionalism, and performance form the foundation of our success and enable us to consistently deliver high-quality Shari’a-compliant financial solutions. To our valued customers and trusted partners, I thank you for your continued confidence and loyalty. Your trust inspires us to keep improving, raising our standards, and delivering solutions that meet your evolving needs.

With a unified brand, a strong capital position, disciplined execution, and the commitment of our people, KFH-Bahrain enters 2026 with confidence. We are well positioned to capture new opportunities, strengthen our market leadership, and deliver sustainable long-term value to our shareholders, customers, and the wider community.

May Allah grant us success.

Group Chief Executive Officer
Dr. Shadi Zahran

Corporate Governance

Located to the east of Bahrain, Jarada island, an island that disappears during the high tide and reappears when it's low tide.

Corporate Governance

At 31 December 2025

CORPORATE GOVERNANCE

Good Corporate Governance practices are important in creating and sustaining shareholder value and ensuring appropriate disclosure and transparency. The Bank's Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the KFH Bahrain Group.

The Bank's Group Board of Directors (the **"Group Board"**) is committed to implementing robust Corporate Governance practices and to continually reviewing and aligning these practices with international best practices, where appropriate.

The Bank's management is committed to ensuring that procedures, processes and policies are in place to reflect and support the Board approved Corporate Governance related policies, to ensure the highest standards of Corporate Governance throughout the KFH Bahrain Group.

SHAREHOLDER INFORMATION

The Bank's shareholders are invited by the KFH Bahrain Chairman to attend the Annual General Meeting (**"AGM"**) and the Extraordinary General Meeting (**"EGM"**). The KFH Bahrain Chairman and other Directors attend the AGM and EGM and are available to answer any questions. The Bank's AGM and EGM were held on 24 March 2025.

The ordinary shareholders, as at 31 December 2025, holding 5% and above of the total issued ordinary shares of the Bank are as below:

No.	Name / Entity	Country of Origin	No. of Shares	% Ownership
1	Kuwait Finance House K.S.C.P. (Direct and Indirect)	Kuwait	11,147,931,458	100%

Distribution of KFH Bahrain Shares

Distribution of KFH Bahrain ordinary shares by threshold as at 31 December 2025:

Threshold	No. of Shares	No. of Shareholders
50% and above	11,147,931,458	1
20% to 49.99%	-	-
10% to 19.99%	-	-
5% to 9.99%	-	-
Total	11,147,931,458	1

Distribution of KFH Bahrain ordinary shares by nationality as at 31 December 2025:

No.	Name	No. of Shares	% of Total Shares
1	Kuwait		
	Government & Quasi Government	-	-
	Individuals and Corporates	11,147,931,458	100%
	Total	11,147,931,458	100%

The Group Board

The composition of the Group Board represents an appropriate mix of professional skills and expertise. Following the acquisition of the Bank by Kuwait Finance House K.S.C.P. (c) (**"KFH"**), a new Group Board was appointed on 22 March 2023 for a board term ending no later than 31 March 2026. The Group Board periodically reviews its composition and performance, as well as the performance of each Director. There are no females on the Group Board. Nevertheless, all KFH Bahrain subsidiaries have female representation on their Boards.

In compliance with the Corporate Governance requirements of the Central Bank of Bahrain (**"CBB"**), the Group Board has outlined its criteria and materiality thresholds for the definition of "Independence" in relation to Directors. The independence criteria are reassessed annually by the Group Board and for the year 2025, the 9 Directors comprising the Group Board were classified as follows:

- 4 Non-Executive Directors
- 2 Executive Directors
- 3 Independent Directors

The Group Board (continued)

The classification of each Director is set out below:

Directors	Classification
Mr. Hamad Abdulmohsen Almarzouq – Chairman	Non-Executive
Mr. Adel A. El-Labban – Deputy Chairman	Non-Executive
Mr. Khalid Mohamed Najibi – Deputy Chairman	Independent
Mr. Jamal Abdel Razzaq Al-Naif	Independent
Dr. Khalid Mohamed Al Saad	Independent
Mr. Khalid Salem Al Nisf	Non-Executive
Mr. Muad Saud Al Osaimi	Non-Executive
Mr. Khaled Yousif Al-Shamlan	Executive
Mr. Haitham Abdulaziz Al-Terkait	Executive

The CBB Rulebook Module HC-3.2.2 recommends that the Chairman of the Group Board should be an Independent Director. Although the KFH Bahrain Chairman is classified as a Non-Executive Director due to his position as the Chairman of KFH, the shareholder of the Bank, this did not compromise the Bank's high standards of Corporate Governance as the Bank follows strict policies to manage conflict of interests relating to decisions of the Group Board.

The Role and Responsibilities of the Group Board

The Group Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the prudent management of the Bank's business.

The Group Board, as a whole, is collectively responsible for ensuring that an effective, comprehensive and transparent Corporate Governance framework is in place. The Group Board's role is to:

1. ensure adherence to prevailing laws and regulations and to best business ethics, as well as Shari'a rules and principles and Shari'a governance;
2. provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls, which enable risk to be assessed and managed;
3. set the Bank's strategic aims, ensure that the necessary financial and human resources are in place for the Bank to meet its objectives and review management performance; and
4. set the Bank's values and standards and ensure that its obligations to its shareholders and others are understood and met.

In carrying out these responsibilities, the Group Board must ensure that the Bank's management strikes an appropriate balance between promoting long term growth and delivering short term objectives and have regard to what is appropriate for the Bank's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

All Directors must act in good faith and in a way that promotes the success of the Bank for the benefit of its shareholders as a whole. In doing so, each Director, must have regard to:

- the likely consequences of any decision in the long term;
- the interests of the Bank as well as the Bank's employees and shareholders;
- the need to foster the Bank's business relationships with suppliers, customers and others;
- the impact of the Bank's operations on the community and the environment;
- the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the members of the Bank.

When carrying out their responsibilities, Directors are required to:

1. act with integrity;
2. act with due skill, care and attention;
3. observe proper standards of market conduct; and
4. deal with the regulatory authorities in an open and co-operative way and must disclose appropriately any information of which the regulator would reasonably expect notice.

Corporate Governance (Continued)

At 31 December 2025

Group Board Meetings and Attendance

The Group Board is required to meet at least four (4) times per year. A schedule for the Group Board's regular meetings is submitted to the Directors annually in advance. Additional meetings may be convened on an ad hoc basis at the invitation of the Chairman or otherwise in accordance with the provisions of the Commercial Companies Law. The Board met six (6) times during 2025.

All Directors are expected to physically attend all Group Board and shareholder meetings unless there are exceptional circumstances that prevent them from doing so. Directors who cannot physically attend Group Board meetings, may attend by video, electronic or telephone conference. Meeting papers are prepared and circulated in advance of Group Board meetings and include minutes of the meetings of Group Board Committees held since the previous Group Board meeting.

Meeting and attendance of each Director at each such meeting are detailed below:

Directors	Meeting Dates						Total number of Meetings Attended	Percentage Attendance
	20/02/2025	27/05/2025	16/07/2025	18/09/2025	11/12/2025	28/12/2025		
Mr. Hamad Abdulmohsen Almarzouq	✓	✓	✓	✓	✓	✓	6	100%
Mr. Adel A. El-Labban	✓	✓	✓	✓	✓	✓	6	100%
Mr. Khalid Mohamed Najibi	✓	✓	✓	✓	✓	✓	6	100%
Mr. Jamal Abdel Razzaq Al-Naif	✓	✓	✓	✓	✓	✓	6	100%
Dr. Khalid Mohamed Al Saad	✓	✓	✓	✓	✓	✓	6	100%
Mr. Khalid Salem Al Nisf	✓	✓	✓	✓	✓	✓	6	100%
Mr. Muad Saud Al Osaimi	✓	✓	✓	✓	✓	✓	6	100%
Mr. Khaled Yousif Al-Shamlan	✓	✓	✓	✓	✓	✓	6	100%
Mr. Haitham Abdulaziz Al-Terkait	✓	✓	✓	✓	✓	✓	6	100%

The CBB Rulebook Module HC-3.1.8 requires individual Directors to attend at least 75% of all Group Board meetings held in each financial year whether in person or virtually (if needed). During 2025, all Directors complied with the requirements of Module HC-3.1.8.

Appointment and Termination of Directors

Directors are appointed for a three-year term. Appointments take place in accordance with the Memorandum and Articles of Association of the Bank, the Bahrain Commercial Companies Law and the CBB Rulebook. There is no maximum age at which a Director must retire from the Group Board. Each Director's term of appointment terminates, pursuant to the terms of his letter of appointment and/or the provisions of applicable law.

Induction and Training of Directors

The Bank has an induction program in place, which is designed for each new Director. The induction program includes: i) an introductory pack containing, amongst other things, the KFH Bahrain Group Overview, KFH Bahrain Group Organisation Chart, Terms of Reference of the Group Board and Group Board Committees and key policies; ii) presentations on significant financial, strategic and risk issues; and iii) orientation meetings with key management as may be required. As a standing procedure, all continuing Directors are invited to attend orientation meetings.

Ongoing professional development for Directors was ensured during the year in accordance with the requirements of the CBB Fit & Proper Module FP1.4.1 and FP1.4.2 and in compliance with the CBB Rulebook High Level Controls Module. A comprehensive annual training plan, developed in line with CBB requirements, is maintained for the continuous professional education of Group Board members. The training plan incorporates various training topics and disciplines, supporting the CBB requirement that all Directors must continually educate themselves on the Bank's business, risk profile, and corporate governance responsibilities. This targeted and proactive approach ensures that Directors possess the depth of knowledge necessary to support sound decision making, exercise effective oversight of risk, and uphold the highest standards of corporate governance across the Group.

Access to Advice and Information

Individual Directors are authorized to obtain independent legal or other professional advice at the Bank's reasonable expense whenever they judge this necessary to discharge their responsibilities as Directors.

Non-Executive Directors have access to, and are authorised to seek, any information they require from any employee of the Bank.

Directors’ and Related Parties’ Interests

No Director has entered into, either directly or indirectly, any material contract with the Bank or any of its subsidiaries, nor does any Director have any material conflict of interest with the Bank. The Directors are required to declare any conflict of interest or any potential conflict of interest that exists, or that Directors become aware of, to the Chairman of the Group Board and the Corporate Secretary as soon as they become aware of them. This disclosure must include all relevant material facts.

The Bank has a procedure for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Group Board, with the conflicted Director abstaining.

The Bank recorded a total of seven (7) instances where Board members have abstained from voting on Board resolutions mainly due to potential conflict of interest concerning their related parties.

Note 26 to the audited consolidated financial statements of the KFH Bahrain Group for the year ended 31 December 2025, sets out the relevant disclosures of related party transactions.

The Terms of Reference of the Group Board require that all Directors, whether Non-executive or Executive, should exercise independence in their decision-making and should abstain from any decisions involving any actual or potential conflicts of interest. Should any Director have any doubts with respect to conflicts of interest or potential conflict of interest, the Director is requested to consult the Chairman of the Group Board, or in the case of the Chairman, the Chairman of the Group Board Audit & Compliance Committee, and in each case the Corporate Secretary prior to taking any action that might compromise the Bank.

All Directors, the Group CEO, and individuals occupying Senior Management functions have declared all of their interests in other enterprises or activities which were duly submitted and reviewed by the Board.

Employment of Relatives

The Bank does not generally encourage the employment of relatives. However, under exceptional circumstances and based on specific business needs, the Bank may decide in favour of employing relatives - either on a temporary or permanent basis - subject to a comprehensive review and only in cases where there is no conflict of interest or operational risk to the Bank involved. The Bank's Board-approved policy on the employment of relatives, as outlined in the HR Policy Manual policy requires the revies of the Bank's recruitment committee of all hiring requests involving relatives of Bank employees of up to the third degree. In addition, the policy mandates GCEO approval for the recruitment of relatives of the Board of directors, Shari’a Supervisory Board members, and individuals occupying senior management functions. In line with the CBB Rulebook Module High Level Controls HC1.2.6, and the updated Fit & Proper Module, Human Resources annually discloses to the Group Board the names of members of the Board of Directors, Shari’a Supervisory Board members, and individuals occupying senior management functions who are relatives of other individuals holding such roles within the Bank.

The recruitment committee reviews the recruitment requests on the following considerations:

- No relatives shall work in the same business unit/department.
- No relatives shall report to each other or be allowed to supervise each other.
- No relatives shall work in business units/departments which have a conflict of interest or would create an operational risk for the Bank.
- No relatives shall share a dual signature/ approval in the Bank and have dual access control to any Bank property (Physical & IT).

Material Transactions

In addition to large credit transactions that require Group Board approval as per the Credit & Other Risk Transactions Delegation of Authority Matrix, the Group Board also approves, *within its approved mandate*, senior unsecured medium term (greater than 1 year) funding initiatives, strategic investments decisions, as well as any other decisions which have or could have a material financial or reputational impact on the Bank.

Corporate Governance (Continued)

At 31 December 2025

Group Board Committees

The Group Board may, where appropriate, delegate certain of its powers to an individual Director or to a committee comprised of Directors and/or other persons, constituted in the manner most appropriate to those tasks.

The Group Board has constituted a number of board committees, membership of which is drawn from the Directors and to which it has delegated specific responsibilities, through Terms of Reference, which are reviewed and adopted by the Group Board on an annual basis (“Group Board Committees”).

All Group Board Committee members are expected to attend each committee meeting, unless there are exceptional circumstances that prevent them from doing so. Committee members who cannot physically attend a meeting may attend the meeting by video or telephone conference.

Each Group Board Committee has access to independent expert advice at the Bank’s expense.

The Group Board Committees are each comprised of an appropriate mix of professional skills and expertise. The Group Board periodically evaluates the performance of the Group Board Committees.

The names and principal responsibilities of the Group Board Committees are detailed below:

Group Board Executive Committee (GBEC)

The Group Board Executive Committee assists the Group Board in discharging its responsibilities relating to the KFH Bahrain and KFH Bahrain group of companies (“KFH Bahrain Group”) including those relating to matters including credit and investment risk approvals. The Committee, acting for the Board of Directors of KFH PLC, deputises only in relation to credit and market risk approvals.

The Group Board Executive Committee included four (4) members, comprising 4 Non-Executive Directors (including the Chairman).

Group Board Audit & Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee assists the Group Board (i) in discharging its oversight responsibilities relating to the Bank’s accounting, internal audit, internal controls, Internal Shari’a Audit observations and recommendations, compliance procedures, financial reporting functions; and (ii) in liaising with the Bank’s external auditors, independent external Shari’a compliance auditors, Sharia Supervisory Board (“SSB”) and regulators to ensure compliance with all relevant Shari’a and regulatory requirements and iii) in achieving uniformity with best market practices. The committee does not oversee the day-to-day work of management and has no executive powers. The Group Board Audit and Compliance Committee carries out its principal responsibilities in respect of the Bank (as the parent company) and has oversight of the related responsibilities of the Audit and Compliance Committees of the Bank’s subsidiaries and managed affiliates.

The Group Board Audit and Compliance Committee included four (4) members, comprising three (3) Independent Directors (including the Chairman) and one (1) Non-Executive Director.

Group Board Risk Committee (GBRC)

The Group Board Risk Committee assists the Group Board in fulfilling its oversight and governance responsibilities related to present and emerging risks, risk strategies and risk appetite associated with KFH Bahrain’s financing, investment and other business activities. The committee reviews, oversees and monitors adherence of KFH Bahrain to the risk appetite and framework and acts as a general forum for discussions of any risks faced by the Bank potentially resulting in financial or reputational losses. It also oversees the activities of the Group Management Risk Committee (GMRC), through the DGCEO – Risk & Compliance in his capacity as the Chairperson of the GMRC. The committee does not have the authority to review and recommend any financial transactions pertaining to the Bank’s business activities.

The Group Board Risk Committee included four (4) members, comprising three (3) Independent Directors (including the Chairman) and one (1) Non-Executive Director.

Group Board Nominating, Remuneration and Corporate Governance Committee (GBNRCGC)

The Group Board Nominating, Remuneration and Corporate Governance Committee assists the Group Board in relation to nominating and remuneration matters pursuant to applicable laws and regulations and to instill a best practice approach to the matters assigned to its responsibilities, at all times acting within the criteria set by the licensing and regulating authorities such as the CBB and the Ministry of Industry and Commerce (the “MOIC”) in the Kingdom of Bahrain for the Bank and any other applicable legislation following a fair and balanced approach. The committee also supports the Group Board in performing its supervisory responsibilities relevant to overseeing the sound governance of the Bank including developing a set of governance guidelines and policies, and monitoring compliance with the application of these guidelines, policies, and the Corporate Governance Policy of the Bank pursuant to CBB and MOIC laws and regulations as well as any other applicable laws and regulations.

Group Board Nominating, Remuneration and Corporate Governance Committee (GBNRCGC) (continued)

During 2025, the names of the Group Board members and their memberships in the Group Board Committees are detailed below:

Directors	Classification	GBEC	GBACC	GBRC	GBNRCGC
Mr. Hamad Abdulmohsen Almarzouq	Non-Executive	✓ (Committee Chairman)	-	-	-
Mr. Adel A. El-Labban	Non-Executive	✓	-	-	-
Mr. Khalid Mohamed Najibi	Independent	-	✓	✓ (Committee Chairman)	✓
Mr. Jamal Abdel Razzaq Al-Naif	Independent	-	✓ (Committee Chairman)	✓	✓
Dr. Khalid Mohamed Al Saad	Independent	-	✓	✓	✓ (Committee Chairman)
Mr. Khalid Salem Al Nisf	Non-Executive	✓	-	✓	-
Mr. Muad Saud Al Osaimi	Non-Executive	✓	✓	-	-
Mr. Khaled Yousif Al-Shamlan	Executive	-	-	-	✓
Mr. Haitham Abdulaziz Al-Terkait	Executive	-	-	-	✓

The attendance at meetings of Board Committees held during 2025 are detailed below:

Group Board Executive Committee Meetings

No Meetings were held for the Group Board Executive Committee

Group Board Audit and Compliance Committee Meetings

Members	Classification	Meeting Dates						
		18/02/2025	21/04/2025	26/05/2025	16/07/2025	16/09/2025	26/10/2025	10/12/2025
Mr. Jamal Abdel Razzaq Al-Naif – Chairman	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid Mohamed Najibi	Independent	✓	✓	✓	✓	✓	✓	✓
Dr. Khalid Mohamed Al Saad	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Muad Saud Al Osaimi	Non-Executive	✓	✓	✓	✓	✓	✓	✓

Group Board Risk Committee Meetings

Members	Classification	Meeting Dates			
		19/02/2025	26/05/2025	17/09/2025	10/12/2025
Mr. Khalid Mohamed Najibi – Chairman	Independent	✓	✓	✓	✓
Mr. Jamal Abdel Razzaq Al-Naif	Independent	✓	✓	✓	✓
Dr. Khalid Mohamed Al Saad	Independent	✓	✓	✓	✓
Mr. Khalid Salem Al Nisf	Non-Executive	✓	✓	✓	✓

Corporate Governance (Continued)

At 31 December 2025

Group Board Nominating, Remuneration and Corporate Governance Committee Meetings

Members	Classification	Meeting Dates	
		13/02/2025	17/07/2025
Dr. Khalid Mohamed Al Saad – Chairman	Independent	✓	✓
Mr. Khalid Mohamed Najibi	Independent	✓	✓
Mr. Jamal Abdel Razzaq Al-Naif	Independent	✓	✓
Mr. Khaled Yousif Al-Shamlan	Executive	✓	✓
Mr. Haitham Abdulaziz Al-Terkait	Executive	✓	✓

Group Board and Board Committees Evaluation

The Board & Board Committees Evaluations are under progress on the performance of the Group Board and each Director during 2024/2025, results of which shall be reported to the shareholders once finalized.

Senior Management:

Names	Title
Dr. Shadi Zahran	Group Chief Executive Officer
Mohamed Asem	Deputy Group CEO - Corporate Banking
Mohamed Zakout	Deputy Group CEO - Retail Banking
Talal Kaiksow	Deputy Group CEO - Private Banking & Wealth Management
Bassam Al Ali	Deputy Group CEO - Treasury & Investments
Samih Abutaleb	Deputy Group CEO - Technology & Operations
Oliver Schwarzhaupt	Deputy Group CEO - Risk & Compliance
Kenneth Wainwright	Group Head - Internal Audit
Ravindranath Mehra	Group Head - Compliance
Adeel Anver Shamsi	Group Head - Finance
Dana Bukhammas	Group Head - Human Resources Transformation & Development
Mai Alsaghir	Group Head - Corporate Governance & Corporate Secretary
Irfan Farooqui	Group Head - Business & Customer Excellence
Eman Ali Ahmed	Group Head - Legal
Bikash Chandra Rout	Group Head - Strategy & Sustainability
Zainb Al-Shatib	Group Head - PMO
Mohd Fareed Abu Saqer	Head - Corporate Communications
Hussain Nabeel Mattar	Head - Internal Shari’a Audit
Mohammed Behzad	Head - Shari’a Coordination & Implementation, and Secretary of the Shari’a Supervisory Board
Philip Crawford	CEO - Kuwait Finance House P.L.C.
Hala Sadek	CEO - Kuwait Finance House Bank (Egypt) S.A.E.
Khaled El-Helaly	CEO - United Bank for Commerce & Investment S.A.L.
Bassam Jaber	CEO - Commercial Islamic Bank of Iraq

The Shari’a Supervisory Board (SSB)

Pursuant to the acquisition of KFH Bahrain (formerly AUB) by KFH Kuwait, KFH Bahrain Group converted its operation to Shari’a compliant banking model and obtained Retail Islamic License in December 2023. As such, the KFH Bahrain Group has formally established its Shari’a Governance Framework and structure which consists of:

- Shari’a Supervisory Board “SSB”
- Shari’a Coordination and Implementation Function
- Internal Shari’a Audit Function
- Independent External Shari’a Compliance Audit “IESCA”

The Shari’a governance framework is designed to ensure that all banking activities comply with Shair’a rules and principles, encompassing a set of processes, policies and structures that guide in maintaining Shari’a. Shari’a governance sets the framework for Shari’a risk Management in identifying potential Shari’a non-compliance risks in products, services and operations and implementing measures to mitigate identified risks.

During 2025, there has been no Shari’a concerns on the corporate governance matters.

Members of the SSB

The Bank's SSB is an independent body of Shari’a scholars specialized in Fiqh Al Mu’amalat (Islamic Commercial Jurisprudence) and well-versed in the Islamic banking and finance industry. The SSB members are as follows:

Sheikh Prof. Abdulaziz Khalifa Al Qassar - Chairman of the SSB

Sheikh Dr. Fareed Mohamed Hadi Al Abbasi - Vice Chairman of the SSB

Sheikh Prof. Esam Khalaf Al Enezi - Member of the SSB

Sheikh Prof. Ali Ibrahim Al Rashed - Member of the SSB

Meetings of the SSB

Pursuant to SG-2.3.18, the SSB should meet at least on a quarterly basis to review and approve key decisions relating to Shari’a matters. During the year 2025, the SSB met four (4) times as outlined below:

Directors	Position	Meeting Dates				Total number of Meetings Attended	Percentage Attendance
		03/02/2025	29/04/2025	26/10/2025	09/12/2025		
Sheikh Prof. Abdulaziz Khalifa Al Qassar	Chairman	✓	✓	✓	✓	4	100%
Sheikh Dr. Fareed Mohamed Hadi Al Abbasi	Vice Chairman	✓	✓	✓	✓	4	100%
Sheikh Prof. Esam Khalaf Al Enezi	Member	✓	✓	✓	✓	4	100%
Sheikh Prof. Ali Ibrahim Al Rashed	Member	✓	✓	✓	✓	4	100%

Pursuant to SG-2.3.19, each SSB member must attend at least three fourth (75%) of the meetings during the calendar year. As at 31 December 2025, all SSB members complied with SG-2.3.19. Additionally, pursuant to SG-2.3.17, the SSB must meet with the Board of Directors of the Bahraini Islamic bank licensee at least once a year to discuss issues of common interest. Such meeting took place on 11 December 2025.

Risk Management Governance

The overall responsibility of risk management rests with the Group Board. The Group Board has the responsibility to recognize all the risks to which the Group is exposed to and to ensure that the required people, policies, procedures, systems and methodologies are in place to address, manage and mitigate these risks.

In discharging its duties and responsibilities, the Group Board is supported by Board and Management Committees. The Group Board has established a Risk Management function and appointed Deputy Group CEO - Risk & Compliance. The risk management function is independent of the individual business lines and reports directly to the Group Board Risk Committee and administratively to the Group Chief Executive Officer. The Deputy Group CEO - Risk & Compliance has the primary responsibility for overseeing the development and implementation of the Group risk management framework. This includes enhancements to risk management resources, systems, policies, processes, models and reports as necessary to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and business activities. In addition to active engagement in monitoring performance relative to risk-taking and risk limit adherence and to participation in key decision-making processes.

Corporate Governance (Continued)

At 31 December 2025

Management Committees

The Group Board has established a management structure with clearly defined roles, responsibilities and reporting lines. The Bank’s management monitors the performance of the Bank, and each of its subsidiaries, and managed affiliates on an ongoing basis and reports this performance to the Group Board. The monitoring of performance is carried out through regular assessments of performance trends against budget, and prior periods and peer banks in each of the markets and collectively through KFH Bahrain Group committees and sub- committees at the parent bank and its subsidiary/affiliated banks’ level. Specific responsibilities, as explained below, have been delegated to each management committee, as appropriate.

In addition to the above, executive management or other management committees may delegate specific roles and responsibility to other sub-committees or internal in-house committees, to manage specific tasks or to meet a specific policy requirement, for enhanced governance and control over such process or activity. Examples of such committees are, Procurement Committee, Customer on-boarding committee, Group Security coordination committee, etc.

Group Executive Management Committee

The Group Executive Management Committee (the “**GEMC**”) provides a formal framework for effective consultation and transparent decision-making by the executive management on cross-organisational matters. Appropriate checks and balances ensure the regulatory requirement is met. The Committee operates in a flexible way with a minimum of formality and a broad mandate encompassing group wide as well as bank and unit specific issues as determined by the GCEO and the other members of the Committee. The Committee has been established to ensure that members of senior management are kept fully updated on group-wide developments and involved in decisions across the whole organisation and act as one team accordingly in achieving the objectives of KFH Bahrain Group.

It is chaired by KFH Bahrain Group CEO and has twelve (12) other members.

Group Management Risk Committee (GMRC)

The Group Management Risk Committee (the “**GMRC**”) supports the GBRC & management to understand & oversee key group risk exposures, to optimize group enterprise risk profile within the context of the approved strategy, risk appetite & regulatory requirements, and to embed & maintain a culture of risk awareness across KFH Bahrain. The Committee’s main role is to advise, facilitate, monitor and follow up on the execution of the GBRC’s decisions and recommendations to successfully achieve its duties and objectives set by the Group Board while maintaining strong and effective risk governance standards. The Committee reports to the GBRC through its Chairperson.

It is chaired by the Deputy Group CEO - Risk & Compliance and includes eight (8) other members.

Group Asset & Liability Committee (GALCO)

The Group Asset and Liability Committee (the “**GALCO**”) is responsible for the following: a. Monitoring the balance sheet as it sets, reviews and manages the capital, liquidity, profit rate risk, market risk and funding strategy of KFH Bahrain and its entities. b. Reviewing and allocating capacity on the balance sheet to achieve targeted return on capital, return on asset, liquidity ratios and other regulatory ratios. c. Reporting risk management matters to the GBRC through the Deputy Group CEO - Risk & Compliance.

It is chaired by the Group CEO and includes six (6) other members.

Group Credit & Investment Committee (GCIC)

The Group Credit and Investment Committee (the “**GCIC**”) is responsible for the following: (a) Review and approval of credit applications - including non-performing financing - and other amendments/requests in accordance with the Bank’s Group Credit & Other Risk Transactions Delegation of Authority Matrix (“DOA”), the Group Credit Risk Appetite, the Group Credit Policies, applicable Shari’a requirements and guidelines; and (b) review and approval of investment applications and other amendments/ requests in accordance with the DOA and the Group Investment Risk Management Policy. In addition to the management of the Bank’s proprietary investment portfolio of Sukuk, equities, funds and other investments.

It is chaired by the Group CEO and includes ten (10) other members.

Group Impairment & ECL Oversight Committee (GIEOC)

The Group Impairment & Expected Credit Loss (“**ECL**”) Oversight Committee (the “**GIEOC**”) is responsible for overseeing the following areas: (a) Impairment of financing assets; (b) stage assessment under applicable accounting standards; and (c) evaluation of Expected Credit Losses (ECL) and provisioning adequacy in accordance with FAS 30, IFRS 9 and any relevant regulatory or management requirements.

It is chaired by the Deputy Group CEO - Finance & Strategy and includes five (5) other members.

Group Information & Cyber Security Risk Committee (GICSC)

The Group Information & Cyber Security Risk Committee (the “**GICSC**”) is responsible for the management of Information & Cyber Security Risk across KFH Bahrain. The committee reviews, monitors and recommends the Information & Cyber Security Strategy and roadmap (in addition to validating proposed amendments thereto) for Group Board approval, as applicable. The committee ensures alignment of the Information & Cyber Security framework, strategy, and roadmap of all KFH Bahrain entities with KFH Bahrain’s strategy, roadmap, values, and business objectives.

It is chaired by the Deputy Group CEO - Risk & Compliance and includes six (6) other members.

Group Operational & Fraud Risk Committee (GORC)

The Group Operational & Fraud Risk Committee (the “**GORC**”) has been established to administer the management of operational and risk throughout KFH Bahrain. The committee reviews and ensures consistent application of KFH Bahrain’s Operational Risk & Fraud Risk Management and Business Continuity Management (“BCM”) Policies and Procedures across all business lines. This includes promoting a culture of disciplined Operational Risk & Fraud Risk awareness and policy adherence to all staff across the Bank. The committee ensures alignment of the Operational Risk & Fraud Risk Management and BCM frameworks across KFH Bahrain.

It is chaired by the Regional Head - Operational & Fraud Risk Management and BCM and includes eight (8) other members.

Retail Management Risk Committee (RMRC)

The Retail Management Risk Committee (the “**RMRC**”) monitors and optimizes retail credit risk exposure within the context of the KFH Group approved strategy, risk appetite and regulatory requirements. The committee has no financial authorization for approval on credit limit or transactions pertaining to retail financing. The committee reviews retail credit risk reports, assesses retail finance performance, recommends changes to retail credit policy, programs and matrices to ensure alignment with strategic objectives and the Bank’s risk appetite, and approves changes to the retail financing criteria.

It is chaired by Deputy Group CEO - Retail Banking and includes six (6) other members.

Customer and Business Excellence Governance Committee (CBEGC)

The Customer and Business Excellence Governance Committee (the “**CBEGC**”) serves as the primary executive-level forum to ensure that customer-centric principles are integrated across all touchpoints, channels, and products of the bank. The committee is responsible for setting strategic directions, approving customer experience frameworks, monitoring performance, and ensuring continuous improvement in customer satisfaction and loyalty. The committee is established to provide strategic oversight, guidance, and governance on initiatives aimed at enhancing customer experience, operational efficiency, and business growth. The Committee ensures alignment with the Bank’s overall vision, strategic priorities, and regulatory obligations, and acts as a key enabler of continuous improvement and excellence across all customer touchpoints and business functions.

It is chaired by the Group CEO and includes thirteen (13) other members.

Group New Product Committee (GNPC)

The Group New Product Committee (the “**GNPC**”) has been established to review and recommend new products, processes and services for Private Banking & Wealth Management, Treasury, Retail, Commercial banking and other areas of the KFHB and the KFHB group of companies (“KFHB Group”) to Group Executive Management Committee (GEMC). The committee assesses all related reputational, operational, credit, liquidity and market risk, IT, legal, AML/CFT/PF, compliance, control, staffing, training, and capital/profit allocation issues related to recommending new products. The recommendation by the GNPC follows the new product or process development according to the New Product Development Procedure.

It is chaired by the DGCEO – Private Banking and Wealth Management and includes seven (7) other members.

Group Information Technology and Transformation Steering Committee (GITTSC)

The Group Information Technology and Transformation Steering Committee (the “**GITTSC**”) oversees all the Information Technology and Transformation functions of the KFH Bahrain Group. Its responsibility encompasses: recommending IT strategy to Group Executive Management Committee (“**GEMC**”), prioritised implementation, and delivery of Information Technology (IT) and Transformation projects within an acceptable, secure, and standardised framework to meet the evolving regulatory and business requirements..

It is chaired by the Group CEO and includes twelve (12) other members.

Corporate Governance (Continued)
At 31 December 2025

Group Data Analytics Governance Committee (GDAGC)

The Group Data Analytics Governance Committee (the “GDAGC”), in conjunction with the Data Management Department (DMD), ensures fact-based decision making through deeper insights across all business and support lines based on a single, unified data strategy, guided by the Group Data Policy, as approved by the KFH Bahrain Group Board of Directors and by the rules and processes set by the Committee for application across the KFH Bahrain and the KFH Bahrain group of companies.

It is chaired by the DGCEO Finance & Strategy and includes ten (10) other members.

Main Conversion Supervisory Committee (MCSC)

The Main Conversion Supervisory Committee (the “MCSC”) main role is to supervise, guide and ensure the diligent/prudent and timely execution of the conversion of KFH Bahrain and its subsidiaries to a Shari’a compliant financial group as well as the rebranding of the KFH Bahrain Group.

It is chaired by the Group CEO and includes fourteen (14) other members.

Other Governance Measures

In addition to the Board and Management Committee structures, the Board of Directors has approved several KFH Bahrain Group policies to ensure clarity and consistency in the operation of the KFH Bahrain Group. These policies, which are communicated to staff, include Credit, Risk Management, Anti-money Laundering, Corporate Governance, Banking Integrity & Whistleblowing, Compliance, Legal and Human Resources policies.

Underpinning these policies is the Board approved Group Code of Business Conduct which prescribes standards of ethical business behavior and personal conduct for the Bank’s Directors, its senior management (officers) and its staff.

The Board annually reviews and adopts remuneration and related policies and closely monitors the implementation of these policies and processes with respect to the Bank’s staff and Directors. The KFH Bahrain Remuneration Policy (part of the HR Policy) provides the remuneration framework for motivating employees and directors with financial motivation to deliver optimum Group performance. The policy aims at rewarding performance by individual contribution within a team-oriented approach, remunerating individuals who achieve personal, divisional and Group results and providing a long-term incentive to performing staff.

The Banking Integrity & Whistleblowing Policy, which includes detailed policy and procedures on whistle blowing, is specifically designed to facilitate concerns raised regarding misconduct occurring within, or associated with, the KFH Bahrain Group.

The Board has also adopted a Group Communications Policy. This policy sets out the authority of KFH Bahrain Group employees with respect to the communication of information to third parties in the course and scope of their employment. The Bank has an open policy on communication with its stakeholders, which includes:

- i. The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
- ii. The provision of the last five years of financial data on the Bank’s website.

The Bank is always mindful of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.

The Bank provides information on all events that merit announcement, either on its website, or via any other forms of publications, such as press releases, the Bank’s annual report and quarterly financial statements, and the Corporate Governance Policy are all published on its website.

As a supporting governance measure, the Board also relies on the ongoing reviews performed by internal and external auditors on the KFH Bahrain Group’s internal control functions. These reviews are conducted to identify any weaknesses, which then enable management to take remedial action.

KFH BAHRAIN GROUP REMUNERATION FRAMEWORK AND GOVERNANCE

The remuneration framework of KFH Bahrain is designed to attract, motivate and retain employees and to align their interests and direct their efforts towards achieving the short- and medium-term objectives of KFH Bahrain as set by the Board of Directors. Performance is measured not only on financial achievements but the effective control of all risks that is in the long-term interests of all stakeholders of the Bank.

The effective governance of the framework and the application of KFH Bahrain’s remuneration principles is maintained through the Board of Directors, who review and approve on a regular basis, the HR policy and oversee the implementation and administration of these policies and processes with respect to the Bank’s employees and directors directly or through delegation to the Board Nominating, Remuneration and Corporate Governance Committee (“BNRCC” or the “Committee”) as mandated by the regulator (s).

1. The Remuneration System

The remuneration system is aligned to support the Bank’s short-term and medium-term performance objectives and to control and reduce the full gamut of associated risks. It specifies the proportion of fixed and variable remuneration to be consistent with the Board approved Risk Framework. It defers portions of the variable remuneration awards for risk-taking roles of the Bank if required as per the rules of the country/ group regulator and/ or the Shareholders of the Bank.

The remuneration system represents a balanced risk-based remuneration consisting of:

- Fixed remuneration
- Benefits
- Variable remuneration

Component	Key Features
Fixed Remuneration	• Rewards the capacity to hold a role/ position in a satisfactory manner through the employee displaying the required skills. • Paid in the form of monthly/ periodic cash salary and allowances. • Payments are fixed and do not vary with performance. • Director Fees paid for membership of Board and / or Board Committees.
Benefits	• Ensure market competitiveness and provide benefits in accordance with local market practice. • Consists of contributions to pension, social insurance, medical insurance, life insurance and health and wellness. • Contributions are fixed and do not vary with performance.
Variable Remuneration	• Paid to performing employees aligned to business performance and market conditions for business functions, or adherence to control functional mandates for control functions as per rules and guidelines outlined by regulators in KFH Bahrain Group markets. • Aims to reward collective and individual performance achieved for objectives defined at the beginning of the year and discretionary to the extent to which objectives are achieved. • Consists of cash and/ or unit-based performance related remuneration, paid upfront or deferred in part with deferrals subject to the concept of malus and clawback. • Payments are linked to maintaining performance standards and maintaining risk and control parameters defined by the Bank. • Includes short-term or long-term incentive plans to motivate and retain employees with sustainable performance using both pre- and post- award performance measures to drive forward the Bank’s objectives.

2. The Remuneration Policy

The Remuneration Policy (part of the HR Policy) is annually reviewed by the Board of Directors for any updates. The Policy incorporates the mandatory regulations issued by the regulators, which are applicable to specified group of risk-takers/ functions of the Bank. The Policy and related schemes are also approved by the shareholders of the Bank and applied to performance-related employee remuneration payments made for each financial year.

The policy incorporates the mandatory regulations issued under the CBB High-Level Controls module, (HC-6) applicable to individuals occupying Senior Management functions and Material Risk-Takers of the Bank whose total annual remuneration (including all benefits) is more than BD100,000 or equivalent. The Policy and related schemes have been approved by the shareholders of the Bank at the Annual General Meeting held on 31 March 2015 and have been applied to performance-related employee compensation payments made for each financial year.

The policy outlines the basis and methodology for arriving at variable remuneration, making allocations, implementing risk adjustments to remuneration, the framework for remuneration of risk takers, conditions for deferral, malus and claw-back clauses including compliance and disclosure requirements.

Equity schemes are limited so as not to exceed an aggregate 10% of the total issued outstanding ordinary share capital of the Bank, at any given time.

Corporate Governance (Continued)
At 31 December 2025

3. Main Duties of the Board Nominating, Remuneration and Corporate Governance Committee in Governance and Oversight over Remuneration.

The Committee is vested by the Board of Directors through its Terms of Reference with the primary responsibility, inter alia, to provide effective oversight and assure governance over the remuneration strategy, structure and systems, to ensure that they are properly implemented. The main responsibilities relating to oversight and governance of remuneration include but are not limited to the following:

- Consider and recommend for Board approval the form and amount of remuneration for all Board members, based on attendance and performance and as per applicable laws and regulations.
- Consider and recommend for Board approval the Remuneration Policy for members of Senior Management and Material Risk-Takers and other employees (as part of the Human Resources Policy) to ensure consistency with the Bank’s corporate values and strategy.
- Review, on annual basis the Remuneration Policy, Framework and Governance System to ensure remuneration arrangements and performance measures are effectively controlled in alignment with the Bank’s strategy, business objectives and risk, capital and liquidity profile and comply with CBB requirements and other applicable regulations and internal policies.
- Evaluate the performance of members of Senior Management and Material Risk-Takers as per their performance objectives, business strategy, maintenance/ improvement of the Board approved risk profile and linked to improvement in the KFH Bahrain’s profit performance and shareholder return and set their performance ratings.
- Obtain feedback on the performance assessment of the Group Head of Audit and Group Head of Compliance from the Chairperson of the Group Board Audit & Compliance Committee.
- Obtain feedback on the performance assessment of the Deputy Group CEO, Risk & Compliance (Chief Risk Officer) from the Group Board Risk Committee.
- Obtain feedback on the performance assessment of the Head of Internal Shari’a Audit and Head of Shari’a Coordination and Implementation from the Shari’a Supervisory Board (as applicable) to ensure that the objectives set and performance evaluations are conducted in a manner ensuring independence of their functions/ job roles from business areas.
- Ensure the remuneration system represents a balanced risk-based approach, and that effective controls exist through financial impact and sensitivity analysis of the variable remuneration outcomes along with the measurement of the risk outcomes in accordance with the Board approved Risk Framework in coordination with the Group Board Risk Committee.
- Approve the annual aggregate amounts payable under fixed and performance-related remuneration schemes ensuring that remuneration is not paid for potential future revenues whose timing and likelihood remain uncertain and that payments made are fair to the individual and the Bank.
- Approve the remuneration package and amounts for members of senior management and material risk-taker, as well as the total variable remuneration to be distributed based on the results of the performance evaluation system and taking account total remuneration including salaries, fees, expenses, bonuses, and other employee benefits.
- Review the structure of all equity/ equity linked performance-related plans for approval by the Board and subsequent shareholder approval, if required. For any such plans and in accordance with the rules of such plans approved by the Board and shareholders, consider and approve each year whether awards will be made, and if so, the overall amount of such awards and the individual awards to the GCEO and members of senior management and the material risk-takers of the Bank.
- Consider and approve all fixed and variable remuneration including all benefits for KFH Bahrain to ensure that any payments made are fair to the individual and KFH Bahrain, that failure is not rewarded and that the duty to maximize performance and mitigate loss is fully recognized.
- Oversee the independent annual review (Agreed Upon Procedure or “AUP”) of the Remuneration Policy (which forms part of the Human Resources Policy) by the appointed internal auditor of the Bank. This review evaluates the Bank’s compliance to sound remuneration practices as set out by the CBB Rulebook.
- Provide for the Board’s approval, proposals for the remuneration of the Shari’a Supervisory Board in preparation for shareholders’ approval. Ensure transparency and objectivity of specifying the remuneration of the Shari’a Supervisory Board and to be commensurate with their duties and responsibilities.
- Review periodically the applicable market remuneration trends.

The Committee’s authority matrix, as stipulated in the Human Resources Policy Manual, is outlined below:

BNRCG Committee authority matrix

Action
Approve the Bank’s annual performance bonus pool funding model based on KPI and KRI adjustments.
Approve the Bank’s annual performance bonus pool based on the determined performance bonus pool funding model.
Approve the criteria for performance-based distribution of the Bank’s annual performance bonus.
Approve the performance scores, annual increment % and annual performance bonus monthly salary multiples for members of senior management and material risk-takers whose total annual remuneration is more than BD100,000 or equivalent in the Bank.
Approve the aggregate performance distribution, annual actual salary increments and actual performance bonus amounts for the Bank.

4. Remuneration of the Board of Directors

The Board Nominating, Remuneration and Corporate Governance Committee annually reviews the remuneration of the Board of Directors and its related Committees to ensure compliance with the CBB Rulebook, within the relevant Commercial Companies Law requirements and the Articles of Association of the Bank. The Bank is in compliance with the CBB Rule Book HC Module 3.6.5 (g) which requires that the remuneration of the Board of Directors is linked to attendance and performance. Board of Directors and its committees’ remuneration is pro-rated and paid on the basis of actual attendance and membership. Remuneration for the Board of Directors and its related committees is submitted to the shareholders at the Annual General Meeting each year for approval.

The Bank is in compliance with its Articles of Association requiring that total remuneration for Directors (excluding sitting fees) is capped at 10% of the Bank’s NPAT for 2025, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001.

The remuneration of Non-Executive Directors for 2025 does not include any performance-related elements such as shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits, in compliance with the CBB Rule Book HC Module 6.1.21.

The Board of Directors, the Group CEO, individuals occupying Senior Management functions, and Material Risk Takers of the Bank do not receive remuneration, incentives, performance payments, commission, fees, shares, consideration in kind or other direct benefits of any kind from any projects or investments managed by the Bank or promoted to its customers or potential customers.

This applies to individuals appointed as members of the Board of any special purpose vehicles or other operating companies set up by the Bank for special projects or investments.

The Group CEO, individuals occupying Senior Management functions, and Material Risk Takers of the Bank do not receive any additional remuneration for their participation in any management committees.

Corporate Governance (Continued)

At 31 December 2025

4. Remuneration of the Board of Directors (Continued)

The review for fiscal year 2025 is summarized as follows:

Remuneration Regulation	Compliance by KFH Bahrain																						
CBB Rule Book High Level Controls Module Article No.3.6.5 (g) requires that remuneration of the Board of Directors (“The BoD”) of an Islamic Bank is linked to attendance and performance.	KFH B.S.C. (c) BoD and its related committees’ remuneration is pro-rated on the basis of 50% of the fees being paid on actual attendance of meetings by Directors with the remainder paid as membership remuneration unrelated to attendance. In Compliance																						
CBB Rule Book High Level Controls Module Article No.6.1.21 requires that the remuneration of non-executive directors must not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.	No performance related remuneration is included in the remuneration of KFH B.S.C. (c) Non-Executive Directors. In Compliance																						
The Bank’s Articles of Association require that total remuneration for Directors (excluding sitting fees) is capped at 10% of the Bank’s NPAT, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001 in any financial year, notwithstanding the requirements of shareholders’ approval.	For 2025, the recorded NPAT is US\$ 730.6 Million (2024: US\$ 718.2 Million) and therefore, and as per the calculation for maximum payable fees to the Board of Directors capped at 10%, no further approval is required from the shareholders for the payment of Director Fees and Expenses. In Compliance																						
The Bank’s Articles of Association require that total remuneration for Directors (excluding sitting fees) is capped at 10% of the Bank’s NPAT, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001 in any financial year, notwithstanding the requirements of shareholders’ approval. . . Contd.	KFH B.S.C. Board of Director Fees & Expenses for 2025 amounts to US\$ 2.44 million (2024: US\$ 2.26 million) falling within the above defined limit as per the regulation and the guidelines specified by Article 188. As per the regulation and the guidelines specified by Article 188, the Board of Director fees and expenses cap for 2025 is estimated at US\$ 49.1 million (2024: US\$ 48.2 million) and is calculated as per below: <table><tr><td></td><td>US\$ Million</td></tr><tr><td>NPAT for 2025</td><td>730.6</td></tr><tr><td>Less 10% transferred to Legal Reserve</td><td>(73.1)</td></tr><tr><td>Balance</td><td>657.5</td></tr><tr><td>Less Min. 5% Dividend to Shareholders on Issued Shares</td><td>(139.3)</td></tr><tr><td>Balance</td><td>518.2</td></tr><tr><td>Less profit paid for AT1 Issue attributable to KFHB equity shareholders</td><td>(25.1)</td></tr><tr><td>Balance</td><td>493.1</td></tr><tr><td>Less transferred to Donation reserve</td><td>(2.0)</td></tr><tr><td>Balance</td><td>491.1</td></tr><tr><td>limit on Director Fees and Expenses as per law 10%</td><td>49.1</td></tr></table> In Compliance		US\$ Million	NPAT for 2025	730.6	Less 10% transferred to Legal Reserve	(73.1)	Balance	657.5	Less Min. 5% Dividend to Shareholders on Issued Shares	(139.3)	Balance	518.2	Less profit paid for AT1 Issue attributable to KFHB equity shareholders	(25.1)	Balance	493.1	Less transferred to Donation reserve	(2.0)	Balance	491.1	limit on Director Fees and Expenses as per law 10%	49.1
	US\$ Million																						
NPAT for 2025	730.6																						
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Balance	657.5																						
Less Min. 5% Dividend to Shareholders on Issued Shares	(139.3)																						
Balance	518.2																						
Less profit paid for AT1 Issue attributable to KFHB equity shareholders	(25.1)																						
Balance	493.1																						
Less transferred to Donation reserve	(2.0)																						
Balance	491.1																						
limit on Director Fees and Expenses as per law 10%	49.1																						

5. KFHB Remuneration Framework, Performance Bonus Pool Calculation and Risk Adjustments

Variable remuneration decisions are made at the end of each performance year based on a combination of:

- Business performance achieved against set objectives as per the annual operating plan.
- Risk objectives, KPI's and KRI's achieved based on the Board approved Risk Framework.
- Compliance to KFH Bahrain values, applicable regulatory guidelines and local market practices.

Performance-related variable remuneration at KFH Bahrain aims at recognizing and rewarding employees’ contribution beyond their regular job requirements, particularly those contributions that increase Bank's productivity and profitability in a prudent and sustainable manner with effective control of risk.

Key features of the remuneration framework that enables KFH Bahrain to achieve alignment between risk and reward include:

Framework	Key Features
Review of Business Performance against Objectives	• The Committee reviews and ensures the framework linking individual performance to the Bank's performance adjusts the annual accrual of the Variable Remuneration pool for the Bank based on achievement of specified Key Performance Indicators (“KPI”) which reflects Bank Performance for each financial year. • The Committee reviews and ensures the Key Risk Indicators (“KRI”) which reflects the compliance of the Bank as per the Board approved Risk Framework.
Performance Measures (KPI's and KRI's)	• KPI's measure the actual financial and operational performance against budgets and KRI's measure the actual control measures as per the Board approved Risk Framework and include Net Profit after Tax (NPAT), Gross Operating Income, Financing Receivables, Customer Deposits, Return on average assets (ROAA), Return on average equity (ROAE), Cost to income ratio, Increased risk due to overdue closure of audit control findings, Non-Performing Financing (NPF) as % of gross financing, Specific Provision Coverage and Capital Adequacy Ratio.
Performance Bonus Pool Allocation	• The performance bonus pool is aligned to and accrued based on the Bank's short- or long-term financial performance and adjusted for compliance to the risk framework. • The Committee reviews the accrual of the performance bonus pool for the Bank and ensures it is based on the overall performance of the Bank and is accrued as a percentage of Net Profit after Tax (the “NPAT”) (or as per the Profit-Sharing mechanism as stipulated by local laws e.g. Egypt) for the preceding/ ongoing financial year and that the payouts are in compliance to the risk-adjusted performance as per the Board approved Risk Framework. • NPAT performance is adjusted for appropriate current and future risks. The Committee exercises its judgement to ensure the performance bonus pool reflects the overall performance of the Group including compliance to the Board approved Risk Framework. • Fines, penalties by regulators and non-compliance to the Risk Framework results in reduction in the overall profit achievement as assessed by the Committee. • Funding of the Bank's performance bonus pool is based on profitability of the Bank, capital adequacy and returns to shareholders which are important factors in calculation of the bonus pool. • The Committee ensures that the total performance bonus pool does not limit the Bank's ability to strengthen its capital base. • The performance bonus pool for the Bank is based on evaluation of financial performance and compliance to objectives outlined in the Risk Framework. • The Committee at its discretion may propose to reduce or reduce to nil the distribution of the performance bonus pool for the Bank and each line of business and/ or the allocation pool of accrued bonus to businesses if there is a material reduction in the profitability of the Bank or the individual line of business. • The Committee shall use its discretion to determine whether the business is incurring losses due to a start-up or turnaround situation, in which case, bonus pay-out may be allowed to occur.

Corporate Governance (Continued)

At 31 December 2025

5. KFHB Remuneration Framework, Performance Bonus Pool Calculation and Risk Adjustments (Continued)

Framework	Key Features
Review of Performance and Remuneration Arrangements of Members of Senior Management and Material Risk Takers	- The performance measurement and the remuneration arrangements for designated senior management and regulated roles of the Bank for each year is reviewed and approved by the Committee and is subject to changes in total individual remuneration and/ or to changes in the organizational structure and business model. - The CBB mandates that the variable performance bonus for the Group CEO< individuals occupying Senior Management functions and Material Risk-Takers whose annual salaries are BD100K (-c.US\$265K) be deferred. - The variable remuneration awarded to the for the Group CEO< individuals occupying Senior Management functions and Material Risk-Takers in the Bank is based on the Bank's short- or long-term financial performance as adjusted for all types of risk and are subject to reduction in case of the Bank's poor or negative financial performance.
Deferral of performance bonus	- In geographies where regulations mandate that the variable performance bonus be deferred, then deferral mechanisms are followed. - The CBB mandates that the variable performance bonus for members of Senior Management and Material Risk-Takers whose annual salaries are more than BD100K (-c.US\$265K) be deferred. - Awards of deferred variable remuneration for the designated members of Senior Management and Material Risk Takers of the Bank shall be reduced in case of losses by the Bank and/ or business line during the vesting period of deferred remuneration awards because of Malus and/or Clawback as defined in the HR Policy.
Malus	Allows cancellation/ reduction of unvested deferred performance bonus awards prior to their exercise, in addition to discretionary performance bonus adjustments to businesses and individuals based on compliance to risk objectives and record of disciplinary actions under HR policy.
Clawback	Subject to compliance with Labour Laws, allows the Bank to recover paid deferred awards under specific conditions as defined in the HR policy for a period of up to 6 months after exercise.
Short-term Incentive Remuneration	The Bank operates job-linked short-term incentive or commission-based sales plans at each business level for employees (full-time and/ or outsourced) engaged in customer sales, service and collections as per specific campaign-related or marketing schemes.

6. Review of Performance and Remuneration arrangements at KFH Bahrain

The performance measurement and the remuneration arrangements for the Bank is reviewed and approved by the Committee each financial year and is subject to changes in total individual remuneration and/ or to changes in the organizational structure and business model. The performance measurement and the remuneration arrangements for the Group CEO, individuals occupying Senior Management functions and Material Risk Takers of the Bank whose total annual remuneration (including all benefits) is more than BD 100,000 or equivalent, is reviewed and approved by the Committee in alignment with business performance and compliance to the risk framework. Performance assessment of regulated roles is undertaken as per the following framework:

Level	Area	Bank (Business) Objectives	Functional Objectives
GCEO	(Business)	100%	-
	(Business)	60%	40%
Others	(Support)	40%	60%
	(Control)	-	100%

The above performance measurement framework ensures that adequate focus is employed by staff on their core objectives with heads of business functions being measured for both the Bank's business performance and development of their respective functions, and heads of control/ support functions being measured for core control and risk objectives related to the Bank and their functions including the development of their respective functions independent of business performance targets.

The individual allocations of variable remuneration components for the designated roles are correlated with the annual individual performance appraisal that considers the extent to which quantitative and qualitative objectives have been met. The objectives for these individuals are clearly identified and can be assessed by indicators that are known to the employee.

The qualitative objectives are tailored to the individual employee, in relation to the employee's professional activity and adapted to the position held. These objectives include the quality of risk management, the means and behaviors used to achieve results such as co-operation, teamwork and human resources management.

The performance appraisal process and the subsequent performance bonus allocation process is managed and documented by group human resources and its conclusions are submitted for approval to the Committee.

The variable remuneration awarded to the individuals occupying these roles is based on the Bank's short- or long-term financial performance as adjusted for all types of risk and are subject to reduction in case of the Bank's poor or negative financial performance. The Remuneration report for the Bank includes individuals occupying Senior Management functions and Material Risk Takers, including individuals occupying Senior Management functions and Material Risk Takers within business lines - 10 (2024: 8), and within control and support functions – 14 (2024: 6. Other staff, Bahrain operations – 734 (2024: 723).

7. Compliance with Remuneration Rules

Compliance to remuneration rules is aligned to the primary regulator, the Central Bank of Bahrain (CBB) and applies to its subsidiaries and branches in other markets, unless divergence exists with respective local country/ market regulations.

Regulation	Compliance by KFH Bahrain
Governance of Remuneration	- The members of the Board Nominating, Remuneration and Corporate Governance Committee are nominated/ elected from the Board of Directors. - The Committee sets the principles, parameters and governance framework of the Group's Remuneration Policy applicable to employees and directors and reviews the Bank's compliance to the Board Risk Framework.
Management of Subsidiaries/ SPV's/ Projects/ Investments	- KFH Bahrain employees do not take remuneration, incentives, performance payments, commission, fees, shares, consideration in kind or other direct benefits of any kind from any projects or investments managed by the Bank or promoted to its customers or potential customers. - The above rule applies also to those staff appointed as members of the Board of any special purpose vehicles or other operating companies set up by the Bank for projects or investments.
External Review	The Remuneration Policy is reviewed annually by the external auditors of the Bank for compliance with Chapter HC-6 (Module "HC") issued by the Central Bank of Bahrain and reported independently by the auditors to the CBB.
Personal Hedging Strategies	The Group CEO, members of Senior Management and Material Risk-Takers with deferred variable remuneration of the Bank are prohibited from using personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their deferred variable remuneration arrangements.
Employees in Control functions are independent and are compensated based on functional objectives	- Individuals in Control functions have independent reporting lines through their respective functions rather than through the business. - Control functions are represented in all senior management committees. - Control functions, especially in key areas of Risk Management and Internal Audit have direct reporting lines to their respective Board Committees. - Performance and remuneration related recommendations and inputs are taken from the Chairpersons of the respective Board Committees for evaluating performance or for setting remuneration for heads of Control functions.
Guaranteed/ Sign-on Bonus	- The Bank does not provide any form of guaranteed performance bonus as part of the employment offer or contract to any employee. - Severance remuneration (except notice period for a maximum period of 3 months) is restricted except when the Bank provides for it as ex-gratia or as participants in a voluntary retirement, job redundancy or liquidation of the business or on closure of a unit.
Deferral arrangements for Senior Management and Material Risk Takers whose Total Annual Compensation is in Excess of BD 100,000	- For the GCEO, his deputies and the 5 highest paid material risk takers in business functions: 40% of variable performance-based remuneration is paid upfront in cash. 60% of variable performance-based remuneration is deferred. - For the other senior management employees and material risk-takers in the Bank: 50% of variable performance-based remuneration is paid upfront in cash. 50% of variable performance-based remuneration is deferred.

Corporate Governance (Continued)
At 31 December 2025

7. Compliance with Remuneration Rules (Continued)

Details of Remuneration paid to Members of the Board of Directors

Total Value of Remuneration for the fiscal year:	2025 (Amounts in US\$' 000)	2024 (Amounts in US\$' 000)
Remuneration for the Board of Directors and related committees	2,360	2,221
Others (Expenses for the Board)	84	42

Details of Remuneration Paid to Employees

	2025				
	Fixed Remuneration		Variable Remuneration		Total Remuneration
	Unrestricted cash and allowances	Unrestricted others ¹	Cash	Deferred	
Senior Management & Material Risk Takers - business lines	4,207	685	1,178	1,767	7,837
Senior Management & Material Risk Takers – control & support	3,876	834	878	840	6,428
Other staff – Bahrain operations	50,814	16,763	11,348	0	78,925
Total	58,897	18,282	13,404	2,607	93,190

	2024				
	Fixed Remuneration		Variable Remuneration		Total Remuneration
	Unrestricted cash and allowances	Unrestricted others ¹	Cash	Deferred	
Senior Management & Material Risk Takers - business lines	3,615	613	1,180	1,769	7,177
Senior Management & Material Risk Takers – control & support	1,962	455	606	818	3,841
Other staff – Bahrain operations	48,752	14,722	10,009	0	73,483
Total	54,329	15,790	11,795	2,587	84,501

¹ Others include direct charges such as social security contributions, end of service indemnity accrual charges, life insurance and medical premiums, club memberships, house lease rentals, school fees, vacation air fare, fair value charges for the employee share purchase program and indirect employee expenses such as training, recruitment, Government levies and other costs. These tables include employees in service for part of the year.

Deferred Variable Remuneration Arrangements

Awards	2025				
	Cash	Units		Others	Total
	(US\$' 000)	Nos.	(US\$' 000)	(US\$' 000)	(US\$' 000)
Opening balance	-	-	4,191	-	4,191
Awarded during the year	-	-	2,607	-	2,607
Vested during the year	-	-	-2,416	-	-2,416
Risk Adjustments	-	-	-	-	-
Closing balance	-	-	4,382	-	4,382

Awards	2024				
	Cash	Units		Others	Total
	(US\$' 000)	Nos.	(US\$' 000)	(US\$' 000)	(US\$' 000)
Opening balance	-	-	3,207	-	3,207
Awarded during the year	-	-	2,588	-	2,588
Vested during the year	-	-	(1,604)	-	(1,604)
Risk Adjustments	-	-	-	-	-
Closing balance	-	-	4,191	-	4,191

Group Business and Risk Review

A sunset view from Tree of Life, Bahrain. The Tree of Life is 9.75 meters high Prosopis cineraria tree that is over 400 years old.

Group Business and Risk Review

Corporate Banking Group

Corporate Banking continued to play a central role in supporting the Kuwait Finance House Group's growth strategy and client relationships across key markets. 2025 was a significant year for the Group, marking the consolidation of all group entities under a unified KFH identity. This rebranding exercise was a natural culmination of KFH's region-wide expansion through strategic acquisitions and provided a platform for a transformational journey toward Shari'a-compliant banking leadership.

Market Overview

Corporate banking activities across the GCC remained resilient in 2025, supported by sustained non-oil economic growth and a strong pipeline of government-led projects. Net financing across listed banks increased by 3.7% to exceed USD 2 trillion by Q3 2025. Liquidity conditions were broadly supportive, although financing-to-deposit ratios diverged across markets, with Saudi Arabia and Qatar trending higher signaling ample liquidity in those jurisdictions.

Economic fundamentals remain constructive. Continued non-oil GDP expansion in key markets is sustaining corporate credit demand and project financing activity, while anticipated interest rate cuts is expected to support lending momentum. Concurrently, digital transformation is accelerating, with GCC banks investing in API-enabled platforms, AI-driven analytics, and real-time data infrastructure to enhance client delivery and operational efficiency. Against this backdrop, KFH Bahrain's Corporate Banking delivered strong performance and strategic progress in 2025.

Strategic Direction

KFH Bahrain's Corporate Banking delivered a decisive return to growth in 2025, reversing the contraction experienced in the prior period and reflecting disciplined risk management, strengthened execution, and renewed franchise momentum. Gross financing reached a historic high of USD 7.06 billion, reflecting 10.6% growth over 2024, while approximately USD 2 billion in new financing was generated across priority sectors and regional markets. Meanwhile, deposits closed at USD 3.65 billion, growing 7.3% year-on-year.

The portfolio maturity profile was re-balanced supporting more stable annuity income, reducing earnings volatility, and strengthening overall balance sheet resilience. Regional and sectoral diversification improved, mitigating concentration risk while reinforcing exposure to core strategic industries across KFH Group target markets, including Bahrain, Saudi Arabia, the UAE, Qatar, Egypt, and Turkey.

Client acquisition accelerated broadening the client base and diversifying funding sources. Contingent exposure increased by 24% to USD 1.6 billion, reflecting higher trade-related activity and growing demand for transaction banking solutions.

The strategic focus of Corporate Banking in 2025 was to deepen penetration across core markets and priority client segments, while strengthening stable funding to support future growth and optimize the Bank's cost of funds. This was reinforced through disciplined risk management frameworks, enhanced client coverage and cross-selling across Group entities, and continued investment in technology and digital capabilities to improve operational efficiency, expand wallet share and support sustainable growth in volumes and profitability.

Against a backdrop of increasing competition, evolving funding dynamics, and a shifting benchmark-rate environment, Corporate Banking remains focused on disciplined balance sheet management and diversified revenue generation. Building on these achievements, the business is well-positioned to pursue its strategic objectives in 2026, focusing on sustainable growth, innovation, and enhanced client engagement.

Looking Ahead in 2026

Strategic focus for 2026 centers on sustaining growth while strengthening the foundation for long-term stability and innovation. A key priority is the continued expansion of financing activities within Bahrain and across the GCC region, leveraging existing relationships while identifying new opportunities to expand market presence.

Maintaining prudent risk management remains central to the strategy, with a strong emphasis on well-defined Risk Acceptance Criteria (RAC) and Business Acceptance Criteria (BAC) to ensure sound and responsible growth.

The bank will also invest in technology and innovative digital solutions to enhance operational efficiency, improve client experience, and support scalable growth. In parallel, efforts will be directed toward strengthening the coverage model to deepen client engagement and achieve greater client penetration across target markets

Retail Banking

Retail Banking remains a cornerstone of KFH's leadership in Islamic finance, delivering trusted, accessible, and innovative banking solutions across the Kingdom. In 2025, the division reinforced its market leadership by driving strong growth in core businesses, deepening customer engagement, and advancing Sharia-compliant financial solutions. While the Group's rebranding was executed seamlessly across retail touchpoints, KFH focused on aggressively expanding market share in personal finance and mortgage Ijara, mobilizing low-cost deposits, and accelerating growth in cards and digital payments. At the same time, the division optimized its distribution network, enhanced digital capabilities, and leveraged technology to deliver faster, more convenient, and highly personalized customer experiences, ensuring KFH remains the preferred banking partner for consumers in an increasingly competitive market.

Market Overview

2025 was a challenging year for the retail banking sector in Bahrain, marked by mergers and consolidations that intensified competitive pressures within a limited market expansion environment. The increasing presence of fintech lenders and telecom-based digital wallets further broadened customer choices, raising expectations for speed, convenience, and personalized service. At the same time, rapid digital adoption among consumers amplified demand for agile, customer-focused banking solutions that could respond quickly to evolving needs across multiple channels.

These developments created a strategic imperative for banks to act decisively and nimbly, balancing the need for operational efficiency with the delivery of seamless, timely, and tailored financial solutions. Success in this environment required institutions to strengthen digital capabilities, streamline distribution networks, and innovate continuously in Sharia-compliant products and services. KFH met these challenges by combining robust digital infrastructure with an unwavering focus on responsiveness, ensuring customers could access secure, reliable, and convenient banking experiences at every level.

Strategic Direction

In 2025, KFH Retail Banking reinforced its leadership in Bahrain by executing a comprehensive strategy focused on market share growth, customer engagement, and operational excellence. The division prioritized low-cost deposit mobilization and profitable expansion of its financing portfolio, with particular emphasis on increasing share in personal finance and mortgage Ijara products.

To enhance accessibility and service delivery, the Bank streamlined its branch network, modernized ATMs, and implemented a new branch operating model focused on service efficiency while centralizing and automating operational processes. Selected branches were designated to serve business banking clients, enabling tailored solutions for SMEs and enhancing operational focus. In line with the Kingdom's vision for SME development, KFH expanded its range of Sharia-compliant financial solutions specifically for small and medium-sized enterprises.

Several product innovations strengthened financial inclusion and customer-centricity. The flagship MyHassad savings account was relaunched with an expanded prize pool and increased number of winners, broadening access across income segments. The Bank also introduced the KFH Platinum Credit Card with a lower income eligibility threshold and continued to provide small-ticket Sharia-compliant personal financing solutions, supporting day-to-day financial needs and long-term resilience. Additionally, Speed Remit, a next-generation international remittance service, was launched to provide near-instant, reliable, and cost-effective cross-border fund transfers, reinforcing KFH's commitment to efficiency and customer trust.

The division adopted a digital-first approach to product and service development, ensuring customers could conveniently access banking services across preferred channels. Operational efficiency and responsiveness were strengthened through enhanced digital capabilities, centralized operational control, and agile processes that allowed rapid adaptation to evolving customer needs.

Looking Ahead in 2026

KFH Retail Banking will continue to strengthen its leadership in Sharia-compliant financial solutions while driving sustainable growth across core segments. The division will expand its housing finance offerings, introducing new product variants to meet evolving customer needs, reinforcing its role in supporting Bahrain's housing market and financial inclusion objectives.

Digital transformation will remain a priority, with focus on enhancing digital onboarding, improving the speed and responsiveness of customer interactions, and advancing operational agility across all channels. The Bank will continue to grow low-cost deposits, expand offerings in personal finance, cards, and SME solutions, and maintain a digital-first approach, ensuring convenient and reliable service delivery.

The branch network will be further modernized and optimized to align with changing population distribution and customer preferences, while the division will maintain proactive operational agility to respond to market shifts, fintech innovations, and evolving customer expectations. These initiatives will enable Retail Banking to deliver sustainable growth, strengthen customer satisfaction, and support KFH's strategic ambition as the leading Islamic banking institution in Bahrain.

Group Business and Risk Review

Treasury and Investments

KFH's Treasury & Investments division remained on track in 2025 to further strengthen the Bank's financial resilience and support sustainable growth. The team maintained a stable, diversified balance sheet, expanded the Sukuk portfolio, and introduced innovative Shariah-compliant client solutions, including seamless 24-carat gold transactions. These achievements optimized liquidity, mitigated financial risks, and enhanced client experience, reinforcing Kuwait Finance House Group's leadership in product diversity, digital innovation, and Shariah-compliant financial solutions across the region.

Market Overview

Global and regional markets in 2025 balanced inflation control with economic growth. In the United States, inflation remained above the Federal Reserve's 2% target, but softening labor markets and declining consumer confidence prompted modest rate cuts late in the year, while steady household spending and private investment supported overall growth.

Across the GCC, most central banks followed suit, though Kuwait implemented only partial cuts. Regional growth averaged 3.2%, driven by higher oil production, strong performance in tourism and technology, and expansion in non-oil sectors through long-term development initiatives. Non-oil activity grew 3.7%, providing a stabilizing force across the region.

Fiscal outcomes diverged, with the UAE and Qatar maintaining surpluses, while Saudi Arabia, Kuwait, Oman, and Bahrain managed deficits through prudent spending and debt strategies. Despite market volatility, geopolitical pressures, and Bahrain's credit rating downgrade, KFH Treasury preserved a stable, resilient balance sheet, fully compliant with regulatory requirements and Board limits, enabling the Bank to capture opportunities in a complex market environment.

Strategic Direction

In 2025, Treasury & Investments executed a strategy focused on financial resilience, sustainable growth, and client-centric innovation. The division strengthened the balance sheet by diversifying funding sources, optimizing interbank placements, and leveraging term financing through Group synergies, alongside active repo management to secure cost-effective liquidity while mitigating concentration risks.

This included signing new Islamic documentation with several counterparties to raise stable interbank deposits at competitive rates, optimizing the repo book through pricing and counterpart diversification, and realizing NSFR benefits across the Bank.

Collaboration with business units optimized the Bank's cost of funds through FTP and deposit pricing strategies. On the investment side, the Sukuk portfolio grew from USD 9.6 billion to over USD 10.1 billion, reflecting disciplined sector diversification and prudent credit exposure, while maintaining its investment-grade quality.

Treasury also advanced digital innovation through a Shariah-compliant platform enabling real-time 24-carat gold transactions with physical withdrawal options, supported by integration between the Bank's mobile platform and Treasury's ET pricing system. Complementing this, structured investment solutions, competitive FX offerings, and hedging tools were expanded to meet client needs, enhance product diversity, and reinforce KFH's leadership in Shariah-compliant digital banking.

Through balance sheet discipline, investment prudence, and digital innovation, Treasury & Investments safeguarded financial resilience while delivering superior client experiences.

Looking Ahead in 2026

The outlook for 2026 remains uncertain, with inflationary pressures, potential economic slowdown, and geopolitical volatility affecting market rates and liquidity. Treasury will maintain agility to capture opportunities while mitigating risks. Strengthening the Bank's stable customer deposit base remains a priority, providing a foundation for sustainable asset growth. Regulatory requirements mandate that long-term assets be funded using stable customer liabilities, ensuring compliance while enabling healthy balance sheet expansion.

Focus areas for 2026 include continued optimization of funding and liquidity, disciplined Sukuk and investment portfolio management, expansion of Shariah-compliant digital offerings, and close collaboration with business units to sustain cost-efficient liquidity and deliver sustainable growth. KFH Treasury is well-positioned to safeguard resilience, capitalize on opportunities, and drive innovation in a dynamic market landscape.

Private Banking & Wealth Management

2025 marked a significant phase for KFH Private Banking & Wealth Management, as the division laid the foundations for its next stage of growth while strengthening its core wealth management franchise. The year focused on preparing for the launch of Advisory and Discretionary Portfolio Management (DPM) services in 2026, enhancing operational, governance, and investment frameworks, expanding client engagement through structured portfolio discussions and thematic investment ideas, and deepening collaboration with other KFH Group entities to deliver a seamless, multi-jurisdictional client experience, while also introducing selected structured products and an expanded range of mutual fund solutions across geographies and asset classes.

Market Overview

Financial markets in 2025 were characterised by a rare combination of strong risk-asset returns and elevated geopolitical and policy uncertainty. Investor sentiment oscillated between optimism around corporate earnings and innovation, and caution amid renewed trade frictions, tariff headlines, and broader geopolitical tensions. Despite intra-year volatility, disciplined and diversified portfolios were rewarded, reinforcing the long-standing wealth management principle that staying invested through market cycles is critical to long-term outcomes.

Global equities ended the year firmly higher, with performance increasingly led by international developed and emerging markets. MSCI Europe returned 31.9%, and emerging markets delivered +30.6% (USD), while the S&P 500 posted +16.4%. This broadening of market leadership highlighted the importance of global diversification after a period dominated by U.S. mega-cap equities. Fixed income, particularly Sukuk, provided constructive support amid elevated profit rates, with global Sukuk issuance increasing by approximately 15–20% year-on-year, underpinned by sovereign and quasi-sovereign funding, infrastructure financing, and active refinancing across the GCC and key emerging markets. Strong investor demand, attractive carry, and sustained Shariah-compliant income requirements further reinforced market stability, with high-quality Sukuk serving as a reliable source of diversification and income.

Commodities were a key theme, notably precious metals. Gold appreciated approximately +64% and silver +142% in 2025, reflecting safe-haven demand amid geopolitical and policy uncertainty. GCC equity markets were mixed but generally constructive, with performance ranging from Dubai +17.2% and Kuwait +21.0% to Saudi Arabia -13.7%, underscoring the need for selective sector allocation and disciplined portfolio construction. Overall, the year demonstrated that well-diversified portfolios spanning equities, fixed income, and real assets are resilient, delivering long-term value despite headline-driven volatility. The positive momentum in precious metals is expected to continue into early 2026, supported by ongoing geopolitical uncertainties, while equities remain influenced by corporate earnings and macroeconomic factors.

Strategic Direction

In 2025, the division focused on establishing a robust platform for Advisory and Discretionary Portfolio Management services, while enhancing its existing wealth management capabilities. Key initiatives included refining investment governance, upgrading client segmentation and suitability processes, and developing operational, legal, and risk infrastructure to support advisory and discretionary offerings. The division also undertook refinements to its organizational structure, establishing clearer separation of front-office, investment, and support functions, and strengthening product approval and investment oversight frameworks to enhance scalability and governance. The year also saw the formalisation of advisory and DPM operating models, including policies, committees, and control mechanisms.

Integration with KFH Group subsidiaries across multiple jurisdictions was a strategic priority, enabling a coordinated approach to product delivery, risk management, and client servicing. This strengthened the division's multi-jurisdictional value proposition, expanded investment access, and improved client support. Operational progress was complemented by product innovation, including the launch of selected structured products, an expanded mutual fund range across geographies and asset classes, and the GCC Discretionary Portfolio Management offering. These initiatives drove higher client engagement, improved inflows, enhanced fee generation, and supported structured and thematic investment discussions. The division leveraged market volatility, increasing client sophistication, and evolving regulatory requirements as opportunities to further enhance its value proposition.

The division also strengthened its operational processes and reporting capabilities, improving service quality, turnaround times, and cross-border collaboration. Overall, 2025 was characterised by disciplined growth, enhanced internal readiness, and stronger alignment within the KFH Group.

Looking Ahead in 2026

The division's strategic focus for 2026 will be on scaling Advisory and Discretionary Portfolio Management services and deepening engagement with the existing client base. Key priorities include expanding alternative and private market investment offerings through KFH subsidiaries, delivering bespoke structured solutions, and further enhancing mutual fund and discretionary portfolio platforms. The division will continue to leverage KFH Group's multi-jurisdictional presence to provide clients with a seamless, integrated wealth proposition, while emphasizing governance, talent development, and digital transformation initiatives.

By combining disciplined investment frameworks, innovative product offerings, and a client-centric approach, the division is well-positioned to capture emerging opportunities, manage evolving market risks, and deliver sustainable long-term value for clients and the Bank alike. Focus on structured solutions, diversified portfolios, and continued alignment with global and regional market developments will underpin resilience and growth in the year ahead.

Group Business and Risk Review

Information Technology & Operations

2025 was a transformative year for KFH IT & Operations, reinforcing the Bank's digital and operational foundations while enabling business growth, resilience, and trust across all segments. The division successfully delivered large-scale digital initiatives, strengthened operational controls, and enhanced cybersecurity and data capabilities, ensuring that technology and operations remained a core enabler of the Bank's strategic objectives and customer value proposition.

Market Overview

The IT & Operations landscape in 2025 across Bahrain and the wider GCC was shaped by accelerating digital adoption, rising customer expectations, heightened regulatory scrutiny, and persistent cost pressures. Regulatory oversight, led by the Central Bank of Bahrain, continued to emphasize financial stability, operational resilience, data integrity, and supervisory transparency, driving higher expectations for automation, reporting timeliness, cybersecurity, and business continuity. In parallel, banks were required to support growing transaction volumes and digital payments while maintaining high availability and service quality.

Customer behavior increasingly shifted toward digital-first, mobile-centric banking, requiring scalable platforms capable of delivering seamless experiences at lower unit cost. This placed increased emphasis on simplification, straight-through processing, and shared services to sustain efficiency while supporting growth. Market infrastructure modernization, including ISO 20022 standardization, alongside broader digital and data transformation mandates, increased data transparency while reinforcing the need for robust control frameworks. Cybersecurity risks intensified, particularly from AI-enabled and identity-based threats, necessitating automation-led, prevention-first security models. Collectively, these conditions underscored the imperative for stronger operational resilience, simplified technology landscapes, controlled costs, and preparation for AI-enabled banking, fully aligned with KFH Group's long-term strategic priorities.

Strategic Direction

In 2025, KFH IT & Operations focused on strengthening the Group's digital and operational foundations, ensuring business continuity, regulatory readiness, and sustainable growth. Key initiatives included the successful delivery of the Group-wide rebranding, migration of the SWIFT platform to the cloud, and implementation of large-scale digital transformation programs such as the UK Digital Transformation, which introduced advanced digital platforms for Retail, Corporate, and Private Banking, instant card issuance, centralized payments, and enhanced data platforms.

The Group continued to enhance operational excellence by strengthening service delivery, improving turnaround times, and driving greater consistency across entities. Focus areas included digitization of workflows, expansion of straight-through processing, and embedding resilient operating models supported by strong business continuity arrangements. In Bahrain, Operations achieved 99.62% SLA compliance, with 95% STP coverage for digitally submitted outward international payments, alongside 97% paperless adoption and 96% work-from-home capability, reflecting a mature, resilient operating model. Mobile app ratings improved to 4.8 (iOS) and 4.9 (Android), with monthly active digital customers increasing by over 40%.

Cybersecurity resilience was strengthened through automation-led detection, faster response, and AI-augmented prevention models, while zero major security breaches were recorded throughout the year. Data and analytics capabilities advanced significantly, with AI/ML-driven use cases implemented across Retail, Corporate, Private Banking, and Treasury, alongside enhanced regulatory and management reporting. Operational transparency improved through the launch of Account Profitability and Operational SLA dashboards, supporting better decision-making and governance.

Structural enhancements included formal digital transformation governance, cross-regional delivery optimization, centralized operational control, and expanded critical data operations resources to mitigate single-person dependency and strengthen resilience. A robust audit and control governance framework was established, strengthening risk remediation, control enhancements, and addressing aging operational issues.

New digital products and capabilities delivered during the year included the Physical Gold buy/sell and delivery service (a first-of-its-kind digital proposition in Bahrain), digital onboarding for Retail and Corporate customers to support faster acquisition, and instant debit card issuance with digital wallet integration. These initiatives improved customer engagement, adoption, and operational efficiency.

Looking Ahead in 2026

The strategic focus for 2026 is to continue enabling sustainable growth across all business lines while further strengthening technology and operational foundations. Key priorities include enhancing end-to-end digital and operational capabilities to support Retail Banking, Corporate Banking, Treasury, and Private Banking, ensuring resilient and scalable platforms, faster client journeys, and consistent service availability.

Operational resilience and infrastructure strength will remain central, with continued elimination of single points of failure, robust disaster recovery, and enhanced monitoring frameworks. Efficiency and optimization initiatives will focus on expanding automation, simplifying technology landscapes, optimizing operating models, and leveraging shared services to support scale at lower unit cost.

Governance, risk management, and regulatory compliance will continue to underpin all technology and operational initiatives, embedding strong controls, audit readiness, and clear accountability. Future readiness will be driven by AI enablement, embedding intelligence across customer journeys, operations, and decision-making, while enhancing data governance, platform resilience, and team capabilities.

Through these initiatives, IT & Operations will continue to deliver measurable business value, support the Bank's digital ambitions, and ensure KFH remains a trusted, resilient, and innovative financial institution in an evolving market landscape.

Human Resources

Human capital is a critical driver of value creation at KFH, underpinning the Bank's competitive positioning in an increasingly talent-driven financial services landscape. The ability to cultivate a high-calibre, agile, and future-ready workforce remains fundamental to sustaining long-term growth, strengthening risk resilience, and delivering value to both clients and stakeholders.

The Human Resources department's operating model is anchored in recognizing employees as catalysts in shaping the Bank's transformation agenda. In 2025, the department advanced this agenda through targeted initiatives that helped in strengthening employee experience, enhancing talent acquisition, achieving Bahrainisation objectives, and modernizing HR infrastructure in alignment with the governance standards in place.

The Bank's rebranding further reinforced the importance of embedding a unified set of values, culture, and strategic purpose across its workforce, ensuring consistent alignment, strengthening institutional identity, and enhancing enterprise-wide cohesion. Through a disciplined and performance-driven approach, the department emphasized strengthening organizational capability, deepening cultural alignment, and supporting the Bank's long-term growth and value creation objectives.

Market Overview

The talent landscape for the banking and financial services sector in Bahrain in 2025 was shaped by industry consolidation, evolving workforce expectations, and increasing demand for specialized industry-specific skills. Mergers, strategic alignments, and broader restructuring across the sector further reshaped the business environment, requiring banks to strengthen organizational agility, preserve institutional continuity, and ensure workforce readiness to support sustained growth.

At the same time, competition for high-calibre expertise intensified across critical areas, including risk management, digital transformation, operations, compliance, and client-facing businesses. This was further reinforced by regulatory priorities around Bahrainisation, requiring banks to accelerate the development of national capability pipelines while maintaining access to specialists in banking and finance.

Employee expectations continued to shift toward greater emphasis on purpose, wellbeing, career progression, and workplace experience, requiring organizations to adopt more proactive and structured approaches to engagement and retention. The increasing adoption of digital HR platforms and data-driven decision-making further transformed the operating environment, placing greater emphasis on efficiency, transparency, and scalability.

These dynamics underscored the importance of a strong and adaptive Human Resources framework capable of supporting transformation, maintaining employee engagement, and aligning workforce strategy with business priorities. In an environment defined by structural change and increasing complexity, effective human capital management remained essential to sustaining growth and enabling long-term success.

Group Business and Risk Review

Strategic Direction

In 2025, Human Resources executed a focused transformation agenda anchored on four key pillars: HR transformation and employee experience, talent acquisition, localization and development, HR operations, rewards & HRIS modernization, and rebranding support. This approach reinforced the department's role as a strategic enabler of organizational performance and cultural alignment.

Employee engagement and communication was given added impetus through the launch of the Bank's first Internal People Communication Strategy, establishing a unified and structured approach to internal HR communications. This was complemented by embedding the refreshed performance management framework, alongside targeted people-centric initiatives aimed at strengthening employee engagement, communication, and wellness. Engagement levels remained strong, supported by a 92% participation rate in the Korn Ferry Employee Engagement Survey, redesigned social engagement initiatives to promote inclusivity and cross-functional collaboration, and external recognition through the Best Employee-Driven Business Change Award and the Workplace Wellness & Employee Wellbeing Award.

Talent acquisition and development remained a priority, with continued progress in Bahrainisation and a structured approach to onboarding and strategic hiring. The Bank achieved an 82% Bahrainisation ratio, while successfully onboarding 75 new employees, of whom 77% were Bahrainis, with 53% of Bahraini hires appointed to managerial positions, reinforcing the Bank's commitment to leadership localization. Workforce gender distribution stood at 37% female and 63% male, supporting ongoing gender diversity and inclusion efforts. Talent readiness was further enhanced through expanded learning initiatives, including 26 culture workshops reaching 734 employees, with 97% participation and a 93% success rate, as well as executing the Bank's largest internship program to date, engaging 27 interns across 14 departments. Overall training delivery reached 46,448 hours, with a 99% employee participation rate, reflecting a strong culture of continuous learning and development.

Operationally, Human Resources advanced its transformation through preparation for and subsequent successful migration to Group Oracle HCM, including payroll validation and integration. This was supported by earlier sessions and phase 1 integration efforts designed to strengthen system readiness and enable more integrated, efficient, and scalable HR processes. Enhancements to employee benefits included upgraded medical insurance and the extension of Retail Banking products to employees and their families, further strengthening the overall employee value proposition.

Looking Ahead in 2026

In 2026, Human Resources will advance its transformation agenda across six key focus areas, centered on workforce planning, leadership development, digital transformation, performance excellence, employee experience, and rewards optimization.

The department will strengthen workforce planning through a more integrated framework while advancing nationalization and inclusive talent acquisition initiatives, supported by expanded national talent pipelines and partnerships with Tamkeen and the Ministry of Labour. At the same time, leadership development will be enhanced through structured succession planning frameworks, leadership pathways, and rotational development opportunities, ensuring stronger readiness across critical roles and building deeper internal bench strength.

Digital enablement will remain a priority, with continued investment in Group Oracle Fusion HRIS and enhanced analytics capabilities to support data-driven decision-making. Focus will also be placed on ensuring effective system adoption through hands-on training, ongoing user support, and clearer analytics guidance, strengthening the consistent use of HR insights in strategic and operational decision-making.

Performance excellence will be reinforced through the implementation of a Group-aligned performance management framework, supported by the introduction of a performance-linked incentive scheme, driving accountability and a stronger performance culture.

Human Resources will continue to foster a people-centric culture by enhancing employee wellbeing, engagement, and overall experience through structured initiatives, including the launch of the "WeRise" wellbeing program, which is designed to support employees across social, physical, mental, professional, and financial dimensions.

The total rewards framework will be further reviewed and optimized to ensure competitiveness, alignment with Group standards, and long-term sustainability. This will be supported by market benchmarking and a balanced approach to cost discipline, ensuring rewards remain motivating while financially sustainable.

While challenges remain, including limited availability of specialized national talent, succession readiness across functions, adoption of new HR technologies, the need for more consistent performance feedback, and balancing rewards competitiveness with cost sustainability, the department will address these through targeted workforce planning, leadership development, manager capability building, and structured system enablement initiatives.

Through this focused approach, Human Resources will continue to strengthen organizational effectiveness, enhance talent capabilities, and support KFH's strategic objectives in an increasingly competitive and evolving environment.

Risk Management

Risk is inherent in the Bank's business activities with the overall objective to manage the business decisions and the associated risks while protecting the interests of all stakeholders including clients, investors and shareholders. Risk management involves the identification, analysis, evaluation, monitoring and management of all financial and non-financial risks that could impact the Bank's performance and reputation. While risks cannot be completely eliminated, the risk management function aims to effectively manage, control and transfer these risks within the tolerance levels approved by the Group Board of Directors. Risk is evaluated based on the potential impact on income and capital, taking into consideration changes in political, economic and market conditions, and the idiosyncratic factors that impact the risk exposures.

The risk management function acts as an advisor to the Bank's overall capital management process, in managing day to day business decision-making and execution as well as in planning and strategy formulation. Thus, ensuring that sufficient capital is available at all times. Risk management ensures that a robust Internal Capital Adequacy Assessment Process (ICAAP) framework is established and implemented, and that periodic assessment of the Bank's capital position is notified to the senior management and the Group Board of Directors.

The Risk Management Framework is built on the following key principles to ensure effective management of the key risks faced by the Bank:

- Management oversight and control;
- Risk Management culture, ownership and acceptance of responsibility;
- Risk Appetite Framework and statement;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication; and
- Monitoring and reporting risk management activities and taking corrective measures where necessary.

Implementation of the Risk Management Framework is based on the following key principles:

- Oversight of the Group Board of Directors on the Risk Management Framework.
- Independence between business units and risk management functions.
- Transparency of risk management structures, policies and procedures and approach to managing risk.
- Four-eyes approach in which proposals should not be approved without at least two authorised individuals forming an agreement within the set framework.
- Risk and reward optimization in taking business decisions.
- Shareholder Value enhancement through the activities of risk management.
- Risk-taking decisions are in line with the corporate goals, mission and the Bank-wide strategy set by the Group Board of Directors.
- Risk management approach remains aligned with the legal, Shari'a and regulatory requirements.

The Bank perceives strong risk management capabilities to be the foundation in delivering strong results to customers, investors and shareholders. The Bank would continue to adopt international best practices of risk management, superior corporate governance and highest level of market discipline. The risk management function relies on the competence, experience and dedication of its professional staff, sound risk management policies and procedures, and ongoing investment in technology and training.

Group Business and Risk Review

Credit Risk

Credit risk is the risk of financial loss due to the failure of a counterparty to perform its obligations according to agreed terms. It arises principally from financing receivables, trade finance and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, and risk rating are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

Credit risk within KFH Bahrain is actively managed by a rigorous process from initiation to approval to disbursement. All day-today management is in accordance with well-defined credit policies and procedures that detail all credit approval requirements and are designed to identify exposures at an early stage, which require close monitoring.

If an asset is assessed to be irrecoverable, a mandatory write-off takes place. This is conducted by a risk management process, which is completely independent in reporting terms from the asset generating departments.

Risk rating of individual counterparties plays an important role in the approval and maintenance of credit limits. The risk rating process ensures that the quality of the credit portfolio of the Bank is maintained at the highest possible level and stays within Group Board of Directors approved risk limits. The Credit Policies & Procedures includes a robust risk rating system which provides a credit rating for each individual credit based on an extensive set of financial and non-financial parameters. This risk rating system has been validated and calibrated to meet the requirements of Expected Credit Loss computation under FAS 30. The Bank has implemented the necessary automated systems, quantitative models and governance processes to be compliant with FAS 30.

The risk management function categorizes the credit portfolio by level of risk to monitor the credit quality and aid in the prompt identification of problem exposures. Management of material problem exposures is vested with Remedial Management in the respective KFH Bahrain subsidiaries' operating entities.

In addition to the Bank's Group Risk Management function, credit risk is overseen by the Group Credit & Investment Committee (GCIC) which is vested with the overall day-to-day responsibility for all matters relating to credit risk. The GCIC responsibilities include the following:

- Monitors implementation and compliance with credit policies;
- Acts as a credit approval authority for credits within its delegated authority; and
- Determines appropriate pricing and collateral requirements for all risk asset products

Market Risk

Market risk is the risk that adverse movements in market risk factors including foreign exchange rates, profit rates, credit spreads, commodity prices and equity prices will reduce KFH Bahrain's income or the value of its portfolios.

Given KFH Bahrain's ongoing low risk strategy, aggregate market risk levels are low relative to the size of the Bank's balance sheet. A robust control process incorporating well defined limits is applied to effectively manage market risks and monitor daily position limits and stop losses. KFH Bahrain utilizes Value-at-Risk (VaR) models to estimate potential losses that may arise from adverse market movements in addition to other quantitative and qualitative risk management techniques.

KFH Bahrain calculates VaR using a one-day holding period at a confidence level of 99%, which considers the actual correlations observed historically between the different market risk factors. VaR limits are delegated by the Group Board of Directors to the Group Asset & Liability Committee (GALCO) and subdelegated to the Asset & Liability Committee (ALCO) of the Bank's subsidiaries.

KFH Bahrain recognizes that VaR is based on the assumption of normal market conditions and that certain market shocks can result in losses greater than anticipated. Therefore, supplementary risk management techniques such as stress testing form a core part of the Bank's risk control processes.

Liquidity Risk

Liquidity risk is the risk that KFH Bahrain does not have sufficient financial resources to meet its contractual or contingent obligations as they fall due, or will have to do so at an excessive cost. It is measured by estimating the Bank's potential liquidity and funding requirements under different stress scenarios.

KFH Bahrain's liquidity management policies and procedures are designed to ensure that funds are available under all circumstances to meet the funding requirements of the Bank not only under adverse conditions but at sufficient levels to capitalize on opportunities for business expansion. Prudent liquidity controls ensure access to liquidity without unexpected cost effects. Liquidity projections based on both normal and stressed scenarios are performed regularly. The control framework also provides for the maintenance of a prudential buffer of liquid, marketable assets and an adequately diversified deposit base in terms of amount, maturity profile and composition of counterparties.

The Bank's Group Risk Management function continuously monitors liquidity risk and actively manages the balance sheet to control liquidity. The treasury function at each subsidiary manages the liquidity with ongoing monitoring by the Risk Management Department and oversight provided by the ALCO. At the Bank level, the liquidity risk is managed by the GALCO, which is vested with the overall responsibility for all matters relating to the Bank's liquidity.

Operational Risk

Operational risk is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and Shari'a non-compliance risk but excludes strategic and reputational risk.

Operational risk is managed by the Group Operational & Fraud Risk Committee (GORC). The Bank has adopted an ongoing Operational Risk & Control Self-Assessment (RCSA) process. Assessments are made of the operational risks identified within each function of the Bank and these are reviewed regularly to monitor significant changes and the adequacy of controls. Operational risk incidents and loss data are collected and reported to senior management on a regular basis. The Bank also collates and reviews various key risk indicators (KRIs) to facilitate detection of deficiencies or potential failures in controls and procedures.

The Bank's independent audit function regularly evaluates operational procedures and advises senior management and the Group Board of Directors of any potential problems. Additionally, the Bank maintains adequate insurance coverage acquired from a Shari'a compliant insurer and business continuity contingency plans to ensure its resilience against any disruption that can occur due to forces beyond the Bank's control while utilizing offsite data storage and backup systems.

KFH Bahrain's business continuity and disaster recovery plan aims to continually conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure or resources. The adequacy of the Bank's business continuity plans is confirmed by a program of regular testing with oversight being provided by GORC and complying with the best market standards via being ISO 22301 certified.

In addition, the Bank maintains a comprehensive and risk-based fraud Risk Management Framework in compliance with Central Bank of Bahrain (CBB) Rulebook requirements. This includes periodic fraud risk assessments, timely investigation of internal and external fraud incidents, and continuous 24/7 monitoring of banking operations to detect, prevent, and respond to fraudulent activities and safeguard customers and the Bank. There were total of 7,491 EFTS time-out incidents during the year, which resulted in a penalty of BD 74,910.

Information and Cybersecurity Risk

KFH Bahrain's Information Security Program in 2025 continued to strengthen the Bank's cyber resilience through a comprehensive, risk-based approach. The robust governance under Group Board of Directors and executive oversight allowed the function to ensure that information security remained a top priority, with a dedicated committee and senior leadership overseeing cyber risk.

In line with the Bank's strategic goals, KFH Bahrain's Information Security team has fulfilled its responsibility to oversee cyber risk management, supporting and enabling the Bank's key digital transformation initiatives.

The Bank's cybersecurity framework is aligned with international standards - including ISO/IEC 27001 and PCI DSS for information security and complies fully with the CBB's regulations and Bahrain's applicable laws such as Personal Data Protection Law (PDPL).

Throughout 2025, KFH Bahrain maintained a strong security posture with no material cybersecurity breaches reported, reflecting the effectiveness of its defensive measures and continuous monitoring.

The Bank also further embedded security-by-design and data privacy principles into its digital banking services, backed by regular penetration testing, vulnerability assessments, and bank-wide security awareness training, ensuring the Bank remains a trusted, resilient institution aligned with regional best practices and global standards in information security and risk management.

Group Business and Risk Review

Technology Risk

The Bank operates in an environment characterized by increasing digitalization, heightened cyber threats, and growing reliance on technology-enabled services. As a result, technology risk and third-party risk are recognized as material components of the Bank's operational risk profile and are subject to Group Board of Directors oversight. A major technology or cyber incident could result in service disruption, financial loss, regulatory action, reputational damage, and erosion of customer confidence. Technology risks are periodically assessed in accordance with the Technology Risk Management Policy.

The Bank relies on third-party service providers for the delivery of certain operational and technology services, including payment cards processing, cloud based solutions, and outsourced activities. Third-party failures or service disruptions may adversely affect the Bank's operations, resilience, and regulatory compliance. Accountability for outsourced activities remains with the Bank. Third-party risk is managed through risk-based due diligence, contractual safeguards, performance monitoring, and enhanced oversight of critical service providers. Focus is placed on the resilience of technology related third party arrangements.

Technology and third-party risks form an integral part of the Bank's operational resilience framework. The Bank continues to strengthen governance, controls, and monitoring capabilities to ensure continuity of critical services and alignment with evolving regulatory expectations.

Compliance

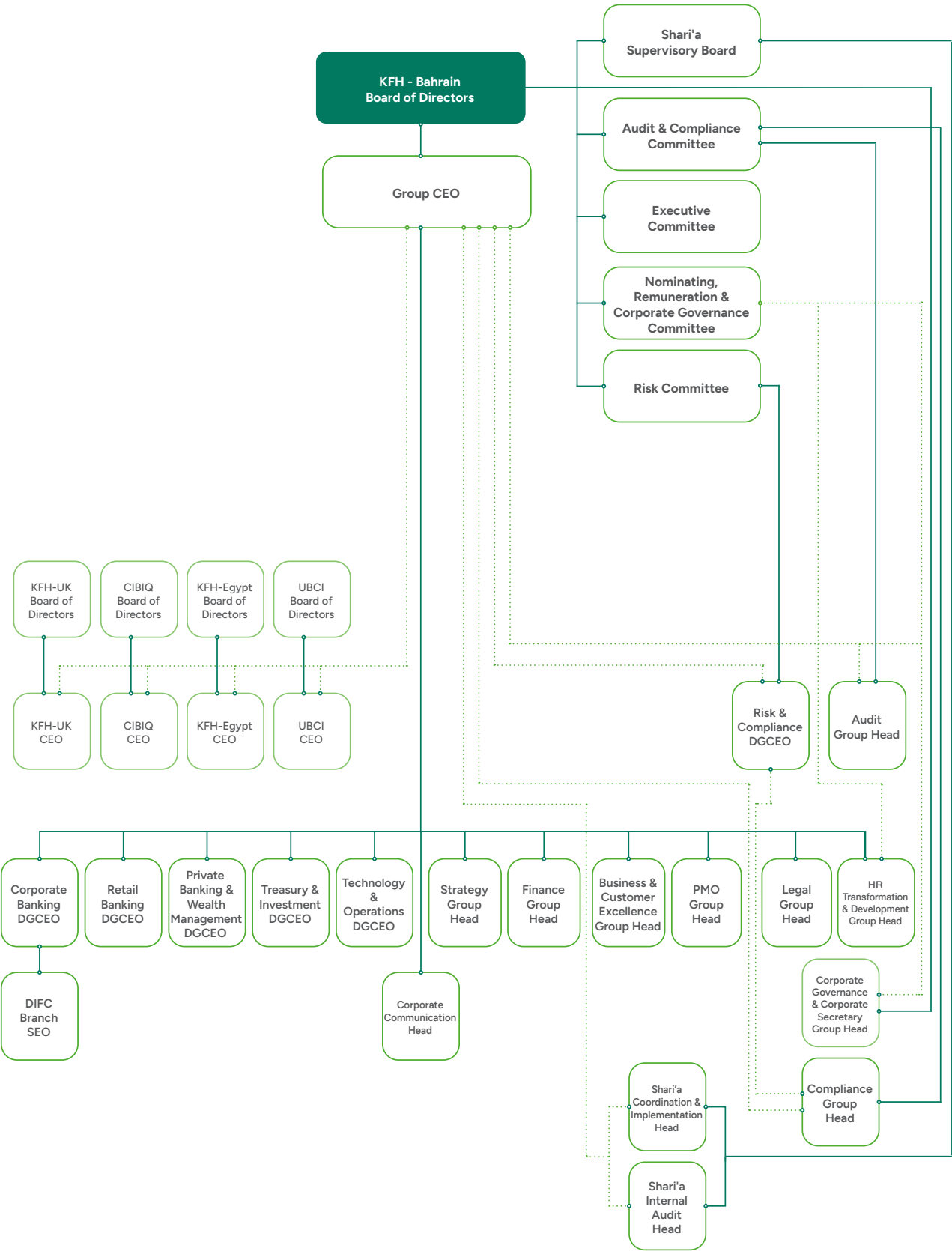
The Group continuously strives to improve the level of compliance in all its activities. The Group has an independent Compliance function and reports to the Group Board Audit and Compliance Committee. The Compliance function acts as a focal point for all regulatory compliance and for adapting best practice compliance principles. The Compliance Department has the responsibility to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank's compliance with its obligations; and to advise and assist the relevant persons responsible for carrying out regulated activities to comply with the stated obligations under the regulatory system.

Implementing appropriate systems, processes and controls for combating money laundering (AML) Terrorist financing (TF) and Proliferation Financing (PF) activities form an important activity of the Financial Crime Compliance Unit within the Compliance function. The Group has deployed a risk based automated transaction monitoring system and implemented relevant procedures and controls to facilitate appropriate monitoring and detection mechanism. The Group also has appropriate AML/CFT/PF Compliance policies and monitoring programs. These policies and monitoring programs are reviewed and updated annually and approved by the Group Board of Directors. The Group's anti-money laundering and combating terrorist financing and countering proliferation financing measures are regularly audited by the internal auditors who report to the Group Board Audit & Compliance Committee. Additionally, the Bank's AML/CFT/PF measures are audited by independent external auditors every year and their agreed-upon procedures report is submitted to the Central Bank of Bahrain (CBB). The CBB also performs periodic inspections of the Bank's compliance with the applicable AML/CFT/PF regulations.

The BOD approved policies, including Group Reputation Risk Management policy, Communications Policy, Personal Account Dealing Policy, Compliance Policy, Anti Money Laundering / Combating Terrorist Financing policy, Banking Integrity and Whistle Blowing Policy and Code of Business Conduct policy and such other policies prescribe the required standards of ethical behaviour and personal conduct for all staff (including the Bank's Directors), and the BOD exercises an oversight of these risks through various management functions, including Legal, Risk Management, Compliance, Human Resources and Internal Audit Department.

There has been no charity payment during the year 2025.

Group Management Organization Structure



Executive
Management

A view of the Northern Coast of Bahrain, known for its calm turquoise waters and scenic beaches.

Executive Management



Dr. Shadi Zahran
Group Chief Executive Officer

Director, Kuwait Finance House PLC, UK; Director, Kuwait Turk Participation Bank, Turkey; Director, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain; Vice Chairman, General Council for Islamic Financial Institutions (CIBAFI), Bahrain; Former: Senior Deputy Group CEO, Kuwait Finance House, Kuwait; Group Chief Financial Officer, Kuwait Finance House, Kuwait; CFO, Ahli United Bank, Kuwait; Head of Group Financial Control, Ahli United Bank, Bahrain; Head of Financial Systems Management & Operations, Al-Rajhi Bank, KSA; played different auditing roles in Grant Thornton KSA, Ernst &Young, and Talal Abu Gazalah in Jordan. Holds a CPA, CBA and CIPA, MBA, and a Doctoral Business Administration degree from Hult International Business School in Boston, USA.

(Total years of experience: 34 years)



Mohamed Zakout
Deputy Group Chief Executive Officer -
Retail Banking

Former: Head of Private Banking & Wealth Management, ENBD Bank, Egypt; General Manager - Personal Banking & Wealth Management, Barwa Bank, Qatar; Executive Vice President - Head of Personal Banking Group, Al Hilal Bank, UAE; Regional Head - Retail Banking - Levant & North Africa, Arab Bank, Jordan; Regional Head - Qatar, Bahrain and Yemen, Arab Bank, Qatar.

Holds a Bachelor's Degree in Business Administration with concentration in Finance from Golden Gate University, USA.

(Total years of experience: 35 years)



Mohamed Assem
Deputy Group Chief Executive Officer -
Corporate Banking

Vice Chairman, Commercial Islamic Bank of Iraq; Board Member, Paddington Company One & Two, UK. Formerly: Chairman, KFH Finance Co., Egypt; Senior Deputy Chief Executive Officer, Ahli United Bank, Egypt; Board Member, Ahli United Bank, Egypt; Country General Manager, Arab Bank, Bahrain & Offshore Banking; Board Member, Turkland Bank, Türkiye; Group Chief Business Officer, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar; Head of Corporate & International Banking, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar; and Senior Principal/ Division Head - Corporate & Institutional Banking, Al Khalij Commercial Bank Q.S.C (Al Khalij), Qatar.

Held various positions at Mashreq Bank in Qatar and the Commercial International Bank in Egypt. Holds a Bachelor of Commerce Ain Shams University Egypt.

(Total years of experience: 32 years)



Talal Kaiksow
Deputy Group Chief Executive Officer -
Private Banking & Wealth Management

Former: CEO and Head of Private Banking, EFG Bank, Bahrain; Senior Private Banker, BSI Private Bank, Bahrain; Executive Director, Kaiksow Family Office, Bahrain; Executive Director, Capinvest Investment Bank, Bahrain; Principal, Khaleej Finance & Investment, Bahrain. Holds a Post Graduate Degree in Marketing Communication from University of Westminster, UK.

(Total years of experience: 28 years)

Executive Management



Bassam Alali
Deputy Group Chief Executive Officer - Treasury & Investment

Director, United Bank for Commerce and Investment, Libya; Director, International Islamic Financial Market; Bahrain. Previously, held several key roles within Ahli United Bank B.S.C., Bahrain. These include Head of Treasury, Regional Head of Treasury ALM, Head of Treasury ALM, Chief Dealer for Foreign Exchange and Money Markets. Prior to banking, worked as a Senior Engineer at MTC-Vodafone (ZAIN), Bahrain.

Holds a Bachelor of Applied Science in Computer Engineering from University of Ottawa, Canada and a Master of Science in Quantitative Finance from University of Westminster, UK. CFA Charterholder from CFA Institute, USA.

(Total years of experience: 23 years)



Oliver Schwarzhaupt
Deputy Group Chief Executive Officer - Risk and Compliance

Director, GARMCO, Bahrain; Director, Al Ahli Real Estate Co. SPC, Bahrain; Former: Group Chief Risk Officer, TNG Holdings, Vietnam; Advisor to the Board Audit & Risk Committee, Trusted Novus Bank, Gibraltar; Chairman of the Board of Directors, PG Bank, Vietnam; Deputy CEO cum Chief Risk Officer, Maritime Bank, Vietnam; Group Chief Risk Officer, Al Khaliji Bank (now: Masraf Al Rayan), Qatar; Member of the Board of Directors, Qatar Capital Ltd., DIFC, Dubai; Deputy Chief Risk Officer / Head of Group Risk, Senior Vice President, Emirates NBD Group, UAE; Head of Rating Methods, Vice President, Commerzbank AG, Germany; Co-Head Risk Standards & Regulatory Issues, Commerzbank AG, Germany; and Head of Credit Risk Management Team, SGZ-Bank (now: DZ Bank), Germany. Holds a Master's degree in Economics from Justus-Liebig University, Germany.

(Total years of experience: 33 years)



Samih Abutaleb
Deputy Group Chief Executive Officer - Technology & Operations

Director, United Bank for Commerce & Investment S.A.C., Libya; Director, Benefit Company, Bahrain. Former: Director, Ahli United Bank Egypt; Director, Ahli United Bank K.S.C.P., Kuwait; Group Head of Information Technology, Ahli United Bank B.S.C, Bahrain; Group Head of Digital Transformation, Ahli United Bank B.S.C, Bahrain; Director of Digital Transformation – Digital Office, Al Hilal Bank, UAE; Vice President – Group Digital Office, Emirates NBD Group, UAE; Head of Agile Delivery – Group IT, Emirates NBD, UAE; Vice President, Application Management – Alternative Channels, Emirates NBD, UAE; Program Executive Director – Credit Card Transfer Project – Emirates NBD, UAE; Senior Integration Specialist, TIBCO/MENA eSolutions, UAE; Software Engineer, Turah Center for Computer Research, Jordan. Holds a bachelor's degree in computer science & engineering from Zarka University in Jordan and Master of Information Technology Management from University of Wollongong, Australia. Also holds a mini-MBA, Executive Management Leadership Program, from Harvard Business School, USA.

(Total years of experience: 26 years)



Kenneth Wainwright
Group Head - Internal Audit

Former: Chief Internal Audit Officer, Burgan Bank, Kuwait; Audit Director, Citigroup, London; Senior Manager, Royal Bank of Scotland, UK; Project Manager, Prudential, UK; Manager, Henderson Global Investors, UK; Manager, Baring Asset Management, UK; Network Operations Manager, BBC, UK; Senior Consultant, PWC, UK; Ingenieur Organisateur, Paris Stock Exchange, France; Senior Auditor, Deloitte, France. Holds a Bachelor's in European Business Studies from Ulster University, a Maîtrise from the University of Caen, a Master's degree in Risk Management from University College Dublin and a Governance, Risk and Compliance Postgraduate Diploma from ICA/ Alliance Manchester Business School. Chartered Internal Auditor (CMIIA) and Certified Compliance Professional.

(Total years of experience: 35 years)

Executive Management



Ravi Mehra
Group Head - Compliance

Former: Head of Compliance, Senior Manager – Compliance, and Manager – Internal Audit, Ahli United Bank, Bahrain; Internal Auditor, Dubai Electricity and Water Authority, UAE. He has experience in banking, compliance, AML/CFT, regulatory affairs, internal audit, risk management, data protection, and governance, including Group-wide oversight of compliance and AML functions, regulatory liaison, automated AML systems implementation, and FATCA framework development. Holds a Bachelor of Commerce from Vivekananda College, University of Madras, India and a Postgraduate Diploma in Governance, Risk and Compliance (GRC) from the International Compliance Association (ICA), UK (in association with the University of Manchester); is an Associate Member of the Institute of Chartered Accountants of India (CA); and a Certified Information Systems Auditor (CISA), USA.

(Total years of experience 34 years)



Dana Bukhammas
Group Head - Human Resources Transformation & Development

Former: Group Senior Vice President, HR Strategy & Culture, Bapco Energies; Senior Manager, Human Capital, Bapco Refining; Director, Human Resources, Zain Bahrain; Manager, Human Resources, Zain Bahrain; Manager, Organization Effectiveness, Zain Bahrain; Team Leader – Attraction, Retention & Employee Relations, MTC Vodafone Bahrain; Human Resources Officer, MTC Vodafone Bahrain; Retail Sales Team Leader – Airport Branch, MTC Vodafone Bahrain. Holds a Bachelor of Business Management from the University of Bahrain. CIPD Level 5. Level 7 Certificate in Coaching and Mentoring.

(Total years of experience: 22 years)



Adeel Shamsi
Group Head - Finance

Former: Kuwait & Bahrain; Regional Head of Finance – Financial Accounting & Reporting, Ahli United Bank Kuwait Deputy General Manager & Finance Lead – Islamic Banking Conversion & Shari’a Compliance Projects, National Bank of Dubai; Head of Finance – Islamic Banking Window, Ernst & Young (Pakistan, Kuwait & Bahrain); Senior Consultant – Islamic Financial Services Group, Assurance & Advisory Professional. Holds Chartered Accountancy Certificate, Certified Islamic Professional Accountant (AAOIFI) and master’s in commerce.

(Total years of experience: 27 years)



Mai El Saghir
Group Head – Corporate Governance & Corporate Secretary

Former: AGM – Governance, Disclosures, Investor Relations & Corporate Secretary, Ahli United Bank KSCP, Kuwait; Corporate Banking / Chairman’s Office, Ahli United Bank KSCP, Kuwait. She brings extensive experience in corporate governance, regulatory disclosures, investor relations, and board and executive management support within the banking sector. She is experienced in designing and implementing cross-functional governance strategies across entire organizations and providing regulatory and business support to the Board of Directors, Shari’ah Supervisory Board and Executive Management. Holds Bachelor of Arts with First Class Honours (Business Studies (Economics)) from the Open University, Kuwait; International Certified Corporate Governance Officer (ICCGO) from The Association of Governance, Risk & Compliance, London; ICA International Advanced Certificate in Regulatory Compliance (IACRG), International Compliance Association awarded in association with University of Manchester (Alliance Manchester Business School); International Certificate in Investor Relations (Investor Relations Association, Middle East) (ICIR); Certified Fraud Examiner (CFE) from Association of Certified Fraud Examiners, UK; Certified Disclosure Specialist (CDS) from the Netherlands Center of Governance and Certified Corporate Governance Officer (CCGO) from London School of Business and Finance, UK.

(Total years of experience: 30 years)

Executive Management



Mohammed Irfan Farouqi

Group Head - Business & Customer Excellence

Former: Head of Operational Risk, Controls & Governance, Commercial Bank of Dubai; Executive Leader - Pre & Post Merger Integration, SABB, Riyadh; Head of Business Quality & Customer Experience, Al Awwal, Riyadh; Head of Customer Experience, SABB, Riyadh; Senior Vice President - Operations, HSBC EDPI, Hyderabad; Assistant Vice President - Operations, HSBC EDPI, Hyderabad; Assistant Vice President - Quality Assurance, HSBC EDPI, Hyderabad; Program Manager - Operations, 247customer.com; Manager - Operations, GE Capital International Services. Holds an MBA in Marketing & Corporate Strategy from La Trobe University, Melbourne, Australia.

(Total years of experience: 27 years)



Bikash Rout

Group Head - Strategy and Sustainability

Former: Senior Analyst, Kuwait Projects Company (KIPCO), Kuwait; Senior Manager - Research, Global Investment House, Kuwait; Assistant Manager, GE Capital/Genpact, India; Credit / Relationship Manager in the Indian Banking Sector. CFA Charter holder awarded by CFA Institute (Charlottesville, USA) and holds an MBA from the Indian Institute of Management - Ahmedabad.

(Total years of experience: 24 years)



Eman Ali

Group Head - Legal

Former: Senior Manager, Legal Department, ASB Finance B.S.C. (c) (formerly Kuwait Finance House – Bahrain); Chief Administrative Officer and Head of Legal, Mena Telecom (a subsidiary of Kuwait Finance House – Bahrain); Regulatory Affairs Specialist, Batelco – Bahrain; Corporate Structuring & Governance Consultant, Ernst & Young – Bahrain. Holds an MSc in Finance & Financial Law from SOAS, The Centre for Financial and Management Studies, University of London.

(Total years of experience: 21 years)



Zainb Al-Shatib

Group Head - Project Management Office (PMO)

Zainb Al Shatib is the Group Head of the Project Management Office (PMO) at Kuwait Finance House - Bahrain, where she is responsible for enterprise project and portfolio governance, oversight of the execution of strategic initiatives, and centralized procurement governance, supporting the delivery of the Group’s strategic objectives.

Former: Project Management Consultant, HSBC, UAE (enterprise PMO establishment); Project Management Consultant - TD Wealth, TD Bank, Canada; Director of PMO, Korcomptenz Inc., Canada; Director of DevOps & Technology Transformation, Pet Valu Canada Inc., Canada; Application Delivery Manager - Supply Chain Technology & Financial Services, Canadian Tire Corporation, Canada. She has led large scale transformation initiatives across banks, financial institutions, and complex regulated organizations.

Zainb holds a Master’s degree from Brunel University, United Kingdom, and a Postgraduate Certificate in Project Management (with Honors) from Humber College, Canada.

(Total years of experience: 25 years)

Executive Management



Mohd Abu Saqer

Head - Corporate Communications

Former: Head of Corporate Communications, Kuwait Finance House (formerly Ahli United Bank), Bahrain; Manager - Retail Communications, Kuwait Finance House (formerly Ahli United Bank), Bahrain; Senior Corporate Communications Officer, Kuwait Finance House (formerly Ahli United Bank), Bahrain; Public Relations & Marketing Manager, Fortune Promoseven, Bahrain. Holds a Bachelor of Arts in Hospitality Management from Chichester College of Arts, Science, and Technology, UK and obtained CIM Professional Marketing Degree from Chartered Institute of Marketing (CIM) - London, UK.

(Total years of experience: 25 years)



Mohammed Behzad

Head - Shari’a Coordination & Implementation, and Secretary of the Shari’a Supervisory Board

Former: Shari’a Officer & Secretary of the SSB, Citi Islamic Investment Bank E.C., Bahrain; Head of Shari’a Coordination & Implementation and Secretary of the SSB and Acting Head of Internal Shari’a Audit, First Energy Bank, Bahrain; Shari’a Reviewer & Auditor, Khaleeji Bank (formerly Khaleeji Commercial Bank), Bahrain; Shari’a Reviewer, Auditor & Secretary of the SSB, Capinnova Investment Bank, Bahrain; Shari’a Reviewer, Auditor & Secretary of the SSB, Family Microfinance House (formerly Family Bank), Bahrain; Holds a Master of Business Administration (MBA) in Islamic Banking and Finance from Bangor University, UK; Bachelor’s degree in Judicature from Umm Al-Qura University, KSA; Advanced Diploma in Islamic Commercial Jurisprudence (ADICJ), from the Bahrain Institute of Banking and Finance (BIBF), Bahrain; Certified Shari’a Adviser and Auditor (CSAA), from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain; Certified Islamic Arbitrator and Expert (CIAE), from the International Islamic Centre for Reconciliation and Arbitration (IICRA), UAE; Certified Risk Based Auditor (CRBA), from the International Academy of Business and Financial Management (IABFM), USA; Certified Audit Report Writing Specialist, from the London School of Business & Finance (LSBF), Singapore.

(Total years of experience: 16 years)



Hussain Mattar

Head - Internal Shari'a Audit

Former: Assistant Vice President, Shari’a Department at KFH Capital Investment Company in Kuwait; Assistant Manager, Shari’a Department at Kuwait Finance House - Bahrain; and Senior Officer, Shari’a & Board Secretary at GFH Financial Group, Bahrain. Holds a Master’s Degree in Finance from DePaul University, Chicago, USA, and a Certified Shari’a Advisor & Auditor (CSAA) accredited by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

(Total years of experience: 18 years)



PHILIP CRAWFORD

Chief Executive Officer – Kuwait Finance House ,UK

Former: Managing Director - Global Market Head, Saudi Arabia & Oman, HSBC Private Bank, Switzerland; Managing Director - Head of International, HSBC Private Banking, UK; Managing Director - Business Head Middle East & North Africa, HSBC Private Bank (UK) Limited; Head of Private Banking, HSBC Bank Middle East, Oman; Director, Head of International Private Banking, Head of Middle East, Vice President, Senior Relationship Manager, Credit Suisse Private Banking, UK; Assistant Director Relationship Manager, Barclays Private Banking, UK. Chartered Fellow (FSCI) of the Chartered Institute for Securities & Investment and holds a post-graduate Diploma in Islamic Banking & Insurance from the Institute of Islamic Banking & Insurance, London.

(Total years of experience: 39)

Executive Management



Ms. Hala Sadek
Chief Executive Officer & Board Member – Kuwait Finance House Bank, Egypt

Director, Kuwait Finance House Bank, Egypt, led the conversion of the KFH Egypt’s (formerly Ahli United Bank Egypt) operating model to Islamic Sharia Compliance with the subsequent rebranding; Member of several committees within KFH Group and chairs multiple committees at KFH Egypt.; Director, United Bank for Commerce and Investment, Libya; Director, Federation of Egyptian Banks “FEB”, Egypt; Former Acting CEO & Board Member, Ahli United Bank Egypt S.A.E; Former Senior Deputy CEO-Risk, Finance & Operations-Executive Director, Ahli United Bank Egypt S.A.E.; Former Senior General Manager Head of Risk Management, Ahli United Bank Egypt S.A.E; Former Head of Risk Asset Management Group, Commercial International Bank, Egypt; Former Assistant General Manager - Corporate Banking Group, Commercial International Bank, Egypt. Spearheaded major taskforces within leading Egyptian and Gulf-based financial institutions, contributing to outstanding performance results and driving large-scale initiatives that enhanced institutional growth and operational efficiency. Holds a Bachelor degree in Economics from Faculty of Economics & Political Science - Cairo University, Egypt.

(Total years of experience: 37)



BASSAM JABER
Chief Executive Officer - Commercial Islamic Bank of Iraq

Former: Deputy Chief Executive Officer CIBIQ Iraq PSC, Head – Corporate Banking, United Bank for Commerce & Investment S.A.C., Libya; Customer Relationship Manager/ Team Leader, Bank of Jordan, Amman; Customer Relationship Supervisor/ Corporate, Arab Bank, Jordan. Holds a Master’s degree in Accounting & Finance from Hashemite University, Jordan.

(Total years of experience: 32 years)



KHALID EL SAYED EL HELALY
Chief Executive Officer – United Bank for Commerce & Investment, Libya

Former: Assistant Chief Executive Officer, United Bank for Commerce and Investment, Libya; Head of Operations, United Bank for Commerce and Investment, Libya; Deputy Head of Retail, United Bank for Commerce and Investment, Libya; Branch Manager, United Bank for Commerce and Investment, Libya; Branch Manager, Ahli United Bank Egypt S.A.E. Holds a Bachelor of Commerce (Finance) from Menoufia University, Egypt.

(Total years of experience 27)

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Consolidated Financial Statements

Consolidated
Financial Statements
31 December 2025

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Aerial view of Bahrain's Khalifa bin Salman Bridge, linking Manama and Muharraq.

Independent Auditor’s Report
to the Shareholder of Kuwait Finance House B.S.C. (c)
(Formerly, Ahli United Bank B.S.C. (c))



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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.

1. Expected Credit Loss on Financing Receivables and Impairment of Ijarah Assets	
Key audit matter	How the key audit matter was addressed in the audit
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. 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. 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. 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.	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: • 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. • Involved our IT specialists to test the relevant General IT and Application Controls over key systems used for ECL calculation process. • With the support of our Financial Servies Risk Management specialists, we assessed: - 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; - the significant modelling and macroeconomic assumptions, including evaluation of forward-looking information and scenarios against the requirements of the Group’s ECL policy; and - the basis of determination of the management overlays. • 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. • Checked completeness of the data used in ECL calculation and performed ECL recalculation on a sample basis. • 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.

Independent Auditor’s Report
to the Shareholder of Kuwait Finance House B.S.C. (c) (Continued)
(Formerly, Ahli United Bank B.S.C. (c))

2. Acquisition and Disposal of Subsidiaries	
Key audit matter	How the key audit matter was addressed in the audit
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. 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. 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. 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. Refer to the summary of significant accounting policies and disclosures of the transaction in notes 2 and 3 to the accompanying consolidated financial statements.	Amongst others, we performed the following key audit procedures: • 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. • In respect of the real estate assets acquired through BBRE, we: - assessed the competence, capabilities and objectivity of the external valuers engaged by management; and - 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. • 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 • Involved our specialists, where specific expertise was required. • Assessed the adequacy of the disclosures in the consolidated financial statements under the applicable financial reporting framework.

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.

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.

Independent Auditor’s Report
to the Shareholder of Kuwait Finance House B.S.C. (c) (Continued)
(Formerly, Ahli United Bank B.S.C. (c))

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.

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.

Ernst + Young LLP

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

Consolidated Statement of Income

For the year ended 31 December 2025

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025	2024
	US\$ '000	US\$ '000
Net profit for the year	738,061	730,865
Other Comprehensive Income (OCI)		
Items that may be reclassified subsequently to consolidated statement of income		
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)	-
Other comprehensive income / (loss) for the year	53,771	(12,012)
Total comprehensive income for the year	791,832	718,853
Total comprehensive income attributable to non-controlling interests	8,872	891
Total comprehensive income attributable to non-controlling interests - discontinued operations	-	2,068
Total comprehensive income attributable to the owner of the Bank	782,960	715,894

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

Consolidated Balance Sheet

At 31 December 2025

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Note	2025 US\$ '000	2024 US\$ '000
OPERATING ACTIVITIES			
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		633,750	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		(273,405)	(195,268)
Tax paid		(87,436)	(40,840)
Net cash flows used in operating activities		(360,841)	(236,108)
INVESTING ACTIVITIES			
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		637,407	683,218
FINANCING ACTIVITIES			
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		(180,721)	(602,054)
NET CHANGE IN CASH AND CASH EQUIVALENTS		95,845	(154,944)
Net foreign exchange difference		20,711	(45,408)
Cash and cash equivalents at 1 January		2,144,838	2,345,190
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	2,261,394	2,144,838
Additional cash flow information:			
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

Consolidated Statement of Changes in Owner Equity

For the year ended 31 December 2025

	Attributable to the owner of the Bank										
	Share premium and reserves							Total share premium and reserves US\$ '000	Perpetual Tier 1 Capital Securities and Sukuk US\$ '000	Non- controlling interests US\$ '000	Total US\$ '000
	Ordinary share capital US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appro- priations US\$ '000	Other reserves [Note 22(h)] US\$ '000					
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	-	-	-	-	-	-
Balance at 31 December 2025	2,786,983	758,170	1,031,689	988,453	403,326	(803,714)	2,377,924	5,164,907	400,000	62,271	5,627,178

	Attributable to the owner of the Bank										
	Share premium and reserves							Total	Perpetual	Non-	Total
	Ordinary	Share	Statutory	Retained	Proposed	Other	Total				
	capital				priations	[Note	premium		Tier 1	controlling	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	22(h)]	and	Total	Capital	interests	US\$ '000
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	reserves	US\$ '000	Securities	US\$ '000	US\$ '000
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

Consolidated Statement of Income and Attribution Related to Quasi-equity

For the year ended 31 December 2025

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

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

Consolidated Statement of Changes in Off-Balance Sheet Assets Under Management

For the year ended 31 December 2025

	Participatory investments	Investments in real estate	Investments in Sukuk, shares and other securities	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2025	295,479	533,675	908,973	1,738,127
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
Balance at 31 December 2025	312,453	341,348	1,119,382	1,773,183
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

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

Notes to the Consolidated Financial Statements

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 Bursa Kuwait and Bahrain Bourse.

In line with the Bank's plan to convert its operations in compliance with Shari'a rules and principles, after complying with all the requirements and guidelines by the respective central banks of Bahrain, UK, Egypt, Iraq and their respective Shari'a Supervisory Boards, the Group has converted its Bahrain, UK, Egypt and Iraq based conventional business according to Shari'a rules and 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 Shari'a rules and 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.

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

The following are the Bank's principal subsidiaries:

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

* 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.

- 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments and estimates (continued)

i) Business model (continued)

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);
- 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments and estimates (continued)

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.

2.5 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.

(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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(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.

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 rules and 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(c) Financial instrument (continued)

(ii) Due from banks, financing receivables and Ijarah assets (continued)

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 Shari’a rules and 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.

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(c) Financial instrument (continued)

(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.

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 Murabaha 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 standard 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(f) Determination of fair value (continued)

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.

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 unutilised 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).

Notes to the Consolidated Financial Statements

At 31 December 2025

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 financiers, law suits filed against the obligor by other financiers / 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.

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(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.

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(h) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

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:

(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 Shari'a rules and 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(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 recognised 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.

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.

(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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(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.

(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.

Notes to the Consolidated Financial Statements

At 31 December 2025

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

(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.

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.

	US\$ '000
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
Total assets (A)	1,286,049
Due to banks	32,996
Profit payable and other liabilities	30,264
Total liabilities (B)	63,260
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
Carrying value of AUC on date of disposal (F=C+D+E)	1,912,159

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

4. NET FINANCING AND SIMILAR INCOME

	2025	2024
	US\$ '000	US\$ '000
(a) FINANCING AND SIMILAR INCOME		
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
	1,835,022	1,999,422
* Includes income from FVTOCI investments of US\$ 282.1 million (2024: US\$ 260.3 million).		
(b) FINANCE AND SIMILAR COST		
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
	310,263	692,418
(c) NET DISTRIBUTION TO QUASI-EQUITY		
Banks	71,678	61,651
Non-banks and individuals	691,623	435,437
Sukuk payable	39,016	44,161
	802,317	541,249
NET FINANCING AND SIMILAR INCOME	722,442	765,755

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

	2025	2024
	US\$ '000	US\$ '000
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)
	82,474	82,418

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

Notes to the Consolidated Financial Statements

At 31 December 2025

6. TRADING INCOME

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

7. (a) CASH AND BALANCES WITH CENTRAL BANKS

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

7. (b) DUE FROM CENTRAL BANKS AND SUKUK

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

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

8. FINANCING RECEIVABLES AND IJARAH ASSETS

a) Financing contracts by type of facility

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

Notes to the Consolidated Financial Statements

At 31 December 2025

8. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)

b) By industry sector

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

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
	12,170,854	100.0	10,539,104	100.0
ECL allowances (Stage 1 and 2)	(306,088)		(329,114)	
ECL allowances (Stage 3)	(240,710)		(204,443)	
	11,624,056		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
	10,532,597	1,335,567	302,690	12,170,854
ECL allowances	(79,166)	(226,922)	(240,710)	(546,798)
	10,453,431	1,108,645	61,980	11,624,056

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			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	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			
	Up to 30 days	31 to 60 days	61 to 89 days	Total
	US\$ '000	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			
	Up to 30 days	31 to 60 days	61 to 89 days	Total
	US\$ '000	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.

f) Individually credit impaired financing receivables and Ijarah assets

	2025		
	Retail	Corporate	Total
	US\$ '000	US\$ '000	US\$ '000
Gross credit impaired financing receivables and Ijarah assets	113,389	189,301	302,690
ECL allowances (Stage 3)	(90,119)	(150,591)	(240,710)
	23,270	38,710	61,980
ECL coverage on credit impaired financing receivables and Ijarah assets	79.5%	79.6%	79.5%
Gross financing receivables and Ijarah assets	2,330,277	9,840,577	12,170,854
Credit impaired financing receivables and Ijarah assets ratio	4.9%	1.9%	2.5%

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 (continued)

	2024		
	Retail US\$ '000	Corporate US\$ '000	Total US\$ '000
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

	2025			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
At 1 January 2025	24,630	8,925	60,577	94,132
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
At 31 December 2025	19,624	5,496	90,119	115,239

	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
At 31 December 2024	24,630	8,925	60,577	94,132

Notes to the Consolidated Financial Statements

At 31 December 2025

8. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)

g) ECL allowances on financing receivables and Ijarah assets (continued)

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
At 1 January 2025	54,844	240,715	143,866	439,425
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)
At 31 December 2025	59,542	221,426	150,591	431,559

	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)
At 31 December 2024	54,844	240,715	143,866	439,425

* 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).

h) Allowance for impairment, credit losses and others

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

	2025 US\$ '000	2024 US\$ '000
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
	(130,150)	(66,350)

Notes to the Consolidated Financial Statements

At 31 December 2025

8. FINANCING RECEIVABLES AND IJARAH ASSETS (continued)

i) Ijarah Muntahia Bittamleek

	2025	2024
	US\$ '000	US\$ '000
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)
	1,484,525	1,291,337

9. NON-TRADING INVESTMENTS

a) By sector and classification

	2025			
	Held at amortised cost US\$ '000	Held at FVTOCI US\$ '000	Held at FVTIS US\$ '000	Total US\$ '000
<i>Quoted investments</i>				
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
	6,263,993	3,579,219	1,342	9,844,554
<i>Unquoted investments</i>				
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
	251,908	113,640	10,282	375,830
Total	6,515,901	3,692,859	11,624	10,220,384
ECL allowances	(9,597)	(5,559)	-	(15,156)
	6,506,304	3,687,300	11,624	10,205,228

Notes to the Consolidated Financial Statements

At 31 December 2025

9. NON-TRADING INVESTMENTS (continued)

a) By sector and classification (continued)

	2024			
	Held at amortised cost US\$ '000	Held at FVTOCI US\$ '000	Held at FVTIS US\$ '000	Total US\$ '000
<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
Sukuk and similar instruments:				
- 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
	6,169,337	4,755,284	1,027	10,925,648
<i>Unquoted investments</i>				
Sukuk and similar instruments:				
- issued by banks and other financial institutions	259,534	27,586	-	287,120
Equity instruments	-	104,743	8,131	112,874
	259,534	132,329	8,131	399,994
Total	6,428,871	4,887,613	9,158	11,325,642
ECL allowances	(7,903)	(3,593)	-	(11,496)
	6,420,968	4,884,020	9,158	11,314,146

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

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

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

Notes to the Consolidated Financial Statements

At 31 December 2025

9. NON-TRADING INVESTMENTS (continued)

c) Reconciliation of ECL allowances

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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	10,094	1,402	-	11,496

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

a) Investment in associates

The associates of the Group are as follows:

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

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

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

Notes to the Consolidated Financial Statements

At 31 December 2025

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

a) Investment in associates (continued)

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

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

	2025 US\$ million	2024 US\$ million
ABO		
<i>Balance sheet related information</i>		
Total assets	-	9,753.0
Total liabilities	-	8,303.7
<i>Income statement related information</i>		
Total operating income	-	281.3
Net profit for the year	-	108.2
Dividends received during the year	-	9.6
<i>Cash flow related information</i>		
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:

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

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

	2025 US\$ '000	2024 US\$ '000
Total assets	933,601	-
Total liabilities	290,790	-
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.

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

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

c) Movements in associates and joint ventures

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

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

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At 31 December 2025

12. PROFIT RECEIVABLE AND OTHER ASSETS

	2025 US\$ '000	2024 US\$ '000
Reposessed 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
	861,286	1,096,841

* 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:

	2025 US\$ '000	2024 US\$ '000
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
	187,331	188,443

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.

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	2025			2024		
	Goodwill US\$ '000	Intangible assets US\$ '000	Total US\$ '000	Goodwill US\$ '000	Intangible assets US\$ '000	Total US\$ '000
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.

Notes to the Consolidated Financial Statements

At 31 December 2025

15. DUE TO BANKS

	2025	2024
	US\$ '000	US\$ '000
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).

17. CUSTOMERS' ACCOUNTS

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

18. SUKUK PAYABLE AND TERM FINANCING

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

(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.

Notes to the Consolidated Financial Statements

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19. PROFIT PAYABLE AND OTHER LIABILITIES

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

* 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 unutilised commitments.

20. QUASI-EQUITY

	2025	2024
Type of quasi-equity	US\$ '000	US\$ '000
Mudaraba-based accounts	971,649	764,400
Wakala-based accounts	12,431,646	11,048,173
	13,403,295	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		
	US\$ '000		Total
	Self financed assets	Jointly financed assets	
Cash and balances with central banks	959,244	104,964	1,064,208
Due from banks and central banks and Sukuk	2,633,677	962,080	3,595,757
Financing receivables and Ijarah assets	97,637	11,526,419	11,624,056
Non-trading investments	9,395,396	809,832	10,205,228
Investment in associates and joint ventures	685,401	-	685,401
Investment properties	675,537	-	675,537
Profit receivable and other assets	861,286	-	861,286
Premises and equipments	187,331	-	187,331
Goodwill and other intangible assets	109,098	-	109,098
	15,604,607	13,403,295	29,007,902

Notes to the Consolidated Financial Statements

At 31 December 2025

20. QUASI-EQUITY (continued)

	2024		Total
	Self financed assets	Jointly financed assets	
	US\$ '000		
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
	15,321,260	11,812,573	27,133,833

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:

	2025		
	Utilisation	Mudarib share and agency fees	Profit to QEH
Account type:			
Mudaraba	100%	92%	8%
Wakala	100%	13%	87%

	2024		
	Utilisation	Mudarib share and agency fees	Profit to QEH
Account type:			
Mudaraba	100%	97%	3%
Wakala	100%	27%	73%

21. EQUITY

	2025	2024
	US\$ '000	US\$ '000
(a) Authorised:		
Share capital		
12,000 million shares (2024: 12,000 million shares) of US\$ 0.25 each	3,000,000	3,000,000

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

(b) Issued and fully paid:

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

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21. EQUITY (continued)

(c) Perpetual Tier 1 Sukuk / Capital Securities

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

	Other comprehensive income						Total other reserves
	Cumulative changes						
	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	OCI reserve	Cash flow hedge reserve	Pension fund reserve *	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2025	17,240	35,090	(939,077)	85,803	-	(55,145)	(856,089)
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)
Balance at 31 December 2025	17,240	35,090	(950,462)	149,706	-	(55,288)	(803,714)

	Other comprehensive income						Total other reserves
	Cumulative changes						
	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	OCI reserve	Cash flow hedge reserve	Pension fund reserve *	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
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.

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At 31 December 2025

22. SHARE PREMIUM AND RESERVES (continued)

i) Dividends proposed and paid

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

j) Distribution on Perpetual Tier 1 Sukuk and Capital Securities

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

23. TAXATION

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

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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 recognised 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:

	2025	2024
	US\$ '000	US\$ '000
Net profit for basic and diluted earnings per ordinary share computation		
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	705,489	694,794
Basic and diluted earnings per ordinary share (US cents)	6.3	6.2

	Number of shares (in millions)	
	2025	2024
Weighted average ordinary shares outstanding during the year for basic and diluted earnings per share	11,147.9	11,147.9

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:

	2025	2024
	US\$ '000	US\$ '000
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
	2,261,394	2,144,838

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 ljarah 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:

	2025				
	US\$ '000				
	Major shareholders	Associates and joint ventures	Board of Directors	Senior management ¹	Other related parties
For the year ended 31 December 2025					
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 ²	309,988	-	-	-	-
Short term employee benefits	-	-	-	9,667	-
End of service benefits	-	-	-	453	-
Directors' fees and related expenses ³	-	-	2,360	-	-
As of 31 December 2025					
Due from banks	580,880	1,572	-	-	-
Financing receivables and ljarah assets	-	-	3,878	189	-
Profit receivable and other assets	1,853	-	135	-	-
Due to banks	621,201	15,939	-	-	-
Customers’ accounts and quasi-equity ⁴	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				
	Major shareholders	Associates and joint ventures	Board of Directors	Senior management ¹	Other related parties
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 ³	-	-	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 ⁴	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).

¹ 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.

² Also, refer to Note 3 for transactions with related parties.

³ 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.

⁴ 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).

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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 Shari'a rules and principles. 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.

Notes to the Consolidated Financial Statements

At 31 December 2025

29. DERIVATIVES (continued)

Derivatives held for hedging purposes

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

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

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

	2025			2024		
	Derivative assets	Derivative liabilities	Notional amounts	Derivative assets	Derivative liabilities	Notional amounts
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Derivatives held as fair value hedges:						
- Profit rate swaps on amortised cost instruments	92,016	70,111	7,336,980	255,960	45,652	6,938,652
- Profit rate swaps on FVTOCI instruments	113,023	27,924	2,935,828	143,034	23,943	2,577,612
	205,039	98,035	10,272,808	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.

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29. DERIVATIVES (continued)

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).

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 utilised, 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:

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

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.

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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.

	Retail banking	Corporate banking	Treasury and investments	Private banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Year ended 31 December 2025:					
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
OPERATING INCOME	157,076	242,009	835,371	57,321	1,291,777
Allowance for impairment, credit losses and others	(27,034)	(19,369)	(76,369)	(7,378)	(130,150)
NET OPERATING INCOME	130,042	222,640	759,002	49,943	1,161,627
Operating expenses	76,573	80,743	139,147	40,756	337,219
PROFIT BEFORE TAX	53,469	141,897	619,855	9,187	824,408
Tax expense					86,347
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS					738,061
Attributable to non-controlling interests					(7,476)
NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK					730,585
Inter segment financing income (cost) included in net financing income above	211,772	(269,382)	(184,859)	242,469	-

	Retail banking	Corporate banking	Treasury and investments	Private banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
As at 31 December 2025:					
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
TOTAL ASSETS					29,007,902
Segment liabilities and quasi-equity	3,429,833	5,416,370	11,514,979	2,157,713	22,518,895
Unallocated liabilities					861,829
TOTAL LIABILITIES AND QUASI-EQUITY					23,380,724

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31. SEGMENT INFORMATION (continued)

	Retail banking	Corporate banking	Treasury and investments	Private banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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
OPERATING INCOME	165,423	268,204	668,471	53,992	1,156,090
(Allowance) / reversal for impairment, credit losses and others	(20,282)	(63,663)	19,587	(1,992)	(66,350)
NET OPERATING INCOME	145,141	204,541	688,058	52,000	1,089,740
Operating expenses	75,384	62,269	144,482	40,429	322,564
PROFIT BEFORE TAX	69,757	142,272	543,576	11,571	767,176
Tax expense					47,202
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS					719,974
Profit after tax for the year from discontinued operations					10,891
Attributable to non-controlling interests					(12,715)
NET PROFIT ATTRIBUTABLE TO THE OWNER OF THE BANK					718,150
Inter segment financing income (cost) included in net financing income above	211,754	(305,439)	(39,750)	133,435	-

	Retail banking	Corporate banking	Treasury and investments	Private banking	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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
TOTAL ASSETS					27,133,833
Segment liabilities and quasi-equity	3,029,578	4,847,263	10,536,302	2,513,765	20,926,908
Unallocated liabilities					758,680
TOTAL LIABILITIES					21,685,588

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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:

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

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

33. CREDIT RISK (continued)

a) Concentration risk (continued)

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.

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

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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:

	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2025				
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

	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 31 December 2024				
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).

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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.

Credit quality rating	Risk rating	Definition
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).

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		
	Assets	Liabilities and quasi-equity	Contingent liabilities on behalf of customers	Assets	Liabilities and quasi-equity	Contingent liabilities on behalf of customers
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Geographic region:						
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
	29,007,902	23,380,724	2,405,790	27,133,833	21,685,588	1,832,971
Industry sector:						
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
	29,007,902	23,380,724	2,405,790	27,133,833	21,685,588	1,832,971

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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:

	Foreign exchange	Profit rate	Diversification effect	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2025	401	101	(100)	402
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.

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

	2025			
	Less than three months	Three months to one year	Over one year	Total
	US\$ '000	US\$ '000	US\$ '000	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
	13,149,436	2,181,362	10,434,481	25,765,279
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
	14,690,457	6,285,363	1,543,075	22,518,895
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)	
Total profit sensitivity gap	5,551,518	(2,895,668)	190,535	
Cumulative profit sensitivity gap	5,551,518	2,655,850	2,846,385	

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At 31 December 2025

35. MARKET RISK (continued)

ii) Profit rate risk (continued)

	2024			
	Less than three months	Three months to one year	Over one year	Total
	US\$ '000	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
	12,403,235	1,347,635	9,584,971	23,335,841
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
	14,322,881	4,695,874	1,908,153	20,926,908
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	4,764,275	(3,203,820)	448,478	
Cumulative profit sensitivity gap	4,764,275	1,560,455	2,008,933	

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 (-)	+/- 10,262	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.

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:

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

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35. MARKET RISK (continued)

iii) Currency risk (continued)

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:

Market indices	Change in equity indices %		Effect on OCI	
			2025	2024
			US\$ '000	US\$ '000
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.

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36. LIQUIDITY RISK (continued)

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 Sukuks has been determined on the basis of liquidity requirements.

	Up to three months	Over three months to one year	Above one year	Undated	Total
31 December 2025	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets					
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
Total	10,656,548	2,990,231	13,717,474	1,643,649	29,007,902
Liabilities and quasi-equity					
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
Total	8,208,094	7,063,190	8,109,440	-	23,380,724
Total owner equity	-	-	400,000	5,227,178	5,627,178
Net liquidity gap	2,448,454	(4,072,959)	5,208,034	(3,583,529)	-

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36. LIQUIDITY RISK (continued)

	Up to three months	Over three months to one year	Above one year	Undated	Total
31 December 2024	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<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
Total	10,646,225	2,455,283	13,187,178	845,147	27,133,833
<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
Total	9,085,539	5,158,085	7,441,964	-	21,685,588
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.

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.

	Up to One month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<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
Total	7,933,534	3,584,554	7,392,757	4,762,416	-	23,673,261
Credit related commitments	336	6,941	110,832	93,925	-	212,034
Derivatives (net)	108,335	-	-	-	-	108,335

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At 31 December 2025

36. LIQUIDITY RISK (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

	Up to One month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<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
Total	8,535,109	3,667,816	6,211,276	3,484,049	-	21,898,250
Credit related commitments	178	5,233	66,750	86,409	-	158,570
Derivatives (net)	371,399	-	-	-	-	371,399

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.

Notes to the Consolidated Financial Statements

At 31 December 2025

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.

	2025			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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

	2024			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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.

Notes to the Consolidated Financial Statements

At 31 December 2025

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%).

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

Notes to the Consolidated Financial Statements

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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:

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

	2025	2024
	US\$ '000	US\$ '000
Accumulated material non-controlling interests as at 31 December:		
KFHE	19,328	13,503
CIBIQ	42,943	39,923
Profit allocated to material non-controlling interests:		
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
	US\$ '000	US\$ '000
Kuwait Finance House (Egypt) S.A.E.		
<i>Balance sheet related information</i>		
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
<i>Income statement related information</i>		
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
<i>Cash flow related information</i>		
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)

Notes to the Consolidated Financial Statements

At 31 December 2025

42. SUBSIDIARIES (continued)

	2025	2024
	US\$ '000	US\$ '000
Commercial Islamic Bank of Iraq P.S.C.		
<i>Balance sheet related information</i>		
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
<i>Income statement related information</i>		
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
<i>Cash flow related information</i>		
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)

Pillar 3 Disclosures - Basel III

Pillar 3 Disclosures - Basel III

Elegant Bahrain National Theatre illuminated against serene waterfront twilight skyline.

Pillar 3 Disclosures - Basel III

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Pillar 3 Disclosures - Basel III

At 31 December 2025

INTRODUCTION TO THE CENTRAL BANK OF BAHRAIN’S BASEL III GUIDELINES

The Central Bank of Bahrain (the "CBB") Basel III Guidelines, based upon the Bank for International Settlements (BIS) Revised Framework – ‘International Convergence of Capital Measurement and Capital Standards’, became applicable from 1 January 2015. Basel III is structured around three ‘Pillars’: Pillar 1 - Minimum Capital Requirements, Pillar 2 – the Supervisory Review and Evaluation Process (SREP) and the Internal Capital Adequacy Assessment Process (ICAAP), and Pillar 3 - Market Discipline.

Group Structure

The public disclosures under this section have been prepared in accordance with the CBB rules concerning Public Disclosure Module ("PD Module"), section PD-1: Annual Disclosure Requirements. The disclosures under this section are applicable to Kuwait Finance House B.S.C. (c) ("KFH Bahrain" or "the Bank"), incorporated in the Kingdom of Bahrain. The Bank operates under an Islamic retail banking license issued by the CBB. The Bank and its subsidiaries (as detailed under note 2.2 to the audited consolidated financial statements) are collectively known as the "Group".

KFH Bahrain is a 100% owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Bahrain" or "Parent"). KFH Bahrain 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 Bursa Kuwait and Bahrain Bourse.

Pillar 1 – Minimum Capital Requirements

Pillar 1 deals with the basis for the computation of the regulatory capital adequacy ratio. It defines the calculation of Risk Weighted Assets (RWAs) for credit risk, market risk and operational risk, as well as the derivation of the regulatory capital base. The capital adequacy ratio is then calculated as the ratio of the Bank’s regulatory capital to its total RWAs. All locally incorporated banks are currently required to maintain a minimum capital adequacy ratio of 12.5%. This includes, mandatory Capital Conservation Buffer (CCB) of 2.5%.

KFH Bahrain had been designated as a Domestic Systemically Important Bank (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, KFH Bahrain is required to maintain minimum total capital adequacy ratio of 14.0%.

The Group ensures that each subsidiary maintains sufficient capital levels for their respective legal and regulatory compliance purposes.

Credit risk

Basel III provides two approaches (Standardised approach and Internal Rating Based approach) to the calculation of credit risk regulatory capital. The Standardised approach, which the Bank has adopted, require banks to use external credit ratings to determine the risk weightings applied to rated counterparties, and groups other counterparties into broad categories and applies standardised risk weightings to such categories.

Market risk

The Bank has adopted the Standardised approach for determining the market risk capital requirement.

Operational risk

Under the Basic Indicator Approach (BIA), which the Bank has adopted for operational risk, the regulatory capital requirement for operational risk is calculated by applying a co-efficient of 15 per cent to the average gross income for the preceding three financial years.

Pillar 2 – The Supervisory Review and Evaluation Process (SREP) and Internal Capital Adequacy Assessment Process (ICAAP)

Pillar 2 involves the process of supervisory review of a financial institution’s risk management framework and its capital adequacy.

Accordingly, this involves both the Bank and its regulators taking a view on whether additional capital should be held against risks not covered in Pillar 1. Part of the Pillar 2 process is the ICAAP, which is the Bank’s self assessment of risks not captured by Pillar 1 and based on CBB’s guidelines and ICAAP module under the CBB rulebook.

As part of the CBB’s Pillar 2 guidelines, each bank is required to be individually reviewed and assessed by the CBB with the intention of setting individual minimum capital adequacy ratios.

Pillar 3 – Market Discipline

Pillar 3 is related to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process. The disclosures in this report are in addition to the disclosures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2025.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

PILLAR 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES

For the purpose of computing regulatory minimum capital requirements, the Group follows the rules as laid out under the Capital Adequacy (CA) Module of the CBB Rulebook. Accordingly;

- a) All subsidiaries as per note 2.2 to the audited consolidated financial statements are consolidated on a line by line basis in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"), as explained in note 2.1 to the audited consolidated financial statements for the year ended 31 December 2025. Non-controlling interest arising on consolidation is incorporated under respective tiers of capital as per the CBB rules.
- b) Investments in associates and joint ventures as reported under note 10 to the audited consolidated financial statements for the year ended 31 December 2025 are treated as "Significant Investment in Financial and commercial Entities". These are risk weighted as per CBB Basel III guidelines;
- c) Goodwill and intangibles are deducted from CET1 Capital; and
- d) As part of CBB's COVID relief measures outlined in circular OG/226/2020 (dated 21 June 2020) and OG/28/2022 (dated 28 June 2022), additional Expected Credit Losses (ECL) Stages 1 and 2 for the year 2020, are added back to CET1 capital. Accordingly, Stage 1 and 2 ECL, net of any additional ECL for the year ending 31 December 2020, are included in Tier 2 capital, up to a maximum threshold of 1.25% of Credit Risk Weighted Assets. The relief was subject to a three-year phaseout and was completely phased out by December 2025.

1. CAPITAL STRUCTURE

TABLE - 1 CAPITAL STRUCTURE

A. NET AVAILABLE CAPITAL	US\$ '000		
	CET 1	AT 1	Tier 2
NET AVAILABLE CAPITAL	4,964,071	402,422	240,319
TOTAL ELIGIBLE CAPITAL BASE (CET1 + AT1 + Tier2)			5,606,812
RISK WEIGHTED EXPOSURES			
Credit Risk Weighted Exposures			15,901,609
Market Risk Weighted Exposures			205,092
Operational Risk Weighted Exposures			1,770,733
TOTAL RISK WEIGHTED EXPOSURES			17,877,434
CET1 and Capital Conservation Buffer (CCB)			27.8%
Tier 1 - Capital Adequacy Ratio (CET1, AT1 and CCB)			30.0%
Total - Capital Adequacy Ratio			31.4%

By virtue of CBB's circular OG/226/2020 dated 21 June 2020 and OG/28/2022 (dated 28 June 2022), for the purposes of capital adequacy computations and for prudential reporting to the CBB, the Group has added back the modification loss, net of the financial assistance from Government and aggregate ECL provision charge for the year ended 31 December 2020 relating to exposures classified as Stage 1 and Stage 2 to the Common Equity Tier (CET1) Capital. Refer to Appendix I for details. The Bank amortised the modification loss in accordance with central bank regulations

B. CAPITAL ADEQUACY RATIO (PD 1.3.20)

As at 31 December 2025, the capital adequacy ratio of banking subsidiaries under Basel III, unless mandated otherwise were:

	Subsidiaries		
	Kuwait Finance House (U.K.) PLC (KFH UK)	Kuwait Finance House (Egypt) S.A.E. (KFHE)	Commercial Islamic Bank of Iraq P.S.C. (CIBIQ)
Tier 1 - Capital Adequacy Ratio	20.1%	15.2%	123.6%
Total - Capital Adequacy Ratio	20.1%	16.2%	123.7%

Pillar 3 Disclosures - Basel III (Continued)

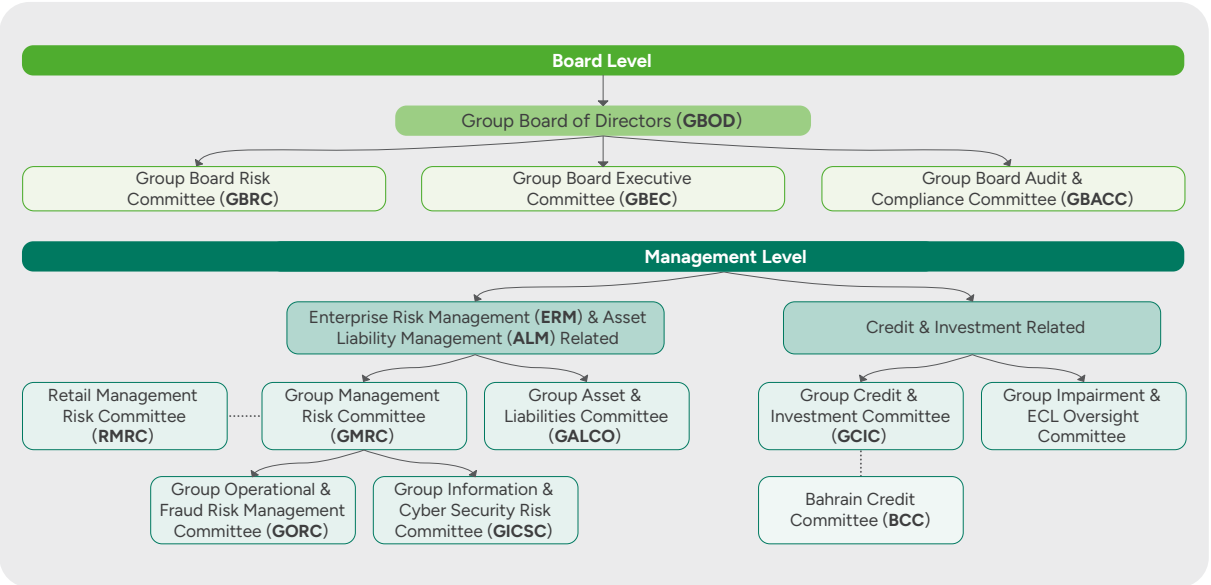
At 31 December 2025

2. GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE

Risk Management Governance

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

Group Risk Management Governance Structure



The above Group committees 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. The Group Board Risk Committee has oversight over the Group's risk management framework and activities.

Group Risk Management Framework

The overall authority for risk management in the Group is vested in the Group Board of Directors, which has established a Group Board Risk Committee ("GBRC") to assist the GBOD in fulfilling its oversight and governance responsibilities related to present and emerging risks, risk strategies and risk appetite associated with KFH Bahrain's financing, investment and other business activities. The GBRC reviews, oversees and monitors adherence of KFH Bahrain to the risk appetite and framework and acts as a general forum for discussions of any risks faced by the Bank potentially resulting in financial or reputational losses.

The Deputy Group CEO – Risk & Compliance reports directly to the GBRC and administratively to the Group CEO. The Group Risk Management Division comprises of seven departments including:

- i) Group Enterprise Risk Management Department,
- ii) Group Wholesale Banking Credit Risk Management Department (responsible for independent pre-approval analysis of credit proposals),
- iii) Group Investment, Market and Liquidity Risk Management Department,
- iv) Group Operational & Fraud Risk Management and Business Continuity Management (BCM) Department,
- v) Retail Credit Risk Management,
- vi) Group Wholesale Banking Remedial Management Department, and
- vii) Group Information & Cyber Security and Technology Risk Management Department.

Approval authorities are delegated to different functionaries in the hierarchy (based on the four-eyes principle of Business approval with Risk Management recommendation) as well as various committees depending on the amount and type / nature of risk.

The Internal Audit Department is responsible for the independent review of risk management and the Group's risk control environment. The Group Board Audit & Compliance Committee (GBACC) considers the adequacy and effectiveness of the Group risk control framework and receives quarterly updates on control, regulatory and compliance related issues. The responsibility for ensuring and adhering to the rules and principles of Shari'a lies with the Bank's management, while the Shari'a Supervisory Board (SSB) responsibility is limited to form an independent Shari'a opinion based on what has been presented and reviewed of the Bank's operations and in preparing their annual report to the Shareholders. The Shari'a Supervisory Board comprises of 4 members.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT

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 has policies and procedures in place to monitor and manage these risks and the Group Risk Management function provides high-level centralised oversight and management of credit risk. The specific responsibilities of Group Risk Management are to:

- Set credit risk management policy and risk appetite for credit risk exposure to specific market sectors;
- Control exposures to sovereign entities, banks and other financial institutions and set risk ratings for individual exposures. Credit and settlement risk limits to counterparties in these sectors are reviewed by Group Risk Management, to optimise the use of credit availability and avoid risk concentration;
- Monitor cross-border exposures, through the centralised setting of country limits with sub-limits by maturity and type of business;
- Monitor large credit exposures, ensuring that concentrations of exposure by counterparty, sector or geography remain within internal and regulatory limits in relation to the Group's capital base;
- Maintain the Group's Internal Risk Rating Framework;
- Manage watchlisted and criticised asset portfolios and recommend appropriate level of Exepcted Credit Loss ("ECL") and write-offs;
- Maintain the Expected Credit Loss models across the Group entities;
- Review ECL as part of the Group Impairment & ECL Oversight Committee;
- Report to the GMRC, GBRC and the GBOD on all relevant aspects of the Group's credit risk portfolio. Regular reports include detailed analysis of:
 - risk concentrations and limit adherence;
 - asset quality of the financing portfolio;
 - specific higher-risk portfolio segments, e.g. real estate;
 - individual large impaired accounts, and details of impairment allowances; and
 - country limits, cross-border exposures.
- Specialised management and control of Wholesale Banking non-performing assets;
- Manage and direct credit risk management systems initiatives; and
- Interface, for credit-related issues, with external parties including the Central Bank of Bahrain (CBB), rating agencies, investment analysts, etc.

All credit proposals are subjected to a thorough comprehensive risk assessment, which examines the customer's financial condition and trading performance, nature of the business, quality of management and market position. In addition, KFH Bahrain's internal risk rating model scores these quantitative and qualitative factors. The credit approval decision is then made and terms and conditions are set. Exposure limits are based on the aggregate exposure to the counterparty and any connected entities across the Bank. All corporate credit exposures are reviewed at least annually.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

Counterparty Exposure Class

The CBB's Capital Adequacy framework for the Standardised Approach for Credit Risk sets the following counterparty exposure classes and the risk weightings to be applied to determine risk weighted assets:

Exposure Class	Risk Weighting Criteria
Sovereign Portfolio	Exposures to governments of GCC member states and their central banks including International Organizations and Multilateral Development Banks (MDBs) are zero % risk weighted. Other sovereign exposures denominated in the relevant domestic currency are also zero % risk weighted. All other sovereign exposures are risk weighted based on their External Credit Assessment Institutions (ECAI) ratings.
Public Sector Entity (PSE) Portfolio	Bahraini PSEs and domestic currency claims on other sovereign PSEs (which are assigned a zero % risk weighting by their own national regulator) are assigned a zero % risk weighting. All other PSEs are risk weighted based on their ECAI ratings.
Banks Portfolio	Exposures to banks are risk weighted based on their ECAI ratings, with a preferential risk weighting given to short term exposures (i.e. with an original tenor of 3 months or less).
Investment Firms Portfolio	Exposures to category one and category two investment firms which are licensed by the CBB are treated in the same way as exposures to banks but without the preferential short term risk weighting. Exposures to other investment firms are treated in the same way as exposures to corporates for risk weighting purposes.
Corporate Portfolio	Exposures to corporates are risk weighted based on their ECAI ratings. Unrated corporates are risk weighted at 100% and exposures to Connected Counterparties and Large Exposures to the extend of non-exempt exceeding the limits prescribed in the CBB Rulebook are risk weighted at 800%.
Regulatory Retail Portfolio	Eligible regulatory retail exposures are risk weighted at 75% except for past due receivables.
Residential Real Estate (RRE) Portfolio	Exposures fully secured by first mortgages on owner occupied RRE are risk weighted between 35%-75% based on applicable regulatory guidance. Residential mortgage exposures granted under the Social Housing Schemes of the Kingdom of Bahrain are risk weighted at 25%.
Commercial Real Estate Portfolio	Exposures secured by mortgages on commercial real estate are subject to a minimum 100% risk weighting, except where the obligor has an ECAI rating below BB- in which case the risk weighting corresponding to the rating applies.
Equities and Funds Investment Portfolio	Investments in listed equities carry a 100%-250% risk weighting. Unlisted equities are 150%-250% risk weighted. Investments in funds are risk weighted according to the type of underlying assets using the look through approach.
Past Due Receivables	The unsecured portion of any exposure (other than residential mortgage financing which are risk weighted at 100%) that is past due for 90 days or more: - 150% risk weighted when expected credit loss (Stage 3) is less than 20% of the outstanding amount; and - 100% risk weighted when expected credit loss (Stage 3) is greater than 20%.
Holdings of Real Estate	Premises occupied by the Bank are weighted at 100%. Investments in Real Estates (e.g. by way of investments in the common equity of subsidiaries or associates or joint ventures or other arrangements such as trusts, funds or REITs including companies) must be risk-weighted at either 200% 300% or 400% as per the rulebook guidelines.
Other Assets	All other assets not classified above are risk weighted at 100%.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

External Rating Agencies

The Group uses the following ECAI's: Moody's, Standard & Poors and Fitch.

Basel III Reporting of Credit Risk Exposures

As a result of the methodologies applied in credit risk exposures presented under Basel III reporting, which differs in many ways from the exposures reported in the consolidated financial statements.

1. As per the CBB Basel III framework, off balance sheet exposures are converted, by applying a Credit Conversion Factor (CCF), into direct credit exposure equivalents.
2. Under the Basel III capital adequacy framework, eligible collateral is applied after applying prescribed haircuts, to reduce the exposure.

Credit Risk Mitigation

The Group's first priority when disbursing a financing is to establish the borrower's capacity to repay and not rely principally on security / collateral obtained. Where the customer's financial standing is strong, facilities may be granted on an unsecured basis, but when necessary collateral is an essential credit risk mitigation.

Acceptable forms of collateral are defined within the Group Risk Management framework and conservative valuation parameters are also pre-set and regularly reviewed to reflect any changes in market conditions. Security structures and legal covenants are also subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with the CBB's prescribed minimum requirements set out in their Capital Adequacy regulations.

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.

Valuation of Collateral

The type and amount of collateral taken is based upon the credit risk assessment of the obligor. The market or fair value of collateral held is closely monitored and when necessary, top-up requests are made or liquidation is initiated as per the terms of the underlying credit agreements.

Gross Credit Risk Exposures subject to Credit Risk Mitigations (CRM)

The following table details the Group's gross credit risk exposures before the application of eligible Basel III CRM techniques. The CBB's Basel III guidelines detail which types of collateral and which issuers of guarantees are eligible for preferential risk weighting. The guidelines also specify the minimum collateral management processes and collateral documentation requirements necessary to achieve eligibility.

TABLE - 2 GROSS CREDIT RISK EXPOSURES

	US\$ '000			
	As at 31 December 2023	Average monthly balance	Self financed %	Jointly financed %
Balances with central banks	998,239	911,266	3.2%	0.4%
Due from central banks and Sukuk	1,056,365	1,082,028	0.4%	3.6%
Due from banks	2,539,392	2,110,664	9.4%	0.0%
Financing receivables and Ijarah assets	11,624,056	10,243,269	0.4%	42.9%
Non-trading investments	10,098,227	9,738,264	34.5%	3.0%
Profit receivable and other assets	579,285	615,741	2.2%	0.0%
TOTAL FUNDED EXPOSURES	26,895,564	24,701,232	50.1%	49.9%
Contingent liabilities	2,405,790	2,174,290	91.9%	0.0%
Unutilised financing commitments	212,034	140,702	8.1%	0.0%
TOTAL UNFUNDED EXPOSURES	2,617,824	2,314,992	100.0%	0.0%
TOTAL GROSS CREDIT RISK EXPOSURE	29,513,388	27,016,224	54.6%	45.4%

The gross credit exposures reported represents items from the consolidated balance sheet carrying credit risk.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

TABLE 3 - RISK WEIGHTED EXPOSURES AND CAPITAL REQUIREMENT

A) Overall - Risk Weighted Exposures And Capital Requirement

	US\$ '000				US\$ '000				Gross Exposure (%)	
	Self Financed (A)				Jointly Financed (B)					
	Gross exposures	Secured by eligible CRM	Risk weighted exposures after CRM	Capital requirement (a)	Gross exposures	Secured by eligible CRM	Risk weighted exposures after CRM	Capital requirement (a)	Risk weighted exposures after CRM	Capital requirement (a)
Claims on sovereigns and MDBs	5,355,105	-	883,398	123,676	2,258,659	-	87,145	12,200	16.6%	7.0%
Claims on public sector entities	1,415,761	-	916,935	128,371	1,075,553	-	52,385	7,334	4.4%	3.3%
Claims on banks	4,187,193	-	1,816,344	254,288	92,007	-	12,033	1,685	13.0%	0.3%
Claims on corporates	5,120,885	33,604	4,048,294	566,761	7,886,728	485,003	2,204,204	308,589	15.9%	24.5%
Regulatory retail exposures	4,586	211	3,282	459	928,498	95,701	185,228	25,932	0.0%	2.9%
Residential mortgage exposures	12,711	-	4,907	687	1,434,895	-	213,621	29,907	0.0%	4.4%
Equity	61,587	-	116,197	16,268	11,934	-	5,127	718	0.2%	0.0%
Investments in funds	14,321	-	20,035	2,805	28,945	-	13,025	1,824	0.0%	0.1%
Other exposures	2,403,767	-	5,319,273	744,699	1,113	-	176	25	7.4%	0.0%
TOTAL	18,575,916	33,815	13,128,665	1,838,014	13,718,332	580,704	2,772,944	388,211	57.5%	42.5%

	Total (A) + (B)	
	Risk weighted exposures after CRM	Capital requirement
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH) - (a+b)	15,901,609	2,226,225
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	205,092	28,713
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH) *	1,770,733	247,903
Total	17,877,434	2,502,841

*Indicator for operational risk exposure is gross income, adjusted for exceptional items, as per BIA. This approach uses average of adjusted gross income for previous three financial years (US\$ 944,391 thousands) for operational risk computation.

The gross exposure in the above table represents the on and off balance sheet credit exposures before Credit Risk Mitigations (CRM), determined in accordance with the CBB Pillar 3 guidelines. The off balance sheet exposures are computed using the relevant credit conversion factors.

Under the CBB Basel III Guidelines, banks may choose between two options when calculating credit risk mitigation capital relief. The simple approach which substitutes the risk weighting of the collateral for the risk weighting of the counterparty or the comprehensive approach whereby the exposure amount is adjusted by the actual value ascribed to the collateral. The Group has selected to use the comprehensive method where collateral is in the form of cash or bonds or equities. The Group uses a range of risk mitigation tools including collateral, guarantees, credit derivatives, netting agreements and financial covenants to reduce credit risk.

B) Capital Requirements By Type of Islamic Financing Contract

Type of Islamic Financing Contracts	US\$ '000
	Capital Requirement
Murabaha and Tawarruq	357,158
Ijarah	24,389
Others	12,266
Total	393,813

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

TABLE - 4 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US\$ '000						Total
	GCC countries	United Kingdom	Europe (excluding United Arab Republic of Egypt)	Asia (excluding GCC countries)	Rest of the World		
Balances with central banks	178,291	349,415	-	407,627	62,907	-	998,240
Due from central banks and Sukuk	726,393	-	-	329,972	-	-	1,056,365
Due from banks	892,065	265,216	313,634	139,033	47,862	881,582	2,539,392
Financing receivables and Ijarah assets	6,672,341	1,662,374	234,046	2,395,876	473,589	185,830	11,624,056
Non-trading investments	6,911,763	55,622	731,242	536,753	873,177	989,670	10,098,227
Profit receivable and other assets	201,800	228,112	61,228	50,511	21,619	16,014	579,284
Total funded exposures	15,582,653	2,560,739	1,340,150	3,859,772	1,479,154	2,073,096	26,895,564
Contingent liabilities	908,051	6,556	496,828	487,123	394,571	112,661	2,405,790
Unutilised financing commitments	118,644	45,070	-	47,917	-	403	212,034
Total unfunded exposures	1,026,695	51,626	496,828	535,040	394,571	113,064	2,617,824
TOTAL	16,609,348	2,612,365	1,836,978	4,394,812	1,873,725	2,186,160	29,513,388
	56.3%	8.9%	6.2%	14.9%	6.3%	7.4%	100.0%
Self financed % - Funded	29.7%	3.4%	4.1%	2.8%	3.6%	6.5%	50.1%
Jointly financed % - Funded	28.3%	6.1%	0.9%	11.6%	1.8%	1.2%	49.9%

TABLE - 5 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US\$ '000				Funded		Unfunded
	Funded	Unfunded	Total	%	%Self Financed	%Jointly Financed	%Self Financed
Balances with central banks	2,054,604	-	2,054,604	7.0%	4.0%	3.7%	0.0%
Banks and other financial institutions	4,982,310	172,253	5,154,563	17.5%	13.6%	4.9%	6.6%
Consumer/personal	1,162,765	19,431	1,182,196	4.0%	0.1%	4.3%	0.7%
Residential mortgage	1,161,391	5,992	1,167,383	4.0%	0.1%	4.2%	0.2%
Trading and manufacturing	4,466,291	813,557	5,279,848	17.9%	5.0%	11.6%	31.1%
Real estate	2,385,423	7,066	2,392,489	8.1%	1.4%	7.4%	0.3%
Services	2,776,767	908,600	3,685,367	12.5%	3.5%	6.9%	34.7%
Government/public sector	7,141,263	79,269	7,220,532	24.5%	22.2%	4.4%	3.0%
Others	764,750	611,656	1,376,406	4.7%	0.2%	2.5%	23.4%
TOTAL	26,895,564	2,617,824	29,513,388	100.0%	50.1%	49.9%	100.0%
Jointly financed %	91.1%	8.9%	100.0%				

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

TABLE - 6 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US\$ '000							Total
	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five to ten years	Over ten to twenty years	Over twenty years	
Balances with central banks	998,239	-	-	-	-	-	-	998,239
Due from central banks and Sukuk	718,684	75,451	262,230	-	-	-	-	1,056,365
Due from banks	2,272,082	101,785	-	165,525	-	-	-	2,539,392
Financing receivables and Ijarah assets	1,058,089	927,986	2,591,215	4,668,475	1,861,485	432,649	84,157	11,624,056
Non-trading investments	198,223	46,586	362,189	4,622,058	3,564,555	406,100	898,516	10,098,227
Profit receivable and other assets	332,961	32,927	61,734	143,305	4,807	18	3,533	579,285
Total funded exposures	5,578,278	1,184,735	3,277,368	9,599,363	5,430,847	838,767	986,206	26,895,564
Contingent liabilities	719,421	385,310	1,084,219	213,174	3,666	-	-	2,405,790
Unutilised financing commitments	336	6,941	110,832	93,925	-	-	-	212,034
Total unfunded exposures	719,757	392,251	1,195,051	307,099	3,666	-	-	2,617,824
TOTAL	6,298,035	1,576,986	4,472,419	9,906,462	5,434,513	838,767	986,206	29,513,388
Self financed % - Funded	13.9%	0.7%	1.5%	16.6%	12.5%	1.5%	3.4%	50.1%
Jointly financed % - Funded	6.9%	3.7%	10.6%	19.1%	7.7%	1.6%	0.3%	49.9%
Self financed % - Unfunded	1.4%	7.0%	55.2%	34.0%	2.4%	0.0%	0.0%	100.0%

Allowances for expected credit loss

Refer note 2.4 (ii) of the consolidated financial statements of the Group for the year ended 31 December 2025 for further details around ECL model.

The Group Impairment & ECL Oversight Committee regularly evaluates the adequacy of the established allowances for impaired financing.

TABLE - 7 SECTORAL BREAKDOWN OF IMPAIRED FINANCING RECEIVABLES AND IMPAIRMENT ALLOWANCES

	US\$ '000				
	Impaired financing receivables (Stage 3) as at 31 December 2025	ECL allowances (Stage 3) as at 31 December 2025	Net ECL charge (stage 3) for the year ended 31 December 2025	Write-offs during the year ended 31 December 2025	ECL allowances (Stage 1 & Stage 2) as at 31 December 2025
Consumer/personal	35,297	34,709	26,017	28,332	22,947
Trading and manufacturing	53,111	50,164	27,253	19,538	93,296
Real estate	102,429	94,889	15,403	-	66,869
Residential mortgage	78,173	27,544	6,532	422	2,047
Banks and other financial institutions	840	840	-	-	4,145
Services	32,262	32,052	14,416	5,065	69,516
Government/public sector	-	-	-	-	2,183
Others	578	512	823	2,049	45,085
TOTAL	302,690	240,710	90,444	55,406	306,088

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

TABLE - 8 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT ALLOWANCES FOR FINANCING RECEIVABLES

	US\$ '000						Total
	GCC countries	United Kingdom	Europe (excluding United Kingdom)	Arab Republic of Egypt	Asia (excluding GCC countries)	Rest of the world	
ECL allowances (Stage 1 & 2)	180,618	1,380	7,120	114,153	1,440	1,377	306,088
ECL allowances (Stage 3)	183,649	19,833	-	36,672	122	434	240,710
TOTAL	364,267	21,213	7,120	150,825	1,562	1,811	546,798

TABLE - 9 ECL ALLOWANCE MOVEMENTS FOR FINANCING RECEIVABLES AND IJARAH ASSETS

Refer note 8 (g) of the consolidated financial statements of the Group for the year ended 31 December 2025 for ECL allowance movements for financing receivables and Ijarah assets.

Impaired Credit Facilities

As per CBB guidelines, credit facilities are placed on non-accrual status and profit income suspended when either principal or profit is overdue by 90 days or more whereupon unpaid and accrued profit is reversed from income. Profit on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for ECL in accordance with FAS 30 guidelines. Financial instruments where there is objective evidence of impairment are considered to be credit impaired and the allowance for credit losses captures the life time expected credit losses.

For definition of default, refer to note 2.5(g) to the audited consolidated financial statements for the year ended 31 December 2025.

Refer to notes 8(a) to 8(i) and note 33(c) to the audited consolidated financial statements for the year ended 31 December 2025 for the distribution of the financing receivables portfolio.

Ratings 1 - 4 comprise of credit facilities demonstrating financial condition, risk factors and capacity to repay that are excellent to good and retail obligor where cash collateral (or equivalent such as pledged investment funds) has been provided.

Ratings 5 - 7 represents satisfactory risk and includes credit facilities that require closer monitoring, and retail accounts which are maintained within generally applicable product parameters.

Ratings 8 - 10 represents substandard doubtful through to loss.

TABLE - 10 IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS

	US\$ '000			
	Three months to one year	Over one to three years	Over three years	Total
i) By Geographical region				
GCC countries	38,570	96,046	56,983	191,599
United Kingdom	52,509	21,201	-	73,710
Arab Republic of Egypt	20,787	15,162	816	36,765
Asia (excluding GCC countries)	159	-	23	182
Rest of the World	-	434	-	434
TOTAL	112,025	132,843	57,822	302,690
	37.0%	43.9%	19.1%	100%
ii) By Industry sector				
Consumer/personal	22,609	6,567	6,120	35,296
Trading and manufacturing	26,841	25,434	836	53,111
Real estate	3,839	48,415	50,175	102,429
Residential mortgage	54,297	23,270	607	78,174
Banks and other financial institutions	-	840	-	840
Services	4,249	27,953	59	32,261
Others	190	364	25	579
TOTAL	112,025	132,843	57,822	302,690
	37.0%	43.9%	19.1%	100%

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

3. CREDIT RISK MANAGEMENT (continued)

TABLE - 11 RESTRUCTURED CREDIT FACILITIES

	US\$ '000
Balance of any restructured credit facilities as at period end	732,652
Financing receivables restructured during the period	302,382

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the financing tenor.

TABLE - 12 BREAKUP OF GROSS EXPOSURE COVERED BY COLLATERAL

Portfolios	US\$ '000	
	Total exposures covered by eligible collateral (after appropriate haircuts)	Guarantees
Murabaha and Tawarruq	551,318	-
Ijarah	177,975	-
Others	6,142	-
Total	735,434	-

TABLE - 13 COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS

The Group uses the Current Exposure Method (CEM) to calculate the exposure for counterparty credit risk for derivative instruments as per CBB Basel III guidelines. The table below represent net credit equivalent exposure after giving effect to master netting agreements.

i) Breakdown of the credit exposure

	US\$ '000	
	Notional amount	Credit Equivalent Exposure
a) Derivatives utilised for customer-focused activities		
Foreign Exchange Contracts (WAAD)	5,518,431	38,782
Profit Rate Swaps (PRS)	1,620,159	76,900
Others	7,671	8
	7,146,261	115,691
b) Banking (Derivatives held as fair value hedges)		
Profit Rate Swaps (PRS)	10,272,808	255,902
	10,272,808	255,929
	17,419,069	371,620

	US\$ '000
ii) Amounts of cash collateral	16,100

TABLE - 14 RELATED PARTY TRANSACTIONS

Refer note 26 to the audited consolidated financial statements of the Group for the year ended 31 December 2025. Related party transactions are entered with related parties in ordinary course of business at arm's length. Further, as of 31 December 2025, exposures in excess of limits prescribed by Credit Risk Management Module amounted to US\$ 585.9 million, of which US\$ 32.0 million is risk-weighted at 800%. (Over the CBB's exemption limit).

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

4. MARKET RISK

Market risk is the risk that movements in market risk factors, including foreign exchange rates, profit rates, credit spreads and equity prices will reduce the Group’s income or the value of its portfolios.

Market Risk Management, Measurement and Control Responsibilities

The BOD approves the overall market risk appetite and delegates responsibility for providing oversight on the Bank’s market risk exposures and the sub allocation of BOD limits to the Group Asset and Liability Committee (GALCO). Group Risk Management is responsible for the market risk control framework and for monitoring compliance with the GALCO limit framework.

The Group separates market risk exposures into either customer-focused activities (Trading) or hedging activities (Non-Trading). Trading portfolios include those positions arising from market-making, proprietary position-taking and other marked-to-market positions. Non-trading portfolios include positions that arise from the foreign exchange/profit rate management of the Group’s retail and commercial banking assets and liabilities, and financial assets designated at amortised cost and fair value through other comprehensive income.

Each Group operating entity has an independent market risk function which is responsible for measuring market risk exposures in accordance with the Group Market Risk Policy and the Profit Rate Risk in the Banking Book Policy, and monitoring these exposures against prescribed limits.

Market risk reports covering Trading Book risk exposures and profit and loss are published daily to the Bank’s senior management. A risk presentation covering both Trading and Banking Book is also compiled monthly and discussed at the GALCO.

The measurement techniques used to measure and control market risk include:

- Value at Risk (VaR);
- Stress tests; and
- Sensitivities and position size related metrics.

Daily Value at Risk (VaR)

The Group VaR is an estimate of the potential loss which might arise from unfavourable market movements:

VaR Type	Sample Size	Holding Period	Confidence Interval	Frequency of Calculation
1 Day VaR	260 days	1 day	99%	Daily
10 Day VaR	260 days	10 day	99%	Daily

Daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days depending on the confidence interval employed in the VaR calculation (per the above). The Group routinely validates the accuracy of its VaR models by backtesting the actual daily profit and loss results. The actual number of excesses over a given period can be used to gauge how well the models are performing.

Although a useful guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a confidence level, by definition, does not take into account losses that might occur beyond the applied level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The VaR for the Group was as follows:

	US\$ '000		
	Average	Minimum	Maximum
For the year 2025	477	180	1,616

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

4. MARKET RISK (continued)

TABLE - 15 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	US\$ '000			
	Risk-weighted exposures after CRM	Capital requirement	Maximum value	Minimum value
Profit rate risk	137,687	19,276	19,276	14,622
Equity position risk	20,563	2,879	2,879	2,260
Foreign exchange risk	46,714	6,540	44,797	6,540
Others	124	17	24	1
	205,088	28,713	66,977	23,424

TABLE - 16 EQUITY POSITION RISK IN BANKING BOOK

The following table summarizes the amount of total and average gross exposure of equity investments and funds as of 31 December 2025:

	US\$ '000					
	Total gross exposures	Average gross exposure ⁽¹⁾	Listed	Unlisted	Risk weighted assets	Capital requirements
Equity instruments *	59,811	65,283	23,917	35,894	99,008	13,861
Funds	47,189	47,972	2,891	44,298	27,885	3,904
	107,001	113,255	26,808	80,193	126,893	17,765

* Excluding the investment in associates and joint ventures which are not subject to equity position risk

Average balances are computed based on quarter end balances.

Profit Rate Risk

Profit rate risk is the risk that the earnings or capital of the Group, or its ability to meet business objectives, will be adversely affected by movements in profit rates. Accepting this risk is a normal part of banking practice and can be an important source of profitability and shareholder value. Changes in profit rates can affect a bank's earnings by changing its net profit income and the level of other profit sensitive income and operating expenses. Changes in profit rates also affect the underlying value of the Group’s assets, liabilities and off-balance sheet instruments because the present value of future cash flows and / or the cash flows themselves change when profit rates change. The Bank employs a risk management process that maintains profit rate risk within prudent levels.

The BOD recognises that it has responsibility for understanding the nature and the level of profit rate risk taken by the Bank, and has defined a risk framework pertaining to the management of non-trading profit rate risk and has identified lines of authority and responsibility for managing profit rate risk exposures.

The BOD has delegated the responsibility for the management of profit rate risk to GALCO which is responsible for setting and monitoring the profit rate risk strategy of the Group, for the implementation of the profit rate risk framework and ensuring that the management process is in place to maintain profit rate risk within prudent levels.

GALCO reviews the profit rate risk framework annually and submits recommendations for changes to the Board Risk Committee and BOD as applicable.

The responsibility for the implementation of the Group's profit rate risk policies resides with the Group Treasurer. An independent review and measurement of all profit exposure present in the banking book is undertaken by the Group Market & Counterparty Credit Risk Management team and reported to GALCO on a monthly basis.

Profit rate re-pricing reports are based on each product's contractual re-pricing characteristics overlaid where appropriate by behavioural adjustments. Behavioural adjustments are derived by an analysis of customer behaviour over time augmented by input from the business units.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

4. MARKET RISK (continued)

The behavioural adjustments are applied mainly for those liabilities with no fixed maturity dates such as current and savings accounts. These adjustments are based on empirical experience, and current account balances are spread over a maximum period of 5 years, while savings accounts are spread over a maximum period of 7 years.

Reports detailing the profit rate risk exposure of the Group are reviewed by GALCO and the BOD on a regular basis.

Refer note 35 to the audited consolidated financial statements for the year ended 31 December 2025 for the re-pricing profiles of the Group's assets and liabilities.

Rate of Return Risk

The Bank actively manages its rate of return risk to ensure compliance with the Board's risk appetite and to safeguard the interests of all stakeholders. This risk arises from mismatches in the repricing of assets and liabilities or changes in market conditions that could affect the Bank's profitability. The Bank's approach involves closely monitoring the rate of return gap across various timeframes and assessing the sensitivity of earnings to profit rate movements.

The management of rate of return risk is overseen by the Group Asset and Liability Committee (GALCO), which sets policies, monitors exposures, and implements strategies to mitigate potential risks. GALCO reviews key metrics such as the rate of return sensitivity, duration gaps, and yield curve shifts to ensure the Bank remains resilient to fluctuations in market rates.

To further mitigate rate of return risk, the Bank employs robust modeling techniques, including scenario analysis and stress testing, to understand the potential impact of adverse rate movements. Hedging strategies and adjustments to the composition of rate-sensitive assets and liabilities are employed as needed to align with the Bank's risk tolerance.

This proactive and structured approach enables the Bank to maintain a stable rate of return for depositors and investment account holders while safeguarding profitability.

Displaced Commercial Risk (DCR)

DCR refers to the market pressure to pay returns to Quasi-Equity Account Holders (QEAHs) that exceeds the rate that has been earned on the assets financed by the QEAHs, when the return on assets is under performing as compared with competitor's rates.

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 QEAHs 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.

TABLE - 17 PROFIT RATE RISK SENSITIVITY ANALYSIS

The Group's profit rate risk sensitivity is analysed in note 35(ii) to the audited consolidated financial statements for the year ended 31 December 2025.

The impact of a +/- 200bps profit rate shock on assets and liabilities which, are carried at fair value and the consequent impact on equity as of 31 December 2025 is as per the following table.

	US\$ '000		
	Assets	Liabilities	Equity
at 200 bps - increase (+)	299,857	(300,602)	(745)
at 200 bps - decrease (-)	(299,857)	300,602	745

Equity Risk

Equity risk is the risk of changes in the fair value of an equity instrument. The Group is exposed to equity risk on non-trading equity positions that are primarily focused on the GCC stock markets. The BOD has set limits on the amount and type of investments that may be made by the Bank. This is monitored on an ongoing basis by the Group Management Risk Committee with pre approved loss thresholds. The Bank's equity risk appetite is minimal.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

4. MARKET RISK (continued)

Valuation and accounting policies:

a) Equity investments held for strategic reasons - investments in associates

Associated companies are companies in which the Group exerts significant influence but does not control, normally represented by an interest of between 20% and 50% in the voting capital. Investments in associated companies are accounted for using the equity method.

b) Other 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.

The fair value of equity instruments that are quoted in an active market is determined by reference to market prices at the close of business on the balance sheet date. For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined using net present valuation techniques.

For accounting policies on equity instruments, please refer to note 2.5(c) (iv) of the audited consolidated financial statements for the year ended 31 December 2025.

TABLE - 18 GAIN / (LOSS) ON EQUITY INSTRUMENTS

	US\$ '000
Net gain/(loss) recognised in Tier1 Capital (CET1)	
Net unrealised gain/(loss) recognised in the balance sheet	(5,015)

5. LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk and funding management of the Group have been explained in note 36 of audited consolidated financial statements for the year ended 31 December 2025.

The Bank employs a comprehensive approach to managing its liquidity profile, ensuring alignment with the Board's risk appetite and regulatory requirements. This is achieved through detailed analysis of liquidity gaps across multiple time buckets, supported by robust monitoring of key liquidity indicators. To mitigate liquidity risk, the Bank has established a diversified funding framework that reduces dependency on individual counterparties and minimizes concentration risk.

In addition to diversifying funding sources, the Bank maintains a significant buffer of high-quality liquid assets (HQLA) to ensure it can meet short-term obligations during periods of stress. The Bank also conducts regular stress testing under various scenarios to assess the resilience of its liquidity position and implements contingency funding plans to address potential shortfalls.

Further measures include close monitoring of cash flow mismatches, proactive management of short-term liabilities, and maintaining adequate liquidity reserves to support operational needs and customer requirements.

As of 31 December 2025, the Bank maintained a liquidity coverage ratio of 381.4%, reflecting its strong liquidity position and commitment to prudent risk management practices.

Maturity Analysis of Assets and Liabilities

A maturity analysis of cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date is shown in note 36 to the audited consolidated financial statements for the year ended 31 December 2025.

The management of the Group's liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) under the chairmanship of the Group Chief Executive Officer 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.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

6. 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 BOD acknowledges that it has ultimate responsibility for operational risk. Oversight rests with the Group Board Risk Committee, whilst day to day monitoring is carried out by the Group Operational & Fraud Risk Management Committee.

The Operational Risk Management framework has been in place for a number of years and is ingrained in the Group's culture and processes. The Group has developed a comprehensive Operational Risk & Control Self-Assessment (RCSA) process.

The BOD takes the lead in promoting and encouraging a culture of risk awareness and prevention across all areas of the Group. The Group follows a Group Operational Risk Management Policy approved by the BOD. The policy, supported by the Group Operational Risk Management procedure, aims to ensure that operational risk measures are incorporated into all major aspects of the overall management framework.

The Group Operational & Fraud Risk Management Committee (the "GORC") is responsible for maintaining an operational risk management framework across the organization. The GORC receives regular reporting on all key operational risk measures. Promptness in resolution of material operational risks identified through Operational Risk Self & Control Assessments and audits are considered as one of the key criteria for performance reviews.

The Group Audit & Compliance Committee assists the BOD in ensuring compliance with all regulatory requirements and consistency with best market practices.

The Group Operational Risk Management Policy, supported by the Group Operational Risk Management procedure requires reporting of all Operational Risk Incidents / Loss Events within a specified period of the occurrence of the event which is followed by an analysis of the root cause and its remediation.

The Group Operational Risk Management Policy requires that internal controls are reviewed and enhanced on an ongoing basis in order to mitigate the residual risks identified through the Operational Risk & Control Self Assessments, analysis of operational loss and near miss events and, internal and external audits. In addition, regular reviews of operating procedures also aim to enhance internal controls. The Group's Human Resources Policy requires that employees are trained regularly so that they are, among others, aware of operational risks and the mitigating controls. The policies require the establishment of appropriate infrastructure and processes for ensuring continuity of business which must be comprehensively and frequently tested for different contingencies. KFH Bahrain maintain the Business Continuity ISO 22301 certification and ensure alignment with the requiremnets standards.

7. INFORMATION TECHNOLOGY RISK

The BOD approves the Group Information Security Policy. The policy provides a consistent and strong cybersecurity approach across the Group. Group Information Security Office (GISO) runs several cybersecurity programs covering all cyber risk areas including threat and vulnerability management, risk assessments, cybersecurity awareness, penetration testing, and incident management. GISO also executes several projects to continuously enhance the security control systems and processes, and to make the Group resilient to cyber risks. KFH Bahrain maintained its ISO 27001, SWIFT Customer Security Program (CSP) and PCI DSS certifications were relevant across the Group.

Group Information & Cyber Security Risk Committee (GICSC) overseas the cybersecurity program through quarterly review of cybersecurity metrics. GISO also provides cybersecurity status reports to the BOD every quarter.

Information and Cybersecurity in the KFH Bahrain is governed by the Bank Board approved Group Information Security Policy. The policy provides a strong and comprehensive cybersecurity directive across the KFH Bahrain. Information Security continuously executes several cybersecurity programs that include cybersecurity risk management, attack surface management, cyber defense, security culture and awareness, and compliance. Information Security regularly assess the security posture, threat landscape, and emerging threats, to enhance security controls in line with the emerging risks, and to maintain the Group resilient to cyber risks. Group Information and Cyber Security Committee oversees the Information and Cybersecurity activities and provides guidance and direction to the execution of its programs. Information Security also present status reports to Management Risk Committee and Board Risk Committee.

All computer system developments and operations are centrally controlled and common standard business systems are deployed across the Group wherever possible. Information security is defined through a common 'Group Information Security Framework' and is executed through various information security processes and controls that support the framework. The Group follows an enterprise wide approach to business continuity to ensure that all identified critical operations, services and systems are recovered in time in the event of a disruption.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

7. INFORMATION TECHNOLOGY RISK (continued)

The Group Business Continuity Management Policy is updated annually and the Disaster Recovery and Business Continuity capabilities are each tested at least once a year and critical systems data are continuously replicated at the disaster recovery site.

The Group has also adopted a Flexible Business Management approach to business continuity and disaster recovery with the aim of continuing to conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure or resources, with scalability for any duration of time.

Information Technology risks are managed and governed through technology risk policies. Technology risks are periodically assessed in accordance with the technology risk management framework. The Group Business Continuity Management Policy provides direction on business and technology resilience. Disaster Recovery and Business Continuity capabilities are tested at least once a year. Business critical systems and their data are replicated at the disaster recovery site in near real time. The Group has also adopted a Flexible Business Management approach with the aim of continuing to conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure, or resources, with scalability for any duration of time.

8. STRATEGIC RISK

The BOD supported by the Strategy and Sustainability Unit and the Group Finance to manages strategic risk on an ongoing basis. The BOD receives regular performance reports with details of strategic / regulatory issues as they arise.

9. LEGAL, COMPLIANCE, SHARI'A, REGULATORY AND REPUTATIONAL RISKS

Protecting the Legal, Compliance, Regulatory and Reputational Risks of the Group is of paramount importance. All management and staff are expected to apply highest standards of business conduct and professional ethics at all times.

The Group has a dedicated Legal Department whose role is to identify and provide analysis and advice on legal risk.

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, by performing the following tasks:

- Advising on applicable legislation and regulation;
- Reviewing and / or drafting standard and non- standard contracts and related documentation (including amendments to existing contracts) applicable to the Group;
- Periodically reviewing the standard contractual documentation of the Bank;
- Advising on matters involving legal risk and drafting formal communication relating to legal claims involving the Group; and
- Managing and providing legal advice in respect of any actual or threatened litigation against the Bank, or brought (or proposed to be brought) by the Group against any other party.

There are no material litigations / claims against the Group as at 31 December 2025.

The Group continuously strives to improve the level of Compliance in all its activities. The Group has an independent Compliance function that reports to the Group Board Audit and Compliance Committee of the Board. The Compliance function acts as a focal point for appropriate coordination and dissemination of regulatory correspondence and rulebook updates, and strives to adopt best practice in Compliance, Governance and Control. Also, the Compliance Department, has the responsibility through its monitoring programs, to regularly assesses the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank's compliance with its obligations; and advises and assists the responsible business areas and personnel for carrying out appropriate regulated activities.

Implementing appropriate systems, processes and controls for Combating Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) activities form an important activity of the Financial Crime Compliance Unit within the Compliance function. The Group has deployed a risk based automated transaction monitoring system and implemented relevant procedures and controls to facilitate appropriate monitoring and detection mechanism. The Group also has appropriate AML/CFT/CPF and Compliance policies and monitoring programs. These policies are reviewed and updated annually and approved by the Group Board of Directors. The Group's anti-money laundering and combating terrorist financing and countering proliferation financing measures are regularly audited by the internal auditors who report to the Group Board Audit & Compliance Committee of the Board. Additionally, the Bank's AML/CFT/CPF measures are reviewed by independent external auditors every year and their agreed upon procedures report is submitted to the Central Bank of Bahrain (CBB). The CBB performs periodic inspections of the Bank's compliance with the applicable AML/CFT/CPF regulations.

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

9. LEGAL, COMPLIANCE, SHARI'A, REGULATORY AND REPUTATIONAL RISKS (continued)

The BOD approved policies, including Group Reputation Risk Management policy, Group Communications Policy, Group Personal Account Dealing Policy, Group Compliance Policy, Group Anti Money Laundering / Combating Terrorist Financing policy, Group Banking Integrity and Whistle Blowing Policy and Group Code of Business Conduct policy and such other policies prescribe the required standards of ethical behaviour and personal conduct for all staff (including the Bank's Directors), and the BOD exercises an oversight of these risks through various management functions, including Legal, Risk Management, Compliance, Human Resources and Internal Audit Department.

Shari'a Compliance

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

Internal and External Shari'a audits are conducted regularly, and any violations, if found, are reported at the end of the financial period.

Late Payment Donations recovered from customers are treated and disbursed under the guidance, supervision, and approval of the Shari'a Supervisory Board.

Legal cases resulting from normal course of business are handled by the Bank's in-house legal team and external legal consultants are consulted on such matters, as and when required.

10. ENVIRONMENTAL RISK

The Group recognises the importance of environmental and social issues within its risk framework, and has established a Social and Environmental Management System (SEMS) which details the policy, procedures and workflow that will be followed by the Bank and its subsidiaries / affiliates in respect of environmental risk.

The Group continually endeavours to implement effective social and environmental management practices in all its activities, products and services with a focus on the applicable national laws on environmental, health, safety and social issues.

The Group has adopted the Equator Principles (EP), a globally recognized benchmark for managing social and environmental risks in project finance. EP is an arrangement by financial institutions worldwide to adhere to the environmental, health and safety standards while financing projects.

As such the Group will finance projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable national laws.

KFH is committed to take leadership role and use of its products, services and relationships to support and contribute to individual needs and society's goal.

TABLE - 19 QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE AND POSITION

The following table summarises the basic quantitative indicators of financial performance for the period:

	2025	2024	2023	2022	2021
Return on average equity	14.7%	15.4%	15.3%	12.3%	14.7%
Return on average assets	2.8%	2.6%	1.8%	1.4%	1.6%
Cost to income ratio	26.1%	27.9%	26.2%	25.8%	29.5%

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH)

Quasi Equity Account Holders' fund are commingled to form one general pool. This pooled fund is deployed into profit generating banking assets. The Bank allocate certain portfolios of profit generating assets towards QEAH pool and only profits earned on pool of assets funded from QEAH are used for distribution towards the QEAH after allocation of relevant expenses and Wakala and Mudarib fees.

The funds are invested and managed in accordance with Shari'a rules and principles and according to the terms of acceptance of the QEAH, 100% of the funds are invested.

The Risk weighted assets of the bank include the assets funded by QEAH which are subject to the 30% alpha factor on the respective risk weights.

TABLE - 20 QUASI-EQUITY ACCOUNT HOLDERS BY TYPE

The following table summarises the breakdown of quasi-equity account holders accounts as of 31 December 2025:

	US\$'000	
	Amount	Profit Distributed
Banks	2,803,730	110,694
Individuals and non-banks	10,599,565	691,623
Total	13,403,295	802,317

Bank's jointly financed assets to total quasi-equity investment account holders as of 31 December 25 is 66%.

TABLE - 21 RETURN ON AVERAGE QUASI- EQUITY ASSETS

	US\$'000	%
Average profit paid on average quasi-equity holders	802,317	6.3%
Average profit earned on average quasi-equity assets	1,208,286	9.5%

TABLE - 22 PERCENTAGE OF GROSS ISLAMIC FINANCING CONTRACTS FINANCED BY QUASI-EQUITY

Gross Financing Assets	US\$'000			
	Self financed (A)	Jointly financed (B)	Total (A)+(B)	% of jointly financed to total
A) Murabaha and Tawarruq				
Corporate	-	8,729,909	8,729,909	100.0%
Retail	-	1,713,043	1,713,043	100.0%
Total - Murabaha and Tawarruq (A)	-	10,442,951	10,442,952	100.0%
B) Ijarah Muntahia Bittamleek				
Corporate	-	963,242	963,242	100.0%
Retail	-	609,808	609,808	100.0%
Total - Ijarah Muntahia Bittamleek (B)	-	1,573,050	1,573,050	100.0%
(C) Others				
Corporate	147,425	-	147,425	0.0%
Retail	7,426	-	7,426	0.0%
Total - Others (C)	154,851	-	154,851	0.0%
Gross Total (A)+(B)+(C)	154,852	12,016,001	12,170,854	98.7%

Pillar 3 Disclosures - Basel III (Continued)

At 31 December 2025

11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH) (continued)

TABLE - 23 PROFIT PAID TO QUASI-EQUITY HOLDERS

	US\$'000		
	Gross return on equity of Quasi-Equity Holders	Mudarib / Wakala fees	Profit paid to Quasi-Equity Holders
	A	B	(A-B)
Account type			
Mudaraba	9,993	9,236	757
Wakala	902,255	100,695	801,560
	912,248	109,931	802,317

Profits earned from the pool of assets funded by the equity of quasi-equity account holders, after administrative expenses of US\$ 123.4 million incurred in connection with the management of the funds, are allocated between the owners' equity and equity of investment account holders.

The average Mudarib and Wakala fees charged by Bank during the twelve month period ended 31 December 2025 was 12%.

TABLE - 24 QUASI-EQUITY PERCENTAGE TO PROFIT RATE OF RETURN

The following table summarises the average distributed rate of return or profit rate on Mudaraba investment accounts for the year ended 31 December 2025:

Quasi-Equity (Mudaraba based) Accounts	Up to 3-month	3-6 month	6-12 month	12-36 month
Average profit distributed	2.68%	2.50%	2.35%	2.20%

TABLE - 25 EQUITY OF INVESTMENT ACCOUNT HOLDERS TYPE OF ASSETS

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the period ended 31 December 2025:

	US\$'000		
	As of 1 January 2025	Movement	As of 31 December 2025
Cash and balances with banks and Central Bank	850,907	216,137	1,067,044
Financing contracts	7,527,450	3,998,969	11,526,419
Investment securities	3,434,216	(2,624,384)	809,832
Total	11,812,573	1,590,722	13,403,295

There are no limits imposed on the amount that can be invested by quasi-equity funds in any one asset. However, the Bank monitors its quasi-equity deployment classifications so that to ensure that quasi-equity funds are not invested in the Bank's long term Investment Portfolio (including Private Equity and Real Estate). The Bank also does not allocate quasi-equity funds to the equity investments in the trading book.

Regulatory Capital & Leverage Ratio Disclosures - Basel III

31 December 2025

APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1 : Capital Composition Disclosure Template

	US\$ '000	
	PIRI as on 31 Dec 2025	Reference
Basel III Common disclosure template		
Common Equity Tier 1 capital: instruments and Reserves		
Directly issued qualifying common share capital plus related stock surplus	2,786,983	A1
Retained earnings	734,253	B1+B2+B3+B4
		C1+C2+C3+C4+ C5 +C6 +C7
Accumulated other comprehensive income (and other reserves)	1,608,581	
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	11,303	D
Common Equity Tier 1 capital before regulatory adjustments	5,141,120	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments		
Goodwill (net of related tax liability)	90,682	E
Other intangibles other than mortgage-servicing rights (net of related tax liability)	86,367	F1+F2
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	G1-G2
Cash-flow hedge reserve	-	C7
Shortfall of provisions to expected losses		
Securitization gain on sale (as set out in paragraph 562 of Basel II framework)		
Not applicable		
Defined-benefit pension fund net assets		
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity	-	K
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	H1 + H2
Total regulatory adjustments to Common equity Tier 1	177,049	
Common Equity Tier 1 capital (CET1)	4,964,071	
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	400,000	I
Additional Tier 1 instruments (and CET1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group AT1)	2,422	J
Additional Tier 1 capital before regulatory adjustments	402,422	
Total regulatory adjustments to Additional Tier 1 capital	-	
Additional Tier 1 capital (AT1)	402,422	
Tier 1 capital (T1 = CET1 + AT1)	5,366,493	
Tier 2 capital: instruments and provisions		
Tier 2 instruments (and CET1 and AT1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	6,459	L
Expected Credit Losses & Reserves	233,860	M1+M2
Tier 2 capital before regulatory adjustments	240,319	
Total regulatory adjustments to Tier 2 capital	-	
Tier 2 capital (T2)	240,319	
Total capital (TC = T1 + T2)	5,606,812	
Total risk weighted assets	17,877,433	

Regulatory Capital & Leverage Ratio Disclosures - Basel III (Continued)

31 December 2025

PD 1 : Capital Composition Disclosure Template (Continued)

	US\$ '000	
Basel III Common disclosure template	PIRI as on 31 Dec 2025	Reference
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	27.8%	
Tier 1 (as a percentage of risk weighted assets)	30.0%	
Total capital (as a percentage of risk weighted assets)	31.4%	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	10.5%	
<i>of which: Capital Conservation Buffer requirement</i>	2.5%	
<i>of which: bank specific countercyclical buffer requirement (N/A)</i>	NA	
<i>of which: D-SIB buffer requirement</i>	1.5%	
National minima (if different from Basel III)		
CBB Common Equity Tier 1 minimum ratio (including buffers)	10.5%	
CBB Tier 1 minimum ratio (including buffers)	12.0%	
CBB total capital minimum ratio (including buffers)	14.0%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	21,163	
Significant investments in the common stock of financial entities	23,850	
Applicable caps on the inclusion of Expected Credit Losses in Tier 2		
Expected Credit Losses (Stages 1 and 2) eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	321,464	N
Cap on inclusion of Expected Credit Losses in Tier 2 under standardized approach	198,770	M2

Regulatory Capital & Leverage Ratio Disclosures - Basel III (Continued)

31 December 2025

Appendix I - Regulatory Capital Disclosures

PD 2 : Reconciliation Of Regulatory Capital

i) Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

There are no differences between the regulatory and accounting consolidation, with both following the consolidation approach as per the IFRS 10 without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), financial assets have been grossed up with impairment allowances for expected credit losses (ECL) - Stages 1 and 2, as presented below:

	US\$ '000
Balance sheet as per published financial statements	29,007,902
ECL - Stages 1 and 2	321,464
Balance sheet as in Regulatory Return	29,329,366

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

	US\$ '000		
Assets	Balance as per published financial statements	Consolidated PIRI data	Reference
Cash and balances with central banks	1,064,208	1,064,208	
Financial assets at fair value through Profit & Loss		11,624	
Due from central banks and Sukuk	1,056,365	1,056,365	
Due from banks	2,539,392	2,539,487	
Financing receivables and Ijarah assets	11,624,056	11,930,144	
Non-trading investments	10,205,228	10,208,760	
<i>of which significant investment exceeding regulatory threshold</i>		-	H1
<i>of which reciprocal cross-holdings in common equity</i>		-	K
<i>of which investment NOT exceeding regulatory threshold</i>		10,208,760	
Investment properties	675,537	675,537	
Profit receivable and other assets	861,286	861,411	
<i>of which deferred tax assets</i>		-	G1
Investments in associates	685,401	685,401	
<i>of which significant investment exceeding regulatory threshold</i>		-	H2
<i>of which significant investment NOT exceeding regulatory threshold</i>		685,401	
Goodwill and other intangible assets	109,098	109,098	
<i>of which Goodwill</i>		90,682	E
<i>of which other intangibles (excluding MSRs)</i>		18,416	F1
Premises and equipments	187,331	187,331	
<i>of which software</i>		67,951	F2
TOTAL ASSETS	29,007,902	29,329,366	
Liabilities			
Due to banks	1,053,695	1,053,695	
Customers' accounts	2,138,365	-	
<i>of which Customer current accounts</i>	1,871,582	1,871,582	
<i>of which Funding Liabilities (eg. reverse commodity Murabaha, etc.)</i>	266,783	-	
Funding Liabilities (eg. reverse commodity Murabaha, etc.)	-	6,190,323	
<i>of which other Customers' accounts</i>	-	266,783	
<i>of which Term financing against Sukuk</i>	4,685,246	4,685,246	
<i>of which Sukuk payable and term financing</i>	1,238,294	1,238,294	
Profit payable and other liabilities	861,829	861,829	
<i>of which deferred tax liabilities</i>	-	1,965	G2
TOTAL LIABILITIES	9,977,429	9,977,429	
Quasi-Equity	13,403,295	13,403,295	
TOTAL QUASI-EQUITY	13,403,295	13,403,295	

Regulatory Capital & Leverage Ratio Disclosures - Basel III (Continued)
31 December 2025

	US\$ '000		
	Balance as per published financial statements	Consolidated PIRI data	Reference
Equity			
Paid-in share capital	2,786,983	2,786,983	
<i>of which form part of Common Equity Tier 1</i>		2,786,983	
Ordinary Share Capital		2,786,983	A1
Perpetual Tier 1 Capital Securities - KFH Bahrain	400,000	400,000	I
Reserves	2,377,924	2,377,924	
<i>of which form part of Common Equity Tier 1</i>			
Retained earnings/(losses) (excluding profit for the year)		734,253	B1
Proposed Dividend Payable		-	B2
Net profit for the current period		730,585	C1
Share premium		758,170	C2
Legal reserve		958,630	C3
Others		(38,048)	C4
FX translation adjustment		(950,462)	C5
Cumulative fair value changes on FVOCI investments		149,706	C6
Fair value changes of cash flow hedges		-	C7
<i>of which form part of Tier 2</i>			
Fixed assets revaluation reserves		35,090	M1
CBB modification loss (part of CET1)		-	B3
Non - controlling interest	62,271		
<i>of which amount eligible for Common Equity Tier 1</i>		11,303	D
<i>of which amount eligible for Additional Tier 1</i>		2,422	J
<i>of which amount eligible for Tier 2</i>		6,459	L
<i>of which amount ineligible</i>		42,087	
Impairment Allowance for Expected Credit Losses - Stages 1 and 2		321,464	N
<i>of which amount eligible for Tier 2 (maximum 1.25% of RWA)</i>		198,770	M2
<i>of which amount included in CET1 as per CBB</i>		-	B4
<i>of which amount ineligible</i>		122,694	
TOTAL OWNER EQUITY	5,627,178	5,948,642	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNER EQUITY	29,007,902	29,329,366	

Regulatory Capital & Leverage Ratio Disclosures - Basel III

PD 3 : Main features of regulatory capital instruments

1	Issuer	Kuwait Finance House B.S.C. (c) [Formerly Known as Ahli United Bank B.S.C. (c)]	Kuwait Finance House B.S.C. (c) [formerly, Ahli United Bank B.S.C. (c)]
2	Unique identifier	N/A	ISIN: XS3046587898 / Additional Tier 1 Capital Certificates
3	Governing law(s) of the instrument	Laws of Bahrain	English Law and will remain subject at all times to the rules and regulations of the Central Bank of Bahrain.
4	Transitional CBB rules	Not applicable	Not applicable
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
7	Instrument type	Common Equity Shares	Capital Certificates structured on the basis of a Sukuk-al-Mudaraba
8	Amount recognized in regulatory capital	\$2787.0 mn	\$400.0 mn
9	Par value of instrument (USD)	\$0.25	\$1000 subject to minimum of \$200,000
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	31-May-2000	22-Apr-2025
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No Maturity	The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date.
14	Issuer call subject to prior supervisory approval	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	Call Option : on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 10 nor more than 15 days' prior notice to the Trustee and the Delegate Date (Redemption at Par) Upon the occurrence of a Tax Event or a Capital Event, whole, but not in part, of the Certificates may be redeemed (Redemption at Par)
16	Subsequent call dates, if applicable	NA	On the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter
17	Fixed or floating dividend/coupon	NA	Fixed
18	Coupon rate and any related index	NA	6.709%
19	Existence of a dividend stopper	NA	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	Noncumulative
23	Convertible or non-convertible	NA	Non-convertible

Regulatory Capital & Leverage Ratio Disclosures - Basel III (Continued)

PD 3 : Main features of regulatory capital instruments (Continued)

24	If convertible, conversion trigger (s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	NA	Yes
31	If write-down, write-down trigger(s)	NA	Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)
32	If write-down, full or partial	NA	Fully / Partially
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 Capital Bonds	All depositors and creditors
36	Non-compliant transitioned features	NA	No
37	If yes, specify non-compliant features	NA	NA

Leverage Ratio

The leverage ratio serves as a supplementary measure to the risk-based capital requirements. The leverage ratio is computed on a consolidated basis and being Bahraini bank licensees designated as DSIB must meet a 3.75% leverage ratio minimum requirement at all times.

Leverage Ratio components

	US\$ '000
Tier1 Capital [A]	5,366,493
Total Exposure [B]	32,013,518
Leverage Ratio ([A] / [B])	16.8%