



A Vision for Financial Growth and Sustainable Development

Annual Financial and Sustainability Report **2024**



Bahrain Islamic Bank B.S.C.
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Licensed as an Islamic Retail Bank by the Central Bank of Bahrain



Late Amir
His Highness
Shaikh Isa bin Salman
Al Khalifa



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

Powering Progress Through Islamic Banking



ABOUT THIS REPORT

Bahrain Islamic Bank B.S.C. (“BisB” or the “Bank”) presents its Annual Financial and Sustainability Report (the Report) for the year 2024, highlighting the Bank’s performance on financial as well as key material environmental, social, and governance (ESG) topics.

Reporting Boundary

All information disclosed in this Report corresponds to the year from 1 January to 31 December 2024, unless otherwise stated.

The consolidated financial statements cover the results of the Bank and its wholly owned subsidiaries (together the Group (“Group”)) including BisB Abaad Real Estate W.L.L., in which BisB holds 100% of the share capital.

Sustainability disclosures cover solely BisB’s banking operations in Bahrain, but do not include Abaad Real Estate W.L.L.

The Bank has eight branches, all operating in the Kingdom of Bahrain, all of which are included in the financial and sustainability disclosures as applicable. National Bank of Bahrain (NBB) owns 78.81% of BisB’s shares and is considered as the Parent of the Bank for financial reporting purposes.

Reporting Frameworks

To ensure accountability and transparency, the Report has been prepared in accordance with internationally recognised financial and sustainability reporting standards and frameworks.

These include:

- The International Integrated Reporting Framework (IIRF) which requires complete

disclosure of financial and non-financial performance to provide a holistic overview of a company’s long and short-term goals and value creation.

- The consolidated financial statements have been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) and applicable rules and regulations issued by the Central Bank of Bahrain (CBB).
- The Commercial Companies Law
- The Central Bank of Bahrain (CBB) and Financial Institutions Law 2006
- Sustainability disclosures are in accordance with the Global Reporting Initiative (GRI) Standards, including all Universal Standards and Material Topics Standards.
- The ESG Reporting Guide of the Bahrain Bourse and its 32 ESG metrics, wherever relevant.
- The CBB ESG rulebook and requirements module 2023 (updated January 2024) and all other applicable rules and regulations issued by the CBB.
- The Sustainable Development Goals (SDGs) considered most material to the Bank’s activities.
- The Bahrain Economic Vision 2030.

Alignment with the reporting standards and frameworks is clearly indicated in the Appendix.

Assurance

The consolidated financial statements have been audited by KPMG Fakhro, an



internationally recognised audit firm, and have been approved by BisB’s Board of Directors.

In addition, BisB has engaged the Centre for Sustainability & Excellence, an international provider of sustainability, ESG and CSR advisory and training solutions to conduct a limited assurance on a select number of ESG KPIs. The independent assurance statements and reports for the sustainability-related figures have been included as part of the report.

Board Responsibility

The Board of Directors acknowledges its responsibility for ensuring the integrity of this report and confirms that the information contained within fairly represents BisB’s status and performance, and that the report faithfully and accurately references the standards and frameworks used.

Disclaimer: Forward-Looking Statements

Forward-looking statements involve uncertainty given the many external factors that could

impact the environment in which the Bank operates. BisB bears no obligation to publicly update or revise any/all forward-looking statements included in the report unless required to do so by applicable laws and regulations.

Feedback

BisB welcomes any feedback that may enhance its reporting. Readers can submit comments and questions via the following channels:

Contact Number or WhatsApp:

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Email: callcentre@bisb.com

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01

WHO WE ARE

BANK PROFILE

Bahrain's Leader in Digital Islamic Financial Services

BisB has been serving the community of the Kingdom of Bahrain since its establishment in 1979. BisB operates under an Islamic Retail Banking license authorised by the Central Bank of Bahrain (CBB) and is listed on the Bahrain Bourse. As Bahrain's first Islamic bank, and the fourth Islamic banking entity in the GCC, BisB continues to play a leading role in developing the local and global Islamic banking industry as well as the Kingdom's economy.

The Bank's success is built on robust and enduring client relationships, attributable to a customer-centric approach complemented by innovative solutioning strategies. This is supported by a dedication to maintaining robust corporate governance, significant risk management expertise, commitment to safeguarding customer assets, and investment in talent development.

A customer-first approach is central to how BisB does business, and the Bank strives to improve the banking experience at every touch point through improved business practices and technological innovation. By providing superior, safe and trusting financial services across the board that enable economic growth and progress, BisB has cemented its position as a trusted and innovative Shari'a-compliant Bank establishing the next era of global banking.

A Pioneer in Islamic Banking

Islamic principles guide BisB's banking approach and diverse portfolio of integrated financial solutions. To improve services and stay at the forefront of the banking industry, BisB

continually evolves through the incorporation of innovative strategies and global best practices in line with Shari'a principles. Embracing this agile yet thoughtful approach to banking allows the Bank to stay ahead of changes in local financial markets while maintaining a competitive edge. This approach enables the Bank to understand and better serve clients, whilst anticipating their financial needs, and avoiding excessive risks.

The Bank's vision is to empower dreams through innovative and simplified financial solutions. This vision shapes the way BisB manages business through strong customer relationships, innovation, streamlined operational methodologies, employee engagement and open communication with all stakeholders to add value and build stronger financial ecosystems.

BisB's DNA

BisB is proud to play a pivotal role in the development of the Islamic Banking industry in the Kingdom of Bahrain. Since 1979, the Bank has been continuously innovating and embracing the latest technologies, allowing the Bank to provide customers with a modernised and reimagined user experience, adding value to Bahrain's economy and infrastructure by facilitating greater business and commercial growth.

Today, BisB's mission is to be the bank of choice by converting customer needs into fit-to-market solutions and engaging experiences. The goal is to attain this mission through the delivery of simplified customer experiences characterised by personalised service and to comprehend and address the distinct needs of



each customer. BisB's pledge to customers is to strive to provide solutions with remarkable speed, ensuring swift and efficient outcomes that surpass expectations.

Guided by Islamic principles, BisB continuously strives to enhance products and service offerings by removing barriers and simplifying

banking. These principles guide every aspect of the Bank's operations in a sustainable manner ranging from customer services to stakeholder interactions. BisB's steadfast pursuit of excellence, and trust in its values has enabled the Bank to have a positive impact on the communities it looks to serve.

OUR VISION	OUR MISSION	OUR BRAND PROMISE	OUR MOTTO
Empowering dreams through innovative and simplified financial solutions.	To be the bank of choice by converting customer needs into fit-to-market solutions and engaging experiences.	Fuelled by Bahraini devotion , we craft new ways of Simplifying Your Money Matters.	Simplifying Money Matters

■ BANK PROFILE (CONTINUED)

Our Values

| 01 |



Embracing responsibility

We place a high emphasis on accountability and reliability across every facet of our business assuming full ownership of our commitments to ensure our customers can place their trust in us with confidence. By being dependable, trustworthy, and adhering to Shari’a principles, we secure a powerful trust foundation with our customers, fostering a sense of value and care.

| 02 |



Creating opportunities

We are committed to empowering our customers for growth and success, and are actively pursuing avenues for improvement, innovation, and advancement while aiming to provide them with opportunities that foster progress. Through customised solutions, guidance, and resources, we strive to create opportunities for growth, learning, and ultimate success.

| 03 |



Crafting Experiences

We recognize the individuality of each customer therefore our goal is to craft personalized experiences and services that align with their distinct needs, preferences, and aspirations. Making our customers feel exceptional necessitates moving beyond a one-size-fits-all approach. We dedicate time and effort to comprehend our customers’ specific requirements, customizing our products, services, and interactions accordingly.

| 04 |



Solving Problems

We are dedicated to maintaining accessibility, responsiveness, and proactivity in addressing our customers’ challenges. Our goal is to offer timely solutions that surpass their expectations. Creating a sense of uniqueness for our customers involves positioning ourselves as their dependable problem-solving ally. We prioritize accessibility and responsiveness, guaranteeing that customers can reach us whenever assistance is required. Furthermore, by proactively anticipating and tackling their concerns and challenges, presenting innovative solutions and going above and beyond to ensure their issues are resolved promptly and effectively.

Our Differentiators

01 F1 Speed & Accuracy



02 Safe, Sustainable and Trusting



03 Personalized and Simplified Service



04 Innovative Solutioning



OUR ACTIVITIES

As Bahrain’s leading institution for Islamic financing and banking, BisB serves a wide range of customers, from individuals and SMEs to large multinational corporations and global financial institutions. To cater effectively for the diverse needs of different client segments, BisB’s core business is split into three business units, each offering a wide range of products and services.

Retail Banking

Retail banking operations focus on providing Bahraini nationals, Bahraini residents, and GCC

individuals with an extensive range of Shari’a compliant financing and transactional services. BisB offers traditional retail products, such as current and savings accounts, debit and credit card services, and consumer financing solutions.

Retail customers have convenient and easy access to all products and services through the Bank’s vast branch network, online banking platform, mobile application, Automated Teller Machines (ATM), Interactive Teller Machines (ITM), and bulk Cash Deposit Machines (CDM).

Products and Services

01. Accounts

BisB offers an extensive range of accounts to cater to various customer segments and their needs. Some of the products are as follows:

- Tejoori Al Islami
- Tejoori Premium and Premium Lite
- Iqra Investment Account
- Special Investment Deposits
- Call Account
- Vevo Account
- Other Accounts



02. Financing

BisB facilitates the path of acquiring Shari’a compliant financing:

- Personal Finance
- Mortgage Finance
- Ministry of Housing Programs
- Special Projects
- Auto Finance



03. Cards

BisB offers a wide range of features and benefits through its cards:

- VISA Credit Card
- Mastercard Credit Card
- VISA Arcade Card (1st Card of its kind in the GCC)
- MasterCard FutureLeader Program
- BisB Rewards
- Seasonal Promotions



04. Services

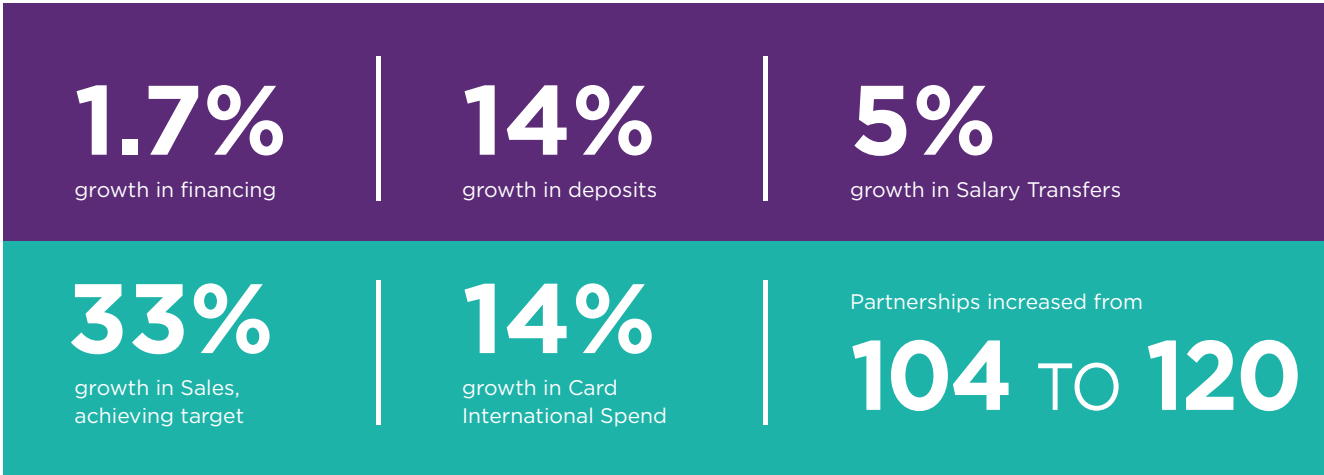
BisB offers a wide range of services through its digital platforms:

- BisB Digital
- Contact Center
- BisB Digital Branch
- BisB Kiosk
- WhatsApp service



2024 Update and Highlights

Performance Highlights



New products and services launched

- Tejoori Premium
- Tejoori Loyalty
- Special Investment Deposit
- Card Instalment Module
- Call Accounts on Mobile
- Business Corporate Card
- GCC Onboarding enabling GCC citizens to open an account digitally.
- Limit Increase Programs
- SME Onboarding through Retail
- Tasheel Aqari
- Introduction of Whatsapp service

Other Initiatives

We Write in Arabic	Jewellery Arabia
She’s Next	City Scape
BisB’s Interactive Stand	Housing Exhibitions at branches

Retail Customer and Finance Portfolio		
	% Growth of Retail Banking customers	Percentage of Retail Banking finance portfolio
2022	16.53%	67.59%
2023	13.59%	67.32%
2024	9.65%	63.29%

Retail Banking (BD Millions)							
	% Growth of Total Retail financing	% Growth of Customer deposit	Financing Market Share (%)	% Growth of Total Bank credit card Accounts	% Growth of Total Credit Card Spending	% Growth of Total Domestic Spending Credit Card	% Growth of Total International Spending Credit Card
2022	4.54%	-3.33%	10.76%	1.6%	20.9%	18.7%	29.8%
2023	1.1%	2.12%	11%	3.3%	12.2%	13.4%	7.8%
2024	1.8%	13.68%	10.76%	2.7%	14.9%	15.9%	11.1%

OUR ACTIVITIES (CONTINUED)

Corporate Banking

BisB is committed to providing customers with an exceptional corporate banking experience where digital transformation plays a central role. The Bank strives to be the preferred choice for

customers using state of-the-art digital banking services, offering seamless digital account opening and high frequency services such as transfers, foreign exchange transactions, and payroll.

Products and Services

01. Accounts

BisB offers a comprehensive range of accounts to suit all business needs.

- Current Accounts
- Investment Deposits
- Call Accounts
- RERA Escrow Accounts
- Sukuk Custody
- Tejoori Savings Accounts



02. Financing

BisB offers a suite of financing products tailored to suit all requirements.

- Short and Long-Term Financing
- Tamkeen Capital Expenditure Financing
- Tamkeen Working Capital Financing
- Capital Expenditure Financing
- Working Capital Financing
- Enterprise Financing
- Export Bahrain Financing
- Specialised Trade Financing Instruments



03. Services

BisB offers services to simplify business operations:

- BisB Corporate Digital
- Remittances and Foreign Exchange Transactions
- Drafts and Managerial Cheques
- Corporate Credit Cards
- Cash Management Services
- Trade Finance Services



04. Corporate Onboarding

BisB presents a new era of corporate banking:

- Now businesses can open corporate accounts directly through the BisB Mobile App



2024 Update/Highlights Performance Highlights

21.59%
Growth of
Corporate financing
portfolio

31%
Growth in
deposits

Improved digital
adoption from
**65% to
70%**

Reduction in
**Stage 2 &
Stage 3**
assets by 13.5%

New products and services launched

- Al Tamweel Al Islami, a criteria-based financing solution catering to SME financing requirements up to BD 100,000
- Launched Standby Letters of Credit (SBLCs) to meet clients' agency requirements particularly benefiting those seeking to establish retail franchises in Bahrain
- Host-to-Host solution launched to facilitate seamless and secure data exchange between clients systems and BisB's banking platform

Other Initiatives

- Revamped agreement with Tamkeen to secure increased subsidies for our clients utilizing Tamkeen financing. This initiative reduces the cost of financing for clients without impacting the bank's profitability by increasing subsidies for SMEs from 4% to 6% and for corporates from 2% to 4%
- Implemented Corklink Solution to streamline the process of receiving client's pending receivables expediting the cash collection cycle and relaxing the client cash flow pressures

- Introduced the "Jaser" suite of Islamic financial solutions to bolster and streamline exports to KSA in a partnership with Export Bahrain
- Improved asset quality by targeting higher-quality segments such as large financially strong Bahraini corporates and Government and Related Entities (GREs)
- Introduced POS & Acquiring Services to increase cash flow and support our clients payment processing needs enhancing their business operations, and provided efficient and secure cash handling solutions through our Cash Collection Services
- Acted as agent bank for the inaugural Eskin Bank Syndicated Facility
- Created an In-Business Risk unit
- Created Transactional Banking Function which was awarded a strategic client cash inflows bid
- Converted pricing structure of majority corporate finance facilities from fixed to floating rates

6.18%
2022

2.36%
2023

21.59%
2024

% Growth of Corporate financing portfolio

OUR ACTIVITIES (CONTINUED)

Investment Banking

Treasury serves as the central hub for the Bank's overall liquidity management and is a critical component of the Bank. Tasked with managing liquidity, optimising investments, and mitigating risks in alignment with Shari'a principles, its operations are guided by a commitment to financial stability, compliance, and client satisfaction.

Its primary responsibilities include:

Liquidity Management: Optimising the Bank's liquidity levels to ensure sufficient funding for operations, employing disciplined and rigorous liquidity management tools while adapting Shari'a-compliant money market instruments as needed to meet client requirements.

Strategic Investments: Deploying liquidity efficiently through Islamic interbank activities and short-term government securities to achieve optimal risk-return matches. Surplus cash is invested with a focus on maintaining principal integrity, ensuring accessibility of funds, and generating returns aligned with the Bank's strategy.

Foreign exchange and Proprietary Book Management: Managing activities across FX, Sukuk portfolio management and money markets to maximise the utilisation of the Bank's capital while capitalising on market fluctuations. All activities strictly adhere to the Bank's risk tolerance and comprehensive risk management policies under Sharia.

Market Monitoring and Hedging: Monitoring market trends and rate fluctuations in order to provide tailored hedging solutions.

Regulatory Compliance: Implementing liquidity ratios and requirements set forth by the Central Bank of Bahrain in order to accurately reflect the Bank's liquidity position.

Products and Services

Treasury Products

The Treasury Division offers a comprehensive suite of Shari'a-compliant products, designed to support the Bank's liquidity and risk management objectives:

Interbank Tools: Commodity Murabaha and Wakala instruments.

Foreign Exchange Products: Spot and Wa'ad-based FX solutions.

Investment Instruments: Sukuk and structured products tailored to meet the Bank's investment objectives.

Hedging Instruments: Shari'a-compliant tools, including Profit Rate Swaps, FX Wa'ad, and Repo arrangements.

Through its disciplined and strategic approach, the Treasury Division continues to uphold the Bank's commitment to financial integrity, compliance, and value creation.

2024 Update/Highlights Performance Highlights

Assets Portfolio growth of 23.1% and bottom-line contribution to net profit of
BD 8.4 million

Significant improvement in
**NSFR and LCR
liquidity ratios**

Increased ancillary
FX business

New products and services launched

- Introduced unique structured Islamic solutions – Structured deposits
- Launched Sukuk custody services to corporates
- Obtained Shari'a approval on FX Forwards & structured deposits
- Wealth Management Services

Other Initiatives

- Rolled out a Group Treasury Management System (TMS) upgrade to support a broader range of product bookings while providing real-time reporting and analytics.
- Strengthened treasury governance frameworks by implementing more robust oversight mechanisms for liquidity and funding strategies.
- Enhanced cross-departmental collaboration to establish stricter liquidity monitoring processes, ensuring alignment with regulatory requirements and organizational goals.

- Attended bespoke training programmes focused on Asset Liability Management (ALM) and Funds Transfer Pricing (FTP) to upskill treasury staff, ensuring alignment with evolving market and regulatory expectations.
- Encouraged participation in industry forums and conferences, enabling the treasury team to stay updated on best practices, emerging trends, and innovations in treasury management.
- Concluded bilaterals of US\$ 215 million that helped with USD NSFR.
- Finalised extending group treasury system infrastructure & limits system.
- Introduced Daily liquidity reporting mechanism.



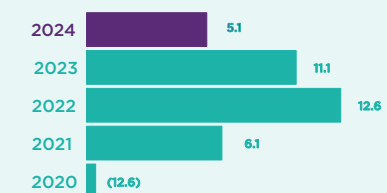
Sukuk Portfolio Increase

FINANCIAL HIGHLIGHTS

5 years financial summary	2024	2023	2022	2021	2020
Earnings (BD Millions)					
Net profit income	32.0	34.5	43.2	42.2	34.4
Other income	8.7	10.8	7.1	5.7	4.6
Total income	40.7	45.3	50.3	47.9	39.0
Total expenses	28.7	27.6	26.3	22.6	23.4
Operating Profit	12.1	17.8	24.0	25.3	15.6
Net profit / (loss)	5.1	11.1	12.6	6.1	(12.6)
Financial position (BD Millions)					
Total assets	1,541.9	1,358.1	1,361.8	1,324.5	1,211.6
Total Islamic financing	1,000.7	924.3	910.0	866.8	783.6
Investment securities	272.1	278.2	259.0	274.6	276.6
Earning assets	1,409.0	1,233.8	1,218.3	1,207.4	1,083.6
Total deposits	1,356.3	1,188.8	1,189.4	1,168.7	1,091.9
Owner's equity	147.4	144.6	135.8	125.8	96.0
Ratios					
Earnings					
Return on average equity (%)	3.5	7.9	9.6	5.5	(11.6)
Return on average assets (%)	0.3	0.8	0.9	0.5	(1.0)
Earnings per share (fils)	3.0	8.8	10.1	5.8	(11.9)
Cost-to-income ratio (%)	70.4	60.8	52.3	47.1	60.0
Capital					
Owners' equity as % of total assets (%)	9.6	10.6	10.0	9.5	7.9
Total liabilities and URIA to owners' equity (times)	9.5	8.4	9.0	9.5	11.6
Capital adequacy ratio (%)	20.4	16.9	19.5	19.1	16.0

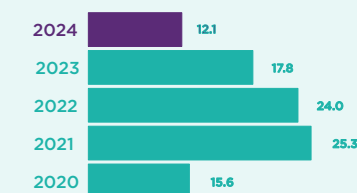
Net profit
(BD Millions)

BD 5.1 m



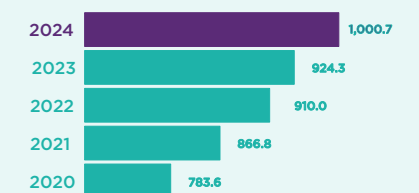
Operating profit
(BD Millions)

BD 12.1 m



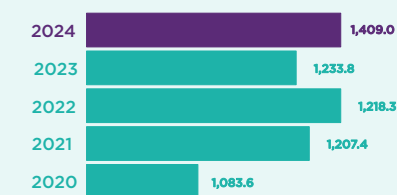
Total Islamic financing
(BD Millions)

BD 1,000.7 m



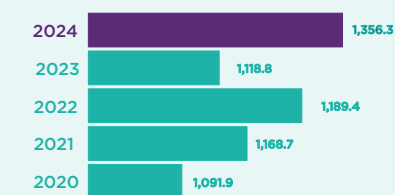
Earning assets
(BD Millions)

BD 1,409.0 m



Total deposits
(BD Millions)

BD 1,356.3 m



Earnings per share
(Fils)

3.0 Fils



OVERALL KEY HIGHLIGHTS

01

MADE SIGNIFICANT PROGRESS ON RIYADAH STRATEGY:

In the first year of implementing the Riyadh Strategy, BisB achieved key milestones, including cost optimisation, enhanced group synergy, improved asset quality, and topline organic growth.

02

ENHANCED INTEGRATION WITH NBB:

BisB has strengthened its relationship with NBB through the gradual integration of certain functions, resulting in efficiency synergies, cost savings, and bolstering capital adequacy and balance sheet strength for the Group.

03

LAUNCHED A NEW RANGE OF CREDIT, CORPORATE, PREPAID AND DEBIT CARDS

incorporating geometric patterns that reflect the Bank's Islamic heritage. The revamped cards use high-quality sustainable materials to ensure durability and seamless usability, integrate tactile elements catering to the special needs of visually impaired customers and use state-of-the-art technologies to ensure a secure banking experience.

ESG HIGHLIGHTS

34.72%	95.56%	17.5%	85.71%	95%
Female Employee Rate	Nationalisation Rate	Total Training Hours increased	Total procurement spending on local suppliers	of employees completed Sustainability awareness training programs

Renewed the three-year Sustainability Strategy and Roadmap

Became a UN Global Compact participant and implemented universal sustainability principles across BisB

Further established the ESG Toolkit and finalised the scoring for four companies

Integrated environmental and climate related risk factors in into Internal Capital Adequacy and Assessment Process (ICAAP) reporting and Risk Appetite Framework (RAF) demonstrating a commitment to long-term resilience and responsible financial management

Strengthened the Sustainable Finance Framework and sustainable finance initiatives with a focus on housing and supporting SMEs

Launched the “BisB Shari’a AI” for Islamic fatwas, a platform that provides precise and immediate guidance to students and researchers.

Launched the Host-to-Host solution enabling corporates to connect their Enterprise Resource Planning (ERP) systems to BisB’s core banking system.

Appointed an external assurance service provider to assure ten sustainability disclosures

Implemented all disclosure requirements as per CBB ESG module

Prioritised sustainability upskilling through specialised CFI training for Sustainability Committee members

Provided staff training on ESG Toolkit and on Climate and Environmental Risk indicators in line with CBB ESG Module requirements

Launched several CSR initiatives including the ‘We Write in Arabic’ initiative and Sustainability Hackathon for the Youth

Enhanced branch services by empowering Customer Experience Managers

Launched recyclable bank cards and cards for the visually challenged

AWARDS 2024



01

2024 International Business Magazine Award

Best Digital Bank - Bahrain

02

World Business Outlook Awards Bahrain Award

Most Innovative Islamic Bank in Digital Banking for Corporate Banking in Bahrain



03

2024 Global Islamic Finance Awards

Best Islamic Savings Product (Tejoori Account)



04

2024 International Finance award

Most Innovative Islamic Banking Product (Future Leaders Product)



05

2024 Islamic Retail Banking Awards

Best Islamic Credit Card in Bahrain 2024 - Visa Signature



BOARD OF DIRECTORS REPORT

Zaid Khalid Abdulrahman
Chairman



On behalf of the Board of Directors of Bahrain Islamic Bank (BisB), I am pleased to present the Annual Financial and Sustainability Report and Consolidated Financial Statements for the year 2024.

The Bank's performance through this year has been one of resilience and underlying strength with a steady financial position evidenced by a sustainable growth in total assets and Islamic financing compared to the previous year, underlining the strong financial stability of the Bank and its solid balance sheet.

This has been reflected in a healthy growth in BisB's total assets by BD184 million, or 14%, from BD1,358 million as of 31 December 2023 to BD1,542 million as of 31 December 2024. Islamic financing has risen by BD77 million, or 8% from BD924 million as of 31 December 2023 to BD1,001 million as of 31 December 2024, mainly due to financing provided to Government Related Entities, while total deposits increased by 14% or BD167 million from BD1,189 million as of 31 December 2023 to BD1,356 million as of 31 December 2024.

Furthermore, BisB has demonstrated exceptional liquidity and prudent risk management, which significantly boosted the Bank's key liquidity and capital adequacy ratios including the Capital Adequacy Ratio from 16.9% as of 31 December 2023 to 20.4% as of 31 December 2024, Liquidity Coverage Ratio from 198% for the year ended 31 December 2023 to 226% for the year ended 31 December 2024, and Net Stable Funding Ratio (NSFR) from 104% as of 31 December 2023 to 113% as of 31 December 2024. This has enabled BisB to

BisB has demonstrated exceptional liquidity and prudent risk management, which significantly boosted the Bank's key liquidity and capital adequacy ratios including the Capital Adequacy Ratio from %16.9 as of 31 December 2023 to %20.4 as of 31 December 2024.

maintain a strong capital base to support its development and growth, while promoting the resilience of the Bank's short- and long-term liquidity risk profile in order to incentivize a more stable banking sector.

Throughout our 2024 journey, we ensured to achieve a sustainable growth, despite a challenging year of continued elevated benchmark rates, increasing the cost of funds and putting downward pressure on margins. Compared to the previous year, while the

BOARD OF DIRECTORS REPORT (CONTINUED)

Bank recorded an increase in profit income of 10%, net profit declined by 54% primarily due to the US Federal reserve's decision to delay the anticipated rate cuts, which impacted the Bank's overall performance in 2024.

This prolonged high-interest rate environment has inevitably dampened overall market activity and reduced borrowing demand. Additionally, increased competition from established Islamic banks and the recent mergers and conversions of conventional banks to Islamic banks in the country has posed another significant challenge to BisB.

In addition, BisB achieved several notable milestones during the year. One of the highlights was the appointment of Fatema AlAlawi as our new CEO, who made history as the first female who is experienced in the field of Retail Banking and digital transformation to lead an Islamic bank in Bahrain. We are immensely proud of this landmark, which represents a significant step towards greater diversity and inclusivity in our leadership.

We also achieved substantial reductions in vendor costs through strategic negotiations and the implementation of operational efficiencies, which helped maintain a steady financial performance. Moreover, the Bank secured numerous prestigious awards for excellence in Islamic banking, as well as the development of a first-of-its-kind Shari'a Advisory AI tool. These accomplishments are a testament to our unwavering commitment to innovation, customer satisfaction, and adherence to Shari'a-

compliant principles, all of which continue to reinforce our dedication to creating long-term value for our stakeholders.

As the Chairman of BisB, I am proud to share that in 2024, we continued to play a pivotal role in advancing Bahrain's Economic Vision 2030. Our commitment remains steadfast in aligning BisB's operations and strategic objectives with the Kingdom's broader goals of sustainability, economic diversification, social progress, and financial stability. We understand that achieving these ambitious goals requires a collaborative effort, and BisB is honored to contribute meaningfully to Bahrain's social and economic development.

Through innovative initiatives and forward-thinking programs, we remain dedicated to fostering growth, especially in areas that benefit the community directly. Notably, our focus on developing the younger generation through educational programs has become one of our most impactful contributions. We believe that empowering youth with the right tools and knowledge is essential for securing a prosperous future for both the Bank and the nation. Moving forward, we will continue to drive progress and remain deeply committed to supporting Bahrain's Vision 2030 in every way possible.

Strategic Vision

As BisB enters the second year of implementing the Riyadhah strategy, we are pleased with the progress made to date. The first year has

been marked by significant strides in aligning our operations with the strategic objectives of Riyadhah, which aims to position BisB as a leading Shari'a-compliant financial institution in the region, driving innovation, sustainability, and customer-centricity.

We have made notable advances in digital transformation, improved operational efficiencies, and enhanced our service offerings. Our focus on expanding our digital banking platform and increasing the accessibility of our services has begun to yield positive results, enabling us to better meet the evolving needs of our customers. Additionally, the emphasis on sustainability and ESG (Environmental, Social, Governance) integration has strengthened our position as a forward-thinking institution, aligned with Bahrain's Vision 2030.

Looking ahead, we expect Riyadhah to continue delivering substantial benefits for BisB. The strategy will further enhance our competitive position by driving greater operational efficiencies, improving customer experiences, and fostering innovation in our Shari'a-compliant product offerings. We also anticipate that the ongoing development of our digital infrastructure will attract new customers and expand market share, while our increased focus on sustainability will ensure long-term growth and value creation for all stakeholders.

Our Commitment to Sustainability

At BisB, every team member is empowered to integrate ESG factors into our core banking

operations and daily business activities. This holistic approach is critical in strengthening relationships, building loyalty, and enhancing our reputation among customers, employees, and shareholders. By adopting these sustainability measures, we ensure the long-term success of the Bank.

Our key objectives include fostering innovation in our Shari'a-compliant products and services, unlocking new revenue streams, enhancing employee culture and responsibility to drive productivity and attract top talent, and continuing to invest in social responsibility initiatives that positively impact the communities we serve.

Balancing short-term results with long-term value creation for our shareholders is a critical aspect of our strategic decision-making process. We believe that implementing long-term initiatives should not come at the expense of short-term performance. Also, expanding ESG integration, adopting sustainable technologies, enhancing impact assessments, and fostering global partnerships all require significant investment. To ensure sustainable success, the Board has established a clear framework to remain fully committed to aligning these initiatives.

Looking ahead

Thanks to our clear focus on continued growth, innovation, and strategic alignment with Bahrain's Vision 2030, we are optimistic about BisB's prospects for the coming year.

BOARD OF DIRECTORS REPORT (CONTINUED)

We are committed to building on our strong foundations and advancing our sustainability goals, all while enhancing customer experiences and operational efficiencies. Looking ahead, BisB will continue to focus on expanding our Shari’a-compliant products and services, leveraging technology to enhance digital banking, and driving greater market penetration.

The integration with National Bank of Bahrain (NBB) is an important step in strengthening BisB’s market position. This partnership will enhance financial stability, expand resources, and increase capabilities across multiple facets of banking. By combining the strengths of both institutions, BisB will gain access to a broader customer base, improved technology infrastructure, and a larger capital base, allowing us to offer more comprehensive services and better meet the needs of our customers.

Acknowledgements

On behalf of our shareholders, the Board of Directors convey their sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince

and Prime Minister for their wise leadership and continuous support for the Islamic Banking sector.

The Directors also express their appreciation to all Government ministries and authorities – in particular to the Central Bank of Bahrain and the Ministry of Industry and Commerce for their guidance and support.

We are also thankful for the guidance and counsel we have received from the Bank’s Shari’a Supervisory Board throughout the year. We would also like to thank our shareholders, employees, customers and management for their commitment and loyalty to BisB.

As part of the Bank’s obligation to maintain utmost transparency with our valued shareholders, we are pleased to attach the table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31st December 2024.

First: Board of directors’ remuneration details

	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
Name	Remunerations of the chairman and BOD*	Total allowance for attending Board and committee meetings	Salaries	Others***	Total	Remunerations of the chairman and BOD*	Bonus	Incentive plans	Others****	Total			
First: Independent Directors													
1. Mohamed Abdulla Nooruddin	26,090	27,000	-	663	53,753	-	-	-	-	-	-	53,753	-
2. Khalid Abdulaziz Al Jassim	26,090	29,000	-	901	55,991	-	-	-	-	-	-	55,991	-
3. Marwan Khaled Tabbara	26,090	27,000	-	663	53,753	-	-	-	-	-	-	53,753	-
4. Saqer AbdulMohsen Al Sijari	26,090	24,428	-	1,986	52,504	-	-	-	-	-	-	52,504	-
Second: Non-Executive Directors													
1. Dr. Esam Abdulla Fakhro <i>Resigned on 28 March 2024</i>	9,132	3,000	-	1,131	13,263	-	-	-	-	-	-	13,263	-
2. Zaid Khalid Abdulrahman <i>Appointed on 24 April 2024</i>	27,003	8,000	-	90	35,093	-	-	-	-	-	-	35,093	-
3. Khalid Yousif Abdul Rahman <i>Retired on 28 April 2024</i>	8,349	1,000	-	772	10,121	-	-	-	-	-	-	10,121	-
Third: Executive Directors:													
1. Usman Ahmed	26,090**	16,000	-	1,151	43,241	-	-	-	-	-	-	43,241	-
2. Gaby Samir Al Hakim <i>Resigned on 2 June 2024</i>	10,854**	4,000	-	-	14,854	-	-	-	-	-	-	14,854	-
3. Isa Hasan Maseeh <i>Resigned on 2 June 2024</i>	10,854**	11,000	-	575	22,429	-	-	-	-	-	-	22,429	-
4. Ali Ehsan Abbas <i>Appointed on 2 June 2024</i>	15,132**	14,000	-	-	29,132	-	-	-	-	-	-	29,132	-
5. Hisham Saeed Al Kurdi <i>Appointed on 2 June 2024</i>	15,132**	6,000	-	-	21,132	-	-	-	-	-	-	21,132	-
6. Mohsin Rahim <i>Appointed on 2 June 2024</i>	15,132**	6,000	-	-	21,132	-	-	-	-	-	-	21,132	-
7. Rana AbdulAziz Qambar	26,090**	13,000	-	-	39,090	-	-	-	-	-	-	39,090	-
Total	268,128	189,428	-	7,932	465,488	-	-	-	-	-	-	465,488	-

Note: All amounts stated in Bahraini Dinars.
***Subject to AGM and regulatory approval.**
****Remuneration is paid to the entity (shareholder) represented by these board members.**
Other remunerations:
***** It includes in-kind benefits – specific amount – remuneration for technical, administrative and advisory works (if any).**
****** It includes the board member’s share of the profits - Granted shares (insert the value) (if any).**

BOARD OF DIRECTORS REPORT (CONTINUED)

Second: Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,113,028	72,623	57,642	1,243,293

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.). This includes the outgoing and incoming CEOs.
** The company's highest financial officer (CFO, Finance Director, ...etc.)



Zaid Khalid Abdulrahman
Chairman

BOARD OF DIRECTORS



Mr. Zaid Khalid Abdulrahman

Board Chairman - Non Executive Director
Chairperson - Nomination, Remuneration, Governance & Sustainability Committee (NRGSC)

Mr. Zaid has more than 18 years of experience in engineering, business management, financial investments specializing in the industrial, transport, logistics and manufacturing industries. Mr. Zaid was the Manager of Operations at the National Transport Company and was the Manager of Maintenance and Sales at the National Establishment of Technical and Trade Services.

Mr. Zaid currently manages a diverse portfolio of financial investments, transport and logistics operations, real estate and food manufacturing. He maintains extensive knowledge of hardware manufacturing processes and sustainable energy projects. Mr. Zaid holds a Bachelor's Degree in Mechanical Engineering from the University of Leicester in the UK.

Mr. Zaid is an Executive Director at the Food Supply Company and is a Board Member at the Bahrain Ship Repairing and Engineering Company. Mr. Zaid also holds a position as a Board Member at the National Bank of Bahrain. He is currently the Director of Operations and Investment at Yousif Abdulrahman Engineer Holding Co.



Mr. Usman Ahmed

Vice Chairman - Executive Director
Chairman - Executive Committee
Member - Nomination, Remuneration, Governance & Sustainability Committee (NRGSC)

Mr. Usman Ahmed is the Group CEO of the National Bank of Bahrain (NBB) and is also concurrently the Vice Chairman of Bahrain Islamic Bank. Mr. Ahmed has over 29 years of diverse international banking experience in emerging markets across the EMEA and Asia Pacific regions, of which for the last 16 years he has held various senior leadership roles as Group CEO, Managing Director, Board Member and Executive Chairman covering Corporate & Investment Banking, Capital Markets, Commercial, Consumer and Islamic Banking in Bahrain, Hong Kong, London, Malaysia, Pakistan, Philippines and the United Arab Emirates.

Prior to joining NBB, Mr. Ahmed was the CEO and an Executive Board Director of Citi Malaysia, and the Executive Chairman of Citigroup Global Markets Malaysia. He has also been the CEO and Managing Director of Citi Bahrain, Kuwait & Qatar, while also being the Global Head of Citi Islamic Banking, based in Bahrain. As the Chief Operating Officer & Managing Director for Citi's Asia Pacific Corporate Bank in Hong Kong and the Corporate and Investment Banking Head for Citi in Philippines, Mr. Ahmed was extensively involved in leading strategy and client coverage in Asia after the global financial crisis.

While at Barclays Bank Plc. Mr. Ahmed was Managing Director and Head of Corporate & Commercial Banking for Emerging Markets, based in Dubai and responsible for 14 countries in the MENA, Sub-Saharan Africa and South Asia regions. As part of his Capital Markets Origination responsibility in the Citi London EMEA team, he has executed some of the largest and most innovative conventional and Islamic financing transactions for the Middle East region.

Mr. Ahmed has extensive Board level experience, currently serving on the Boards of the GCC Board of Directors Institute, the Bahrain Association of Banks and Injaz Bahrain.



Mr. Mohamed Abdulla Nooruddin

Board Member - Independent Member.
Chairperson - Board Independent Committee (BIC).
Vice Chairperson - Board Risk & Compliance Committee (BRCC).
Vice Chairperson - Nomination, Remuneration, Governance & Sustainability Committee (NRGSC)

Mr. Mohamed Abdulla Nooruddin is the Chairman of Newbury Investments W.L.L., a private firm established in the Kingdom of Bahrain that provides financial and investment advisory services, in addition to being a Board member of Arcapita Capital Company - KSA. He was also a Board member at Al Baraka Bank Egypt and Tadamon Capital.

In the past, Mr. Nooruddin has held several executive positions at Arcapita Bank, First Islamic Investment Bank, Bahrain International Bank and Gulf International Bank. He holds a BSc in Business Administration from the University of Bahrain.



Mr. Khalid Abdulaziz Al Jassim

Board Member - Independent Member
Chairperson - Audit Committee (AC)
Vice Chairperson - Board Independent Committee (BIC)
Member- Board Risk & Compliance Committee (BRCC)

Mr. Khalid Abdulaziz Al Jassim is the Chairman and the Managing Director of Afkar Vision WLL, which specialises in investments and financial advisory.

Prior to that and for more than fifteen years, he was an Executive Director at Arcapita Bank. Mr. Al Jassim started his career as marketing director at NACIC for specialty chemicals, a subsidiary of SABIC, KSA.

Mr. Al Jassim has also worked for Arthur Anderson as a senior business consultant. He currently serves as an independent Board Member at SICO Bank, where he is the Chairman of the Nomination, Remuneration and Corporate Governance Committee. Moreover, he has been appointed as a Board member of SICO Capital in Saudi Arabia, and Durrat Al Bahrain. Mr. Al Jassim is also serving as an advisory Board member at AZZURRA Capital, an international private equity firm based in Luxembourg. He has recently been appointed as Executive Chairman of Wahed (MENA), a global fintech specializing in Shari'a-compliant investments.

Mr. Al Jassim holds a BSc in Computer Science & Mathematics from California State University, Long Beach, USA as well as an Executive MBA from Pepperdine University in California, USA.

BOARD OF DIRECTORS (CONTINUED)



Mr. Marwan Khaled Tabbara

Board Member - Independent Member
Chairperson - Board Risk & Compliance Committee (BRCC)
Member - Nomination, Remuneration, Governance & Sustainability Committee (NRGSC)
Member - Board Independent Committee (BIC)

Mr. Tabbara is a co-founder and Managing Partner of Stratum, a boutique advisory services firm based in the Kingdom of Bahrain and has over 25 years of experience in strategic, financial, and transaction advisory. Prior to Stratum, Mr. Tabbara worked in the Global Corporate & Investment Banking division of Citigroup in New York, London, and Bahrain, and supported large private and public sector clients on financing transactions within the Middle East and internationally.

He currently serves as Vice Chairman of the Board of Directors of the American University of Bahrain (AUBH) and as Board Member of the American School of Bahrain (ASB) and the International School of Creative Science (ISCS). Mr. Tabbara has also recently been appointed by Royal Decree as a Board member of the Health Insurance Fund. He has also previously served as the Chairman of the Board of Directors of Bahrain Flour Mills Company BSC (publicly listed and majority owned by Mumtalakat, the sovereign wealth fund of the Kingdom of Bahrain), Vice Chairman of the Board of Directors of Bahrain Bourse BSC (c) (Bahrain's National Stock Exchange) and as Board Member of Bahrain Development Bank BSC (c).

Mr. Tabbara holds a Master of Engineering Management and a Bachelor of Science in Electrical Engineering and Economics from Duke University, USA.



Mr. Saqer Abdulmohsin Al Sijari

Board Member - Independent Member
Vice Chairperson - Audit Committee (AC)
Member - Board Independent Committee (BIC)

Mr. Saqer Al Sijari has gained over 30 years of vast experience and expertise across the public and private sector, where he assumed several key administrative roles.

His career began in the private sector in 1992 as an Operations Officer at the Public Warehousing Company and then as Head of the Operations Management Unit in 1998. Mr. Saqer then shifted to the public sector at the Kuwait Awqaf Public Foundation as a Senior Transaction Coordinator in 1999, moving onto Deputy of Administrative Affairs in 2001 and Director of Administrative Affairs in 2003. Following an Amiri decree, he was appointed as the Deputy Secretary-General for Administration & Support services at the Kuwait Awqaf Public Foundation from 2017 to 2022.

An Amiri decree was also issued appointing him as Secretary-General for the Kuwait Awqaf Public Foundation at the level of Undersecretary in 2022. He resigned from his post as Secretary-General of the General Secretariat of the Waqfs at the beginning of 2023.

Mr. Saqer holds a Bachelor of Mathematics from the College of Basic Education in Kuwait. In addition, he chairs the Board of Directors at the National Takaful Insurance Company in Kuwait.



Mr. Ali Ehsan

Board Member - Executive Director
Member - Audit Committee (AC)
Member - Board Risk & Compliance Committee (BRCC)

Mr. Ali Ehsan is the Group Chief Risk Officer at NBB. With over 20 years of experience spanning both local and regional business and risk management leadership roles, Mr. Ali Ehsan brings broad and well-rounded discipline to the development, implementation, and oversight of the Group's Risk Management Framework.

Mr. Ali Ehsan's extensive experience in banking has been achieved through an accelerated and rigorous career path in several key areas including corporate finance, portfolio management, and risk management. Prior to joining NBB, Mr. Ali Ehsan was the Country Manager and Chief of UAE Representative Office Operations at BBK.

Mr. Ali Ehsan holds a Bachelor of Commerce degree in Finance with Honors in Investments & Portfolio Management from Concordia University (Montreal, Canada). He has also achieved a Master of Science in Finance from DePaul University, in addition to being a FRM Certified Professional by the Global Association of Risk Professionals.



Mr. Hisham AlKurdi

Board Member - Executive Director
Member - Executive Committee

Mr. AlKurdi oversees NBB's Group Markets & Client Solutions, which encompasses Treasury Capital Markets, Transaction Banking, and Corporate Finance, for both local and regional Corporate and Institutional clients. He is responsible for the formulation and implementation of business strategies, ensuring the Group is adequately equipped to support client needs, and maintaining awareness of market trends.

Mr. Al Kurdi possesses approximately 30 years of international and local experience. Prior to his tenure at NBB, he served as the Managing Director of Global Markets for the MEA region at BNP Paribas and was a member of the Corporate and Institutional Bank Regional Board and Executive Committee. Additionally, he has held positions at the Bank of Bahrain and Kuwait and The Bahrain Petroleum Company. He holds a bachelor's degree in Systems Engineering and Control from the University of Huddersfield, in the United Kingdom.

Mr. AlKurdi serves as the Deputy Chairman of Sico's Board of Directors and is a member of Sico's Board Investment Committee.

Mr. AlKurdi is a board member of CBB's Conventional and Islamic Banks Fund Board and is also a member of BAB's Treasurer Committee.

BOARD OF DIRECTORS (CONTINUED)



Mr. Mohsin Rahim

Board Member - Executive Director
Member - Executive Committee

Mr. Rahim oversees all aspects of the NBB Group's Finance and Asset Liability Management activities. He collaborates closely with NBB Group CEO and the management team on driving the strategic objectives in maintaining the Bank's leading position in Bahrain.

Mr. Rahim has over 25 years of international banking experience, primarily with Citigroup, across the USA and Asia Pacific. In the past 12 years, he has held senior leadership roles as CFO and Managing Director covering Corporate & Investment Banking, Capital Markets, and Commercial & Retail Banking. Prior to joining NBB, he served as the CFO of Citigroup's US Personal Banking & Wealth Management Operations, Citigroup China, and Citigroup Philippines. He has demonstrable expertise in finance transformation, balance sheet optimisation, business strategy development, and cost minimisation. Mr. Rahim holds a Bachelor's in Commerce from the University of Karachi and an MBA from the University of La Verne. His credentials also include the General Securities Series 7 and SIE Securities Essential certifications.



Ms. Rana Abdulaziz Qambar

Board Member - Executive Director
Member - Risk & Compliance Committee

Ms. Qambar oversees all compliance activities and ensures NBB Group effectively and efficiently complies with all applicable laws, regulatory requirements, policies and procedures.

She has over 23 years of experience in the banking and regulatory industry. Prior to joining NBB, she was the Director of Licensing and Head of Retail Banking Supervision at the Central Bank of Bahrain (CBB). She holds a Master's Degree in Accounting and a Bachelor in Accounting from the University of Bahrain.

SHARIA'A SUPERVISORY BOARD REPORT

For the year ended on 31/12/2024

In The Name of Allah, most Gracious,
Most Merciful Peace and Blessings Be Upon His Messenger.

To the shareholders of Bahrain Islamic Bank B.S.C.

Assalam Alaykum Wa Rahmatu Allah Wa BarakatoH.

The Sharia'a Board hereby present the following report on its activities in supervising the Bank's finances and investments from a Sharia perspective for the financial year ending on 31st December 2024, in fulfillment to the mandate conferred upon it by BisB's Articles of Association:

First: Supervision and Revision of the Bank's Business

In coordination with the Sharia Coordination and implementation, the Sharia Supervisory Board has monitored the implementation on the Bank's Finances and its applicable fees and the relevant policies and procedures, in addition to advising and providing fatwas in regards to the finance agreements up to 31st December 2024 to ensure the Bank's adherence to the provisions and principles of Islamic Sharia'a.

It also reviewed the Sharia'a compliance report issued by the Sharia'a Coordination and Implementation Department on the Sharia'a reviewed and supervision work on the bank's business in accordance with the identified Sharia'a risks, the report showed that the bank has adhered in its operations to the Sharia controls stated by the Accounting and Auditing Organization for Islamic Financial Institutions

The Sharia'a Supervisory Board affirms that it has fulfilled all the requirements of Sharia Governance issued by the Central Bank of Bahrain with the Sharia Coordination and Implementation Department and the Internal Sharia Audit Department.

(AAOIFI), and the Sharia Supervisory Board decisions and fatwas, and the Sharia Coordination and Implementation Department has carried out its work according to the plan monitored by it.

The Sharia'a Supervisory Board believes that ensuring the conformity of Bank's activities and investments with the provisions of Islamic Sharia'a is the sole responsibility of the Management while the Sharia'a Supervisory Board is only responsible for expressing an independent opinion and preparing a report to you.

Second: Sharia'a Audit of the Bank's Business

1) Sharia'a Internal Audit

We planned with the Sharia'a Internal Audit department to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the Bank did not violate the principles and provisions of Islamic Sharia'a and Fatwas and decisions of the Sharia'a Board.

Our supervision constituted of inspection, documenting of policies followed by the Bank on the basis of examining each kind of operation either directly or indirectly by the internal Sharia'a Department in conformity with the Plan and methodology approved by the Sharia'a Board.

The Sharia'a Internal Audit department performed its mission of auditing the transactions executed by the Bank and submitted its periodic reports to the Sharia'a Supervisory Board, which confirmed the Bank's adherence in its dealings and investments with the Sharia'a Board's fatwas and decisions.

The 28 reports submitted by Internal Sharia Audit Department to the Sharia'a Supervisory Board included results of auditing the files,

contracts, executed deals in fulfillment to the Sharia'a Board annual approved audit plan. The Sharia'a Board obtained the requested information and explanations from the departments it deemed necessary to confirm that the Bank did not violate the Sharia principles and Fatwas and decisions of the Sharia'a Board.

2) Independent External Shari'a Compliance Audit

The Sharia'a Supervisory Board reviewed the audit report provided by the Independent External Shari'a Auditor on the Bank's activities and the progress of work in the Sharia'a Departments, which demonstrated that the Bank's operations, transactions and services have been implemented based on appropriate procedures that confirms its compliance with the Islamic Shari'a rules, principles and provisions, and that they have went through the Bank's necessary administrative channels from Senior Management, Internal Audit and Shari'a Supervisory Board.

Third: Sharia Governance

The Sharia'a Supervisory Board reviewed the Bank's Management report on Sharia'a Compliance and Governance, which shows the proper functioning of the supervision procedures related to compliance structures and Sharia governance in the Bank, and the Management's assertion on the effectiveness of the mechanism and operation of supervision procedures.

The Sharia'a Supervisory Board affirms that it has fulfilled all the requirements of Sharia

SHARIA'A SUPERVISORY BOARD REPORT (CONTINUED)

Governance issued by the Central Bank of Bahrain with the Sharia Coordination and Implementation Department and the Internal Sharia Audit Department.

Fourth: Sharia Supervisory Board Operations

The Sharia Board and its Committees held (16) meetings during the year and issued (83) decisions and fatwas, and approved (215) contracts.

Fifth: Financial Statements and Zakat Calculation Methods

The Sharia Board has reviewed the financial Statements for the year ended on 31st December 2024, the income statement, the distribution of profit and allocation of losses, the attached notes and the Zakat calculation methods.

Based on the above, the Sharia'a Supervisory Board decides that:

1. All the Financial Statements inspected by the Sharia'a Board conform to what has been approved by the Board, and to the standards issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).

2. Contracts and transactions conducted by the Bank throughout were in accordance with the standard contracts pre-approved by the Sharia'a Supervisory Board.

3. The distribution of profit and allocation of losses on investment accounts was in line with the basis and principles approved by the Sharia'a Supervisory Board and in accordance to Islamic Sharia.

4. Any gains resulted from sources or means prohibited by the provisions and principles of Islamic Sharia'a, have been directed to the Charity and Donations Fund.

5. Zakah was calculated according to the provisions and principles of Islamic Sharia'a, by the net invested assets method. And the shareholders should pay their portion of Zakah on their shares as stated in the financial report.

6. The Bank was committed to the provisions and principles of Sharia'a as per Sharia'a standards issued by the (AAOIFI).

We pray that Allah may grant all of us further success and prosperity.

Wassalam Alaykum Wa Rahmatu Allah Wa Barakatoh.

SHARI'A SUPERVISORY BOARD



Shaikh Dr. Abdul Latif Mahmood Al Mahmood
Chairman of Shari'a Supervisory Board

Former Associate Professor of Arabic Language and Islamic Studies Department at the University of Bahrain. Member of the Supreme Council for Islamic Affairs, Bahrain (since 2005).

Chairman of the Shari'a Supervisory Board of the Central Bank of Bahrain and Member of the Shari'a Supervisory Board of the Oman Central Bank. He has chaired and participated in Shari'a supervisory boards of several Islamic banks, insurance and reinsurance companies. An expert at the International Islamic Fiqh Academy affiliated with the Organization of the Islamic Conference, and a member of several Islamic Fiqh academies.

Preacher and lecturer in several mosques in Bahrain (since 1973). Conducted numerous lessons on Quranic interpretation and Islamic jurisprudence.

He has participated and spoken at several Islamic jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars.



Shaikh Dr. Nedham Mohamed Saleh Yacoubi
Vice Chairman of Shari'a Supervisory Board

Member of numerous Shari'a Supervisory Boards, including those of the Central Bank of Bahrain, Gulf Finance House, Khaleeji Bank, Al Salam Bank and ABC Islamic Bank.

Member of the Sharia Board for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Holds a number of Academic degrees and awards, Medal of Efficiency of the first class in Islamic services within and outside Bahrain 2007, awarded by his Majesty the King of Bahrain, Euro Money Award for creativity and innovation in Islamic supervision for Islamic banks from Malaysia and the Malaysia Award for contribution to Islamic banking-Malaysia.

Participated in a number of jurisprudences, educational, economic, intellectual, social and cultural conferences and seminars.

Published over 50 research and books, along with more than 500 visual and audio materials.



Shaikh Mohammed Jaffar Al Juffairi
Shari'a Supervisory Board Member

Studied at Al-Ahlia University of Najaf and Pursued advanced studies in Sharia sciences (comparative studies) at Hawza.

Former judge of the Supreme Shari'a Court of Appeal and has seconded as President of the Supreme Shari'a Court, Ministry of Justice, Kingdom of Bahrain.

Former Member of the Zakat Committee, Ministry of Justice.

Participated in several Islamic committees, courses, seminars, and conferences.



Shaikh Adnan Abdulla Al Qattan
Shari'a Supervisory Board Member

Head of the Shari'a Directorate- Court of Cassation, Ministry of Justice, Islamic Affairs and Awqaf, Kingdom of Bahrain.

Vice President of the Royal Charity Organization.

Chairman of the Hajj Mission of the Kingdom of Bahrain.

Preacher at Ahmed Al Fateh Islamic Masjed.

Participated in several Islamic committees, courses, seminars and conferences.

Served as a lecturer at the Islamic Studies Department, University of Bahrain.

Chairman and Member of several Shari'a Supervisory Boards, including Al Salam Bank and Ibdar Bank.

CHIEF EXECUTIVE OFFICER REPORT

Fatema AlAlawi

Chief Executive Officer (CEO)



In a year marked by persistent challenges and remarkable achievements, BisB has not only demonstrated resilience but has also fortified its position as a leader in the Islamic banking sector. As we navigated through 2024, our commitment to innovation and excellence in delivering Shari'a-compliant solutions was evident. Leveraging cutting-edge digital banking platforms, we enriched our customer offerings and extended our influence beyond traditional Islamic banking into the broader financial landscape. This strategic approach has robustly positioned BisB for continued success in the upcoming year.

Our financial stability is underscored by significant growth across key metrics. Total assets witnessed a commendable increase of 14%, rising to BD1,542 million, up from BD1,358 million at the end of the previous year. This growth was accompanied by an 8% increase in Islamic financing, reaching BD1,001 million, largely fueled by enhanced financing to Government Related Entities. Moreover, our total deposits escalated by 14% to BD1,356 million. Despite headwinds from higher-than-anticipated interest rates which tempered borrowing demand and compressed margins, our financial foresight enabled us to navigate these challenges effectively, recording a 10% increase in profit income in 2024, though net profit for the year declined.

In 2024, we also embarked on the Riyadh Strategy for the period 2024 - 2026, aimed at refining our operations and enhancing our service delivery across diverse customer segments. The initial phase focused on aligning

Total assets witnessed a commendable increase of 14%, rising to BD1,542 million, up from BD1,358 million at the end of the previous year.

This growth was accompanied by an 8% increase in Islamic financing, reaching BD1,001 million. Total deposits escalated by 14% to BD1,356 million.

internal processes and fostering a unified mindset essential for the successful realization of our goals. We are confident that the strategy lays the foundations for a new phase of growth and expansion in the coming years.

CHIEF EXECUTIVE OFFICER REPORT (CONTINUED)

Our collaboration with our majority shareholder, the National Bank of Bahrain (NBB), has continued to yield substantial efficiencies and synergies, enhancing our operational excellence and integrated governance. This partnership is instrumental in driving forward our strategic initiatives and will remain a cornerstone of our future growth.

Highlighting our commitment to sustainable development, we introduced a comprehensive three-year Sustainability Strategy and Roadmap. This initiative includes the integration of an ESG Due Diligence Toolkit and a Sustainable Finance Framework, positioning BisB at the forefront of addressing critical ESG risks and opportunities and playing a leading role in supporting the Kingdom's sustainable development initiatives. As a bank deeply rooted in Islamic values of social responsibility, sustainability remains a fundamental aspect of our operational ethos and strategic vision.

Our brand promise of 'Simplifying Your Money Matters' is a testament to our advanced digital transformation journey. Transactions at BisB are digitalized from end to end, ensuring we deliver a seamless customer experience while executing back-end processes efficiently. The success of our digitalization efforts is underscored by a significant rise in customer activations through our digital services in 2024, marking a year of substantial digital engagement and innovation. This position was strengthened by BisB becoming the first bank in the region to launch GCC onboarding, allowing GCC citizens to open an account digitally.

Further demonstrating our commitment to customer-centricity, BisB launched a new range of credit, corporate, prepaid and debit cards. Not only do the revamped cards use high-quality sustainable materials to ensure durability and seamless usability, but they also integrate tactile elements catering to the special needs of visually impaired customers. In addition, the cards use state-of-the-art technologies to ensure a secure banking experience.

In 2024, we also embraced artificial intelligence (AI) with the launch of the "BisB Shari'a AI" for Islamic fatwas, a platform that provides precise and immediate guidance to students and researchers. Moving forward, we see huge potential to leverage AI to analyze customer behavior and extract predictive insights that would enable the Bank to devise financing solutions that meet their needs.

BisB is determined to be an 'Employer of Choice' and an 'Incubator of Talent' in the local and regional banking and finance sector, putting employee training and development at the heart of our strategy. Our dedication to investing in our human capital ensures that we equip them with the necessary tools to achieve targets and objectives, fostering a culture of excellence and achievement.

Beyond our financial services, BisB is committed to creating meaningful impacts through our CSR program. We allocate a portion of our annual profits for donations through the Zakat, Donations, and Qard Hasan Committee, serving

the community across a broad spectrum of initiatives. Notably, we organized the third Future Leaders Summer Camp and launched the 'We Write in Arabic' initiative, emphasizing the importance of the Arabic language to the local community.

Our commitment to excellence is recognized through numerous prestigious awards, reflecting our leadership in Islamic banking. This year, we received accolades including the Most Innovative Islamic Bank in Digital Banking for Corporate Banking in Bahrain at the 2024 World Business Outlook Awards, Best Digital Bank - Bahrain at the 2024 International Business Magazine Awards, and several others celebrating our innovative products and user-friendly solutions. BisB was awarded Most Innovative Islamic Banking Product (Future Leaders Product) at the 2024 International Finance Awards, Best Islamic Savings Product (Tejoori Account) at the 2024 Global Islamic Finance Awards, and Best Islamic Credit Card in Bahrain 2024 - Visa Signature at the 2024 Islamic Retail Banking Awards.

As we look to the future, I am excited about the opportunities that lie ahead for BisB. Our achievements are a direct result of the

dedication of our employees, the strategic guidance of our executive management and Board, and the unwavering support from the NBB Group and the Central Bank of Bahrain.

I extend my deepest gratitude to our employees for their relentless dedication, to our management and Board for their visionary leadership, and to our shareholders and customers for their continued trust and loyalty. Together, we are poised to navigate the evolving financial landscape and achieve greater heights in the years to come.



Fatema AlAlawi
Chief Executive Officer (CEO)

EXECUTIVE MANAGEMENT



Ms. Fatema AlAlawi
Chief Executive Officer

Ms. Fatema AlAlawi is a visionary leader with over 26 years of experience in Bahrain's Islamic financial sector. She has spearheaded digital transformation initiatives and innovative banking solutions, driving long-term growth.

Ms. AlAlawi joined BisB in 2007, playing a key role in launching Sharia-compliant digital financial products, significantly increasing market share and optimizing operations. She later led Retail Banking, enhancing digital transactions and customer engagement.

In 2019, she became Chief Retail Officer at Al Baraka Islamic Bank Bahrain, managing product development, digitization, and marketing to drive growth. Returning to BisB in 2023 as Chief Retail Banking Officer, she led innovation and retail strategies, improving revenue and market expansion.

In 2025, Ms. AlAlawi was appointed as a Chief Executive Officer, becoming the first Bahraini woman to lead an Islamic bank. She continues to drive BisB's legacy as a pioneer in Islamic finance, leveraging technology to simplify banking.

She holds an Executive MBA and BSc in Business Management from the University of Bahrain and is a Hubert Humphrey Fellow, having trained at Boston University and UCLA. She has also completed executive programs at the University of Virginia (Darden School of Business) and Ivey Business School (Western University, Canada & Hong Kong).

Her contributions have been widely recognized. In 2015, she was honored by HRH Princess Sabeeka bint Ibrahim Al Khalifa for her role in strengthening the industry. She also received the 2016 Future Leader Excellence Award from the Middle East Awards Institute in Dubai.



Mr. Ameer Abdul Ghani Dairi
Chief Financial and Strategy Officer

Mr. Ameer Dairi has over 23 years of experience in financial management accounting, and a broad commercial banking background in Bahrain. Mr. Dairi serves as a Board Member and Chairman of the Audit Committee of Liquidity Management Centre (LMC), Chairman of the Board of Directors of Abaad Real Estate W.L.L., Board Member of Benefit, and Board Member of CBB Waqf Fund.

Mr. Dairi is a Certified Public Accountant (CPA) from New Hampshire Board of Accountancy, a Certified Management Accountant (CMA) licensed by the Chartered Institute of Management Accountants, US and holds a BSc in Accounting from the University of Bahrain.

Mr. Dairi has been awarded a Certificate of Excellence in Data Science and Analytics from Berkeley University of California, a Leadership Grooming Program Certificate from Ivey Business School, Canada and a Certificate in Strategic Leadership in the Era of Disruption from University of Oxford, UK.



Mr. Aqeel Mohammed Ghaith
Chief Corporate & Institutional Banking Officer

Mr. Aqeel Mohammed Ghaith has over 25 years of extensive expertise in Corporate Banking, treasury and wealth management across the local and international banking sector. Prior to joining BisB, Mr. Ghaith held various senior roles during his tenure at Kuwait Finance House – Bahrain.

His broad experience in the field also comprises several leadership roles in reputable banks both in the Kingdom and abroad, including the Arab Banking Corporation and Citibank in Bahrain, and ABC International Bank in London.

Mr. Aqeel holds a Bachelor of Science in Manufacturing Engineering from Boston University, and a Master of Science in Finance with Honours from the same institution.



Mr. Ajay Jha
Chief Risk Officer

Mr. Ajay Jha has over 27 years of experience across the Kingdom of Bahrain, the Kingdom of Saudi Arabia and the Republic of India. Prior to joining BisB, he held various roles including Senior Director and Head of Risk & Compliance at Arab Petroleum Investments Corporation (APICORP) and Head of Risk Management at Al Rajhi Capital, as well as Head of Risk at Amlak International Finance.

He has been into financial services industry all through his career, during which he served diverse and global companies including Citibank, ICICI Bank, GE Capital and TATA Finance.

Mr. Ajay is an MBA-Finance from Devi Ahilya University, India. He has also earned a BSc -Honours in Chemistry from the Ramjas College, Delhi University.

EXECUTIVE MANAGEMENT (CONTINUED)



Ms. Naeema Hasan Taheri
CAMS, FICA, CCO, BCP, MCP
Chief Compliance Officer

Mrs. Naeema Taheri possesses 32 years of expertise in the banking and financial services industry – both Islamic and Conventional. She has extensive experience in Banking Operations, Regulatory Compliance, Anti Financial Crimes, Risk Management, Quality Assurance, Trade Finance, and Training. Prior to joining BisB in April 2022, she held several senior positions at leading banks and financial institutions, starting with Citibank Bahrain as Resident Vice President, Director – Head of Compliance & MLRO at Capinnova Investment Bank, Senior Vice President – Head of Compliance & MLRO at Al Salam Bank, Compliance Officer & MLRO at Gulf Finance House, Group Head of Risk & Compliance at BFC Group Holdings and a lecturer at BIBF.

Mrs. Taheri is a Fellow Member of the U.K.-based International Compliance Association (FICA) and Member of the U.S.A. based Association of Certified Anti-Money Laundering Specialists (ACAMS). She is also a Fellow Member of the International Academy of Business and Financial Management. Mrs. Taheri holds a Bachelor Degree in Business Administration from the University of Bahrain as well as an International Diploma in Compliance (with Distinction) from the International Compliance Association (ICA) in UK. She has also obtained various certifications of the likes in Anti-Money Laundering and Compliance from the University of Reading and ICMA Centre, qualified Master Compliance Professional (MCP), Certified Compliance Officer (CCO), Certified Anti Money Laundering Specialist (CAMS), and has a professional Certificate in Capital Markets, Regulation and Compliance.



Mr. Salman Mahmood Sayyar
Chief Internal Audit Officer

Mr. Sayyar boasts 16 years of experience in internal audit and financial control in the Islamic Financial Sector. He was the Chief Internal Auditor at Al Baraka Islamic Bank-Bahrain and Vice President of Internal Audit at Al Baraka Banking Group. His early professional experience was in the Internal Audit Department at Khaleeji Commercial Bank.

Mr. Salman is a Certified Public Accountant (CPA) from the Colorado State of Accountancy, a Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), and a Chartered Global Management Accountant (CGMA) from the American Institute of Certified Public Accountants in the United States of America. Mr. Sayyar holds a Bachelor's in Accounting from the University of Bahrain.



Ms. Afnan Ahmed Saleh
Chief Human Resources Officer

With 25 years of experience in career counselling, corporate affairs, and HR management, Ms. Afnan Saleh has built a distinguished career in shaping HR strategies, talent development, and organizational growth.

She began her journey at the University of Bahrain's Career Counselling Office, where she later led the Professional Liaisons Unit. She then transitioned to the corporate sector as Administrative Affairs Manager at INTELNACOM, followed by key leadership roles at Tharawat Investment House, including Director of HR & Corporate Management and Secretary of the Board of Directors.

In 2015, Ms. Saleh joined BisB as HR Manager, steadily advancing to oversee both the HR and Administration departments. Her leadership and expertise ultimately led to her appointment as Chief Human Resources Officer.

Throughout her career, Ms. Saleh has led key HR initiatives, including performance management frameworks, leadership development programs, and diversity & inclusion strategies. Her expertise spans employee relations, talent acquisition, and HR digitalization, contributing to a more agile and people-centric work environment.

Ms. Saleh holds a Bachelor of Science in Business Administration from the University of Bahrain and an MBA from Strathclyde University, UK.



Mr. Andrew Mario Stefan Corera
Chief Applications Officer

Mr. Andrew Mario Stefan Corera's background comprises a blend management experience of software, technology and operations as well as governance of information systems, data & cyber security, and project and programming spanning across the banking industry for over 35 years.

Having worked in multinational banks including ANZ, Grindlays and Standard Chartered (SCB), Mr. Stefan has been exposed to diverse markets including Sri Lanka, Australia, Qatar, Vietnam and Bahrain. In Bahrain, he has served on several steering committees, namely CBB for IBAN, BCTS, ECC, and has represented SCB on the Benefit Board. He holds an MBCS from the British Chartered Institute for IT and is a Chartered Information Technology Practitioner (CITP) and Project Management Certification from PMI.

EXECUTIVE MANAGEMENT (CONTINUED)



Mr. Faisal Hamed Al Abdulla
Acting Chief Retail Banking Officer

Mr. Faisal Alabdulla brings over 17 years of expertise in retail banking, priority banking, and corporate finance. He has held leadership roles at both multinational and local banks, demonstrating a strong track record in driving growth and enhancing customer experience.

Before his current role, he led Private and Priority Banking (Al Thuraya) at BisB, overseeing high-net-worth clients and launching strategic initiatives to elevate premium banking services. He also held key positions at HSBC Bahrain, including Branch Manager and Premier Relationship Manager, solidifying his expertise in wealth management and financial advisory.

Mr. Faisal holds a Bachelor's degree in Banking and Finance from Ahlia University and a Diploma in Banking and Finance from the University of Bahrain. He has completed the Leadership Development Program at the Darden School of Business in University of Virginia, Leadership Program at Ivey Business School in Canada, and holds the Series 7 certification, reinforcing his financial acumen.



Mr. Hussain Ebrahim Al Banna
Head of Treasury

Mr. Hussain Al Banna is a seasoned treasury leader with more than 20 years of experience in foreign exchange (FX), money market (MM), sukuk portfolio, Asset Liability Management (ALM), and Corporate Treasury sales across conventional and Islamic banks in various capacities.

He entered the industry in 2004 working in the Regional Treasury Operations of BNP Paribas. In 2005, he joined the Executive Management Trainee Program at Bank of Bahrain and Kuwait (BBK) where he spent three years within different treasury desks before joining BisB in 2008. He holds a BSc in Banking and Finance from the University of Bahrain and has successfully completed the Treasury and Capital Markets Diploma from Bahrain Institute of Banking and Finance (BIBF).



02

**OUR
STRATEGIC
DIRECTION**

THE RIYADAH STRATEGY

BisB established the Riyadhah Strategy in 2023 to articulate the Bank’s renewed mission and vision, set a new strategic direction and goals for the upcoming years (2024-2026) and lay the foundations for a new phase of growth and expansion.

The strategy focuses on driving core profitability, improving asset portfolio quality, diversifying revenues, and enhancing productivity, while achieving long-term sustainable differentiation through capability building.

The ultimate goal is to simplify and optimize processes, ensuring a seamless and outstanding customer experience. We aim to be the bank of choice by converting customer needs into fit-to-market solutions and engaging experience.

What sets BisB apart is a steadfast dedication to delivering innovative Shari’a-compliant solutions that are tailored to the constantly evolving needs of customers. At the core of the Riyadhah Strategy lies the fundamental value of safety and trust prioritising the establishment of a secure and trustworthy environment for customers, employees, and stakeholders.

The strategy is built on four pillars:

- 1. F1 Speed & Accuracy**
Improve speed, accuracy and productivity in delivering services to customers.
- 2. Personalised & Simplified Experience**
Provide a personalised and simplified customer experience to customers.
- 3. Relevant Innovative Solutions**
Offer relevant innovative solutions that address the changing needs and expectations of customers.
- 4. Safe, Sustainable and Trusting**
Ensure that solutions are safe, sustainable and reliable for customers and stakeholders.

The strategy is being implemented across each of the Bank’s three main business units:

Retail Banking	Corporate Banking	Treasury
BisB intends to serve more Bahrainis and professional expats, entrepreneurs, families, affluent GCC citizens and retirees through branch sales, digital, Al Thuraya, call centre and self-service across the asset and liability spectrum.	BisB aims to increase participation in GCC syndications, to enhance the solutions offering for SMEs, and drive balance sheet growth through selective lending to commercial and mid-sized corporates, Government Related Entities and Sovereigns.	BisB will capitalise on Group opportunities to structure Islamic sales products including FX swaps, structured deposits, and wrappers.

To achieve its strategic objectives, BisB will strengthen and leverage its core capabilities as follows:

Robust Financial & Governance Frameworks	Align performance management with strategic objectives and uphold the highest standards of ethics, compliance and risk management.
Talented & Engaged Workforce	Develop processes to hire, develop and retain the best talent in the market, and cultivate a culture of engagement, empowerment and accountability.
Data Analytics and Emerging Technologies	Apply data analytics and emerging technologies such as AI and cloud computing to improve the customer experience and explore new ways of delivering banking services through digital platforms, ecosystems and partnerships.
Innovation Engine	Utilise data to understand customer needs, preferences, and behaviours while fostering a culture of innovation and collaboration within the organisation and with external partners.
Digital Scalability	Ensure that digital infrastructure and capabilities are scalable, resilient and secure and that the Bank can adapt to changing customer demands and market conditions. BisB will also leverage the digital channels to expand reach and access to new markets and segments.



THE RIYADAH STRATEGY (CONTINUED)

Key Achievements in 2024

BisB made significant progress during the first year of implementation of the Riyadh Strategy resulting in improved financial ratios, Non-Performing Financing (NPF), and liquidity complemented by the launch of new products as well as the revamp of existing products. In addition, during the first year of implementation, the Bank enhanced its core capabilities, as outlined in the table above.

Milestones achieved include:

Cost Optimisation & Group Synergy

- Achieved significant cost savings
- Established the In- Business Risk Unit
- Finalised Group HR and Compliance integration

Improve Asset Quality

- Launched the Asset Recoveries Taskforce
- Reduced Stage 2 and Stage 3 combined exposure by over BD 17 Mn during the year 2024
- Established the Group remedial structure with dedicated BisB resource

Topline Organic Growth

- Increased digital banking fee income by 9%
- Increased market share as financing portfolio grew by 8.3% as opposed to 4.6% increase in outstanding loans and advances in the retail banking sector

In conclusion, the Riyadh Strategy has set a clear and ambitious path for BisB, focusing on core profitability, asset quality, revenue diversification, and customer experience. The achievements in 2024 demonstrate the Bank’s commitment to innovation, efficiency, and customer-centricity. As we move forward, BisB will continue to leverage its strengths, embrace new technologies, and foster a culture of excellence to achieve sustainable growth and long-term success. Together, we are building a future where BisB stands as a beacon of trust, innovation, and customer satisfaction in the banking industry.

- Average yield on financing from 5.4% to 5.6%
- Established Transaction Banking function to grow non-financing income and lower cost liabilities by developing tailored products and solutions for Corporates and SMEs

F1 Speed and Experience

- Lowered Corporate financing Credit Applications average turn around time by 33% from 110 to 73 days
- Lowered retail mortgage finance execution turn around time by 42%
- Improved branch NPS from 63% to 83%
- Increased CIB digital adoption by 45%

Safe, Sustainable and Trusting

- Improved ESG score from 55% to 61%
- Established Sustainable Finance Framework
- Implemented ESG Assessment Toolkit
- Implemented new culture framework change management

Enhance Business Capability

- Established IT data team
- Finalised data warehouse migration to Amazon Web Services
- Launched the agile operating model for retail channels development, reducing idea-to-launch from 9.5 months to three months
- Launched the innovation framework and six innovation activities

RELATIONSHIP WITH NBB

Having NBB as a major stakeholder builds confidence and trust with BisB customers.



Since 2020, BisB has been part of National Bank of Bahrain (NBB) Group after the Kingdom’s largest bank acquired a 78.8% controlling stake in the country’s first Islamic bank.

This created a Group with just under a quarter share of Bahrain’s retail banking market and a deep portfolio of products and services spanning conventional as well as Islamic banking.

In accordance with CBB regulations as well as Shar’ia law, BisB’s status as an Islamic bank means its financial operations are kept separate from the Group. The two banks continue to operate as distinct entities with separate licenses, balance sheets, equity structures, management teams, and brand identities.

Nevertheless, over the past four years, certain functions have become gradually more integrated, creating efficiency synergies and cost savings for the Group and strengthening BisB’s capital adequacy and balance sheet.

Governance and compliance areas are now closely aligned while support functions such as IT and Human Resources (HR) have seen considerable integration.

This process continued into 2024, resulting in a number of benefits for BisB, including enhanced Risk Management frameworks that align with the Group, while the integration of regulatory compliance functions means BisB has overcome CBB resource mandates for compliance.

Furthermore, during the year, the Fraud Management, In-Business Risk, and Remedial and Debt Recovery Functions were more closely integrated while Group AML/Sanction framework and policies and procedures were finalised.

Group IT Data support was extended to BisB while progress was made with the roadmap for Datawarehouse migration to the cloud. There was also further progress with the establishment of an integrated Group HR Department during the year and a Culture Analytics service was launched.

Having NBB as a major stakeholder builds confidence and trust with BisB customers and reaffirms its position as the leading Islamic bank in the Kingdom. With the support of its majority shareholder, BisB can continue to deliver long-term value for all stakeholders. Operating as a Group will enable both institutions to open more doors and expand beyond their respective individual capabilities.

RELATIONSHIP
WITH NBB
(CONTINUED)

NBB AT A GLANCE

Established
in 1957

Headquarters
in Manama,
Bahrain

Overseas branches

United Arab Emirates (UAE)
- Abu Dhabi & Dubai

Kingdom of Saudi Arabia
(KSA) - Riyadh

Stock Exchange:

Bahrain Bourse

Ownership

Private and institutional
shareholders: **45.09%**

Bahrain Mumtalakat
Holding Company:
44.06%

Social Insurance
Organization: **10.85%**

21

Operating
Branches

85

Automated Teller
Machines (ATM)

64

Cash Deposit
Machines (CDM)*

4

Interactive
Teller Machines
(ITM)**

6.61%

% Growth of
customer**

Note:

* 25 Retail CDMs and 39
GMCSs;

** Retail Banking

NBB AT A GLANCE

The National Bank of Bahrain B.S.C (NBB) was established in 1957 as the first locally owned bank and is licensed by the Central Bank of Bahrain (CBB) as a conventional retail bank. Today, the Group's operations span across the Kingdom of Bahrain, the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). They also include Bahrain Islamic Bank, our islamic subsidiary, which was established in Bahrain in 1979 as the first islamic bank in Bahrain established in 1979.

The National Bank of Bahrain (NBB) has been a pillar of the Kingdom of Bahrain's economic and social development. We provide essential financial services for citizens and businesses nationwide, strengthening our status as a regional financial hub. The Bank works tirelessly to deliver on its vision of "Enriching lives by contributing to economic development through seamless financial solutions and sustainable outcomes."

In 2024, NBB demonstrated remarkable growth and resilience, reflecting the trust and confidence of customers across Bahrain, the UAE, and the Kingdom of Saudi Arabia. NBB's operations now span these key markets, showcasing its commitment to supporting long-term economic growth. NBB have continued to invest in innovative digital solutions, ensuring to meet the evolving needs of their customers. NBB's financial strength is evident, with a 4% increase in attributable net profit, reaching BHD 81.9 million, and a 7% rise in customer deposits, totaling BHD 3,743.8 million.

NBB Group boasts an extensive network of 33 branches which includes 21 branches in Bahrain, 3 overseas branches, and 9 branches of its Islamic Subsidiary BisB, which has bolstered its capabilities, allowing NBB to offer a comprehensive range of Shariah compliant products and services. This extensive presence underscores its commitment to supporting the long-term economic growth of the region.

In line with the Bahrain Economic Vision 2030, NBB has accelerated its sustainability journey in recent years, pioneering the integration of environmental, social, and governance (ESG) practices in the banking sector, both locally and regionally. NBB's sustainability framework and roadmap complement the longstanding commitment to responsible banking through the delivery of a wide range of products and services. Constant innovation has enabled the Group to meet the growing demand for seamless, digitally enabled banking services. NBB's dedicated team of over 1,219 employees is at the heart of its success, driving its initiatives and ensuring to remain at the forefront of the banking industry. NBB is proud of its strong capital adequacy ratio, which stands at 21.5%, reflecting the robust financial health and stability. This financial strength allows NBB to continue investing in innovative solutions and expanding its services to meet the evolving needs of its customers.

As we look to the future, NBB's strategy remains centered around serving the evolving needs of its customers while advancing its sustainability agenda and delivering long-term value for its shareholders. NBB remains focused on strengthening its market position and advancing initiatives that support Bahrain and the wider region's long-term economic growth. NBB looks forward to building on its strengths, adapting to evolving market needs, and creating new opportunities for sustainable progress.

OUR APPROACH TO ESG

BisB is committed to supporting Bahrain's sustainable development and the transition to an economy that works for people and planet. As the country's leading Islamic bank, BisB is uniquely placed to support the government's environmental and social objectives through the provision of Shari'a compliant products and services and allocating capital in ways that drive sustainable outcomes to build a better future for all.

ESG Governance

By formalising ESG governance, BisB ensures that sustainability is embedded within the organisation and that key ESG risks and opportunities are considered at Board level and aligned with the Group's overall business strategy and operations.

In 2023, BisB took significant steps to embed sustainable practices throughout the Bank, appointing a Chief Strategy and Sustainability Officer alongside a Head of Sustainability & Governance. These two roles are responsible for developing and implementing a comprehensive sustainability strategy that is embedded within the larger strategy of the Bank and that aligns with its organisational values and vision.

In 2024, BisB revised its ESG governance set-up by phasing out the role of the Chief Strategy and Sustainability Officer as well as the Head of Sustainability & Governance. The revised set-up appointed a Sustainability Manager.

Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC)

This Board-level committee is responsible for overseeing the integration of ESG practices within BisB's business and operations while continuously growing organisational awareness around ESG and sustainability matters.

Sustainability Management Committee

A Sustainability Management Committee was established to advise and support BisB and the NBB Group on sustainability issues, recommending policies, procedures, and initiatives across the Group's operations and core activities, including setting the sustainability-related direction and strategy. The Committee oversees the implementation of sustainability initiatives and monitors the Group's non-financial performance to ensure alignment with the goal of becoming a sustainable bank.

The Committee also assists the NRGSC Board Committee in integrating sustainability considerations within the Group's business strategy, overseeing the Sustainable Finance Framework activities, and ensuring alignment with the CBB's ESG Module and other regulatory requirements. The Committee shall report sustainability performance to the NRGSC on a periodic basis, at least semi-annually.

The Sustainability Management Committee includes Chiefs and Heads of various departments from the Group including Strategy, Finance, Risk, Human Resources, Corporate Communication, Operation, Retail, Treasury and Client Solutions, Corporate and Commercial

Banking and representatives from BisB including Chief Executive Officer (CEO) and the Chief Strategy and Sustainability Officer (CSSO). The Committee is chaired by the Group Chief Executive Officer (GCEO) or his delegate.

The main responsibilities of the Sustainability Management Committee are as follows:

- Assist the NRGSC to achieve the integration of sustainability considerations within the Group's Business Strategy.
- Oversee Sustainable Finance Framework activities and reporting.
- Review and recommend sustainability initiatives to the NRGSC.
- Review the Group's ESG reporting and ensure alignment with international standards and the CBB's ESG rulebook.
- Periodically review the Group's significant stakeholders and the materiality topics.
- Review and/or propose new ESG-related policies and procedures and update existing ones.
- Support in growing continuous organisational awareness around ESG.
- Oversee the Group's sustainability goals and objectives. Review and recommend departmental Sustainability KPIs on an annual basis.
- Oversee ESG ratings by various agencies.

Sustainability Working Group

The Bank has also established a Sustainability Working Group, which is currently chaired by the Sustainability Manager reporting to the Chief Strategy and Sustainability Officer and includes various members with a diverse level of operational and business backgrounds. The Working Group is responsible for shaping BisB's sustainability roadmap and strategy in line with the Bank's purpose, mission, promise, and values. Its main responsibilities are as follows:

- Assist the Bank's management team in formulating an ESG-aligned strategic business direction that ensures that continuous attention is paid to sustaining desirable non-financial performance.
- Assist the relevant departments in the creation of awareness initiatives with inclusivity in mind.
- Collaborate with different departments to achieve the agreed upon KPIs and develop additional ESG initiatives.
- Ensure that departments are moving forward with the agreed upon KPIs to assess progress.
- Monitor market developments including actions by competitors, new regulations, and perception and rating methodologies by rating agencies.
- Provide the Bank's management and the NRGSC with periodic updates on the progress of the Bank's ESG integration.

OUR APPROACH TO ESG (CONTINUED)

The working group is comprised of members from various departments across the Bank, including the following:

- Corporate and Institutional Banking
- Retail Department
- Human Resources
- Marketing and Corporate Communications
- Operations
- Information Technology (IT)
- Credit and Risk
- Compliance
- Legal and Governance

Membership may evolve over time to include additional representatives or departments to ensure a robust decision-making process.

Sustainable Finance Working Group (SFWG)

Once the Sustainable Finance Framework has been finalised and approved, BisB plans to form a Sustainable Finance Working Group (SFWG) which will include members drawn from the Sustainability Working Group and internal departments nominated by members of the Sustainability Management Committee. The composition of the SFWG may change whenever deemed necessary to enhance decision making, subject to the approval of the Chief Strategy and Sustainability Officer.

The SFWG will be involved in the decision-making process to determine whether an asset, liability, project, transaction or entity

can hold a sustainable label and at BisB will be responsible for overseeing all sustainable finance transactions.

The main responsibilities of the SFWG will be as follows:

- Convene at least twice per year.
- Ratify eligible sustainable-labelled transactions in accordance with the Framework and relevant industry guiding principles.
- Ensure that all eligible sustainable-labelled transactions have been assessed from an environmental and social risk management perspective where relevant and applicable.
- Undertake at least annual monitoring of the asset, liability pool, and revenue base to ensure the continuous eligibility of sustainable labelled transactions.
- Facilitate regular reporting on any Sustainable Issuance and Financing in alignment with reporting commitments.
- Manage any future updates to the Framework
- Ensure that the approval of eligible sustainable-labelled products follows the Bank’s existing loan/investment approval processes.

To ensure that sustainability is further embedded in the Bank’s decision-making processes at the highest level, BisB’s senior management team are assigned a sustainability-related KPI in their annual performance review, While this links Sustainability directly with performance review, it only indirectly influences compensation.

Sustainability Strategy

In recent years, BisB has been gradually refining its strategic approach to environmental, social, and governance (ESG) to more effectively manage its material ESG risks

and opportunities. The Bank developed a sustainability strategy built on six pillars aligned to its material ESG topics, as presented in the table below.

Pillar		Material Topics
Corporate Governance & Ethical Behaviour		• Compliance and Ethical Behaviour • Data Privacy and Security • Governance, Transparency, and Accountability
Serving our Customers		• Responsible Customer Relationships • Data Privacy and Security • Digital Transformation and Innovation
Nurturing our workforce		• Workforce Wellbeing • Diversity, Inclusion, and Equal Opportunity • Employee Training and Development
Preserving Natural Resources		• Direct Environmental Footprint • Responsible Sourcing
Community Investments		• Community Investment
Responsible Banking		• Integration of Environmental and Social Factors in Lending Activities • Integration of ESG in Investment Activities • Financial and Economic Performance • Financial Inclusion

OUR APPROACH TO ESG (CONTINUED)

As evidence of BisB’s progress in this area, the Bank has significantly improved its ESG score to 61/100 from 55/100 in 2023 and 44/100 in 2022, as measured by ESG Invest, a leading ratings agency for the MENA region. Building on its achievements in previous years, BisB has developed an enhanced three-year Sustainability Roadmap for the 2025 – 2027 period and set more ambitious goals and objectives. The Bank has crystalised its overall aspiration in the following statement:

“Be a tangible and strategic force supporting customers, the Bank and the government towards their sustainable goals and aspirations”

Furthermore, the new Roadmap sets the following four broad goals:

- Improve ESG score to > 70%
- Become a top three ranked sustainable bank in Bahrain
- Launch sustainable products and services
- Enhance social impact on community and customers

To achieve its objectives, BisB has identified the following three focus areas that offer the Bank considerable scope for advancing its ESG agenda. Furthermore, BisB has developed a comprehensive series of impactful initiatives to support each of the below.

1. Robust governance and measurement system

Enhance systems to measure, manage, and report on ESG topics, including through the adoption of technology, while strengthening

governance processes and procedures across the organisation, in line with international standards.

2. Integrate Sustainability Framework into BisB systems

Enhance product and service offering to provide customers with a wider range of sustainability-related options, such as green finance, while embedding sustainable practices across all departments.

3. Impactful Initiatives on Partners, Customers, and Employees

Enhance business practices to create positive sustainable impacts for all stakeholders including customers, employees, and local communities.

Materiality Assessment and Stakeholder Engagement

BisB’s Sustainability Strategy is based on a comprehensive materiality assessment to identify the Bank’s material ESG risks and opportunities. The materiality assessment is conducted in accordance with global standards and with the input of key stakeholders.

Stakeholder Engagement

The Bank maintains close relationship with all key stakeholder groups to ensure a clear understanding of the issues that matter most to them. This feedback plays a critical role in ensuring that BisB manages all relevant topics.

BisB’s key stakeholder groups are listed below along with an outline of their relationship with the Bank, their needs and expectations, and the methods and channels the Bank uses to engage with them.

Customers

Relationship	Needs and Expectations	Engagement Methods
BisB’s core business activity is providing financial services to customers. The Bank constantly strives to improve the customer experience by meeting their needs and using processes and technologies that make transactions simple and secure.	Customers trust BisB to provide excellent service, competitive rates and fees, innovative products and services, accessible staff at branches, and digital access and ATMs.	• Social Media: Twitter, Facebook, Instagram, YouTube (Suwalif Al Islami), and LinkedIn • Personal Communication: Email, phone, Mobile app, customer service units • Bank branches • Contact centres

Employees

Relationship	Needs and Expectations	Engagement Methods
BisB fosters a creative and supportive work environment and strives to build employee confidence to facilitate greater productivity. The Bank offers career growth and talent development opportunities and is an equal opportunity employer that values diversity in the workforce.	Employees trust BisB to provide career progression and skills development opportunities, competitive salaries and benefits, recognition of work, an inclusive, diverse, and equal opportunity work environment, ease of communication, and access to upper management.	• Regular career development and performance appraisals • Training sessions and workshops • Open communication channels and official whistleblowing policy

Shareholders & Investors

Relationship	Needs and Expectations	Engagement Methods
BisB is committed to serving the interests of shareholders and investors and ensuring that the Bank is always on a sustainable path. BisB’s expertise in the sector and prudent approach to banking enables its financial growth at manageable and tolerable risk levels. The new strategy launched in 2023 aims to deliver shareholder value through growing return on equity.	Shareholders trust BisB to deliver strong and stable financial returns and increase shareholder value. They also expect transparent and open discourse.	• Annual General Meetings • Investor Relations notifications • Stock exchange announcements • Annual Financial and Sustainability Report • Quarterly financial statements

OUR APPROACH TO ESG (CONTINUED)

Government & Regulators

Relationship	Needs and Expectations	Engagement Methods
BisB ensures compliance with regulations issued by the CBB, the Bahrain Stock Exchange, and the Ministry of Industry and Commerce. The Bank is fully aligned with the government's vision and strategic objectives.	The government expects BisB to provide trustworthy banking services that positively impact the country's economy and environment. Regulators expects the Bank to operate within the rules and regulations of the industry, and to be a responsible member of the Bahraini financial services industry.	Active participation in regulatory and government initiatives, programmes, and projects

Communities

Relationship	Needs and Expectations	Engagement Methods
BisB takes its commitment to Corporate Social Responsibility (CSR) seriously and has invested in giving back to the communities the Bank operates in and contributed to several social campaigns and charity projects.	Communities trust the Bank to sponsor philanthropic programmes in the country, to participate in development programmes, and to support technological and economic innovation.	- Community outreach and service through the Jood employee volunteer initiative - The Bank's official CSR program - Education scholarship and corporate funding programs - Zakat charitable donation programme - Sponsorships

Suppliers

Relationship	Needs and Expectations	Engagement Methods
BisB embeds sustainability into procurement processes and partners with suppliers to further develop their sustainability performance.	BisB expects suppliers to fully comply with applicable laws and regulations and to strive to implement social and environmental criteria into their business practices as well as with their suppliers and subcontractors.	- Direct engagement - Supplier agreements are governed by contractual terms - Suppliers must comply with BisB's Code of Conduct.

Materiality Assessment

The stakeholder engagement process helps to identify the issues that present the most significant risks and opportunities for BisB and are most likely to impact the organisation's operations, financial performance, and reputation and therefore need to be managed. In addition, BisB uses the double materiality approach, based on the GRI Standards, to assess how the Bank's operations impact on society and the environment and to identify those topics that the Bank should adopt to ensure sustainable value creation.

BisB periodically reviews its material topics to ensure the Bank manages those that are most relevant to its business and to stakeholders. The Bank intends to conduct a further review in 2025 and will integrate any updates into the next reporting cycle. For this report, the list of material topics is unchanged from 2023.

BisB has identified, ranked, and prioritised the following 15 material topics that the Bank focuses on managing:

Very Material

1. Compliance and Ethical Behaviour: BisB develops robust mechanisms to ensure compliance with banking regulations and customer demands.
2. Data Privacy and Security: The Bank implements stringent security protocols and systems to ensure data security, especially from potential breaches in digital systems.

3. Responsible Customer Relationships: BisB earns customer trust by addressing their needs and requirements, finding convenient solutions to their problems, facilitating customer feedback, and delivering a prompt response.
4. Financial and Economic Performance: BisB looks to ensure sustainable earnings for shareholders to enable continuity of service and ensure brand loyalty. The Bank invests in new opportunities to mitigate financial risk and contribute to the nation's economic growth.

5. Governance, Transparency, and Accountability: Ensuring that business functions and processes follow national and international codes and ethics of banking rules and provide complete transparency to stakeholders.

Somewhat Material

6. Digital Transformation and Innovation: Digitalisation and ease of use through state-of-the-art technologies are the core standards of service at BisB. Technological innovation is critical in helping the Bank to provide solutions and efficient customer service while increasing efficiency and reducing costs.
7. Employee Training and Development: Investing in employee development through training workshops and programmes helps retain top talent due to higher employee satisfaction. It also increases work efficiency and innovation.

OUR APPROACH TO ESG (CONTINUED)

8. Financial Inclusion: Social reform is an important component of the ESG framework. It provides financial services to all communities without discrimination.

9. Diversity, Inclusion, and Equal Opportunity: BisB promotes and ensures inclusivity and diversity in its workforce. The Bank provides equal opportunities to all employees based on merit, which leads to higher employee satisfaction and productivity.

10. Community Investment: BisB has sponsored as well as implemented several welfare and development programmes to benefit local communities.

11. Workforce Well-being: BisB looks out for the well-being of its employees, ensuring that they feel valued, and their needs are met.

Least Material

12. Integration of Environmental and Social Factors in Lending Activities: BisB considers the environmental and social impact of its banking systems and products, especially lending activities.

13. Integration of ESG in Investment Activities: BisB also considers the potential ESG impact of all investment opportunities.

14. Environmental Impact: Reducing the Bank's carbon footprint is important to stakeholders and to the Bank. BisB aims for sustainable development in line with national and international efforts to tackle climate change.

15. Responsible Sourcing: BisB strives to align its supply chains with the Banks Code of Ethics. This means ensuring that suppliers comply with sustainable products, ethical materials sourcing, and internationally accepted labour practices.

Contribution to the Sustainable Development Goals (SDGs)

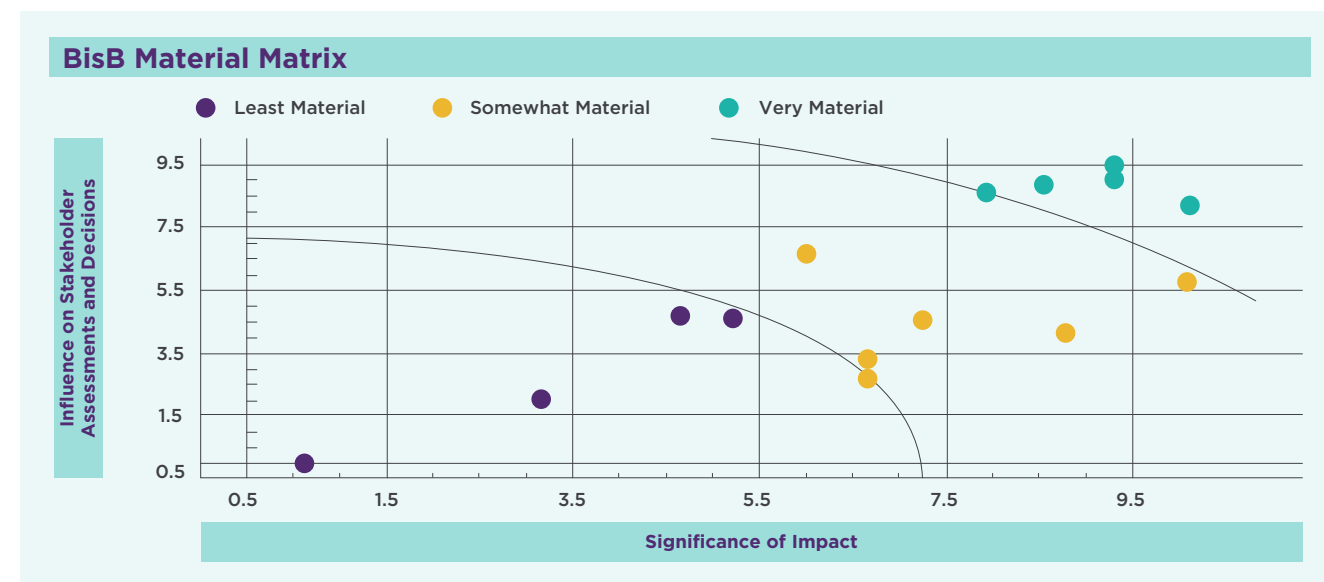
BisB's sustainability framework and roadmap is aligned with Bahrain's national development agenda, including the Bahrain Economic Vision 2030, as well as international frameworks such as the 2030 Agenda for Sustainable Development.

Adopted in 2015 by all United Nations Member States, the 2030 Agenda and its accompanying 17 Sustainable Development Goals (SDGs) provide a universal blueprint to achieve a better and more sustainable future for all people everywhere.

As a leading financial institution, BisB contributes to a variety of SDGs. The mapping of BisB's contribution to the SDGs can be found at the beginning of each Capital section.

Roadmap and Initiatives

BisB has developed a new three-year Sustainability Roadmap (2025-2027) designed to enable the Bank to manage sustainability-related risks and opportunities more effectively while supporting the Kingdom of Bahrain's sustainable development journey. The roadmap includes a comprehensive series of initiatives to position BisB as a leading sustainable bank in Bahrain.



OUR APPROACH TO ESG (CONTINUED)

As part of this, BisB will enhance the Bank's capabilities across four critical areas related to strengthening governance, developing the workforce, and leveraging technology and innovation:

- Robust Financial & Governance Frameworks
- Talented & Engaged Workforce
- Data Analytics & Emerging Technologies
- Innovation Engine

2024 Progress Update

BisB has been gradually laying the foundations to achieve the goal of becoming one of Bahrain's most sustainable banks, implementing systemic changes in all operational areas to achieve a company-wide transformation. In 2024, the Bank continued to advance its sustainability journey through a series of initiatives. These included the following:

UN Global Compact Participation

BisB has become a participant to the United Nations Global Compact, a voluntary initiative that encourages businesses and organisations worldwide to align their strategies and operations with 10 universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.

ESG Due Diligence Toolkit

BisB has developed an ESG Due Diligence Toolkit to evaluate clients' ESG performance and level of preparedness, classify the risks related to BisB's financed projects, and evaluate projects' ESG performance.

The Toolkit will also help in identifying which financing falls under the Equator Principles and will help in conducting the required environmental and social due diligence to ensure compliance with the Equator Principles. The Toolkit leverages recommendations from the Equator Principles, the European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC) and the World Bank and is designed to be simple and effective to use.

The Toolkit uses publicly available information and/or internal documents provided by the client, assessing eligible clients across environmental, social, and governance parameters. For each parameter, a set of questions is used to determine whether the client or project has made Advanced, Satisfactory, or Limited progress with ESG integration or whether there is evidence that the client adheres to the parameter in question. Based on the responses received and the documents provided, scores will be generated to assess the client or project's ESG profile. A low score does not mean financing will be denied. Instead, it is used to provide an overview of sustainability management strategies and performance.

The ESG Toolkit framework allows BisB to:

1. Embed responsible business conduct into policies and management systems
2. Identify and assess actual and potential adverse impacts
3. Prevent or mitigate negative impacts
4. Track implementation and results
5. Communicate around identified ESG issues

Based on the eligibility criteria, BisB identified 13 clients to undergo ESG assessments using the Toolkit. Of these, BisB has finalised the scoring for four companies, with the rest pending.

BisB will conduct annual training for existing employees and new joiners on the ESG Due Diligence Toolkit.

Furthermore, the Toolkit has been incorporated into the Credit Application Approval Process for clients who meet the criteria.

Moving forward, the Bank will continue to assess the profiles of valued customers and take actions necessary to mitigate the identified risks in line with their unique requirements.

Sustainable Finance Framework

BisB has been working to establish a Sustainable Financing Framework (the Framework) outlining the classification and segregation of assets and liabilities that qualify as sustainable, in line with international sustainable finance standards. The Framework will guide the development of sustainable products to support customers in their transition towards a more sustainable business model.

With the establishment of the Framework, BisB has set the following objectives:

1. Outline the process of project evaluation and selection
2. Enhance tracking and reporting of performance towards financing sustainable products

3. Align products to market standards. Targets will be set once the Framework is established, and the portfolio is assessed based on the Framework

Although the Framework has been drafted, it has yet to be finalised and approved. BisB expects this process to be completed in 2025 and will provide an update in the next report.

BisB currently provides a variety of products and services which could be categorised as sustainable finance initiatives. These include a number of products aimed at providing Bahraini citizens with access to home financing, including the Tasheel and Mazaya social housing schemes. In 2024, BisB's Corporate Banking division invested more than BHD 43 mn, representing over 10% of the total financing book, in ESG related financing across a variety of products.

Tasheel Aqari

A housing financing facility granted by Eskin Bank with a maximum amount of BHD 70,000, allowing customers to obtain additional access to funding to purchase the property from BisB, following which the property is jointly registered by both Eskin Bank and BisB. BisB was the first bank to sign with Eskin Bank to grant these facilities in 2015.

Mazaya Financing

A financing facility granted by BisB with a limit of BHD 81,000 providing customers with a monthly subsidy from Eskin Bank. This product was launched in 2014 and BisB was the first bank in Bahrain to execute a Mazaya facility. In 2022, Eskin Bank launched New Mazaya allowing customers to access funding for housing.

OUR APPROACH TO ESG (CONTINUED)

In 2024, BisB launched further initiatives designed to widen access to housing. In addition, the Bank has established a series of partnerships with real estate developers to support the growth of BisB’s home financing business as the Bank re-engineered and centralised its applications process.

Initiatives included the following:

- BisB announced exclusive financing offers during the third edition of the Housing Finance Exhibition organised by the Ministry of Housing and Urban Planning. Customers had the opportunity to avail of a grace period of up to six months, a complete waiver of administrative fees, in addition to complementary fire insurance for those interested in leveraging the Mazaya and Tasheel housing financing schemes.
- BisB organised the second edition of its Property Event to showcase the Bank’s housing finance solutions, reinforcing the Bank’s commitment to supporting government initiatives aimed at empowering citizens with accessible housing solutions.
- BisB joined a strategic alliance formed by Eskan Bank and including NBB and the Kuwaiti Boubyan Bank Group to provide joint financing of BHD 250 million to support and expand suitable housing programmes and options for Bahraini citizens. The initiative is part of efforts by the Ministry of Housing and Urban Planning to implement effective housing policies in line with the Government’s vision for affordable housing in the Kingdom.

- BisB signed a partnership agreement with Effects Real Estate to introduce exclusive offerings for customers keen on investing in land plots at the Hamala project. The agreement will enable BisB customers to benefit from complimentary notarisation services and a grace period of up to three months from the financing date to the first instalment date. Customers reserving directly through the Bank will enjoy special pricing on the Hamala project, along with a BHD 200 gift voucher upon completing their booking and registration.
- BisB announced a partnership with Al Janabiya Gate Real Estate to offer exclusive financing solutions, enabling customers to secure their ideal properties with added benefits such as attractive profit rates and free fire insurance. Al Janabiya Gate Real Estate, in turn, will extend exclusive discounts to BisB customers. This initiative includes several high-profile real estate projects, enhancing the Bank’s portfolio of innovative and customer-centric financial solutions.
- BisB signed a partnership agreement with Manazel Real Estate, a leading real estate developer, to launch special real estate financing offers for customers interested in purchasing a property from the developer.
- BisB signed agreements with Naseej to provide Bahraini citizens with premium financing and service propositions to enable them to buy properties from the developer. This was followed by similar agreements with Era Real Estate covering their Khudur Homes project in Diyar Al-Muharraq, and with Delmon Gate covering their Bushra housing project in Al- Saya.

- BisB signed a partnership agreement with Al Namal Contracting and Trading to provide exclusive financing offers for customers looking to purchase a property at Al Rayyan Villas in Jannusan. This initiative underscores the Bank’s efforts to deliver exceptional real estate offers that meet the needs of beneficiaries under Mazaya and Tasheel social housing scheme.

In addition to housing solutions, BisB provides different categories of sustainable financing to meet the needs of a variety of stakeholders. These include:

Healthcare Financing

BisB provides case-by-case healthcare financing to support the community’s needs.

Bespoke Construction Financing and Special Financings

BisB offers bespoke construction financing and bespoke financings for significant occasions such as marriages.

Solar Financing

BisB and the Electricity and Water Authority (EWA) organised a solar financing event in

February 2024 showcasing financing solutions for solar energy services provided by EWA-licensed providers.

SMEs

As a Shari’a compliant bank, BisB has a responsibility to support the economy and cater to local businesses and the Bank has tailor-made programmes and specialised solutions to support the SME sector. In addition to financing solutions, BisB’s depository products range from simple operating accounts to complex Shari’a-compliant structured investment solutions. In 2024, BisB has successfully launched “Al Tamweel Al Islami,” a criteria-based financing solution catering to SME financing requirements up to BD 100,000, and revamped the agreement with Tamkeen to secure increased subsidies for our clients utilizing Tamkeen financing. For SMEs this constitutes a subsidiary increase from 4% to 6%. Furthermore, the CBB has mandated banks to increase the share of their local funding allocated to SMEs from at least 5% in December 2023 to 20% in December 2025. BisB is on track to meet this target as SME exposure currently stands at approximately 13% of total Corporate assets as of 31 December 2024.

Share of local funding allocated to SMEs	
2022	16%
2023	18%
2024	13%

OUR APPROACH TO ESG (CONTINUED)

Providing ESG training

BisB is taking steps to ensure relevant employees are provided with the ESG training they need to effectively execute their duties and responsibilities. The Bank provides specialised CFI training for Sustainability Committee members and delivers training on Climate and Environmental Risk indicators, in line with CBB ESG Module requirements. As mentioned above, BisB also provides internal stakeholders with training to use the ESG toolkit in assessing clients on their sustainability performance and readiness.

Furthermore, all BisB employees have access to a wide variety of ESG and sustainability-related training courses via the Bank's HR Hub in addition to the courses provided by the Bahrain Institute for Banking and Finance (BIBF). Lastly, 16 BisB employees attended NBB Group's Sustainability Academy week which covered a range of relevant topics.

Enhanced ESG disclosures

BisB has moved to enhance ESG disclosures and has implemented all mandatory requirements, in line with CBB ESG Module requirements. This includes requirements on collective bargaining, and disclosing the percentage of suppliers that comply with BisB's Code of Conduct. Furthermore, in a significant move, BisB has appointed an external assurance service provider to verify 10 of the Bank's sustainability disclosures.

Risk Opportunity Identification and Assessment

As part of its Internal Capital Adequacy Assessment Process (ICAAP) report prepared in line with the Basel accords and regulatory requirements, the Bank identifies, assesses and accounts for ESG risk as a pillar 2 risk since 2022.

Shari'a Initiatives

The synergy between ESG principles and Islamic finance is rooted in their shared values of sustainability, ethics, and social responsibility. Guided by Shari'a principles, Islamic finance promotes economic activities that are socially responsible, environmentally friendly, and ethically sound, similar to ESG which focuses on investing in companies that prioritise environmental stewardship, social well-being, and strong corporate governance.

BisB recognises the importance of leveraging these synergies and the continued integration of ESG into Islamic finance which will create opportunities to promote sustainable and responsible financial practices. The table below shows initiatives taken by the Shari'a function at BisB.

Initiative	Summary
BisB's contribution in Social Financing	• Medical Treatment • Individual request to cover monthly living expenses, furnishing, renovating, debt repayment, and education • Marriage Support
Financial Aid/Support for Charity and Association Requests	• The Charity/Association must be licensed • The Charity/Association must Commit • Priority is given to Charity/Association that holds a bank account with BisB
Financial Aid/Support Procedure	Individual/Family Applications • Financial support is paid directly to the Beneficiary • Families sponsored by the committee are paid directly • Vouchers are also distributed to Families/Individuals Charity/Association Applications • Paid through Managers Cheques • Paid through direct deposit to their account within BisB or other banks
Source of Funds	• 5% of the Bank's profits annually • Zakat shareholder • Bank's defaulters penalty fees • Bank's Reserved Funds allocated from the Bank's the Bank's non-Shari'a compliant activities.
Qard Hasan	• The only bank in the Kingdom that provides Qard Hasan • The financed amounts start from BHD 500 to 8,000
Zakat Committee and Jood Team Annual Initiatives	• Supermarket vouchers • School Stationary vouchers (Back to school) • On Road Break-Fast during the Holy Month of Ramadan • Providing gifts and toys to orphans during Eid • Annual visits to elderly, disabled, and pensioners in care
Other Spreading awareness of Islamic Banking	• Providing a specialised system for Islamic financial transaction fatwas based on artificial intelligence. • BisB organises the annual Forum on Islamic Banking Operations. • BisB provides Shari'a training for employees

OUR APPROACH TO ESG (CONTINUED)

	No. of Beneficiaries (Individuals)		
	2022	2023	2024
Total Donations & Zakat (Per Year)	601,080.00	477,855.52	569,273.55
Total Beneficiaries (Per Year)	389	375	390
Medical Treatment (Per Year)	57	55	119
Living expenses (Per Year)	3	10	55
Educational and Sponsorships (Per Year)	4	5	12
Family Sponsorships (Per Year)	73	90	156
Other Sponsorships (Per Year)	252	215	170
Total Value of Coupons (Per Year)	30,000	17,000	35,000
No. of Beneficiaries (Charity & Association)	-	14	133
Total No. of Beneficiaries of Qard Al Hasan (Per Year)	14	23	34

Other sustainability initiatives specific to BisB’s key material topics are discussed in detail in the relevant sections of the report.

Key initiatives planned for 2025

As part of its 2025 – 2027 Sustainability Roadmap, BisB will enhance its management of key operational areas by obtaining additional ISO certifications. In addition, BisB has developed a series of sustainability initiatives which are currently either underway or will start in the near future. A selection of these initiatives is highlighted below:

- Property, Procurement and Administration (PPA) Dashboard - Report total annual water/waste withdrawn/recycled including initiatives to reach 5% ISO KPI in reduction of carbon emissions

- Replace traditional paper-based business cards with QR code-enabled digital versions
- Replace plastic water bottles with recyclable or biodegradable alternatives
- Implement an incentive scheme to reward employees that propose or develop high sustainability-related products, services, and initiatives
- Implement paperless taskforce findings to reduce paper
- Engage with a third-party service provider to deliver training to BisB and Financial literacy programme to customers

03 VALUE CREATION MODEL

VCM - INPUT

01. FINANCIAL CAPITAL

We provide innovative financial products and services to our customers to help fulfill their daily transactional needs, protect assets and increase their financial wealth.

- Total Financing **BD 1,000.7 million**
- Investments in Sukuk **BD 251.8 million**
- Impairment Allowance and Other Provisions **BD 7.0 million**

02. INTELLECTUAL CAPITAL

BisB recognises that technology and digitalization is increasingly demanded by customers, stakeholders and employees. We invest in technology to simplify and speed services for customers through digital, online, mobile services and self-service kiosks while ensuring highest standards of data privacy and security. It has ensured our market dominance as the leading provider of Islamic digital banking services in the Kingdom of Bahrain.

03. HUMAN CAPITAL

Our people are at the heart of our Bank. We've been able to lead and dominate the local and regional banking industry because of our unwavering commitment to our employees

- **360 dedicated** and skilled employees
- **A workplace culture** based on diversity, inclusivity, equal opportunities and respect for all
- **Strong supporter** of the Bahrain 2030 Vision to reduce unemployment and build local capabilities by facilitating Bahrainisation within our HR strategy
- **Prioritizing** a strong learning and development culture for our employees

04. SOCIAL AND RELATIONSHIP CAPITAL

Since its establishment BisB has been committed to its corporate social responsibility. Over the years we have implemented and supported various initiatives to strengthen our local communities in line with our Islamic principles and commitment to giving back.

- **Facilitating** Financial Inclusion and Literacy making banking accessible and affordable for all through a variety of initiatives
- **Prioritizing** a sustainable customer relationship across our client base
- **Enhanced** sustainable procurement practices within BisB's supply

05. NATURAL CAPITAL

Managing our environmental footprint is a core pillar of our ESG strategy. It is a precursor to operating as a sustainable organisation that works in harmony with our natural ecosystem. BisB undertakes to disclose and report on its environmental footprint and to work towards a positive climate outcome from its operations.

- **A robust** sustainability governance with a well-defined roadmap and key initiatives
- **Established** Environmental Management System (EMS) that follows the ISO 14001:2015 certification standard providing the basis for assessing and managing all environmental risks and opportunities at BisB
- **Monitoring**, measuring and managing energy, emissions, waste and water consumption with improved environmental management processes
- **Developing** a ESG Toolkit to evaluate clients' ESG performance and level of preparedness, classify the risks related to BisB financed projects, and evaluate projects' ESG performance

VCM - OUTPUT

01. FINANCIAL CAPITAL

- Income from financing **BD 53.3 million**
- Income from placements with financial institutions **BD 5.9 million**
- Income from investment in Sukuk **BD 15 million**
- Other income **BD 8.7 million**

02. INTELLECTUAL CAPITAL

- **88% of new customers** in 2024 were onboarded through the bank's digital platforms in full compliance with the government's personal data privacy law and robust data privacy policy and controls.
- **Over 200** digital services
- **Zero number** of identified leaks, thefts, or losses of customer data
- **100% of employees** completed data security training with an average security awareness score of 91%

03. HUMAN CAPITAL

- **Diverse** and inclusive workforce with **34.72%** female representation
- **33.33%** middle management are female
- **19.51%** female senior management
- **A total of 21,220 hours** of training was provided to 360 employees
- Paid to employees as staff costs: **BD 13.3 million**
- Bahrainisation rate at: **95.56%**
- Staff turnover rate: **6.4%**
- **95%** of staff underwent sustainability training
- **Zero reported** lost-time injuries or fatalities

04. SOCIAL AND RELATIONSHIP CAPITAL

- **Community outreach** and service through Jood, the Bank's official CSR program. Supporting education and innovation through scholarship and corporate funding programs and Zakat programs for community wellness.
- **Total BD 590,000 invested** in the community and a total of **1,351 volunteering hours** performed
- **Innovative sustainable products** and services provided to facilitate home ownership, savings, financial literacy and supporting SME
- **Over 480,000 client base** and a new established customer experience manager (CEM) role
- **2024 Customer Satisfaction** Index at **83%**
- **85.71%** of total procurement spent on local suppliers and **97.67%** of suppliers who comply with the company's code of conduct and compliance assessment mechanism

05. NATURAL CAPITAL

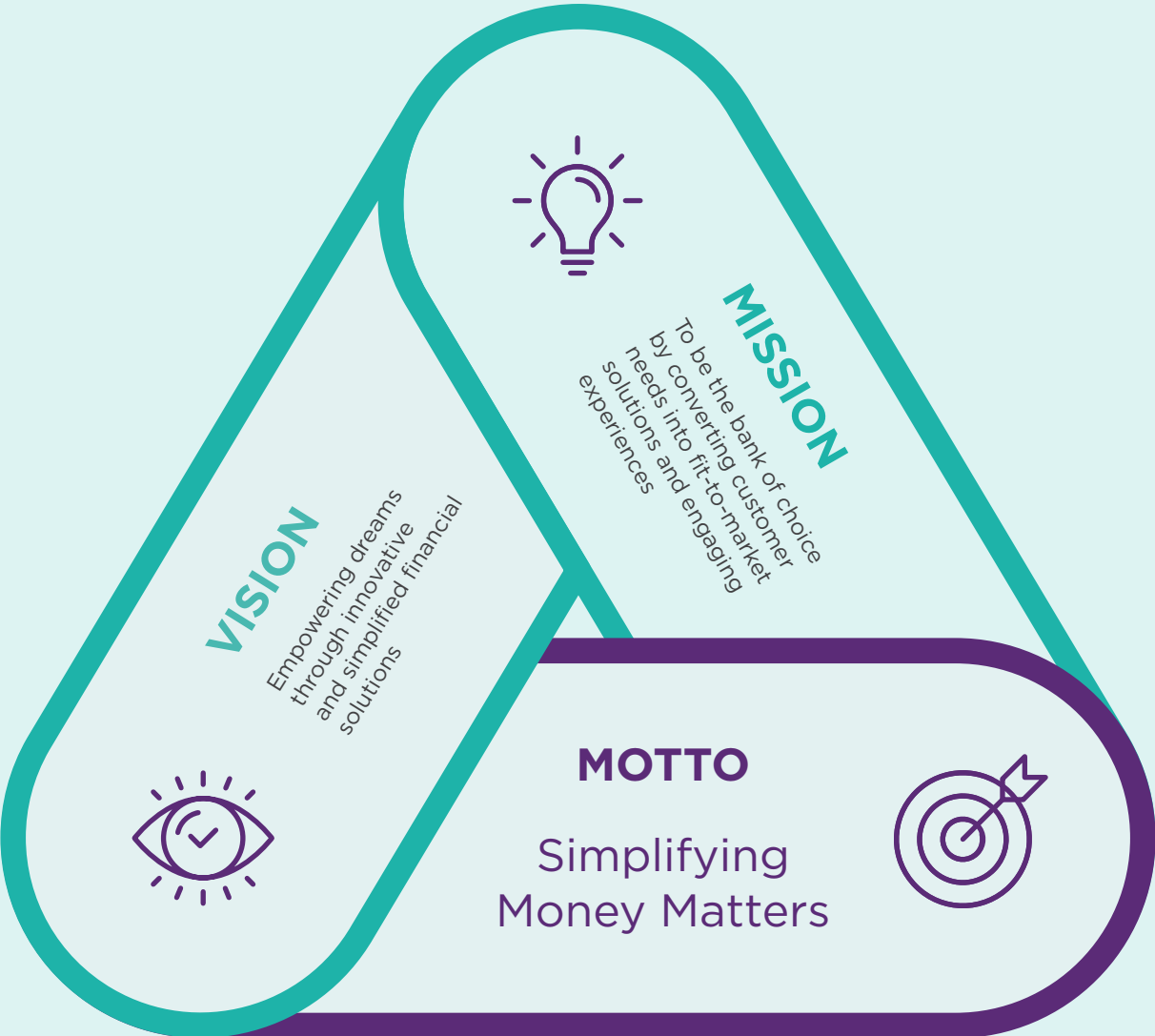
- **A Sustainable Finance** Framework which enables BisB to finance eligible projects that qualify as green, social and/or sustainable in nature
- **243.40 MtCO2e** Emissions Avoided (MTCO2e) using Electricity generated by Solar Energy
- **Financed Emissions** have been assessed to constitute **0.50 MtCO2e**

VCM- SDG ALIGNMENT



VCM - BUSINESS MODEL

PURPOSE



VALUES

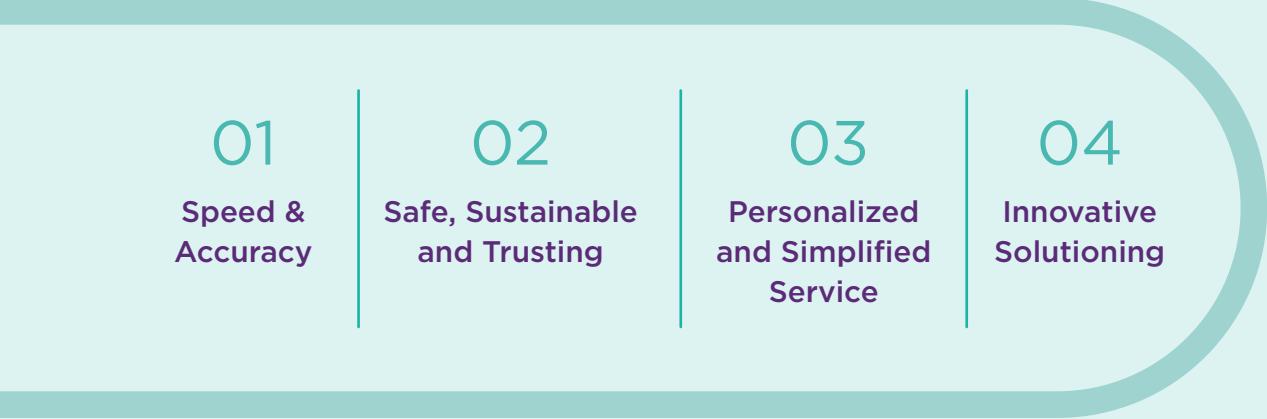


BRAND

BRAND PROMISE

Fuelled by Bahraini devotion, we craft new ways of simplifying your money matters

DIFFERENTIATORS



OUR ACTIVITIES





04

FINANCIAL CAPITAL

FINANCIAL CAPITAL

Our Commitment	
Sustainability Pillars	Responsible Banking
Material Topics	- Financial and Economic Performance - Integration of Environmental and Social Factors in Lending Activities - Integration of ESG in Investment Activities
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين BAHRAIN SDGs  Robust economic growth that benefits the people
GRI Standards	- GRI 201: Economic Performance - GRI 203: Indirect Economic Impacts
SDGs	



FINANCIAL STRENGTH

BisB constantly strives to enhance the Bank’s offering by developing innovative Islamic banking solutions that meet the needs of our customers. The Bank leaves no stone unturned in its quest to strengthen its core capabilities and continuously improve efficiency, speed and customer relevance in all process aspects, from streamlining internal processes to product delivery.

Elevated inflation rates persisted around the world in 2024, prompting central banks to maintain higher rates, which in turn fed into the Banking sector. This was also reflected in the GCC region, though there were signs towards the end of the year that the pressure on cost of funding was beginning to ease. Geopolitical events combined with subdued global oil demand has continued to create uncertainty over the long-term outlook for the world economy. Banks and corporates continued to strengthen their financial positions to shield themselves against potential losses.

Despite the challenging rate environment continuing to weigh on the Bank financially in 2024, BisB maintained a focus on solidifying existing revenue streams and diversifying portfolios to safeguard them against macro-economic risks without compromising the Bank’s ability to meet customer needs. Some of the measures the Bank undertook were the following:

1. BisB managed to strengthen its liquidity position and demonstrate an improvement in the growth and overall quality of assets as a result of greater focus on lower risk government assets.

2. BisB continued the initiative commenced in 2023 to diversify the structure of assets from fixed to floating financing, especially on Corporate Banking where 80% of the financing assets are floating.
3. BisB improved its Riyadhah Strategy including its four pillars, which will enable the Bank to navigate the current market challenges and place BisB in a more positive financial position upon full implementation of the strategy.
4. BisB made significant progress integrating ESG into its investment and lending activities through the development of a Sustainable Finance Framework and ESG Due Diligence Toolkit, among other initiatives.

In addition, during 2024, the Retail Banking experienced solid growth and overall performance through the introduction of revamped products and significant collection efforts, which resulted in an improvement in Non-Performing Financing (NPF). However, these positive developments were offset by the higher cost of funds, which maintained BisB’s cost-to-income ratio at an elevated level. The Bank intends to address this challenge by reducing costs and optimising performance so that BisB can continue to offer an outstanding level of service without compromising on pricing.

BisB also achieved a significant milestone with the launch of GCC onboarding, allowing all GCC nationals to quickly and easily open accounts with the Bank. This digital innovation will support BisB’s efforts to overcome the limited size of the Bahrain domestic market,

ECONOMIC IMPACT

which has been a significant constraint on its balance sheet. With the introduction of GCC onboarding, the Bank will have better access to neighbouring markets where liquidity is more abundant. The Bank expects to see the benefit of this development in 2025.

Moving forward, BisB will continue to expand the Retail Banking operation while selectively funding high-quality Corporate financing. Simultaneously, the Bank will explore alternative sources of funding to reduce costs. From an equity perspective, the Bank will focus on improving capital adequacy with a view to bringing the Bank’s leverage more in line with its peers, capitalizing on the Parent’s support in the upcoming years.

Economic Impact

BisB creates economic value in a multitude of ways. The Bank’s Shari’a-compliant financial solutions support individuals, businesses, and government entities in Bahrain with the capital and financing needed to drive economic growth and maintain the country’s global competitiveness.

In addition, the Bank creates economic value through its employment practices, supply chain activities, and relationships with local and foreign investors and businesses. The Bank is one of Bahrain’s largest employers, supporting many households. In 2024, BisB’s staff costs amounted to BHD 13.3 mn.

As a publicly listed entity, BisB strives to generate sustainable earnings growth for its

shareholders, including majority shareholder NBB Group, which in turn is a publicly listed company with individual, corporate, and government stakeholders. By maximising shareholder value, BisB distributes substantial revenue and generates wealth for a range of stakeholders across the economy.

BisB is committed to supporting local communities by investing in businesses and donating to philanthropic organisations, in line with the values of Islamic banking. The Bank has developed and implemented various Corporate Social Responsibility (CSR) initiatives across the country. Further details of BisB’s CSR programmes can be found in section 8 (Social and Relationship Capital).

Lastly, BisB generates economic value in the form of taxes it pays to the government.

Measuring our Impact

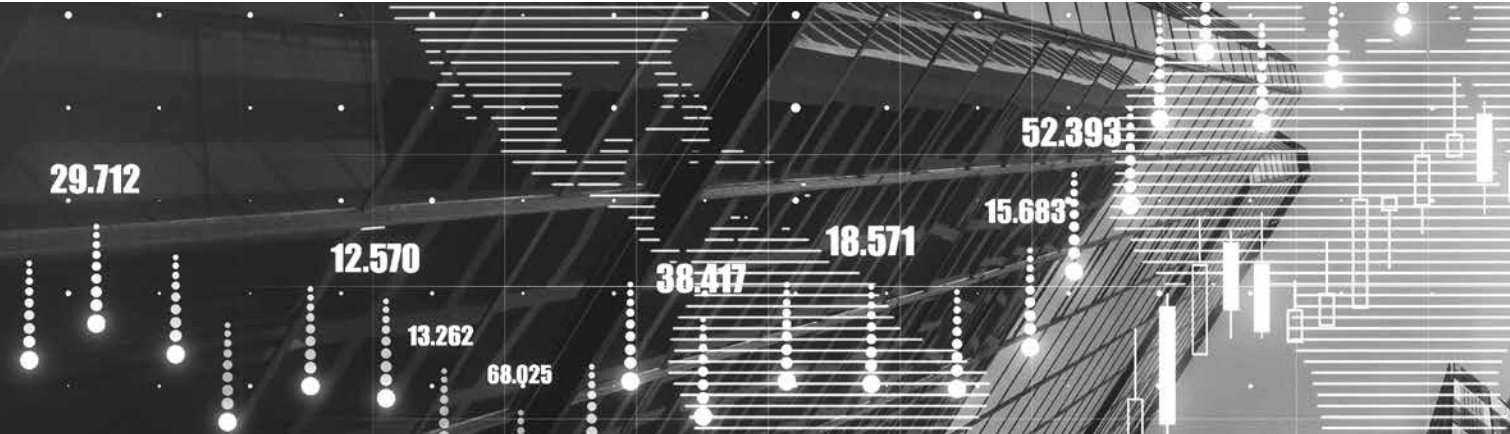
BisB measures its economic impact by calculating the Economic Value Generated and Distributed by the bank, in line with the GRI standards, as follows:

Economic Value Generated: Stakeholder value generated through various revenue streams.

Economic Value Distributed: Comprising payments to shareholders, employees, taxes, suppliers, Zakat, donations, earnings retained by the bank for re-investment, and impairment allowances and other provisions.

Direct Economic Value Generated	
Total Income BD mm	
2022	50.32
2023	45.33
2024	40.74

Economic Value Distributed BD mm			
	2022	2023	2024
Staff Costs	13.09	12.38	13.30
Other expenses	13.22	15.18	15.39
Impairment allowance and other provisions	11.45	6.64	6.98
Retained earnings and other reserves	12.14	10.59	4.67
Zakat and Donations Appropriated	0.42	0.54	0.40





05

HUMAN CAPITAL

HUMAN CAPITAL

Our Commitment	
Sustainability Pillars	Nurturing our Workforce
Material Topics	- Workforce Wellbeing - Diversity, Inclusion, and Equal Opportunity - Employee Training and Development
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرينBAHRAIN SDGs  - Robust economic growth that benefits the people - A just, thriving society
GRI Standards	- GRI 2 - General Disclosures - GRI 202: Market Presence - GRI 401: Employment - GRI 403: Occupational Health & Safety - GRI 404: Training and Education - GRI 405: Diversity and Equal Opportunity - GRI 406: Non-Discrimination - GRI 410: Security Practices
SDGs	

Please note, in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, BisB is providing the following restatement of information: Some previously reported HR figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.

WORKFORCE WELL-BEING

A people-first strategy

BisB recognises its employees as the cornerstone of its success and the driving force behind future growth. The Bank has created a workplace where everyone feels valued, supported, and equipped to grow. BisB fosters an inclusive working environment, prioritises employee well-being, and invests in their future by providing opportunities for professional development.

BisB is proud to have been the first Islamic bank in Bahrain to receive the ISO 45001:2018 certification in Occupational Health and Safety Management. The Bank's people management has been recognised with a Silver accreditation from Investors in People, a UK-based non-profit organisation that assesses workforce engagement.

The Bank's HR team develops and implements strategies and initiatives to create a supportive work environment that fosters collaboration and drives performance. In 2023, HR outlined a new strategy focused on becoming an "Employer of Choice" in the local and regional banking and finance sector. This strategy aligns with BisB's vision of investing in human capital to create sustainable value for all stakeholders.

For the year 2024, the Bank took this a step further with a HR strategy focused on becoming an 'Incubator of Talent' within a high-performing bank, and emphasising a "people first" approach, prioritising Bahraini talent while also leveraging other markets to address staff shortages. Key partnerships with universities, education bodies, and Tamkeen for funding and subsidies are integral to this strategy.

The HR strategy is built on four main pillars:

- **Healthy Balance Sheet:** This involves workforce optimisation and design, as well as effective space management for employees.
- **Talented & Engaged Workforce:** The strategy includes leadership buy-in, upskilling the HR team, and integrating AI in HR processes to enhance talent management capabilities.
- **Data Analytics & AI Capability:** The use of MIS reporting, dashboards, and AI-powered chatbots and virtual assistants for personalised employee support are key components of the strategy.
- **Innovation Engine:** Centralised employee data in the HR management system and enhancements for better analytics and recognition.

The strategy also aims to maximise productivity and operational efficiency, provide tailored programmes to bridge capability gaps, and ensure employee well-being and career development. The introduction of flexible work arrangements, a mentorship programme, and a bank-wide recognition programme are also part of the strategy. The goal is to create a safe, sustainable, and trusting environment for employees, with a focus on compliance, risk culture, and workforce diversification.

Attracting new talent

BisB attracts top talent through a combination of exceptional employee well-being programmes, flexible work arrangements, employee development opportunities, career progression, and monetary and non-monetary benefits.

WORKFORCE WELL-BEING (CONTINUED)

Prominently featured in all job advertisements and on the Bank's website, these packages are a unique selling point for BisB and support efforts to build a strong employer brand. BisB consistently delivers on its promises to employees and promotes its values within the industry, showcasing its learning culture through its owned media channels.

BisB places a major emphasis on attracting and developing the best young talent in Bahrain, investing in the country's future for the benefit of the local community and economy. To that end, the Bank continues to partner with local educational institutions to attract candidates for its internship programmes and graduate recruitment.

BisB has implemented clear policies and guidelines for recruitment, selection, onboarding, and probation for new staff. These practices are designed to ensure a consistent, transparent, and ethical approach to managing employment at BisB, aligning with both the Bank's values and regulatory requirements.

Recruitment Process

BisB's Talent Acquisition Policy is aimed at recruiting and selecting the best available talent while promoting diversity and inclusion. BisB seeks to attract a large pool of potential applicants with the required qualifications, skills, knowledge, and experience. The recruitment process includes both internal and external recruitment channels:

Internal Recruitment: Encourages professional development and growth by allowing existing staff to apply for internal vacancies, referred to as "Internal Job Opportunities (IJO)".

External Recruitment: Utilises various channels such as the Bank's website, direct applications, recruitment agencies, professional and employee referrals, social media platforms like LinkedIn, and government employment portals (e.g., Ministry of Labour).

Expatriate Recruitment: Considers expatriates only after making reasonable efforts to attract qualified and experienced nationals. Expatriates are required to assist in the development and training of nationals as part of their duties.

Applicants with Disabilities: Ensures non-discrimination against applicants with disabilities and strives to accommodate their needs.

Equal Employment Opportunities: Promotes non-discrimination based on age, gender, marital status, or religion, and strives to increase the representation of women and nationals, especially in management and leadership roles.

Applications from Family Members of Staff or Board Members: Considers applications from family members according to specific guidelines to avoid conflicts of interest.

Applications from Previous/Ex-Employees: May consider applications from previous employees if their prior employment was not terminated for misconduct or poor performance and they had good performance reviews in their last two years of employment.

Recruitment for Approved Positions: Requires Central Bank prior approval for certain positions as detailed in the Recruitment and Selection Procedure.

Selection Process

The selection process aims to match the qualifications, skills, knowledge, experience, and personal attributes of applicants with the requirements of each position. Key aspects include:

Compliance with Statutory and Regulatory Requirements: Ensures all selection decisions comply with medical clearances, good conduct/government clearances, residency requirements for expatriates, and Central Bank requirements.

Use of Approved Job Descriptions and Person Specifications: Sets out specific criteria required for each role.

Prioritisation of Nationals: Gives preference to Bahraini nationals when more than one applicant meets the selection criteria.

Documentation and Best HR Practices: Follows best HR practices, including interviews, assessments, reference checking, and validation of previous work experience and qualifications.

Non-Discrimination: Ensures no discrimination based on gender, age, nationality, religion, marital status, or disability.

Support for Applicants: Strives to make selection practices welcoming and aligned with the Bank's strategic intentions of improving the representation of women and nationals.

Minimum Age for Employment: Sets the minimum age for employment at 18 years.

On-boarding and Induction Process

All new employees are provided with clear communication, an individual induction plan, and relevant documentation from a HR representative. The goal is to ensure shared understanding and commitment to the Bank's values, work practices, policies, procedures, and environment. These practices assist new team members to integrate and adapt quickly into the Bank's culture and become productive members of staff.

Probation Period

All new employees serve a probation period that complies with applicable labour laws and is stated clearly in their contract of employment. During this period, either party has the right to terminate the employment contract. New employees previously employed by the Bank are not required to serve another probation period if re-employed in the same position.

Competitive Employee benefits

BisB is a market leader in providing exceptional employee benefits packages. The Bank adheres to a comprehensive remuneration policy established by the Central Bank of Bahrain, designed to ensure fair and competitive compensation for its employees. This policy encompasses a total compensation approach, including variable remuneration and a Share Incentive Scheme, aimed at aligning employee interests with those of the shareholders.

WORKFORCE WELL-BEING (CONTINUED)

The policy emphasises a performance-based culture, rewarding employees based on their contributions and achievements. It also includes provisions for senior management and directors, ensuring that their remuneration is aligned with the Bank's strategic goals and regulatory requirements. The policy framework is regularly reviewed and updated to maintain its effectiveness and compliance with regulatory standards.

In addition to competitive salaries, BisB also provides a comprehensive list of benefits to all full-time employees:

- Life insurance
- Health insurance
- Competitive bonuses and incentives
- Competitive Leave arrangements:
 - Annual Leave (30-35 working days)
 - Marriage Leave (3 days)
 - Idda Leave (45 calendar days for Muslim females & 15 calendar days for non-Muslim females)
 - Paternity Leave (5 working days for male employees)
 - Maternity Leave (90 calendar days for regular birth & 120 calendar days for premature birth)
 - Miscarriage Leave (15 calendar days on top of the employee's sick leave balance)
 - Childcare Leave (Up to 6 calendar months unpaid leave to care for children under the age of 7 years, up to three times during employee's service)

- Vaccination Leave (1 working day for female and male employees, on the day of any vaccination for children under 2 years of age)
- Grandparent Leave (3 working days for the birth of up to three grandchildren for males and females)
- Patient Accompanying Leave (5 working days to support first degree family members)
- Examinations Leave (5 working days on exam days)
- National Team representation (Paid leave on application, for players, referees, coaches and officials only representing the kingdom in sporting events)

In addition to these benefits, BisB offers the following:

Flexible Working Arrangements: The Group offers flexible working hours and remote working options to help employees balance their work and personal responsibilities.

Health and Well-being Programmes: The Group is committed to promoting employee health and well-being through various initiatives, including wellness surveys, leave for childcare, sick leave, and medical insurance.

Salary Advance: Employees have access to a salary advance facility, generally limited to once per year.

Social Insurance: The Bank contributes to coverage for insurance against industrial accidents, unemployment, and retirement



pensions for local nationals, in accordance with the statutory requirements in the country of operations.

Indemnity and Retirement Gratuity: Expatriate employees are entitled to an indemnity at the end of their service with the Group. Local nationals may also be eligible for additional retirement benefits.

Employee Savings Scheme: The Bank provides a contributory employee savings scheme for full time employees (see Case Study Box).

Employee Loans (Qard Hasan): Full-time employees who have completed at least one year of service can access loans to finance personal expenditures.

Employee Credit Cards: The Bank provides employees with access to interest-free credit card facilities, subject to application and approval.

Professional Memberships and Annual Subscriptions: The Bank supports employees who have professional memberships and/or subscriptions to professional bodies directly relevant to their work.

These benefits and initiatives are designed to create a supportive and engaging work environment, ultimately contributing to the overall well-being of employees. They are regularly reviewed and updated to ensure that BisB remains competitive.

For individuals whose time at BisB is coming to end due to retirement or employment termination, BisB offers transition assistance

programmes provided to support them. These focus on the following:

Skills Development and Training

Transition assistance programmes often offer training and development opportunities, such as workshops, online courses, and certifications.

Retirement Preparation

BisB's Employee Saving Scheme helps employees to achieve financial security and prepare for retirement with confidence.

Case Study Box: Employee Saving Scheme

BisB's Employee Saving Scheme is designed to encourage and assist employees in saving for retirement or end of service, providing additional financial security for themselves and their families.

Key Features

Eligibility: All permanent employees who have completed their probation period are eligible to join the scheme.

Contributions: Employees can contribute between 3% and 25% of their basic salary. The Bank matches the employee's contribution up to a maximum of 10% of their salary.

Profit Sharing: Employees are entitled to all profits accumulated from the investments. The Bank may set an expected profit rate, but the actual profits are calculated monthly.

WORKFORCE WELL-BEING (CONTINUED)

Withdrawal and Termination: Employees cannot withdraw from the scheme until they leave the Bank. Upon retirement, end of service, or death, employees or their heirs are entitled to the accumulated amounts in both accounts.

Employee Satisfaction, Engagement and Retention

BisB believes that investing in employee engagement and promoting their satisfaction is essential to retaining the best talent and ensuring a stable workforce. Doing this enables the Bank to maintain its market leading position while generating sustainable value for all stakeholders.

BisB has implemented a wide variety of initiatives that promote workforce engagement and satisfaction, including performance-based rewards and recognition.

Initiatives include:

- Long Service Awards: Employees are rewarded for their long service to the Bank in line with a specific framework.
- Appreciation Programmes: The Bank may formally recognise and appreciate employees who have made contributions outside the normal scope of their responsibilities.
- NBB Group CEO Awards: BisB participates in this Group-level quarterly awards scheme, launched by NBB in 2023, which recognises exceptional individual contributions to a culture of excellence, creativity, commitment, quality, and leadership.

- Digital Collaboration Tools: To enhance communication and collaboration, BisB adopted advanced digital tools and platforms. These tools have facilitated remote work, virtual meetings, and project management, enabling teams to collaborate seamlessly regardless of their physical location. The implementation of artificial intelligence (AI) and machine learning (ML) further streamlined workflows and boosted productivity. Additionally, BisB introduced Microsoft Copilot to its senior management and conducted training sessions to enhance their skills in this area.
- Innovation Competitions: Innovation Competitions were organised where employees were encouraged to participate and present their creative ideas. These competitions were conducted at the NBB Group Level, creating a platform for cross-functional collaboration and fostering a culture of innovation. Out of approximately 70 submissions, the BisB team distinguished themselves by achieving third place, showcasing their ingenuity and teamwork. The idea was implemented during 2024.
- Flexible Work Arrangements: To accommodate the diverse needs of employees, BisB implemented a flexible attendance policy. Employees can arrive at work up to an hour after the official start time, as long as they make up for it at the end of the day. This policy aims to support work-life balance and reduce stress, allowing employees to manage their personal commitments before they start work.

- Remote Work: Policies were introduced to accept remote work options when needed, allowing employees to balance their professional and personal lives. This policy helps reduce burnout and increase job satisfaction.

BisB’s focus on employee engagement yields a number of benefits, including:

- Increased Employee Loyalty: When employees feel valued, they develop a strong loyalty to the Bank, enabling BisB to retain its most talented workers which ultimately drives the Bank’s performance.
- Reduced Turnover: High employee satisfaction has reduced voluntary employee attrition at BisB. Lower turnover promotes a stable and experienced workforce and translates into reduced recruitment and new-hire training costs. In 2024, the turnover rate decreased to 6.4% compared to 7.3% in 2023.

- Improved Productivity: Satisfied employees are more engaged and motivated to contribute positively toward the Bank’s growth and performance. They are more productive, perform better, and ultimately drive higher efficiency, customer satisfaction, and revenue growth.
- Improved Organisational Culture: A satisfied and engaged workforce promotes a healthy workplace culture and improves morale.
- Enhancing Employer Brand: Satisfied employees often engage in positive reputation-building by word of mouth, thus enhancing BisB’s reputation as the ‘Employer of Choice’ within the industry.
- Improved Customer Service: Satisfied frontline employees provide better customer service, which results in higher levels of customer satisfaction.

	Total Employees (Gender)				
	Female	Male	Total	Female %	Male %
2022	111	213	324	34.26%	65.74%
2023	126	230	356	35.39%	64.61%
2024	125	235	360	34.72%	65.28%

Note: All BisB employees are full-time employees (with working hours defined according to national law or practice) representing 100% of the total workforce.

WORKFORCE WELL-BEING (CONTINUED)

Permanent Employees					
	Female	Male	Female %	Male %	% of total workforce
2022	108	203	34.73%	65.27%	95.99%
2023	115	213	35.06%	64.94%	92.13%
2024	122	229	34.76%	65.24%	97.50%

Temporary Employees					
	Female	Male	Female %	Male %	% of total workforce
2022	4	9	30.77%	69.23%	4.01%
2023	11	17	39.29%	60.71%	7.87%
2024	3	6	33.33%	66.67%	2.50%

Interns				
	Female	Male	Female %	Male %
2022	14	12	53.85%	46.15%
2023	56	31	64.37%	35.63%
2024	70	31	69.31%	30.69%

Note: Interns and Trainees are not included in employee headcount therefore not representing a percentage of the total workforce.

Contractors / Consultants				
	Female	Male	Female %	Male %
2022	10	35	22.22%	77.78%
2023	9	17	34.62%	65.38%
2024	9	16	36.00%	64.00%

Note: Contractors and Consultants are not included in employee headcount therefore not representing a percentage of the total workforce.

Total Employees (Age Group)						
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	26	287	11	8.02%	88.58%	3.40%
2023	42	300	14	11.80%	84.27%	3.93%
2024	52	301	14	12.50%	83.61%	3.89%

Total Employees (Employment Category)						
	Non-Management (Staff)	Middle Management	Senior Management	Non-Management (Staff) %	Middle Management %	Senior Management %
2022	185	105	34	57.10%	32.41%	10.49%
2023	203	111	42	57.02%	31.18%	11.80%
2024	205	114	41	56.94%	31.67%	11.39%

Total New Hires (Gender)					
	Female	Male	Female %	Male %	Total %
2022	10	11	9.01%	5.16%	10
2023	22	36	17.46%	15.65%	22
2024	5	22	4.00%	9.36%	5

Note: All new hires are full-time employees; Turnover data for contractors and consultants under BGG S3 is currently not available.

Total New Hires (Age Group)						
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	11	9	1	42.31%	3.14%	9.09%
2023	26	31	1	61.90%	10.33%	7.14%
2024	13	13	1	28.89%	4.32%	7.14%

Note: All new hires are full-time employees

WORKFORCE WELL-BEING (CONTINUED)

Total Employees Voluntary Turnover (Gender)				
	Female	Male	Female %	Male %
2022	13	15	11.71%	7.04%
2023	8	18	6.35%	7.83%
2024	5	17	4.00%	7.23%

Note: All employees that left are full-time employees.

Total Employees Voluntary Turnover (Age group)						
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	2	24	2	7.69%	8.36%	18.18%
2023	4	18	4	9.52%	6.00%	28.57%
2024	5	15	2	11.11%	4.98%	14.29%

Note: All employees that left are full-time employees.

Total Employees Involuntary Turnover (Gender)				
	Female	Male	Female %	Male %
2022	0	0	0.00%	0.00%
2023	0	0	0.00%	0.00%
2024	1	0	0.80%	0.00%

Note: All employees that left are full-time employees.

Total Employees Involuntary Turnover (Age group)						
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2022	0	0	0	0.00%	0.00%	0.00%
2023	0	0	0	0.00%	0.00%	0.00%
2024	0	1	0	0.00%	0.33%	0.00%

Note: All employees that left are full-time employees.

Employee Turnover and Hire Rate			
	Employee Voluntary Turnover %	Employee Involuntary Turnover %	Total Hire Rate %
2022	8.64%	0.00%	6.48%
2023	7.30%	0.00%	16.29%
2024	6.11%	0.28%	7.50%

Employee Engagement		
	Employee Engagement Score (%)	Employee Satisfaction Score (%)
2022	74%	90%
2023	72%	90%
2024	66%	90%

Health and Safety

BisB is dedicated to ensuring the health, safety, and well-being of its employees as well as customers, visitors, and contractors. The Bank strives to provide a safe and secure working environment by incorporating health and safety best practices into daily operations and aligning them with the Bank's Code of Conduct.

BisB enforces the same health and safety standards and practices as majority shareholder NBB, as outlined in the Group Health and Safety Policy. The Policy, which is approved by the Board, is aligned with all applicable regulations on this subject as well as with international standards and guidelines, such as those issued by the World Health Organization (WHO). The Policy is applicable to all staff members, customers, tenants and contractors at NBB and BisB premises, locally and internationally.

Furthermore, BisB's health and safety practices are underpinned by the Bank's ISO 45001:2018 (Occupational Health and Safety) certification. Accordingly, BisB has established a comprehensive health and safety programme where roles and responsibilities are clearly defined and procedures are outlined.

The programme sets appropriate standards for mitigating health and safety risks within the workplace and protects BisB's staff and assets. It includes provisions for regular inspections, incident reporting and investigation protocols, and emergency guidelines. An incident reporting form is available to all staff to report any unsafe conditions or incidents.

WORKFORCE WELL-BEING (CONTINUED)

Furthermore, training is an essential aspect of the programme. BisB provides health and safety awareness sessions for all staff and monthly training for maintenance staff to ensure compliance with all health and safety standards and regulations.

BisB also ensures it trains a proportion of its employees in first aid and as fire marshals, to ensure a trained member of staff is always on hand. The Bank conducts yearly fire drills in collaboration with the Civil Defence Authority to assess employee readiness in an emergency.

BisB is committed to continuously improving its health and safety performance and has established a plan to achieve its health and safety objectives, with progress tracked and reported to management.

As a result of this comprehensive approach to health and safety, BisB has experienced no injuries among persons covered by its health and safety system.

Work-related injuries employees										
	Number of Fatalities	Rate of Fatalities	Number of lost-time injury	Rate of lost-time injury	Number of high-consequence work-re-lated injury	Rate of high-consequence work-re-lated injury	Number of record-able work-re-lated injury	Rate of record-able work-re-lated injury	Number of Hours Worked	Lost Days due to Injuries
2022	0	0.00	0	0.00	0	0.00	0	0.00	NA	0
2023	0	0.00	0	0.00	0	0.00	0	0.00	NA	0
2024	0	0.00	0	0.00	0	0.00	0	0.00	NA	0

Work-related ill health employee			
	Number of Fatalities as a Result of Work-Related Ill Health	Number of Cases of Recordable Work-Related Ill Health	Lost Days due to Ill-health
2022	0	0	0
2023	0	0	0
2024	0	0	0

Work-related injuries non-employees										
	Number of Fatalities	Rate of Fatalities	Number of lost-time injury	Rate of lost-time injury	Number of high-consequence work-re-lated injury	Rate of high-consequence work-re-lated injury	Number of record-able work-re-lated injury	Rate of record-able work-re-lated injury	Number of Hours Worked	Lost Days due to Injuries
2022	0	0.00	0	0.00	0	0.00	0	0.00	NA	0
2023	0	0.00	0	0.00	0	0.00	0	0.00	NA	0
2024	0	0.00	0	0.00	0	0.00	0	0.00	NA	0

Work-related ill health non-employees			
	Number of Fatalities as a Result of Work-Related Ill Health	Number of Cases of Recordable Work-Related Ill Health	Lost Days due to Ill-health
2022	0	0	0
2023	0	0	0
2024	0	0	0

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

Diversity, Inclusion and Equal Opportunities

BisB has embedded the principles of diversity, inclusion and equal opportunities in its recruitment and workplace practices. The Bank recognises the benefits of having a diverse and inclusive workplace where all employees feel valued, supported, and a strong sense of belonging.

As per the Bank’s Human Resources and Talent Management Policy, BisB’s recruitment is based on merit and does not discriminate based on gender, age, religion, disability, marital status, or any other factors outside the scope of the Bank’s business and operational needs or regulatory requirements.

BisB has Anti-Discrimination and Harassment Policies in place that strictly prohibit any unfair or abusive treatment in the workplace. The Bank’s Whistleblowing Policy provides a channel to report cases or suspected cases of unethical or wrongful conduct of a financial or legal nature, in confidence and without fear of retaliation.

Furthermore, as a recent participant of the United Nations Global Compact, BisB is committed to aligning its practices with the 10 principles covering human rights, labour, the environment and anti-corruption. BisB has zero tolerance for the use of child labour and forced labour in all its operations and supply chains. The Bank upholds the principles alongside the International Labour Organization (ILO) conventions, ensuring compliance with local and international laws to safeguard human rights and dignity at work.

BisB’s Human Rights Policy, embedded in BisB’s Human Resource Policy, outlines several practices and policies that ensure alignment with human rights principles. The Policy covers the following key points:

- **Ethics and Equal Opportunities:** The Policy emphasises the importance of operating in an honest, fair, and transparent manner in all business and workplace dealings. It promotes diversity and inclusion, ensuring that all employees, including security personnel, are treated with respect and fairness.
- **Conflict of Interest and Confidentiality:** Employees, including security personnel, are required to comply with the Bank’s Conflict of Interest Policy and declare any potential conflicts of interest. They must also adhere to strict confidentiality standards to protect personal, commercially sensitive, or confidential information.
- **Health and Safety:** The Policy mandates compliance with health and safety guidelines to ensure a safe working environment for all employees, including security personnel. This includes mental health and wellbeing programs to support employees’ overall health.
- **Workplace Harassment and Violence:** The Bank is committed to creating an environment free of harassment and violence. Any acts of harassment or violence are not tolerated and are dealt with swiftly and respectfully. This ensures that security personnel, like all employees, work in a safe and respectful environment.

- **Training and Development:** The Policy includes provisions for training and professional development, ensuring that security personnel are well-trained and equipped to perform their duties while respecting human rights principles.
- **Complaints and Grievances:** There is a formal complaints and grievances procedure to address any problems or concerns that employees, including security personnel, may have. This ensures that any issues related to human rights are addressed transparently and fairly.

BisB’s commitment to upholding human rights principles extends to third-party organisations providing security personnel. The Group Human Resource Policy Manual emphasises that all personnel, including those from third-party organisations, must adhere to the same standards and guidelines as BisB employees. By ensuring that (third-party) security personnel follow these policies, BisB maintains a consistent and respectful approach to human rights across all its operations promoting a respectful, safe, and inclusive work environment.

Total number of incidents of discrimination	
2022	0
2023	0
2024	0
Total number of incidents of harassment	
2022	0
2023	0
2024	0
Percentage of total security personnel that completed training in human rights policies or procedures	
2022	258
2023	324
2024	360

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES (CONTINUED)

In line with Bahrain's 2030 vision to reduce unemployment for citizens, BisB prioritises employment opportunities for qualified Bahraini candidates to meet the Bank's business and operational needs. While BisB is proud to be

an Employer of Choice for Bahraini nationals, with a Bahrainisation rate of 95.56%, the Bank strives to build a diverse workforce, with strong representation from women and young people.

	Number of Bahraini employees		
	Female	Male	Total
2022	108	196	304
2023	125	213	338
2024	124	220	344

	Percentage of Bahraini employees (%)	
	Female %	Male %
2022	97.30%	92.02%
2023	99.21%	92.61%
2024	99.20%	93.62%

	Number of Bahraini employees		
	Non-Management (Staff)	Middle Management	Senior Management
2022	182	94	28
2023	200	101	37
2024	203	106	35

	Percentage of Bahraini employees (%)		
	Non-Management (Staff) %	Middle Management %	Senior Management %
2022	98.38%	89.52%	82.35%
2023	98.52%	90.99%	88.10%
2024	99.02%	92.98%	85.37%

Bahrainisation Rate	
2022	93.83%
2023	94.94%
2024	95.56%

Bahraini Student Internships	
2023	42
2024	32

Female Empowerment

In line with the Kingdom of Bahrain's strategy to empower women, BisB is committed to recruiting female employees and providing them with opportunities to unlock their potential. The Bank creates a supportive environment for female employees and provides them with the tools and resources they need to advance their careers.

BisB has positioned itself an attractive place to work for women and the Bank has gradually improved female representation. This is especially the case among leadership roles, a fact recognised by the Cambridge Institute of Islamic Finance in the UK. Indeed, five of BisB's female leaders have been named by the Institute as being among the most influential women in Islamic finance.

During 2024, BisB promoted two female workers to senior manager positions and recruited one female in a senior position. Currently, the Bank has nine females in senior manager and above positions, of which three are chiefs.

In 2024, BisB had a total of 125 female employees compared to 126 in 2023, accounting for 34.72% of the total workforce. Women represent 33.33% of the Bank's middle management and 19.51% of senior management employees.

In addition, as mentioned in the section on Competitive Employee Benefits above, BisB promotes a wide range of flexible work arrangements to support women, especially working mothers, to enable them to enjoy a better work-life balance.

	Total number of employees that were entitled parental leave	
	Female	Male
2022	81	169
2023	88	186
2024	85	185

	Total number of employees that took parental leave	
	Female	Male
2022	8	8
2023	6	3
2024	7	12

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES (CONTINUED)

Total number of employees that returned to work after parental leave ended		
	Female	Male
2022	8	8
2023	6	3
2024	7	12

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work		
	Female	Male
2023	8	8
2024	6	3

Return to work rate		
	Female	Male
2022	100.00%	100.00%
2023	100.00%	100.00%
2024	100.00%	100.00%

Retention Rate		
	Female	Male
2023	100.00%	100.00%
2024	100.00%	100.00%

Youth Empowerment at BisB

BisB is committed to developing, training and providing potential employment opportunities to young people. The Bank looks to hire the best young talent in the country and support them to develop their careers and potentially

become future leaders. BisB's commitment to youth extends beyond employment to include work experience and supporting educational opportunities.

The Bank's approach encompasses a variety of initiatives including:

Students and Graduates Internship programmes:

BisB concluded the University training programme for 101 university students and graduates. The programme provided trainees with extensive knowledge on the tasks and responsibilities of various banking and administrative positions in the Bank, paving the way for their future success in the labour market. Participants were given the opportunity to boost their skills and enrich their general knowledge of the Islamic banking sector. At the end of the programme, trainees received certificates of completion indicating that they completed the training requirements.

Financial Literacy: BisB plays an important role in improving financial literacy among the youth of Bahrain. The Bank is involved in several financial education programmes that teach young people how to manage their money, invest, save, and plan for their future.

Career Development: BisB has partnered with several local educational institutions to offer career guidance and support to students navigating the job market and exploring different career paths, including those in the financial sector.

Career Fairs: In 2024, BisB participated in five University career fairs at the following institutions:

1. Bahrain Polytechnic University
2. Bahrain Institute for Banking & Finance (BIBF)
3. University Technology of Bahrain

Creative Innovation: In 2024, BisB launched the third edition of its Future Leaders Summer Camp, in collaboration with INJAZ Bahrain, which aims to nurture the next generation of leaders by providing educational and fun experiences for youth (see section zCSR and Initiatives).

Total Employees by Job Category and by Gender						
	Non-Management (Staff)		Middle Management		Senior Management	
	Male	Female	Male	Female	Male	Female
2022	62.16%	37.84%	67.62%	32.38%	79.41%	20.59%
2023	60.59%	39.41%	66.67%	33.33%	78.57%	21.43%
2024	61.46%	38.54%	66.67%	33.33%	80.49%	19.51%

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES (CONTINUED)

	Total Employees by Job Category and by Age Group								
	Non-Management (Staff)			Middle Management			Senior Management		
	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2022	12.43%	85.41%	2.16%	2.86%	94.29%	2.86%	0.00%	88.24%	11.76%
2023	19.21%	77.83%	2.96%	2.70%	93.69%	3.60%	0.00%	90.48%	9.52%
2024	20.00%	77.56%	2.44%	3.51%	92.98%	3.51%	0.00%	87.80%	12.20%

	Female to Male Remuneration Ratio		
	Non-Management (Staff)	Middle Management	Senior Management
2022	0.87	0.99	0.25
2023	0.95	1.01	0.24
2024	0.93	1.05	0.43

Note: To ensure alignment with enhanced methodologies and applicable standards, figures related to the female-to-male remuneration ratio are disclosed differently this year. These changes reflect our commitment to improving accuracy and consistency in reporting.

Total Number of Nationalities	
2022	8
2023	7
2024	7

EMPLOYEE TRAINING AND DEVELOPMENT

Developing Our Workforce

BisB has embarked on a mission to become an ‘Incubator of Talent’, putting employee training and development at the heart of the Bank’s strategy for future growth and success. To this end, BisB has developed a wide-ranging training and development programme designed to build the skillsets of its employees and furnish them with the know-how to deliver worldclass performance and customer service.

Furthermore, as an Islamic Bank, it is especially important for BisB’s employees to be equipped with the specialist knowledge required to promote its range of complex Shari’a compliant products.

Succession planning is an important strategic consideration in BisB’s approach to training and development. The Bank looks to ensure that there is a pipeline of qualified candidates ready to fill key positions when they become available. This involves identifying and developing potential successors for critical roles, assessing their readiness, and providing them with the necessary training and development opportunities.

BisB offers a variety of training programmes and initiatives at all levels of the bank, with a strong emphasis on compliance, information security, and leadership skills for mid-level and senior managers.

The Bank is committed to continuously reviewing and enhancing its approach to

training and development based on employee needs. BisB assesses the effectiveness of its programmes by conducting regular Bank-wide surveys, identifying areas for improvement. This inclusive approach to training and development supports employee engagement and drives satisfaction.

RISE

RISE is a one-year managerial development programme designed to prepare BisB’s best and brightest young talent for future leadership roles. Developed in partnership with international training consultants, the initiative is an essential part of the Bank’s succession planning strategy. The programme focuses on developing both the soft and hard skills of Bahraini employees who demonstrate leadership potential. Candidates are selected following a highly rigorous process involving assessments, personality and aptitude tests, and interviews conducted by executive management. Selected candidates then take on modules focusing on developing various skills.

Sales Hackers - Frontliner Sales program

This programme is designed to enhance the skills and capabilities of front-line sales staff. It focuses on equipping them with advanced sales techniques, customer engagement strategies, and the ability to drive sales performance. The programme aims to create a team of highly skilled sales professionals who can effectively contribute to the organisation’s sales goals.

EMPLOYEE TRAINING AND DEVELOPMENT (CONTINUED)

E-learning Library

BisB places a strong emphasis on continuous learning and encourages employees to take ownership of their development, providing them with the internal resources to do so. The e-learning resource provides access to an extensive library with over 650 online courses covering a wide variety of topics such as risk management, remote workforce management, and mindfulness at work. This allows employees to learn at their own pace and convenience.

Workshops and Masterclasses

BisB organises workshops and masterclasses, such as the HR Analytics & ‘Train the Trainer’ 5-Day Masterclass, to provide specialised training and development opportunities.

Training Academies

Academies focus on developing specific skillsets and competencies required for different roles within the organisation.

Total Training Hours			
	Female	Male	Total
2022	6,549	11,502	18,051
2023	6,552	11,500	18,052
2024	7,160	14,060	21,220

Average Training Hours per Employee			
	Female	Male	Total
2022	59.00	54.00	55.71
2023	52.00	50.00	50.71
2024	57.28	59.83	58.94

Note: All employees are full-time employees.

Job Rotation

This programme allows employees to gain experience in different roles and departments, enhancing their skills and understanding of the organisation.

Mentoring

BisB has developed a structured mentoring programme where experienced employees guide and support their colleagues in their professional development.

In addition to the above, BisB also has the HRHUB platform, which serves as a central resource for all HR-related activities, including training and development. This platform provides employees with easy access to training materials, development plans, and other resources to support their career growth.

Total Training Hours by Job Category			
	Non-Management (Staff)	Middle Management	Senior Management
2022	9,532	6,664	1,855
2023	11,784	5,982	286
2024	9,463	8,280	3,477

Average Training Hours per Employee by Job Category			
	Non-Management (Staff)	Middle Management	Senior Management
2022	51.52	63.47	54.56
2023	58.05	53.89	6.81
2024	46.16	72.63	84.79

Note: All employees are full-time employee.

Training Hours by Employment Category				
	Interns		Contractors / Consultants	
	Total Training Hours	Average Training Hours	Total Training Hours	Average Training Hours
2024	430	4.26	238	9.52

Safety and security training	
Total number of employees who completed the training	
2022	265
2023	324
2024	360

Note: Training also covers Data Security topics.

EMPLOYEE TRAINING AND DEVELOPMENT (CONTINUED)

Performance Management

Performance management is a key element of BisB's approach to developing internal talent, enabling the Bank to identify strong candidates for progression as well as areas of weakness that need to be addressed through further training. BisB uses the following methods to measure employee performance and ensure that employees are continuously developing their skills and are well-prepared for future career opportunities within the organisation.

Performance Reviews

Performance reviews at BisB play a pivotal role in managing and nurturing the Bank's talent. Reviews help to identify strengths and weaknesses and can lead to promotions, bonuses, pay rises for top performers. Employees are encouraged to reflect deeply on their performance and prepare specific questions about their goals and how to achieve them to get the most value from the review process.

The format of performance review depends on the level of seniority of the employee. For example, Line Manager reviews include various tools and methods such as 360-degree feedback and competency assessments. The goal is to ensure that Line Managers have the necessary skills to lead their teams effectively and contribute to the organisation's success. In 2024, 100% of BisB employees received performance reviews.

Individual Development Plans (IDPs)

IDPs are used to outline the development activities, training, and experiences needed to

prepare employees for future leadership roles and progression within the Bank. This ensures that the organisation has a robust talent pipeline and that employees are prepared for career advancement.

Furthermore, BisB uses an IDP Competition to encourage employees to design and submit their own development plans. The competition offers various incentives such as monetary rewards, days off, and parking spaces. The goal is to motivate employees to take ownership of their professional growth and align their development with organisational goals.

Engagement and Performance Analysis

BisB uses tools like Engagesoft to analyse drivers that correlate with high-performing employees and pinpoint factors affecting those who are underperforming. This data helps create action plans to enhance organisational culture while focusing on employee performance.

Role/Competency - Training Mapping

This process involves mapping out the competencies required for various roles within the organisation and aligning them with appropriate training programmes. The goal is to ensure that employees have the necessary skills and knowledge to perform their roles effectively. This process helps in identifying skills gaps and providing targeted training to address them.

	Total Number of Employees receiving regular performance reviews (Gender)			
	Female	Male	Female %	Male %
2022	111	213	100%	100%
2023	126	230	100%	100%
2024	125	235	100%	100%

	Total Number of Employees receiving regular performance reviews (Employment Category)					
	Non-Management (Staff)	Middle Management	Senior Management	Non-Management (Staff) %	Middle Management %	Senior Management %
2022	185	105	34	100%	100%	100%
2023	203	111	42	100%	100%	100%
2024	205	114	41	100%	100%	100%

Sustainability and Shari'a Awareness Training at BisB

To help drive its sustainability strategy, in line with CBB guidance BisB introduced mandatory ESG training to raise awareness of the topic across the workforce. In April 2024, the Board of Directors successfully completed the ESG & Sustainability training course, underscoring BisB's dedication to integrating ESG principles into the Bank's strategic decision-making processes, ensuring sustainable practices for the long-term success of the Bank.

BisB partnered with a specialist third party provider to develop the content for this training.

Through a two-week curriculum, employees are given an overview of ESG and educated on the strategy and its importance to the Bank, ensuring all employees are aligned with the Group-level ESG vision and mission.

In 2024, 95% of BisB's employees undertook Sustainability training.

In addition to this mandatory training, the Bank provides access to a wide variety of ESG and sustainability-related courses through its E-Learning platform. Furthermore, the Bank ensures it provides employees with appropriate training on its Shari'a compliant financial products.

	Sustainability and Sharia- related awareness training		
	Total training delivered in alignment with Islamic principles (Hours)	Number of employees who completed sustainability-related awareness/training programs (Number)	Number of Shari'a related awareness campaigns
2022	2,346	324	5
2023	2,196	365	15
2024	3,903	342	14



06

**INTELLECTUAL
CAPITAL**

DIGITAL TRANSFORMATION

Our Commitment	
Sustainability Pillars	Serving our Customers
Material Topics	- Digital Transformation and Innovation - Data Privacy and Security
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة BAHRAIN SDGs  - Robust economic growth that benefits the people - A just, thriving society
GRI Standards	- GRI 203: Indirect Economic Impacts - GRI 418: Customer Privacy
SDGs	

Powering Innovation through Digital Experience

Digital transformation has played a key role in BisB’s evolution for many years. The Bank continuously seeks to enhance its offering through the delivery of digitally enabled products and services that offer seamless interactions between the Bank and its customers.

BisB leverages the latest technologies to provide customers with secure and convenient access to banking services through online banking, mobile services, and self-service kiosks. This digital transformation of the business has driven continuous growth

in customer acquisitions, streamlined the onboarding process, and generated consistently high levels of customer satisfaction. As an example, in 2024 BisB became the first bank in the region to launch GCC onboarding, enabling GCC citizens to open an account digitally. Since its introduction, this initiative has performed above expectations with a high volume of customers being onboarded in the span of three months.

The Bank has adopted an agile implementation framework to enhance the delivery of digital features and improve the overall digital

experience. Additionally, the Bank has developed digital data dashboarding capabilities to gain deeper insights into customer behaviour. Furthermore, BisB has initiated a process automation stream aimed at automating the Bank’s entire portfolio of manual processes, thereby improving turnaround times and enhancing the customer experience.

The Digital Banking Department is responsible for providing the strategic direction for digital channels, prioritising the development of digital products and solutions for customers, and driving the profitability of new business lines. The department focuses on enhancing digital channels and ensuring customer centricity in the development of applications. Additionally, it is responsible for the continuous optimisation and automation of digital products, processes and services.

In 2024, BisB continued on this path, introducing a number of key innovations designed to streamline internal processes while delivering fast and efficient customer service. An impressive 96% of business transactions were conducted through digital channels, while 86.7% of business customers registered with BisB Corporate Digital eBanking. BisB will continue to expand its digital capabilities to stay at the forefront of banking innovation in Bahrain.

Enhancing Branch Services with Digital Solutions

BisB strives to provide high quality branch services to customers, with the help of digital solutions that improve convenience, efficiency, and security. Recent innovations implemented across BisB’s branch network include the following:

- BisB enriched the Customer Experience Manager role to serve and direct branch customers to the self-service areas, where they can access automated services with ease.
- The Bank enabled Customer Service Representatives to update customer contact details through an automated, controlled, and paperless process that reduces errors and saves time.
- BisB automated the KYC update process in the branch. The service is integrated with the Wathiq (eKYC national system) and offers a fully automated, quick, and streamlined process that ensures compliance.
- BisB displays QR codes in branches to collect customer feedback and measure Net Promoter Score (NPS). Customers can easily share their feedback and rate their satisfaction with branch services, enabling BisB to gather valuable insights to improve branch services. During 2024, BisB achieved an NPS of 83 for its branch services, up from 63 a year earlier.
- Upgraded the smart queue management system and unified it across all branches.
- Provided Sales Agents and Relationship Managers with tablets in order to visit customers and complete the onboarding and account opening process immediately.
- Enhanced the finance process by reducing the number of required documents and scanning the documents in one folder.

Continuous Improvement and Digital Initiatives

Digital innovation and transformation are key to enhancing the customer experience and sustaining

DIGITAL TRANSFORMATION (CONTINUED)

high satisfaction levels. BisB continuously implements digital initiatives to achieve this goal. The following are some recent initiatives:

- In 2024, BisB launched the trial version of its specialised Artificial Intelligence “BisB Sharia’ AI” for Islamic fatwas. By merging AI technology with Islamic jurisprudence, the platform provides precise and immediate guidance to students and researchers, simplifying access to complex laws, enhancing institutional cooperation, and promoting greater awareness of Islamic financial practices.
- The Bank enabled customers of all nationalities to onboard easily via its Digital App. In 2024, BisB launched GCC onboarding to enable GCC nationals to onboard digitally without the need to visit the country.
- The Bank introduced the Credit Card Instalment Module Program; Customers can easily convert their transactions into flexible installments on with just few clicks on the mobile app.
- Adding further trusted controls to restrict the number of trusted devices for retail and corporate mobile banking customers to further enhance security.
- Ability to update contact details instantly and seamlessly on digital.
- Streamlining PayPal account linking / creating journey by eliminating some steps to offer an enhanced experience.
- Simplified the retail product onboarding process, enabling customers to open a Tejoori Premium, Special Investment Deposit and Call account products.
- Enhanced the rewards redemption process, making it easier for customers to redeem their points in various ways.

Leading the Way in Digital Corporate Banking

BisB offers a variety of digital solutions to its corporate clients and strives to be the preferred choice for customers looking to access state-of-the-art digital banking services. The Bank offers seamless digital account opening and high frequency services such as transfers, foreign exchange transactions, and payroll.

The Bank is proud to be the first bank in Bahrain to offer a fully digitised and automated onboarding process for corporate customers, covering all types of companies. The fact that the great majority of new clients are now digitally onboarded is a testament to the quality of the Bank’s end-to-end digital services.

The Bank has implemented a number of initiatives to improve services to this customer segment:

- In 2024, BisB launched the Host-to-Host solution which enables corporates to connect their Enterprise Resource Planning (ERP) systems to BisB’s core banking system using an API connection, allowing for seamless transaction processing and monitoring.
- BisB continued to build on the Bank’s API link with the Ministry of Industry and Commerce’s (MOIC) Business Licensing System (SIJILAT) which also enables the Bank to conduct know your customer (KYC) processes to meet regulatory obligations.
- In alignment with the Ministry of Commerce (MOIC) directives, BisB became the first bank in Bahrain to digitally open accounts for active, without license corporates.
- The Bank has also built on successful face-to-face surveys and market studies by reorganising the management of non-borrowing accounts. SME non-borrowing

account management has been distributed to retail branches and Thuraya to enhance customer experience and broaden the target market during 2024.

- BisB automated promotional emails to potential corporate customers, informing them of its digital banking solutions.
- Further enhancements were made to existing digital corporate banking services, including trade finance, remittance, batch transfers, and user access privileges, to provide our corporate clients with more convenience, security, and efficiency.

Back-End Systems Upgrades

BisB continuously reviews and enhances back-end systems to improve performance, security, and the efficiency of its internal processes. Recent initiatives include the following:

- BisB upgraded IT infrastructure including core banking software and hardware to improve reliability, scalability, and speed.
- The Bank improved the database infrastructure and bank connectivity by upgrading database servers, storage, and network devices. This process enhanced data availability, integrity, and accessibility.
- BisB upgraded the Retail Early Settlement portal to newer technology to increase its performance, security, and reliability.

Automation and Efficiency

BisB has automated a variety of banking processes and operations, resulting in increased efficiency and lower instances of human error. In addition, by automating banking processes, BisB eliminates paper-based systems and facilitates quicker transactions and processing speeds to help reduce the Bank’s carbon footprint.

Recent automation initiatives include:

- Automated financing disbursement steps in the core banking system, which has improved the accuracy and speed of the financing process and enhanced customer satisfaction. Automated multiple account types to straight-through.
- Automated ATM card issuance in digital banking.
- Enhanced merchant onboarding and settlement process, which has simplified and streamlined the process of registering and settling merchants.
- Reduced steps in the commodity trading platform, which has reduced the time and complexity of the finance processing and disbursement process.
- Created and improved the applications used by BisB staff as part of the Tejoori campaign, helping to streamline the customer onboarding process and open new accounts, update KYC information, and disburse winner’s prizes.

Intellectual Capital		
	Percentage of new customers onboarded through the bank’s digital platform	Number of digital services
2024	88.00%	200+

DATA PRIVACY AND SECURITY

Information Security

In addition to being governed by regulations and ethical business practices, customer privacy is a fundamental principle aligned with Shari'a law. Upholding this principle is critical for building and maintaining the trust of all stakeholders and preserving the Bank's good reputation.

The Bank's approach to data protection is outlined in its Information Security and Data Privacy Policies and accompanied by a robust procedures manual designed to ensure that BisB adheres to all applicable regulations governing data protection, such as Bahrain's Personal Data Protection Law (PDPL), while the bank also complies with the Swift Customer Security Controls Framework (CSCF) and the Payment Card Industry Data Security Standard version 4.0 (PCI DSS 4.0). Furthermore, BisB is compliant with the EU's General Data Protection Regulation (GDPR) through its compliance with the ISO 27701:2019 (Privacy Information Management System) standard.

The manual outlines a privacy information management framework and was developed in line with the following guiding principles:

Lawfulness, Fairness and Transparency: The Bank must always be compliant with applicable laws, regulations and standards, process data in ways that data subjects would reasonably expect and be open and honest about how it processes personal data.

Processing Limitation: The Bank must only process personal data for specific and legitimate purposes.

Storage Limitation: The Bank must not keep the data for longer than is necessary to fulfil the purpose it was collected for, except when required by regulators.

Data Quality: The Bank must keep the personal data accurate and up to date.

Data Minimisation: The Bank must only collect and process the minimum amount of data necessary to fulfil the purpose for which it was collected.

Data Security: The Bank must ensure the confidentiality and integrity of data by complying with all the rules prescribed in BisB's Information Security Policies Manual.

Accountability for Third Parties: The Bank is accountable for their data processing activities conducted on the data it provides to third parties.

Rights of the Data Subject: The Bank must respect the rights of the data subject and handle any requests from them in a timely and responsible manner, including providing the data subjects with information about their rights.

BisB takes all necessary measures to safeguard customer data and other sensitive financial and personal information against cyber threats, theft, unauthorised access, and other breaches. The Bank has built robust data protection systems, in line with international standards, and has attained a number of relevant ISO certifications.

In 2023, BisB became the first bank in Bahrain to achieve the ISO 27001:2022 Information

Security Management System (ISMS) certification, the first Islamic bank in Bahrain to achieve the ISO 27701:2019 Privacy Information Management System (PIMS). Furthermore, BisB has been independently attested against the SWIFT Customer Security Controls Framework (CSCF 2024). All certifications were renewed in 2024.

In addition, the bank maintains a robust framework to ensure the required levels of continuity and resilience, through its implementation of ISO 22301:2019 (Business Continuity Management System).

BisB values the importance of transparency in building trust with customers. They are made aware of their rights in a Security and Privacy Statement published on the Bank's website. Written in easy-to-understand language, the statement describes when and how their personal data is gathered, stored, protected, and used by the Bank. It can be found on the website via the following link: <https://www.bisb.com/en/security-and-privacy>

Furthermore, all sensitive communications with customers and third parties are vetted by professionally trained frontline staff from respective departments, including Marketing, Corporate Communications, Legal, Compliance, Information Security and Business Units.

Cybersecurity

The digital transformation of the banking sector raises the risk of cyber-attacks which can result in data breaches, financial loss, and reputational damage. All Bahrain-based financial institutions are required to implement robust cybersecurity measures, in line with CBB Cyber Security regulations and industry best practices.

BisB's processes are aligned with leading best practices including the National Institute of Standards and Technology (NIST) Cybersecurity Framework, The Open Worldwide Application Security Project (OWASP) guidelines, Center of Internet Security (CIS) benchmark, and others.

BisB deploys a range of security and privacy measures to safeguard the Bank's operations and facilitate transactions across different platforms including online, mobile, self-service Kiosks, ATMs and ITMs.

The Bank uses 'Security by Design' and 'Privacy by Design' principles to ensure both security and privacy are embedded into its digital services and products. Furthermore, BisB adopts state-of-the-art security systems, including firewalls, intrusion detection, prevention systems, and regular security testing and monitoring, designed to achieve 'Security in Depth' with layered security controls across all domains.

To further strengthen the resilience of its systems and build a culture of security and data protection, BisB periodically provides training and awareness programmes for employees, ensuring they remain aware of and vigilant against external threats.

In 2024, the Bank's Chief Information Security Officer (CISO) became the first Bahraini national to achieve the Artificial Intelligence Governance Professional (AIGP) Certification from the International Association of Privacy Professionals (IAPP). The certification provides professionals with the knowledge and skills necessary to navigate the increasingly complex field of AI governance and covers best practices, frameworks, and international regulations related to responsible AI development and deployment.

DATA PRIVACY AND SECURITY (CONTINUED)

2024 Update

The following is a list of initiatives undertaken by BisB in 2024 to strengthen data protection and cybersecurity systems and processes.

National eKey 2.0 Project

Invited to develop scope, technology and assess solutions.

Defined implementation approach, financial model and strategic plan.

TRA Biometric Authentication Guidelines

Developed biometric standards for telecom sector to use Identity & Verification (ID&V) technologies Enabled telecoms to issue physical and eSIM through digital channels and to customers and visitors.

Streamlined Wathiq Integration for Authenticated Users

Advocated and obtained approvals for Wathiq integration for authenticated users across digital channels.

Reducing the eKYC process cost significantly and simplifying the process for the entire financial sector.

Streamlined CBB Fraud Measures

Collaborated, advocated and supported CBB in defining requirements for fraud prevention. Established a fraudulent phone number reporting mechanism for the sector Identified additional requirements for ID&V controls.

Financial Intelligence National Centre (FINC) Fraud Operations Platform Development

Participated in the planning sessions of FINC Fraud Operations Platform.

Identified to represent the financial sector in testing the platform during the testing and piloting phase.

Development of new National Cyber Security Strategy

Active participation in National Cyber Security Centre (NCSC) strategy development.

Collaboration with Universities and Non-Profit Organisations

Sharing practical advice and experience of Bahrain financial industry cyber security practices with University of Bahrain postgraduate students.

Organised a cyber security hackathon for Royal University of Women (RUW) to promote female participation in the field.

Introduced Al Mabbarah Al Khalifia orphans to the cyber security field through engaging sessions.

Development of Financial Sector Threat Intelligence Platform

Participated in the development of CBB's threat sharing platform and identified additional controls and enhancements.

Controls for Expatriate Workers

Identified issues with expats with expired permits and advocated for controls through LMRA, NPRA and IGA.

Controls adopted by CBB with active monitoring of permits and expats status.

BenefitPay ID&V

Collaborated with CBB and Benefit to define, test and assess their new Identity & Verification (ID&V) platform, which resulted in the elimination of all BenefitPay fraud cases in Bahrain (over 90% of cases).

As a result of its comprehensive and robust approach to data protection and cybersecurity, BisB experienced no security breaches in 2024.

Overview of Certifications	
Year of Completion	
SWIFT Customer Security Control Framework	Certified for 2024.
ISO 27001:2022, Information Security Management System certification	2024 Surveillance audit completed successfully.
ISO27701:2019, Privacy Information Management System Certification	2024 Surveillance audit completed successfully.
PCI-DSS 4.0, Payment Card Industry Data Security Standard, version 4.0	Certified for 2024.
ISO 22301:2019, Business Continuity Management System certification	2024 Surveillance audit completed successfully.

Performance

	Number of substantiated complaints received concerning breaches of customer privacy		
	Total number of complaints received from outside parties and substantiated by the organization	Total number of complaints from regulatory bodies	Total number of identified leaks, thefts, or losses of customer data
2022	0	0	0
2023	0	0	0
2024	0	0	0

	Data Security Breaches		
	Number of Data Security Breaches	Number of data security breaches involving customers' personally identifiable information	Percentage of data security breaches involving customers' personally identifiable information
2022	0	0	0.00%
2023	0	0	0.00%
2024	0	0	0.00%

DATA PRIVACY AND SECURITY (CONTINUED)

Training and Awareness

	2022	2023	2024
Additional Certifications and Upskilling			
Total number of professional certifications in the information security, continuity and privacy field	29	29	30
Number of unique professional certifications or award in the field, where BisB security professional is the first to achieve in Bahrain	5	-	1
Total number of computer-based training modules completed by our staff	612	1,388	1,576
Security and privacy awareness program			
Average security awareness score (%)	89.00%	92.00%	91.00%
Data Security Training for Employees			
	Type of training provided	Number of employees that completed the training	Number of total equivalent training hours per employee
2022	Online	100.00%	1.5
2023	Online	100.00%	1.5
2024	Online	100.00%	1.5
Other Trainings in number of employees completed			
	Safety and security training	Understanding PCI DSS	Safety procedures training
2022	265	194	258
2023	324	324	324
2024	360	360	360

Note: ‘Safety and security training’ also covers Occupational Health and Safety topics.

07 NATURAL CAPITAL

NATURAL CAPITAL

Our Commitment	
Sustainability Pillars	Preserving Natural Resources
Material Topics	Direct Environmental Footprint
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين BAHRAIN SDGs  - Robust economic growth that benefits the people - An efficient and effective government
GRI Standards	- GRI 2 - General Disclosures - GRI 302: Energy - GRI 303: Water and Effluents - GRI 305: Emissions - GRI 306: Waste
SDGs	 

Please note, in accordance with GRI 2: General Disclosures 2021, Disclosure 2-4, BisB is providing the following restatement of information: Some Natural Capital figures have been revised, accounting for the discrepancy observed from previous years' reports and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published. Additionally, electricity figures have been revised to classify BisB's solar energy consumption as direct energy usage, both retrospectively and moving forward.

As a prominent financial institution, BisB recognises it has a critical role to play in fostering environmentally responsible practices. The Bank is committed to reducing its environmental footprint, integrating climate considerations into decision-making processes, and supporting green initiatives. By aligning with global sustainability goals, BisB aims to contribute to a healthier planet while creating long-term value for stakeholders.

BisB's Environmental Policy outlines the Bank's commitment to managing environmental topics material to its business including energy and water consumption, waste production, and climate change.

The Policy defines the roles and responsibilities for those involved in managing the Bank's environmental impact, and outlines its commitment to providing training and awareness to relevant staff. Further, the Policy outlines BisB's commitment to continually review and improve its approach to environmental management.

BisB has established an Environmental Management System (EMS) that follows the ISO 14001:2015 certification standard and covers the Bank's operations (direct) as well as its value chain (indirect). The EMS provides the basis for assessing and managing all environmental risks and opportunities.

Environmental objectives and initiatives to achieve them are documented in the Environmental Management Plan which is reviewed twice per year to ensure it remains relevant and up to date. The Bank's PPA Team has overall authority and responsibility for the implementation and management of the Environmental Management System. BisB is committed to continuously improving the EMS across all areas within scope. Furthermore, BisB is committed to exploring initiatives that can assist in reducing and eliminating environmental impacts wherever possible, from the business point of view, through the adoption of technological innovations.

Ideas for improvements may be obtained from any source including customers, suppliers, employees, risk assessments, and audits. Once identified, they will be documented and evaluated by the staff member responsible for continual improvement. If accepted, the proposal will be prioritised in order to allow more effective planning.

MANAGING OUR OPERATIONAL FOOTPRINT

BisB assesses environmental risks and opportunities annually, or upon significant change to the business environment. Environmental management processes and procedures are regularly reviewed to ensure they are adhered to.

This happens at three levels:

- Structured regular management reviews of conformity to the Bank's policies and procedures
- Internal audit reviews against the ISO 14001 standard by the Bank audit team
- External audit against the standard to maintain certification to ISO 14001

BisB manages its direct environmental impact through the following measures:

- Monitoring, measuring and managing energy, emissions, and waste and water consumption
- Integrating business processes with the EMS
- Assigning roles and responsibilities for the implementation, management and improvement of environmental management processes
- Tracking and reducing greenhouse gas (GHG) emissions to prevent pollution and mitigate climate change
- Investing in green technologies to drive energy and water efficiencies and reduce emissions

- Managing waste according to the 3R principles of reduce, re-use, and recycle – where cost efficient
- Giving due consideration to environmental issues and energy performance in the acquisition, design, refurbishment, location, and use of buildings.

To manage the Bank's indirect environmental footprint, BisB will:

- Embed environmental criteria into procurement processes and procedures
- Monitor suppliers' environmental performance and raise environmental issues, risks and opportunities where applicable
- Work with suppliers to increase their awareness of environmental and social issues as well as risks and opportunities that are relevant to their operations
- Monitor suppliers to ensure they comply with all relevant environmental laws and regulations.

Energy Efficiency

BisB undertakes steps to track energy use across its operations, including its operations, overseas travel, and more. The Bank has set a target of reducing total energy consumption by 5% per year.

BisB is implementing a new building management system at Al Salam Tower to monitor energy usage and improve efficiencies.

The project, which involves replacing the installed chillers at the tower, is an ongoing process. The Bank is exploring further technology-based solutions to address energy consumption at its facilities as well as its owned transportation.

Water Conservation

BisB tracks water consumption at its facilities and has implemented initiatives to conserve the resource, including raising awareness among staff.

Waste Reduction

BisB strives to reduce waste generation by 15%. The Bank aims to achieve this objective by spreading awareness among staff and encouraging them to recycle waste and promoting eco-friendly products across offices, while reducing reliance on paper and packaged products. For example, BisB is looking to transition from printing documents to using only digital copies, wherever possible, while the Bank distributes reusable water bottles to reduce the use of single-use plastic bottles.

BisB has controls in place to ensure that the disposal of non-hazardous recyclable waste is managed and correctly documented. The Property team is responsible for identifying

and segregating recyclable waste and managing its safe disposal.

BisB will introduce sustainable plastics for its Prepaid Cardholders from 2025. The OxyCYCLE PVCr card is made from 100% recycled post-industrial plastic waste, achieving a 27% reduction in CO₂ emissions during card manufacturing compared to a standard PVC card.

Managing GHG Emissions

BisB assesses and manages its operational GHG emissions through the implementation of its ISO 14001:2015 certified EMS. Emissions are calculated on a monthly basis. Based on this data, BisB plans to reduce its operational emissions by 5% per year through the energy management initiatives mentioned above and is exploring greater use of renewable energy.

BisB has implemented solar panel systems at its Arad Financial Mall branch and the Hamad Town Financial Mall branch, showcasing its commitment to embedding sustainability and renewable energy practices.

In addition, in 2024 BisB advanced its GHG assessment by calculating the Bank's Scope 3 financed emissions, in accordance with PCAF standards.

MANAGING CLIMATE RISKS AND OPPORTUNITIES

Climate change, and global efforts to address it through mitigation and adaptation measures, is exposing banks to significant operational, credit, and transition risks. For example, there is a global shift towards policies and regulations mandating climate action. These changes are having a profound economic impact, altering how banks assess credit risk.

As a result, banks are now performing climate scenario stress testing and analyses to assess their risk exposure. In Bahrain, the CBB has issued circulars and guidance for local banks to assess climate change risks on their financing portfolios. As discussed in the ‘Approach to ESG’ section (2) of the report, BisB has developed an ESG Due Diligence Toolkit, to assess ESG risks, including climate considerations, associated with its clients and projects.

Furthermore, the new Sustainable Finance Framework (further details in section 2) will enable the Bank to expand its range of

products to help clients address their climate impact, support the development of green financing, and promote a low-carbon economy. Both the framework and toolkit will support BisB’s ambition to eventually extend its GHG calculation to include Scope 3 financed emissions. In 2024, BisB invested BHD 15,500 in climate related risk mitigation efforts.

To further enhance its climate impact, BisB participated in the ‘Powerelec Bahrain 2024 Conference’ which focused on advancing Bahrain’s ambitions towards achieving net zero carbon emissions. Mohammed Al Aali, former Chief Strategy and Sustainability Officer, represented BisB as a distinguished speaker, leading a session on ‘Financing and Executing Big Ticket Projects – Challenges and Opportunities”, offering expert insights into the future of renewable energy and green hydrogen for a sustainable and decarbonised economy.

ENVIRONMENTAL DATA

	Non-compliance with environmental laws and regulations		
	Total Monetary Value of Significant Fines (in BHD)	Total Number of Non-Monetary Sanctions	Cases Brought through Dispute Resolution Mechanisms
2022	0	0	0
2023	0	0	0
2024	0	0	0

		Energy Consumption: Fuel (GJ)
		2024
Direct Energy Consumption (GJ)		
Fuel Consumption	Petrol	128.08
	Diesel	55.04
Solar Energy		1,715.22
Total Direct Consumption (GJ)		1,898.34
Energy Intensity by Space (GJ/m2)		0.34
Total Intensity (GJ/FTE)		5.27
Indirect Energy Consumption (GJ)		
Purchased Electricity - Non-Renewable		18,446.10
Total Indirect Consumption (GJ)		18,446.10
Energy Intensity by Space (GJ/m2)		3.29
Energy Intensity by FTE (GJ/FTE)		51.24
Total Energy Consumption (GJ)		20,344.45
Energy Intensity by Space (GJ/m2)		6.62
Total Intensity (GJ/FTE)		56.51

Note: These points are produced as per ISO14001:2015
Note: Conversion rates updated as per DEFRA 2024 conversion rate GJ per cubic meter
Note: Intensity numbers are calculated per space and full time employees (FTE)

ENVIRONMENTAL DATA (CONTINUED)

Percentage of renewable and non-renewable energy used as part of total energy consumption (GJ)		
2024		
	GJ	%
Total Non-Renewable Energy	18,629.23	91.57%
Total Renewable Energy	1,715.22	8.43%
Total Energy	20,344.45	100.00%

Electricity Consumption (MW)		
2024		
	MW	%
Purchased Electricity	5,123.92	91.49%
Solar Energy Electricity	476.45	8.51%
Total Electricity Consumption	5,600.37	100.00%

Percentage of Energy Used by Source (GJ)			
2024			
		GJ	%
Fuel Consumption	Petrol	128.08	0.63%
	Diesel	55.04	0.27%
Electricity Consumption	Electricity - Non-Renewable (Purchased Electricity)	18,446.11	90.67%
	Electricity - Renewable (Solar Energy)	1,715.22	8.43%
Total Energy Consumption		20,344.45	100.00%

Water Withdrawal (m3)			
	2022	2023	2024
Total Water Withdrawal in m ³	8,020.00	7,468.00	19,888.00
Total Water Withdrawal Intensity (M3/Space)	1.43	1.33	3.54
Total Water Withdrawal Intensity (M3/FTE)	24.75	20.98	55.24

Notes: The total annual amount of water consumed by the organization in 2022 and 2023 refers to Alsalam Tower only

Waste Management in MT		
2024		
Non-Hazardous Waste MT	Paper Recycled	11.15
	Plastic Recycled	0.12
	Cans Recycled	0.07
	Glass Bottles Recycled	Not Available
General Waste		2.96
Total Non-Hazardous Waste in MT		
Hazardous Waste MT	E-Waste (Personal Computers/ATM Machines) Recycled	0.00
Total Waste in MT		14.29
Total Waste in MT per FTE		0.04

Waste recycling (MT)		
2024		
Waste Recycled MT	Non-Hazardous	11.34
	Hazardous	0.00
Total Non-Hazardous Waste in MT		11.34
Waste Recycling Ratio		79.32%
Target	BisB strives to reduce waste generation by 15%.	

Paper Consumption (Ream)		2024
Papers Purchased		4,401

ENVIRONMENTAL
DATA (CONTINUED)

			GHG Emissions Breakdown in (MTCo2e)		
Scope	Item	Sub-Item	2022	2023	2024
Scope 1 (MTCo2e)	Fuel consumption for Power Generators	Diesel	9.64	6.06	4.07
	Company Fleet	Petrol			9.31
Total Scope 1 (MTCo2e)			9.64	6.06	13.39
Scope 1 GHG Emissions Intensity (MTCo2e/FTE)			0.03	0.02	0.04
Scope 2 (MTCo2e)	Electricity - Non-Renewable		1,731.73	1,908.91	2,617.59
Total Scope 2 (MTCo2e)			1,731.73	1,908.91	2,617.59
Scope 2 GHG Emissions Intensity (MTCo2e/FTE)			5.34	5.36	7.27
Scope 3 (MTCo2e)	Non-hazardous Waste: General Waste and Recycled Waste		Not Available	Not Available	0.07
	Hazardous waste: E-waste		Not Available	Not Available	0.00
	Paper Purchase		Not Available	Not Available	0.02
	Water Supply and Water Treatment		Not Available	Not Available	6.74
	Employee Commute		Not Available	Not Available	Not Available
	Financed emissions		Not Available	Not Available	0.50
Total Scope 3 (MTCo2e)			Not Available	Not Available	7.33
Scope 3 GHG Emissions Intensity (MTCo2e/FTE)			Not Available	Not Available	0.02
Total GHG Emissions (MTCo2e)			1,741.37	1,914.97	2,638.31
Total GHG Emissions Intensity (MTCo2e/FTE)			5.37	5.38	7.33
Target			BisB plans to reduce its operational emissions by 5% per year		

	2024
Emissions Avoided (MTCO2e) using Electricity generated by Solar Energy	243.40

1. The emission factors updated referring to DEFRA 2024, Except Paper purchased refers to DEFRA 2022
2. The GHG Emissions were measured in accordance to the international GHG protocol that defines reporting scopes 1, 2 and 3
3. Financial emissions data for 2022 and 2023 are not available, as we began measuring financed emissions in 2024. These calculations are conducted according to PCAF standards, which include collecting detailed emissions data from financed assets, applying sector-specific emission factors, and proportionally allocating emissions based on our financing. BisB has incorporated all on-balance-sheet financial products covered by the PCAF within the scope of this calculation. A comprehensive review of the bank's entire portfolio, including its various financial products, was conducted to ensure alignment with PCAF's methodology for financed emissions calculations. Products that do not fall within the scope of PCAF's defined methodology were excluded. The financial products of BisB included in the financed emissions calculations are as follows: Investment Securities, Financing and Advances, Commercial and SMEs banking (Syndicated Murabaha Facilities, Working Capital Facilitation and Funding for Capex and Other Requirements), Retail Banking (Only Auto Financing and Home Financing) and Financial products related to sovereign debt.

	2024
Weighted Average PCAF Data Quality Score	4.79

	2024
Percentage of Total Exposure Covered by Financed Emissions Estimation	69.29%



08

**SOCIAL AND
RELATIONSHIP
CAPITAL**

COMMUNITY INVESTMENT

Our Commitment	
Sustainability Pillars	- Community Investments - Responsible Banking - Serving our Customers - Preserving Natural Resources
Material Topics	- Community Investment - Financial Inclusion - Responsible Customer Relationship - Responsible Sourcing
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرينBAHRAIN SDGs 2030 - Robust economic growth that benefits the people - A just, thriving society
GRI Standards	- GRI 203: Indirect Economic Impacts - GRI 204: Procurement Practices - GRI 413: Local Community - GRI 416: Customer Health & Safety - GRI 417: Marketing and Labelling
SDGs	1NO POVERTY 3GOOD HEALTH AND WELL-BEING 4QUALITY EDUCATION 5GENDER EQUALITY 10REDUCED INEQUALITIES 11SUSTAINABLE CITIES AND COMMUNITIES 13CLIMATE ACTION 17PARTNERSHIPS FOR THE GOALS

CSR AND INITIATIVES

BisB maintains a strong commitment to Corporate Social Responsibility (CSR) and community investment. Since its establishment, the Bank has implemented various initiatives to support local communities, in line with Islamic principles.

These efforts highlight BisB’s dedication to supporting local communities through programmes aimed at social welfare, education, health, the environment, and community development.

BisB’s dedicated volunteer team “Jood”, leads philanthropy and CSR outreach at the Bank. The team manages sponsorship of welfare programmes, zakat collection and distribution, and regular donations to charity organisations aligned with BisB’s values. Jood has consistently delivered on BisB’s promise to support local communities through programmes aimed at social welfare, education, health, the environment, and community development.

BisB has several policies in place to manage and guide its community investment strategy and ensure that efforts are aligned with the Bank’s CSR goals and Islamic principles.

Initiatives cover volunteering, donations, sponsorships that generate positive social impacts.

Examples include:

- Philanthropy and CSR Outreach: BisB’s dedicated volunteer team, Jood, leads philanthropy and CSR outreach. They manage sponsorship of welfare programs,

zakat collection and distribution, and charitable donations aligned with the Bank’s values.

- Partnerships with Government Agencies and NGOs: BisB regularly partners with Government agencies and NGOs on community development and sustainability initiatives.
- Employee Volunteerism: The success of BisB’s philanthropic efforts is largely due to the commitment of its employees, who volunteer their time to worthy causes in their communities.
- Ramadan initiatives: Under the ‘Iftar on the Road’ initiative, the Jood team distributes Iftar meals packed in recyclable paper bags, embodying the spirit of generosity and friendship found throughout Bahrain during the Holy Month of Ramadan.
- Creative Writing Competition: BisB also invests in community development through initiatives like the “We Write in Arabic” creative writing competition, which encourages young Bahrainis to pen short stories envisioning Bahrain’s future.

Sponsorships & Donations

In addition to the above, BisB approves an annual budget for donations and sponsorships. The Bank manages the distribution of these budgets based on internal criteria approved by senior management and the Board of Directors, as follows:

CSR AND INITIATIVES (CONTINUED)

Sponsorships

BisB provides sponsorships for activities, events, and initiatives organised by civil society institutions, provided they do not contradict Islamic principles and are aligned with the Bank's sponsorship criteria, which emphasise community service, education, innovation, support for the Islamic banking industry, and national service projects.

Donations

The Board of Directors allocates a portion of the Bank's annual profits, if any, for donations which are managed through the Zakat, Donations, and Qard Hasan Committee. Donations are used to serve the community in the following areas: charitable initiatives, health, education, assistance to people and the poor, community service, Shari'a-compliant initiatives, and support for the Islamic banking industry.

CSR Initiatives 2024

During the year, BisB organised or participated in a series of CSR initiatives that benefitted a broad range of community stakeholders.

BisB Organises Successful Recycling Drive

On the occasion of World Environment Day, BisB hosted an organisation-wide recycling drive to promote sustainability and encourage employees to embrace environmentally conscious practices. Employees provided unwanted items weighing a total of 250 kg which were then collected by the Bank to be recycled.

BisB Launches 3rd Future Leaders Summer Camp

BisB launched its third Future Leaders Summer Camp, in collaboration with INJAZ Bahrain,

which aims to nurture the next generation of leaders by providing educational and fun experiences for youth aged 7 to 18. The initiative is designed to offer participants a glimpse into the professional world through a series of educational trips to some of the largest corporations in Bahrain where they can interact with business leaders, learn about various industries, and develop essential financial management skills.

BisB and RHF Organise Eid initiative for Orphaned Children

BisB's Jood team of employee volunteers partnered with the Royal Humanitarian Foundation (RHF) on an initiative to provide Eid clothes for more than 30 orphaned children. Over 30 employees participated in the event to provide a fun shopping trip to one of Bahrain's largest shopping malls.

BisB's Organises a Fun Day with the Child Welfare Home

To mark the International Day of Charity on September 5, BisB's Jood employee volunteer team organised a day trip to "Magic Island" in Manama for the children of the Child Welfare Home which provides care for orphans and children from broken homes.

BisB Champions Breast Cancer Awareness with Pink October Initiatives

BisB organised a series of impactful initiatives as part of the global Pink October campaign to raise awareness about breast cancer. The Bank partnered with key stakeholders and rolled out

various activities to engage employees and the wider public on this important cause.

BisB Launches the "We Write in Arabic" Creative Writing Initiative

BisB launched the 'We Write in Arabic' initiative in collaboration with the Ministry of Information, Ministry of Education, the Bahrain Writers Association, and Visa International. The creative writing competition invites young Bahrainis aged 13 - 18 to pen short stories in Arabic envisioning Bahrain's future.

BisB Concludes Sustainability Hackathon Initiative powered by INJAZ Bahrain

BisB, in collaboration with the Supreme Council for Environment and INJAZ Bahrain, organised the closing ceremony of the "BisB Sustainability Hackathon" initiative. Held from October 9 to 13, the initiative gathered more than 100 students from 10 leading local universities, to empower them to develop innovative solutions to Bahrain's sustainability challenges.

Jood organises The Annual "Iftar on the Road" Initiative

BisB's Jood team of employee volunteers launched its annual 'Iftar on the Road' initiative during the Holy Month of Ramadan. Team members distributed Iftar meals to drivers and road users at various major traffic intersections across Bahrain on Friday, April 5, 2024. Over 1,500 breakfast meals were distributed during the initiative.



CSR AND INITIATIVES (CONTINUED)

BisB Gold Sponsors for 22nd Edition of AAOIFI’s Annual Conference

BisB was the Gold Sponsor of the 22nd edition of AAOIFI’s Annual Shari’a Boards Conference in April 2024. The event gathered prominent industry figures, decision-makers, scholars, and policymakers to explore ways to enhance Sharia’a governance, financial reporting standards, and innovation in Islamic finance.

BisB Donates Insulin Pumps to Children with Diabetes

To mark World Diabetes Day on November 14, BisB donated several insulin pumps to children receiving treatment at the Diabetes Clinic in Salmaniya Medical Complex, part of the government hospital network. Insulin pumps are crucial medical devices that help maintain the health of children with type 1 diabetes, enabling them to lead a better quality of life.

BisB Strengthens Organises Third Forum on Islamic Banking Operations

BisB organised its third forum on Islamic Banking Operations under the theme “Islamic Banking: Between Academic Theory and Practical Execution,” in November 2024. The event brought together an esteemed group of Shari’a Supervisory Board members, industry experts, academics, and students of Islamic banking from various universities across the Kingdom.

BisB Partners with the ‘She’s Next, Empowered by Visa’ Programme

BisB exclusively partnered with Visa to introduce the ‘She’s Next, Empowered by Visa’ programme to Bahrain for the first time. The programme is dedicated to supporting

women owned SMEs by granting \$50,000 in funding, training, and an exclusive mentorship programme.

BisB launches the “On Her Path” initiative with CFA Society Bahrain

BisB, in collaboration with CFA Society Bahrain, launched the “On Her Path” initiative to coincide with Bahraini Women’s Day on December 1. The programme is designed to empower Bahraini women professionals by enhancing their skills, knowledge, and professional aspirations. Fourteen 14 mentors from BisB will guide participants across various fields, focusing on Islamic Banking and beyond. Participants will engage in a 10-month training program from January 2025 to October 2025, with graduation in December 2025.

BisB and The Royal Medical Services to renovate and expand Military Hospital wing

BisB and The Royal Medical Services signed a joint memorandum of understanding for the renovation and expansion works of the Emergency Medicine Department and the Isolation Wing at the Military Hospital.

BisB employees volunteer at Muharraq Social Care Centre

The Jood volunteer team visited Muharraq Social Care Centre to visit the elderly in the centre and spend time with them.

BisB provides financial aid for families impacted by heavy rains

BisB provided financial support to Bahrain families affected by the winter rains, with the aim of supporting families financially and morally.

BisB supports Bahrain Tree Week

The Jood volunteer team participated in the Bahrain Tree Week initiative, where it planted a number of trees in the bank’s branches and financial complexes.

BisB supports construction of BIBF building

BisB provided support for the construction of the Bahrain Institute of Banking and Finance (BIBF) with the aim of serving education and providing a suitable educational environment for students at the institute.

Community Investment		
	Total Amount in BD’000	Percentage of Community Investment of Company Revenue %
2022	278	0.6%
2023	512	1.5%
2024	590	1.8%

	Total Number of Employee Volunteering Hours	Average Volunteering Hours per Employee
2022	778	2.4
2023	1,011	2.8
2024	1,351	3.8



FINANCIAL INCLUSION & LITERACY

Financial Inclusion

BisB recognises the critical role of financial inclusion as a pillar of sustainable development and societal wellbeing. The Bank strives to ensure that all people, regardless of their socio-economic background, have access to affordable and equitable financial services, in line with the principles of Islamic Finance. These efforts are supported by BisB’s growing portfolio of products and services combined with state-of-the-art digital banking solutions.

As part of its financial inclusion efforts, BisB offers specific Islamic banking products aimed at specific groups. For example, the Bank participates in social housing schemes in partnership with local entities and also offers financing solutions for SMEs, a key segment in Bahrain’s economy. These products are covered in detail in the Sustainable Finance subsection of section 3.3.

BisB also tailors its products and services for the benefit of specific social groups and frequently launches campaigns aimed at these groups.

Examples include:

Tejoori Al Islami

The new Tejoori Al Islami scheme for 2024 introduced new segments such as “Tejoori for Her” an exclusive segment designed for women, “Tejoori Youth” tailored for customers under the age of 25, and “Tejoori First time Winner” specifically for customers who have not won in the past year or more.

Educators

In May, BisB organised a three-day event offering exclusive financing packages to all educators working across Bahrain’s education sector. Benefits included waived administrative fees for all financing products (excluding Auto Finance), competitive profit rates, and flexible repayment terms extending up to 30 years. Additionally, educators who signed up for a new credit card during the event received 5,000 bonus points as per the BisB Rewards program. In September, BisB launched a similar initiative aimed Bahraini employees in the education sector.

Retirees

In August, BisB launched a limited time offer giving retirees the opportunity to secure personal financing at exclusive profit rates.

Government and semi-government employees

In July, BisB launched a special offer with exclusive profit rates on personal finance for government and semi-government employees.

BisB introduced notched cards to enhance accessibility. Notched cards are designed to be useful for a variety of individuals, such as the visually impaired, elderly people, and people with cognitive disabilities. People without disabilities can also benefit from notched cards in low-light situations or when they need to quickly identify a card without looking.

Number of Retail Accounts Opened by First-time Account Holders

2022	49,378
2023	47,721
2024	44,466

Note: Represents number of accounts created by new RIMs with no former accounts or credit cards with the Bank

Financial Inclusion KPIs

	Percentage of new accounts held by first-time account holders	Percentage of new accounts held by first-time credit card holders	Finance-to-deposit ratio for overall domestic lending	Finance default rates for overall domestic lending
2022	92.59%	3%	81.71%	6.20%
2023	79.69%	3%	89.39%	7.10%
2024	87.17%	4%	79.24%	7.30%

Financial Literacy

As part of its financial inclusion efforts, BisB promotes financial literacy among the key youth segment of Bahrain’s population. Recognising that the youth of today represent the country’s future, BisB invests in their education and development to help shape future leaders capable of driving economic growth and development.

Over the years, BisB has launched many initiatives aimed at enhancing financial literacy among young people, in collaboration with key partners. In 2024, the Bank launched the third edition of its Future Leaders Summer Camp (see CSR section) which includes a financial dimension in addition to exposure to other key business sectors in the country.

RESPONSIBLE SOURCING

BisB conducts a rigorous vetting process for all prospective suppliers, evaluating them on the basis of service quality, capabilities, and cost efficiency. In addition, BisB promotes sustainable practices within its supply chain by incorporating environmental, health and safety (EHS) considerations into the external provider management process. These practices are governed by the Bank's Procurement Policy. BisB has enhanced its green procurement practices to ensure that the products and services it procures have minimal negative environmental impact. This initiative is part of the Bank's broader commitment to sustainability and responsible business practices. Moving forward, BisB will work closely with suppliers to positively influence their environmental performance (see Natural Capital section 7).

The Bank communicates its criteria to potential external providers, including compliance obligations, competency expectations, and control measures, and conducts due diligence to assess their ability to meet these requirements effectively. BisB prioritises suppliers with relevant ISO certifications while all new suppliers must sign a registration form acknowledging the Bank's Supplier Code of Conduct which can be found on online, along with other Policy Statements, via the following link: <https://www.bisb.com/en/bisb-policy-statements>

Furthermore, BisB defines controls and monitoring procedures to ensure that the processes, products, or services supplied by external vendors align with the Bank's EHS standards. Regular performance monitoring and re-evaluation are integral to this approach, ensuring ongoing compliance with ESG criteria.

By integrating these criteria into its procurement practices, BisB enhances its performance on EHS metrics, reduces its environmental impact, and improves alignment with the Bank's sustainability goals, ultimately strengthening its brand reputation. This approach also helps to foster stronger relationships with suppliers who share BisB's ESG values.

Risks associated with this approach include potential disruptions in the supply chain, increased procurement costs for meeting ESG standards, and challenges in measuring and verifying ESG impact. To mitigate these risks, BisB conducts regular performance monitoring and reviews, enabling proactive risk management and continuous improvement in procurement practices. BisB actively supports local communities and businesses, with 73% of its suppliers in 2024 being locally based, contributing a total of BHD 11.4 mn to the local economy.

	Proportion of spending on local suppliers		
	2022	2023	2024
Total number of suppliers engaged	133	136	215
Total number of local suppliers engaged	110	133	158
Percentage of local suppliers	83.00%	97.79%	73.49%
Total procurement spending (BHDm)	11.50	12.00	13.3
Procurement spending on local suppliers (BHDm)	9.60	10.40	11.4
Percentage of spending on local suppliers (%)	83.48%	86.67%	85.71%
Number of suppliers assessed against sourcing code of conduct	Not Available	Not Available	210
Percentage of suppliers who comply with the company's code of conduct and compliance assessment mechanism (%)	Not Available	Not Available	97.67%

RESPONSIBLE CUSTOMER RELATIONSHIP

BisB continuously strives to enhance the overall customer experience and ensure that all their needs are met. The Bank prides itself on offering the highest standards of customer service, whether face-to-face at its branches or through its digital channels. We have developed the customer journey for all products and removed bottlenecks.

All customer-facing staff are trained to the highest standards and equipped to handle any customer request promptly and professionally. In addition, the ongoing digitalisation of services as well as internal processes is a cornerstone of BisB's efforts to continuously improve all aspects of its offering.

Gathering and assessing customer feedback plays an essential role in improving the customer experience. Customers have a variety of ways they can submit feedback as well as any complaints or concerns they may have.

They can engage with the Bank via the following channels:

- Visiting any branch
- Contact center
- Electronic forms on BisB's website
- Social media accounts
- Customer support email
- SMS
- Mobile App
- WhatsApp

- Further customer relationship initiatives in 2024 included:
- Reduce Finance Documentation for Existing Customers such as IDs, Bank Statements, Salary Certificates
 - Automate list of accounts
 - Arranged Sales Hackathon training to improve Business Units sales capabilities.
 - Organised four Tejoori promotion stands during the year and engaged more than ten thousand customers.
 - Updated the call center call tree to simplify the process for customers to talk to an agent directly and added an option to report fraud and lost cards, as per CBB requirements.

Customer Engagement

BisB consistently looks for ways to enhance customer engagement. A recent example involved appointing dedicated Customer Experience Managers (CEM) at all of its branches, or two CEMs at the busiest branches. Their main task is to deal face-to-face with customers, addressing any queries they may have while showing them how to use the Bank's digital channels and various automated machines as an alternative way to access services.

The CEM handles customers wherever possible and can communicate directly with all relevant internal departments for further support if needed. This initiative helps to alleviate long waiting times in the branches, speeding up processes for customers and increasing their

RESPONSIBLE CUSTOMER RELATIONSHIP (CONTINUED)

satisfaction levels, and enables the majority of branch employees to focus on other important operational tasks. In addition, the CEM draws the customers’ attention to products and promotions that may meet their needs, thus helping to boost in-branch sales. They also encourage customers to scan the QR codes and submit feedback on their experience. As a result of this and other initiatives, BisB enhanced its branch NPS score from 63 to 83 in 2024.

Responsible Marketing and Labelling

BisB is committed to transparency in its communications with customers and other stakeholders. The Bank markets and labels its products and services clearly, and in line with applicable regulations. BisB highlights the broader sustainability benefits and impacts

of its offerings through its marketing and communication practices. This approach ensures that customers and end users receive accessible and adequate information about the positive and negative environmental and social impacts of BisB’s offerings.

Customer Complaints Handling

BisB has comprehensive protocols in place to ensure customer complaints are handled promptly and resolved to their satisfaction. In addition, BisB records and reports all complaints, in accordance with CBB requirements. All complaints are reported to the management and the Board-designated committee.

In 2024, BisB received 75 customer complaints with a response rate to customer queries of 100%.

	Customer Satisfaction Data		
	2022	2023	2024
Overall Customer Satisfaction (%)	98% *	61%	83%
Number of customer complaints	91	118	75
Number of customer complaints addressed	91	118	75
Response rate to customer queries (%)	100%	100%	100%
% Growth of total number of customers	16%	16%	12%

Note: * 2022 figures for client satisfaction used a different methodology, thus making them incomparable with subsequent years.

Incidents of non-compliance concerning the health and safety impacts of products and services			
	Incidents of non-compliance with regulations that resulted in a fine or penalty	Incidents of non-compliance with regulations that resulted in a warning	Incidents of non-compliance with voluntary codes
2022	0	0	0
2023	0	0	0
2024	0	0	0

Incidents of non-compliance concerning product and service information and labelling			
	Number of incidents of non-compliance with regulations or voluntary codes, resulting in a fine or penalty	Number of incidents of non-compliance with regulations or voluntary codes, resulting in a warning	Nature of incidents
2022	0	0	0
2023	0	0	0
2024	0	0	0

Incidents of non-compliance concerning marketing communications			
	Number of incidents of non-compliance with regulations or voluntary codes, resulting in a fine or penalty	Number of incidents of non-compliance with regulations or voluntary codes, resulting in a warning	Nature of incidents
2022	0	0	0
2023	0	0	0
2024	0	0	0



09

**SAFEGUARDING
VALUES**

ROBUST GOVERNANCE STRUCTURE

Our Commitment	
Sustainability Pillars	Corporate Governance & Ethical Behavior
Material Topics	- Compliance and Ethical Behaviour - Governance, Transparency and Accountability
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرينBAHRAIN SDGs  An efficient and effective government
GRI Standards	- GRI 2 - General Disclosures - GRI 205: Anti-Corruption - GRI 405 - Diversity and Equal Opportunity
SDGs	

Robust Governance Structure

BisB is fully committed to safeguarding the interests of all stakeholders through the implementation of a robust governance system that ensures accountability and transparency.

The governance framework is seamlessly aligned with BisB’s strategic pillar, “Safe, Sustainable, and Trusting” and is designed to promote effective oversight, ethical decision-making, prudent risk

management, and compliance with all applicable laws, regulations, and ethical business practices.

The framework is underpinned by policies and procedures that establish clear business guidelines and internal controls and places emphasis on managing operations in a manner that upholds the Bank’s reputation and meets stakeholder expectations.

In addition, BisB has formal mechanisms governing whistleblowing, preventing money laundering, fraud, or any other form of misconduct. These mechanisms are designed to ensure strict adherence to ethical standards and regulatory requirements, thereby aligning with the CBB guidelines and reinforcing the Bank’s commitment to maintaining a transparent and accountable corporate governance framework.

This section provides a high-level overview of BisB’s governance and internal control system. For a more comprehensive view, readers may refer to the Corporate Governance Report (Section 10).

Sustainability Governance

In 2021, sustainability was established as a key strategic pillar under Board supervision, with a view to strengthening sustainability governance and enhancing the Board’s ability to drive BisB’s three-year sustainability strategy and roadmap. Sustainability governance is considered in detail in section 2 under ESG Governance.

Board of Directors

The Board of Directors is responsible for overseeing strategic decision-making, ensuring company-wide alignment with BisB’s vision, mission, and guiding principles, and supervising the Executive Management’s implementation of the strategy.

The Board has created and delegated authority to five Board Committees, ensuring the separation of functions, to support it in the execution of specific responsibilities, including but not limited to, overseeing financial

performance, implementing the Bank’s strategy, controls frameworks, compliance and risk management, remuneration, sustainability and governance practices. These Committees are:

Executive Committee

The Executive Committee is empowered by the Board to manage the ongoing credit activities and supervise key financial and operational decisions. This Committee plays a crucial role in ensuring the effective implementation of the Bank’s strategic objectives and maintaining financial stability.

Nomination, Remuneration, Governance & Sustainability Committee

This Committee determines rewards and incentive structures for all employees and advises the Bank’s compensation policies and practices to ensure fair and responsible compensation. It also oversees sustainability initiatives, ensuring alignment with ESG standards, and monitors corporate governance practices to uphold ethical standards and regulatory compliance.

Audit Committee

The Audit Committee is entrusted with the critical responsibility of safeguarding the integrity and robustness of BisB’s governance, risk management, and control frameworks. The Committee ensures the Bank maintains the highest standards of independence, internal control effectiveness, risk mitigation, regulatory compliance, ethical conduct, and transparent financial disclosures.

ROBUST GOVERNANCE STRUCTURE (CONTINUED)

Board Risk & Compliance Committee

This Committee is responsible for overseeing BisB's risk management governance, and identifying, measuring, monitoring, and reporting the risks critical to the Bank's operations. The Committee also oversees compliance with all regulatory and legal requirements.

Board Independent Committee

The Board Independent Committee includes the Independent Directors of the Bank, with the primary aim of overseeing issues related to synergies between NBB and BisB. It plays a crucial role in safeguarding the interests of shareholders and other stakeholders by ensuring that decisions are made independently and without conflicts of interest.

Board of Directors by Gender					
	Female	Male	Total	Female %	Male %
2021	1	9	10	10%	90%
2022	1	9	10	10%	90%
2023	1	9	10	10%	90%
2024	1	9	10	10%	90%

Board of Directors by Age Group							
	Below 30 years old	Between 30-50 years old	Over 50 years old	Total	Below 30 years old %	Between 30-50 years old %	Over 50 years old %
2021	0	4	6	10	0%	40%	60%
2022	0	5	5	10	0%	50%	50%
2023	0	5	5	10	0%	50%	50%
2024	0	4	6	10	0%	40%	60%

COMPLIANCE

BisB is committed to ensuring that all activities conducted by the Bank and its employees adhere to applicable laws, regulations, and the Bank's internal policies and procedures, including its Code of Conduct. The Compliance Function at BisB is independent of any business unit and reports directly to the Board Risk and Compliance Committee.

The Compliance Function assists in fostering a strong culture of compliance throughout the Bank, ensuring awareness of regulatory requirements and associated non-compliance risks. The Compliance Function safeguards the Bank against potential legal or regulatory sanctions, significant financial losses, or reputational damage arising from compliance failures.

As the second line of defence, the Compliance Function works alongside other support functions including Risk Management, Legal, Human Resources, Finance, Operations, and Information Technology (IT), in collaboration with the business units, to ensure risks are effectively identified and managed. By working closely, the support functions help shape strategy, enforce policies and procedures, and gather data to provide comprehensive oversight of risks across the Bank. BisB strives to strengthen its compliance culture and is committed to enhancing policies, procedures, systems, and controls, in alignment with regulatory updates and the Bank's internal

guidelines, as applicable. Compliance risks are continuously monitored to ensure the adequacy and effectiveness of the designed controls.

BisB enforces its Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT) and Sanctions Policy and Procedures Framework, devised in alignment with NBB Group Compliance and in conformity with the legal and regulatory standards of the Kingdom of Bahrain and the CBB's – Rulebook requirements. This framework is designed in accordance with international guidelines and best practices, including Financial Action Task Force (FATF) standards. Furthermore, the framework incorporates procedures intended to meet the requirements of applicable local and international sanctions programmes.

BisB is governed through various policies and procedures to ensure staff awareness and adherence to anti-corruption practices and requirements including the Code of Conduct. The Group's participation in the UN Global Compact further demonstrates the Bank's commitment to preventing corruption.

BisB ensures that all relevant Compliance policies and procedures are reviewed and updated.

In addition, employees are regularly trained on anti-corruption practices including internal and external awareness sessions.

Total number of significant instances of non-compliance with laws and regulations		
	Instances for which fines were incurred	Instances for which non-monetary sanctions were incurred
2022	0	0
2023	0	0
2024	0	0

COMPLIANCE (CONTINUED)

Total number and nature of confirmed incidents of corruption		
	Number of confirmed incidents of corruption	Nature of incidents
2022	0	0
2023	0	0
2024	0	0

Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	
	Number of confirmed incidents of corruption
2022	0
2023	0
2024	0

Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	
	Number of confirmed incidents of corruption
2022	0
2023	0
2024	0

INTERNAL AUDIT

BisB's Internal Audit function serves as a cornerstone of the Bank's governance, risk management, and control framework. The function provides independent and objective assurance on the effectiveness of the Bank's risk management processes, governance systems, and internal controls. Through systematic and risk-based evaluations, Internal Audit ensures compliance with established policies, procedures, and regulatory requirements, while identifying areas for improvement to strengthen the Bank's operational resilience and strategic objectives.

The department employs a risk-based audit approach, guided by a comprehensive annual audit plan derived from a rigorous risk assessment process. This plan ensures that all critical functions, processes, and risk areas are reviewed over a defined cycle, supported by a three-year strategic audit plan that aligns with the Bank's evolving risk landscape and business priorities. Key areas of focus include

the adequacy and effectiveness of internal controls, the validation of risk models, and the verification of operational compliance.

Internal Audit also evaluates the completeness, clarity, and relevance of the Bank's policies and procedures, ensuring they remain up-to-date and aligned with industry best practices. Findings and recommendations are communicated to senior management and the Audit Committee, enabling timely corrective actions and continuous improvement.

The function operates in full compliance with the International Standards for the Professional Practice of Internal Auditing (Standards) and undergoes periodic external quality assessments to ensure adherence to global best practices. Through its proactive and strategic approach, Internal Audit reinforces BisB's commitment to excellence in governance, risk management, and operational integrity.



RISK MANAGEMENT

BisB's risk management strategy aims at enhancing shareholder value through risk-reward optimisation. It aims to achieve this by having robust policies, procedures, controls and processes that allow the identification, measurement, assessment, monitoring and reporting of the different categories of risks the Bank is exposed to with the objective of ensuring compliance with the Bank's risk Appetite and Framework.

The Board Risk and Compliance Committee advises the Board of Directors on the risk limits the Bank should set. The limits set forth, and the Bank's overall risk management policy, protect asset values, revenue streams, and the value of portfolios. The limits are binding on all Bank employees.

The Risk Management division is responsible for identifying, assessing, and managing all relevant risks thereby safeguarding the Bank's assets in line with the Risk Appetite and Framework as approved by the Board of Directors.

The division continuously assesses risks related to credit, liquidity, markets, operations, and reputation and develops and implements policies and procedures to mitigate these risks. The division also monitors and reports on the

Bank's overall risk profile to ensure that BisB operates within the limits set forth by the Board of Directors. This proactive approach helps to minimise risk exposure and ensures compliance with all internal and external policies.

Risk management of specific business functions is further enhanced by BisB's alignment with international standards and the Bank has obtained several ISO certifications, a complete list of which can be found below. The important role these ISOs play in managing various operational risks is explored in the relevant sections of the report. ESG risk management is enhanced by the ESG Due Diligence Toolkit, details of which can be found in the Approach to ESG section 2.

- ISO 45001:2018 (Occupational Health and Safety Management System)
- ISO 14001:2015 (Environmental Management System)
- ISO 27001:2022 (Information Security Management System)
- ISO 27701:2019 (Privacy Information Management System)
- ISO 22301:2019 (Business Continuity Management System)

BUSINESS CONTINUITY MANAGEMENT

BisB's Business Continuity and Operational Resilience framework, which was approved by the Board in 2021, is aligned with international best practices and standards including the ISO 22301:2019 (Business Continuity Management System) certification.

BisB is proud to have been the first organisation in Bahrain, and among the first in the world, to achieve this certification, which has significantly improved the Bank's understanding of infrastructure gaps, interdependencies, and potential disruption scenarios and strengthened its resilience to potential disruptions to critical business services.

This certification provides the foundation for a robust Business Continuity Management (BCM) programme that leverages innovative cloud-based management solutions. The paperless framework offers multiple benefits including

enhanced efficiency, accessible computer-based training for staff and new employees, improved exercises, automated key processes, the creation of performance indicators tied to Board-approved policies, and cost savings.

Over the course of the year, BisB conducted numerous simulations to test the Bank's ability to respond to site outages, cyberattacks, and business disruptions. The Bank provides a comprehensive training and certification programme for its team, focusing on best practices in business continuity and resilience, featuring certifications from the Business Continuity Institute (BCI).

Furthermore, BisB's BCM framework has been enhanced by the integration with NBB which has involved the design, testing, and auditing of components, structures, templates, and documentation to refine the framework.





10

**CORPORATE
GOVERNANCE
REPORT**

CORPORATE GOVERNANCE REPORT

Corporate Governance Framework

BisB continued to uphold a robust corporate governance framework in 2024, underpinned by a comprehensive set of policies and practices that prioritised transparency, accountability, and sound risk management. At the heart of BisB's governance approach is an ongoing commitment to the highest standards of integrity and operational excellence, ensuring that the Bank operates in full alignment with local laws and regulatory requirements.

BisB is founded on the principles of integrity, effective internal controls, Shari'a compliance, and regular independent audits, which guarantee that the Bank operates in a manner that upholds its reputation and meets stakeholder expectations. The Bank proactively identifies areas for enhancement, securing that its governance practices remain responsive to evolving regulatory changes, business needs, and market dynamics. In 2024, BisB's governance practices remained aligned with the latest CBB regulations and industry standards, with continuous efforts to adapt to new legal and regulatory developments. BisB's Corporate Governance Policy not only aligns with the regulatory standards set by the CBB but also reflects best practices within the banking industry.

In a continued effort to promote transparency and facilitate stakeholder engagement, BisB has made its Corporate Governance Guidelines publicly available on its website. These guidelines offer a detailed overview of the Bank's governance framework, outlining the roles and responsibilities of key governance bodies, as well as the policies and procedures that guide its operations. By ensuring that

these documents are readily accessible, BisB reinforces its dedication to transparency, enabling stakeholders to fully assess the Bank's governance structure and overall performance.

Furthermore, BisB remains steadfast in maintaining Shari'a compliance, with a dedicated Shari'a Supervisory Board overseeing all activities to ensure that the Bank's operations, products, and services are in full alignment with Islamic principles. Regular audits and reviews of governance policies and procedures are conducted to ensure ongoing adherence to both regulatory requirements and internal standards.

Code of Conduct

The Board has implemented an extensive code of conduct, serving as a guideline for directors, officers, and employees in their ethical conduct and decision-making processes. All officers and employees are committed to adhering to this code of conduct and are expected to maintain high standards of integrity and fairness in their dealing with customers, regulators, and other stakeholders. The code of conduct is based on the following principles:

1. Behaviour expected from our employees at work
2. Honesty and integrity at work
3. Confidentiality at work
4. Internal and external communication
5. Conflicts of interest at work
6. Working with customers
7. Due skill, care and diligence
8. Relations with regulators
9. Market conduct

10. Customer assets
11. Customer interests
12. Adequate resources
13. Management, system and controls
14. Environmental, Social and Governance (ESG) considerations

Compliance

Compliance is an independent function that reports to the Board Risk and Compliance Committee. The Compliance function, guided by the Board's approved policies, works with various business and control functions of the Bank to ensure compliance with the applicable rules and regulations of the relevant regulatory authorities. Given the digital business strategy of the Bank, as well as the expanding regulatory scrutiny and enforcement, the Compliance Department of the Bank is keeping up with the digital advancements by participating in the risk management process from a regulatory compliance perspective.

Customer Complaints

The Compliance Department is responsible for managing customer complaints. BisB customers may use the Bank's website or the contact centre for lodging a complaint. All complaints are logged, monitored, and reported to the CBB. A user-friendly guide is made available to customers by way of a conspicuous notice on the Bank's website.

Whistleblowing Policy

The Board has adopted a Whistleblowing Policy (by appointing Mr. Khalid AbdulAziz

Al Jassim in his capacity as a Board Member and a Chairperson of the Audit Committee to be responsible for the Whistleblowing Policy) which provides current, former or temporary employees of the Bank, vendors, auditors, consultants or any other service providers with the opportunity to raise any observation regarding wrongful conduct, unethical or improper activity within BisB, including fraud, corruption, abuse, unethical or malicious behavior, and to prohibit managerial personnel from taking any adverse action against employees for doing so.

Communications with Stakeholders

BisB conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. The primary communication channels include the Annual Report, website, and regular announcements in the appropriate local media and social media, all of which are made available in both Arabic and English. In adherence to Shari'a guidelines and principles set forth by the CBB, the Bank's website also features 'Fatawy' and 'Publications of Shari'a and Products & Services Fatwas'.

Communications with Shareholders and Investors

The Bank is committed to maintaining transparency and fostering strong relationships with its shareholders and investors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The following table provides for the different methods of communication between the Bank and its shareholders and investors:

Disclosures and Announcements	The Bank communicates key disclosures to shareholders and investors through official announcements, which are published in both Arabic and English newspapers, as well as on the Bank’s website. These communications include, but are not limited to, the agenda for the upcoming Annual General Meeting (AGM) and the proxy form, allowing shareholders to participate in decision-making processes.
Annual General Meeting (AGM)	BisB’s consolidated audited financial statements, along with all other relevant reports, are presented to shareholders during the AGM. In the spirit of transparency, the minutes of the meeting are subsequently published on the Bank’s website, ensuring all stakeholders have access to the discussions and resolutions made.
Annual Report and Financial Statements	The Bank publishes a comprehensive Annual Report on its website, which includes the complete financial statements for the current fiscal year, as well as a minimum of five preceding years. This ensures consistency, transparency, and easy access to historical data. The report adheres to all regulatory requirements, reinforcing BisB commitment to corporate governance.
Quarterly Financial Updates	In line with the Bank’s policy of regular communication, BisB provides condensed and full versions of its audited financial results for each quarter on the Bank’s website. These reports, dating back to 2006, are readily available, allowing shareholders and investors to track the Bank’s performance over time and make informed decisions.
Investor Relations Support	To facilitate ongoing communication, the Bank has established a dedicated ‘Investors Queries’ Page on its website, where investors can submit inquiries at any time. The Board Secretary’s contact details are also provided, making certain that any additional questions or concerns from shareholders are addressed promptly. Shareholders are encouraged to reach out directly for personalised assistance.

Board of Directors’ Responsibilities

The Board of Directors (the Board) of BisB holds the ultimate responsibility for safeguarding the long-term sustainability and financial performance of the Bank. The Board’s central role is to provide leadership, drive the strategic vision of the Bank, and secure the creation of shareholder value, all while maintaining a strong ethical foundation for the Bank’s operations. In 2024, the Board’s role remained pivotal in steering the Bank towards sustainable growth, innovation, and the creation of value for all stakeholders.

The Chairman of the Board plays a critical role in guiding the decision-making process and superintending the performance of the Executive Management. Additionally, the Chairman maintains ongoing engagement with the Bank’s shareholders, ensuring their views and interests are consistently represented. The Board, as a collective, is entrusted with safeguarding the Bank’s assets and reputation, applying skill, care, and diligence in the execution of its duties. Directors are expected to act with integrity and always in the best interests of the Bank and its stakeholders, balancing the needs of shareholders, customers, employees, suppliers, and the wider community.

The Board’s primary responsibility is to provide effective governance over the Bank’s affairs. This includes setting clear strategic goals that respond to market conditions, customer demands, and technological advancements, while adhering to BisB’s core mission and Islamic banking principles. The Board ascertains the timely implementation of the Bank’s strategies, monitors financial health, and

assesses profitability, liquidity, and capital adequacy to guarantee financial stability. The Directors hold senior management accountable for executing these strategies effectively, ensuring alignment with the Bank’s long-term goals.

To fulfil its governance duties, the Board maintains a robust framework that aligns with applicable regulations and ethical standards, reinforcing transparency, accountability, and the responsible management of risks. The Board is responsible for overseeing the preparation of accurate and transparent financial reports, ensuring compliance with accounting standards, and confirming that all operations adhere to Shari’a principles.

The Board is also tasked with guiding the implementation of risk management processes, regulatory compliance, and internal controls. This oversight extends to evaluating and approving major investments, acquisitions, and divestitures, in line with BisB’s strategic objectives. Additionally, the Board assures the fair treatment of all shareholders, including minority stakeholders, and that conflicts of interest and related-party transactions are managed with the utmost integrity.

In order to support the Board’s work, several Committees have been established to provide high-level oversight of the Bank’s operations and to assist in decision-making. These Committees ensure that operations align with the Bank’s objectives and governance standards, and that recommendations are made to the Board for final approval.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Committees include:

- Executive Committee (EC);
- Audit Committee (AC);
- Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC);
- Board Risk and Compliance Committee (BRCC); and
- Board Independent Committee (BIC).

While the Board maintains overall responsibility, it may delegate specific duties to various Board Committees or Executive Management. These bodies regulate specific areas of governance and operations, reporting regularly with updates and recommendations. During 2024, there were no significant issues regarding the work of these committees.

The Board reserves the right to establish committees when necessary and to discontinue them once their objectives have been fulfilled. Thus, to further support the independence and effectiveness of the Bank's governance, BisB had established the Board Independent Committee (BIC). The BIC was formed to provide strategic advice on the integration and synergies between NBB and BisB. By reviewing key operational processes, the BIC warrants efficiency and clarity across the Group.

Integral to the Bank's governance structure is the role of Independent Directors. BisB adheres strictly to the definition of an Independent Director as a Board Member who has no material relationship with the company that could affect their independence of judgment.

This includes having no significant financial transactions or employment-relationships with the company, other than Director's remuneration. The Board includes Independent Directors who meet these criteria, ensuring they have no conflicts of interest that could impair their judgment. These Independent Directors play a crucial role in maintaining the integrity and effectiveness of the Bank's governance practices. They contribute significantly by providing impartial oversight and challenging management decisions when necessary.

Board's Oversight of Audit, Internal Control and Compliance

The Audit Committee (AC) assists the Board in fulfilling its oversight responsibility relating to the performance of the Internal Audit function, which regularly reviews and provides reasonable assurance on the adherence to internal control processes and procedures.

The Committee implements rigorous oversight of financial audits, internal controls, and compliance with legal requirements. Comprising at least three members with no conflicts of interest, the Committee includes a majority of Independent Directors and Non-Executives if appointed. Members possess recent and relevant financial expertise, including the ability to understand corporate financial statements, accounting principles, and internal controls. An independent Internal Audit function is established within the Bank that reports functionally to the AC.

Board of Directors Composition

No.	Director	Designation	Start Date	Term
1.	Mr. Zaid Khalid Abdulrahman**	Non-Executive Director	24 April 2024	First
2.	Mr. Usman Ahmed	Executive Director	11 January 2023	First
3.	Mr. Mohamed Abdulla Nooruddin	Independent Director	21 March 2019	Second
4.	Mr. Khalid AbdulAziz Al Jassim	Independent Director	21 March 2019	Second
5.	Mr. Marwan Khaled Tabbara	Independent Director	21 March 2019	Second
6.	Mr. Saqer Abdulmohsin Al Sijari	Independent Director	28 March 2022	First
7.	Mr. Ali Ehsan***	Executive Director	2 June 2024	First
8.	Mr. Hesham Al Kurdi****	Executive Director	2 June 2024	First
9.	Mr. Mohsin Rahim*****	Executive Director	2 June 2024	First
10.	Ms. Rana Abdulaziz Qambar*	Executive Director	22 May 2023	First

***10% of the Board Members are women representatives.**

** In replacement of Dr. Esam Abdulla Fakhro.

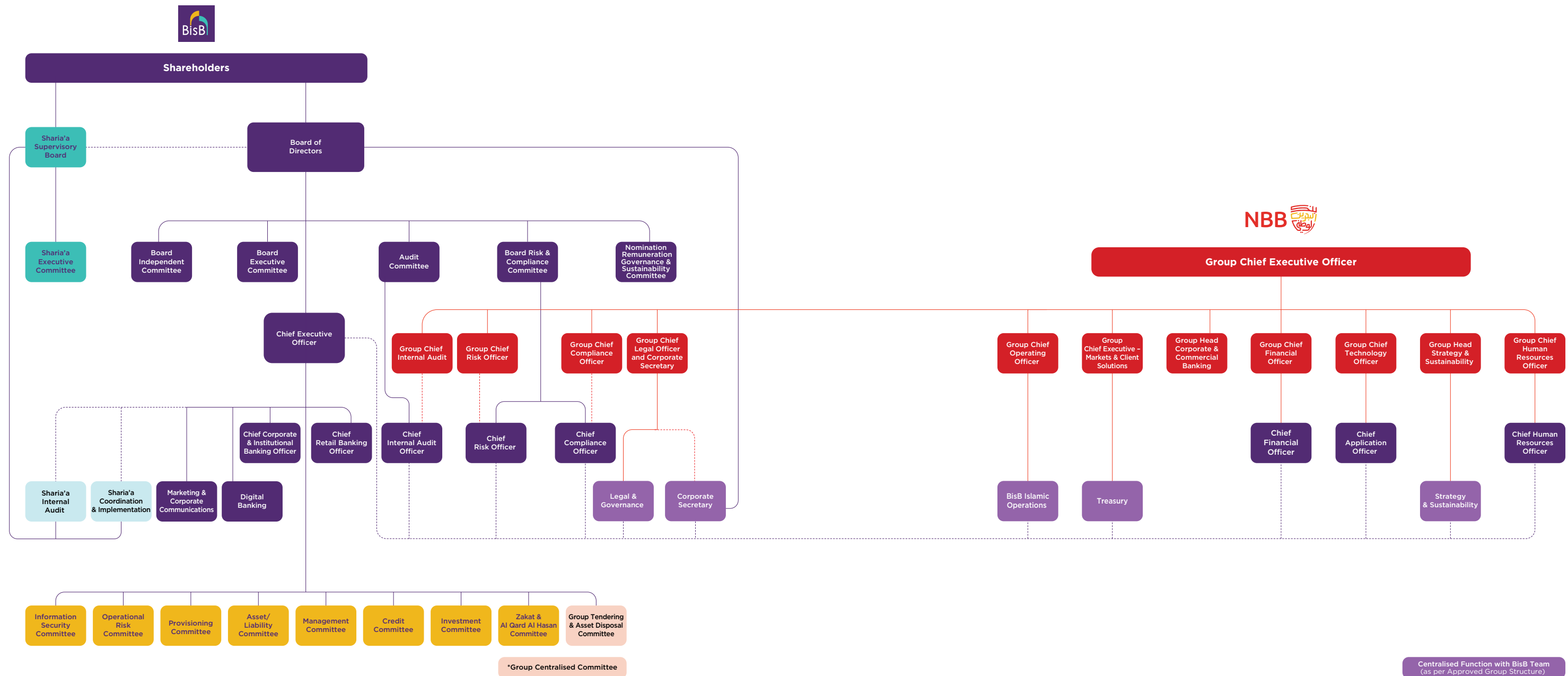
*** In replacement of Mr. Isa Hasan Maseeh.

**** In replacement of Mr. Khalid Yousif Abdulrahman.

***** In replacement of Mr. Gaby Samir El Hakim.

The detailed profiles of the Board Members are available on the Bank's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)



CORPORATE GOVERNANCE REPORT (CONTINUED)

Induction of New Directors

The Bank offers an orientation program for the newly appointed and/or elected Directors, featuring presentations by senior management on strategic plans, key financial, accounting and risk management issues, compliance programs, operations, code of conduct, management structure, and its internal and external auditors, as well as a tour of the Bank's premises, in accordance with the latest High-Level Controls (HC) Module issued by the CBB for Islamic Banks.

Furthermore, the Bank adopts internal onboarding guidelines enabling the new Directors to swiftly and effectively fulfil their governance responsibilities and Board duties from the start of their term, facilitating their integration into the Bank.

Board of Directors' Membership Term and Election Process

The Board of Directors at BisB serves a renewable three-year term. The current term commenced in March 2022 and will conclude in March 2025. Shareholders holding 10% or more of the share capital are entitled to nominate

a representative to the Board in proportion to the total number of Board Members. The remaining Board Members are elected through a secret ballot at the Ordinary General Meeting. Additionally, the Board elects a Chairman and Vice Chairman by secret ballot for a renewable three-year term.

Termination of Board Membership

Membership on the Board of Directors may be terminated under the following circumstances:

- Failure to attend at least 75% of the meetings without a valid excuse.
- Submission of a written resignation.
- Failure to meet the conditions outlined in the Bank's Articles of Association.
- Appointment or election in violation of the CBB Law and/or Bahrain Commercial Companies Law.
- Misuse of membership for engaging in competing or detrimental business activities.
- Removal request by the nominating shareholder.
- Loss of shareholder status or eligibility by the nominating shareholder.

Board Meetings and Attendance

Minimum Number of Meetings Required = 4

Total Number of Meetings = 5

Director	18 Feb 24	07 May 24	31 Jul 24	31 Oct 24	27 Nov 24	Percentage of Attendance
Mr. Zaid Khalid Abdulrahman*	-	✓	✓	✓	✓	100%
Mr. Usman Ahmed	✓	✓	✓	✓	✓	100%
Mr. Mohamed Abdulla Nooruddin	✓	✓	✓	✓	✓	100%
Mr. Khalid AbdulAziz Al Jassim	✓	✓	✓	✓	✓	100%
Mr. Marwan Khaled Tabbara	✓	✓	✓	✓	✓	100%
Mr. Saqer Abdulmohsin Al Sijari	✓	✓	✓	✓	✓	100%
Mr. Ali Ehsan**	-	-	✓	✓	✓	100%
Mr. Hesham Al Kurdi***	-	-	✓	✓	✓	100%
Mr. Mohsin Rahim****	-	-	✓	✓	✓	100%
Ms. Rana Abdulaziz Qambar	✓	✓	✓	✓	✓	100%

* In replacement of Dr. Esam Abdulla Fakhro.

** In replacement of Mr. Isa Hasan Maseeh.

*** In replacement of Mr. Khalid Yousif Abdulrahman.

**** In replacement of Mr. Gaby Samir El Hakim.

✓ Participated physically

✓ Participated via phone/video link

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Committees

Committee Name	Members (as of 31 December 2024)	Objective
Executive Committee (EC) Minimum Number of Meetings: [4]	Mr. Usman Ahmed (Chairperson) Members: 1. Mr. Mohsin Rahim* 2. Mr. Hesham Al Kurdi** *Appointed on 2 June 2024 in replacement of Mr. Gaby Samir El Hakim. **Appointed on 2 June 2024 in replacement of Mr. Khalid Yousif Abdulrahman.	The EC assists the Board of Directors in fulfilling their responsibilities with regards to financing and investments activities, as well as any other matters not delegated to a specific Board Committee. Accordingly, the EC is empowered to approve specific credit and investment proposals, review budgets, plans and major initiatives for eventual submission to the Board for approval, and to monitor the Bank's performance against business plan objectives.
Audit Committee (AC) Minimum Number of Meetings: [4]	Mr. Khalid Abdulaziz Al Jassim (Chairperson) Members: 1. Mr. Saqer Abdulmohsin Al Sijari 2. Mr. Ali Ehsan* *Appointed on 2 June 2024 in replacement of Mr. Isa Maseeh.	The AC oversees the integrity and reporting of the Bank's quarterly and annual financial statements. It also covers review of audit findings, provisions, and impairments.
Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC) Minimum Number of Meetings: [2]	Mr. Zaid Khalid Abdulrahman (Chairperson)* Members: 1. Mr. Mohamed Abdulla Nooruddin 2. Mr. Usman Ahmed 3. Mr. Marwan Khaled Tabbara *Appointed as NRGSC Chairperson on 27 May 2024 in replacement of Dr. Esam Abdulla Fakhro.	The NRGSC is responsible for developing and recommending changes from time to time in the Bank's nomination and remuneration policy, including the variable payment policy. It is also entrusted to identify and recommend persons occupying senior positions including Board members. Furthermore, the Committee also oversees Bank's governance related matters. Additionally, the NRGSC is responsible of ensuring the availability of a continuously growing awareness around ESG and sustainability areas.
Board Risk and Compliance Committee (BRCC) Minimum Number of Meetings: [4]	Mr. Marwan Khaled Tabbara (Chairperson) Members: 1. Mr. Mohamed Abdulla Nooruddin 2. Mr. Khalid Abdulaziz Al Jassim 3. Mr. Ali Ehsan* 4. Ms. Rana Abdulaziz Qambar** *Appointed on 2 June 2024 in replacement of Mr. Isa Hasan Maseeh. **Appointed as a BRCC member on 5 May 2024 to expand the committee's total composition to five members.	The BRCC is formed to assist the Board of Directors in fulfilling their regulatory as well as fiduciary responsibilities towards the stakeholders. The Committee ensures adherence to legal and regulatory compliance requirements and oversees the Bank's risk-related activities, including the assessment and management of various risks the Bank faces.

Committee Name	Members (as of 31 December 2024)	Objective
Board Independent Committee (BIC)	Mr. Mohamed Abdulla Nooruddin (Chairperson)	The BIC was initially formed to supervise the acquisition of BisB's shares and has been reactivated to provide advice and recommendations to the Board of Directors on issues related to integration and synergies between NBB and BisB.
Minimum Number of Meetings: [Upon Request]	Members: 1. Mr. Khalid Abdulaziz Al Jassim 2. Mr. Marwan Khaled Tabbara 3. Mr. Saqer Abdulmohsin Al Sijari	

Executive Committee Meetings and Attendance

Total Number of Meetings = [5]

Director	29 Jan 24	01 Apr 24	09 Jul 24	23 Sep 24	21 Nov 24	Percentage of Attendance
Mr. Usman Ahmed	✓	✓	✓	✓	✓	100%
Mr. Mohsin Rahim*	-	-	✓	✓	✓	100%
Mr. Hesham Al Kurdi**	-	-	✓	✓	✓	100%

* In replacement of Mr. Gaby Samir El Hakim.

** In replacement of Mr. Khalid Yousif Abdulrahman.

✓ Participated physically

✓ Participated via phone/video link

Audit Committee Meetings and Attendance

Total Number of Meetings = [8]

Director	05 Feb 24	12 Feb 24	07 Apr 24	06 May 24	30 Jul 24	08 Sep 24	27 Oct 24	05 Dec 24	Percentage of Attendance
Mr. Khalid AbdulAziz Al Jassim	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr. Saqer Alsijari	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr. Ali Ehsan	-	-	-	-	✓	✓	✓	✓	100%

✓ Participated physically

✓ Participated via phone/video link

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination, Remuneration, Governance, and Sustainability Committee Meetings and Attendance

Total Number of Meetings = [7]

Director	31 Jan 24	14 Feb 24	12 Jun 24	20 Jun 24	26 Jun 24	17 Nov 24	08 Dec 24	Percentage of Attendance
Mr. Zaid Khalid Abdulrahman*	-	-	✔	✔	✔	✔	✔	100%
Mr. Mohamed Abdulla Nooruddin	✔	✔	✔	✔	✔	✔	✔	100%
Mr. Usman Ahmed	✔	✔	✔	✔	✔	✔	✔	100%
Mr. Marwan Khaled Tabbara	✔	✔	✔	✔	✔	✔	✔	100%

* In replacement of Dr. Esam Abdulla Fakhro.

✔ Participated physically

✔ Participated via phone/video link

Board Risk and Compliance Committee Meetings and Attendance

Total Number of Meetings = [12]

Director	14 Jan 24	15 Feb 24	07 Mar 24	04 Apr 24	19 May 24	02 Jun 24	15 Aug 24	29 Sep 24	07 Oct 24	13 Nov 24	21 Nov 24	12 Dec 24	Percentage of Attendance
Mr. Marwan Khaled Tabbara	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	100%
Mr. Mohamed Abdulla Nooruddin	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	100%
Mr. Khalid AbdulAziz Al Jassim	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	100%
Mr. Ali Ehsan*	-	-	-	-	-	✔	✔	✔	✔	✔	✔	✔	100%
Ms. Rana Abdulaziz Qambar**	-	-	-	-	✔	✔	✔	✔	✔	✔	✔	✔	100%

* In replacement of Mr. Isa Hasan Maseeh.

** Appointed as a BRCC member on 5 May 2024.

✔ Participated physically

✔ Participated via phone/video link

Board Independent Committee Meetings and Attendance

Total Number of Meetings = [5]

Director	29 Jan 24	20 Jun 24	25 Aug 24	17 Nov 24	21 Nov 24	Percentage of Attendance
Mr. Mohamed Abdulla Nooruddin	✔	✔	✔	✔	✔	100%
Mr. Khalid AbdulAziz Al Jassim	✔	✔	✔	✔	✔	100%
Mr. Marwan Khaled Tabbara	✔	✔	✔	✔	✔	100%
Mr. Saqer Abdulmohsin Al Sijari	✔	✔	✔	✔	✔	100%

✔ Participated physically

✔ Participated via phone/video link

Evaluation of the Board and Each Committee

An enhanced Board performance evaluation had been conducted electronically for the year 2024 through the completion of a structured performance evaluation questionnaire form against certain pre-defined criteria as per the mandate of the Board and each of its committees on the effectiveness and contribution of the overall performance of the Board, its committees, and the performance of each Board Member. NRGSC carried out an evaluation of the Board, its committees and all Board Members through the distribution of questionnaires to each Board Member. The NRGSC expressed its satisfaction with the positive results of the evaluation. The Board considers this as a beneficial exercise that can maintain the highest standards of governance to comply with the CBB rules and regulations.

Board of Directors Remuneration and Sitting Fees

The Board of Directors receives an annual remuneration as approved by the shareholders at the Annual General Meeting. While the amount of the remuneration is not directly linked to the performance of the Bank, factors such as the Bank’s performance, industry comparison and the time and effort committed by the Directors to the Bank, are considered for determining the total remuneration.

In addition, Directors are compensated with sitting fees for attending the meetings of the Board and its subcommittees. Non-resident Directors are also entitled to travel expenses. A further breakdown regarding the remuneration of the Board and Senior Management is provided in the Remuneration Disclosures section.

Shari’a Supervisory Board Objective

The main objective of Shari’a Supervisory Board (SSB) is to advise the Bank on any Shari’a matter and to ensure compliance with the Shari’a tenets and requirements in their operations. The SSB is entrusted with the duty of directing, reviewing, and supervising the activities of the Bank in order to ensure that the Bank is in compliance with Shari’a rules and AAOIFI. The profiles of the Shari’a Supervisory Board are available on the Bank’s website.

The SSB has established a Shari’a Coordination & Implementation function to oversee the Bank’s Shari’a compliance, effectively supervise and conduct reviews from a Shari’a perspective, in addition to supporting the secretariat of the SSB. The SSB has also established an independent Internal Shari’a Audit function that reports any exceptions to the Shari’a fatwas and guidelines.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Shari'a Board Meetings and Attendance

Minimum Number of Meetings Required = [4]

Total Number of Meetings in 2024 = [5]

Director	18 Feb 2024	15 May 2024	29 Sep 2024	30 Oct 2024 With BOD	20 Nov 2024	Percentage of Attendance
Sh. Dr. A. Latif Al Mahmood	✓	✓	✓	✓	✓	100%
Dr. Nedham Mohammed Saleh Yacoubi	✓	✓	✓	✓	-	80%
Sh. Adnan Abdullah Al Qattan	✓	✓	✓	✓	✓	100%
Sh. Mohammed Al Juffairi	✓	✓	✓	✓	✓	100%

- ✓ Participated physically
✓ Participated via phone/video link

Executive Management

The Executive Management team of BisB is composed of highly experienced and dedicated professionals who are committed to upholding the highest standards of corporate governance.

Their collective expertise and strategic vision drive the Bank's success and sustainable growth. Below is an overview of BisB's esteemed Executive Management.

Name & Designation	Years of Experience	Profession and Qualifications
Yaser Abduljalil Alsharifi Chief Executive Officer Resigned 15 August 2024	30	- BSc. in Business Administration Accounting Major, University of Massachusetts at Amherst - CPA, Certified Public Accountant
Fatema Moosa AlAlawi Chief Retail Banking Officer & Acting Chief Executive Officer From 15 August 2024 (Interim)	27	- BSc. in Business Administration, University of Bahrain - IVEY Banking Leadership Grooming Program

Name & Designation	Years of Experience	Profession and Qualifications
Ameer Abdul Ghani Dairi Chief Financial Officer Resigned 30 November 2024	25	- BSc in Accounting from the University of Bahrain - CPA, Certified Public Accountant - CMA, Chartered Institute of Management Accountants
Reem Mohammed Acting Head of Financial Control From 3 December 2024 (Interim)	13	- BSc in Accounting - CPA, Certified Public Accountant - The Waqf Fund CFO Grooming Program, IVEY Business School
Jawad Humaidan Chief Corporate & Institutional Banking (Until July 2024)	19	- MBA in Finance - Certificate in Banking & Commercial Lending - Certified Islamic Banker - BSc. Accounting - CPA
Aqeel Mohammed Gaith Chief Corporate & Institutional Banking (From July 2024)	17	- Master of Science in Finance (With Honors) - Bachelor of Science in Manufacturing Engineering - IVEY Corporate Leadership Grooming Program
Afnan Ahmed Saleh Chief Human Resources Officer	25	- BSc. in Business Administration, University of Bahrain - MBA, University of Strathclyde - SHRM
Ajay Kumar Jha Chief Risk Officer	28	- BSc. (Chemistry) - Post Graduate Diploma in Sales Marketing - MBA Finance

CORPORATE GOVERNANCE REPORT (CONTINUED)

Name & Designation	Years of Experience	Profession and Qualifications
Mohamed Kadhemi Alaali Chief Strategy & Sustainability Officer Resigned 23 December 2024	19	- BSc in Science in Business, Information Systems, Murray State University, University of Bahrain - Master of Business Administration, Business Strategy & Operations – GIES College of Business – University of Illinois
Naeema Hasan Taheri Chief Compliance Officer	33	- BSc in Business Administration, University of Bahrain - International Diploma in Compliance, International Compliance Association (ICA), UK - Certified Anti-Money Laundering Specialist (CAMS), USA - Master Compliance Professional (MCP), USA - Certified Compliance Officer (CCO), USA - Professional Certificate in Capital Markets, Regulation and Compliance, USA
Andrew Mario Stefan Corera Chief Application Officer	36	- Chartered Information Technology Practitioner (MBCS CITP) - British Chartered Institute for IT Graduate in Management Information Systems and Design, National Institute of Business Management Sri Lanka - PMP in Project Management
Salman Mahmood Sayyar Chief Internal Audit Officer (From 14 May 2023 to 09 September 2024 & from 17 November 2024)	17	- BSc in Accounting, University of Bahrain - CPA, Certified Public Accountant - Chartered Global Management Accountant (CGMA), 2013 - Certified Islamic Professional Accountant (CIPA), 2019

Name & Designation	Years of Experience	Profession and Qualifications
Mahmood Ali Rabeea Chief Marketing & Communications Officer Resigned 12 March 2024	22	BSc in Arts-Publishing Media – Napier University, UK
Hussain Ebrahim Al Banna Head of Treasury	21	- BSc in Banking & Finance, University of Bahrain - Treasury and Capital Markets Diploma, BIBF
Salah Yasein Mohammed Head of Legal	33	- Bachelor's Degree in Law – University of Khartoum - Legal Practitioner License - BAR Certificate
Dr. Hamad Farooq AlShaikh Head of Shari'a Coordination & Implementation	19	- PHD of Islamic Banking and Finance from Islamic International University Malaysia (IIUM) - Masters of Shari'a, Al Imam Al-Ouzai University, Lebanon - Chartered Islamic Finance Professional (CIFP) - Advanced Diploma in Islamic Commercial Jurisprudence (ADICJ) - BIBF - Certified Shari'a Adviser and Auditor (CSAA) AAOIFI - Certified Islamic Banker (CIB), CIBAFI - Bachelor's degree in Law and Shari'a, Qatar University

CORPORATE GOVERNANCE REPORT (CONTINUED)

Name & Designation	Years of Experience	Profession and Qualifications
Eman Mohammed Al Binghadeer Head of Internal Shari'a Audit	20	- Professional Diploma in Shari'a Auditing, CIBAFI - Certified Specialist in Islamic Accounting (CSIA) - Certified Islamic Banker (CIB), CIBAFI - Certified Shari'a Adviser and Auditor (CSAA) - AAOIFI Diploma in Computing and Business Studies, Bournemouth University and Technology Centre, UK - Certified Specialist in Audit, Assurance, and Ethics (AAE) - AAOIFI - Data Analysis - Institute of Management Professionals (IMP) - Advanced Diploma in Islamic Commercial Jurisprudence (ADICJ) - BIBF

Management Committees

The management structure that clearly defines roles, responsibilities, and reporting lines, is available in the Annual Report of the Bank. Within the management structure there are

separate committees responsible for meeting on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

Committee Name	Members (as of 31 December 2024)	Objective
Management Committee (MANCO) Minimum Number of Meetings: Quarterly	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ameer Dairi • Mohamed Alaali • Aqeel Ghaith • Hussain Al Banna • Ajay Jha	MANCO is the highest management body that is responsible for the final review and approval of items to be presented to the Board of Directors. This ensures that all critical matters undergo thorough scrutiny before reaching the Board. Beyond this role, MANCO plays a pivotal part in shaping and refining the Bank's strategic direction, collaborating on the development of long-term goals, and approving the allocation of the Bank's budget for the upcoming fiscal year. Additionally, the Committee closely monitors the performance of the Bank's core business operations, as well as its support and control functions.

Committee Name	Members (as of 31 December 2024)	Objective
Asset & Liability Committee (ALCO) Minimum Number of Meetings: 8 per annum	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ajay Jha • Reem Mohammed (replaced Ameer Dairi in December 2024) • Hussain Al Banna • Aqeel Ghaith (replaced Jawad Humaidan in July 2024) • Faisal Al Abdulla • Ali Al Moulani • Jaafar Naser • Ahmed Askar • Mohamed Alaali • Namila Weerasekara	The purpose of ALCO is to function as a decision-making body and guiding force responsible for balance sheet planning from a risk return perspective, including strategic management of yield and liquidity risks.
Credit Committee (CC) Minimum Number of Meetings: Weekly	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ajay Jha • Ahmed Askar • Hussain Al Banna	CC determines the Credit Policy of the Bank, identifies potential risks assumed by the Bank for different types of transactions. The CC has the authority to make a final decision on approval or rejection of proposed transactions within its delegated authority as well as to monitor the performance and quality of the Bank's credit portfolio.
Investment Committee (IC) Minimum Number of Meetings: Quarterly	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ajay Jha • Aqeel Gaith • Ameer Dairi • Husain Al Banna • Mohamed Alaali (Observer) • Ahmed Askar (Observer) • Nayef Al Nasser (Observer)	IC identifies potential risks assumed by the Bank for different types of investments (equity holdings, Sukuks, lands etc). The IC has the authority to make a final decision on approval or rejection of proposed transactions within its delegated authority as well as to monitor the performance and quality of the bank's investment portfolio.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Committee Name	Members (as of 31 December 2024)	Objective
Qard Al Hassan, Donation & Zakat Minimum Number of Meetings: 12 per annum	Chairperson: Dr. Hamad AlShaikh Members: • Nada Karim • Hamad Al Bassam • Nayef Alnasser • Manar Hashem	The main objective of Qard Al Hassan, Donation and Zakat Committee is to discharge the Group's social responsibilities toward its society through distributing Zakat, charity funds, donations & good faith Qard for marriage, medical treatments, etc.
Project Steering Committee (PSC) Minimum Number of Meetings: 8 per annum	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Nabeel Mustafa (replaced Nabeel Kazim in December 2024) • Razi Amin • Ameer Dairi • Mohamed Alaali • Stefan Corera (Observer) • Ali Ghuloom (Observer) • George Faraj (Observer) • Group EPMO Team (Enabler)	The PSC is established to ensure proper governance across BisB Projects' Portfolios while providing direction in taking necessary decisions to achieve projects' goals within set schedules and budgets and ensure total alignment with BisB & Group strategic objectives and strategy.
Provisioning Committee Minimum Number of Meetings: Quarterly	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ajay Kumar Jha • Ahmed Askar • Ameer Dairi • Salah Mohammed • Hussain Shaker • Salman Sayyar	The Provisioning Committee reviews the Bank's provisions as well as reviewing the progress on recovery for impaired assets and problem exposures.

Committee Name	Members (as of 31 December 2024)	Objective
Operational Risk Committee (ORMC) Minimum Number of Meetings: Monthly	Chairperson: Ajay Jha Members: • Fatema AlAlawi • Sohail Kabir • Aqeel Ghaith • Faisal Al Abdulla • Reem Mohammed (replaced Ameer Dairi in December 2024) • Hussain Al Banna • Naeema Taheri • Razi Amin • Nabeel Mustafa • Hamad AlShaikh • Eman Al Binghadeer • Salman Sayyar (Observer) • Mohamed Alaali (Observer) • Jaffar Naser (Observer) • Abdul Rafique (Observer)	The Operational Risk Committee's purpose is to: • Oversee and review the Bank's operational risk management framework. • Assist the management in fulfilling its operational risk management responsibilities as defined by applicable laws and regulations. • Review and assess the integrity and adequacy of the operational risk management function of the Bank. • Review KRIs, Loss Data trends and other risk reports and making recommendations to the Board as required.
Group Tendering & Asset Disposal Committee Minimum Number of Meetings: Biweekly	Members: • Mohsin Rahim • Rana Qambar • Konstantinos Monogios • Zaid Khonji	As a part of the shared operating model, the Group Tendering and Asset Disposal Committee has been centralised to have an oversight over the related activities of both NBB and BisB.
Information Security Committee (ISC) Minimum Number of Meetings: Quarterly	Chairperson: Yaser Alsharifi January-August 2024 Fatema AlAlawi From August 2024 Members: • Ajay Jha • Mohamed Hammad • Aqeel Ghaith • Razi Amin • Naeema Taheri • Salman Sayyar	ISC is responsible for overseeing and approving the implementation of the information security and privacy strategy to protect its information assets, in line with BisB's strategic direction and risk appetite. The ISC provides the organisational framework for the corporate governance of information security and privacy, ensuring that the information security and privacy management requirements are integrated into the organisation's processes to achieve its intended outcomes. The scope of the ISC covers all information systems used by the Bank or third parties.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Succession Planning

Succession planning in BisB is driven by the Bank’s strategy and forward-looking approach. The primary objective of the plan is to develop people to meet future demands of the Bank and ensure smooth business continuity. On an annual basis, the Human Resources Department of the Bank reviews and consults the Board’s NRGSC to ensure availability of a practical and executable succession plan.

Employments of Relatives

The Bank has a policy in place on employment of relatives to prevent the potential conflict of interest. As a matter of policy, employment of direct relatives is allowed but not in the same reporting line as the current family employee. The relatives must also not be in a sole checker / approval role for each other.

Related Party Transactions

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law.

All material service providers are selected following a satisfactory tendering process governed by the Group Procurement Policy. Any Director or member of the senior management conflicted is excluded throughout the decision-making process. Details of related party transactions, carried out at arm’s length, are disclosed in note 27 of the financial statements.

Conflict of Interest

Under the Bahrain Commercial Companies Law and the CBB’s regulations, Board members are required to disclose potential conflicts as well as refrain from participating in any conflicted decisions. This includes potential conflicts that may arise when a Director takes up a position with another company or has any material transactions with the Bank. The exposure to major shareholders, Directors and senior management is governed by the regulations of the CBB.

The Bank is committed to professionally manage potential conflicts of interest which may arise during business to meet the Bank’s obligations. As such the Bank maintains a Conflict of Interest Policy outlining clear and transparent procedures for dealing with instances falling under the abovementioned scenarios in line with the CBB Rulebook Volume 2 and Volume 6 in addition to the provisions of the Bahrain Commercial Companies Law.

In the event of a conflict of interest, the individual must promptly disclose any matter that may result in, or has already resulted in, a conflict of interest. The concerned individual must also abstain from participating in or voting on any matter where they may have a conflict of interest or where their objectivity or ability to properly fulfil their duties may be compromised.

To enhance transparency and accountability, any decision to enter into a transaction in which an approved person appears to have a material conflict of interest must be

formally and unanimously approved by the entire Board. These events are meticulously recorded in the official proceedings of the applicable Board or Board Committee, ensuring clear documentation and accessibility for stakeholders.

Below are instances where a Board Member has abstained from voting due to a conflict of interest. This includes both the Board and its Committees:

Ser.	Board Member Name	Abstaining from Voting Instances	Approval Authority	Status
1.	Dr. Esam Abdullah Fakhro	4	Board of Directors	Approved
2.	Mr. Khalid Yousif Abdulrahman	1	Board of Directors	Approved
3.	Mr. Zaid Khalid Abdulrahman	5	Board of Directors	Approved
4.	Mr. Khalid AbdulAziz Al Jassim	1	Board of Directors	Approved
5.	Mr. Marwan Khalid Tabbara	3	Board of Directors	Approved
6.	Mr. Isa Hasan Maseeh	3	Board of Directors	Approved
7.	Mr. Gaby Samir El Hakim	1	Board of Directors	Approved
8.	Ms. Rana Abdulaziz Qambar	1	Board of Directors	Approved

Material Transactions Requiring Board Approval

The Board has delegated certain authorities to the Executive Management to ensure smooth and effective day to day management. However, all material financing transactions, as provided in the delegation of authority matrix of the Bank, are subject to Board approval. Furthermore, major decisions such as change in strategy, changes in the organisation structure, capital expenditures, amending policies and hiring Executive Management are subject to approval of either Board or relevant Board Committees.

Exceptions to CBB’s Corporate Governance Regulations

Banks are required to comply with the High-Level Controls (HC) Module of the CBB Rulebook Volumes 2 and 6, which contains both Rules and Guidance. In accordance with the HC Module Volume 6, Rules must be complied with, but Guidance may either be complied with or non-compliance to be explained to the shareholders and to the CBB. Exceptions to guidance are explained as follows:

CORPORATE GOVERNANCE REPORT (CONTINUED)

Reference	Exception
HC-1.4.5	States that the Chairman of the Board of Directors should be an Independent Director. The Bank's Chairman, Mr. Zaid Khalid Abdulrahman is defined as a Non-Independent Director since Mr. Abdulrahman was appointed by the National Bank of Bahrain (NBB), representing NBB as the Controller of BisB. This appointment was made as a succession to Dr. Esam Abdulla Fakhro following his resignation from BisB's Board on 28 March 2024. Accordingly, the CBB approval was obtained.
HC-1.8.6	States that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.4 - allows combination of committees. The Bank has combined the responsibility of the Corporate Governance Committee with that of the NRGSC. The Board is of the view that this does not compromise the high standards of corporate governance as the NRGSC has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfil its responsibilities.
HC-5.3.2	States that the Remuneration Committee should include only Independent Directors or, alternatively, only Non-Executive Directors of whom a majority are Independent Directors, and the Committee's Chairperson should be an Independent Director. The Remuneration Committee of the Bank is combined with the Nomination, Governance and Sustainability Committee as allowed under HC-1.8.4 The Chairperson of the NRGSC, Mr. Zaid Khalid Abdulrahman, is defined as Non-Independent Director on the basis that his nomination is through NBB (a Controller of the Bank). However, the Board has unanimously agreed that the NRGSC will effectively fulfil its requirements and responsibilities with the appointment of Mr. Abdulrahman as the NRGSC Chairperson, succeeding Dr. Esam Abdulla Fakhro. Hence, the CBB's approval of Mr. Abdulrahman's appointment was obtained. Additionally, the CBB has formally granted an exemption for Mr. Usman Ahmed as an Executive Director on the basis that his nomination will enable BisB to enhance Group synergies and alignment, which will ultimately create more efficient and more effective nomination, remuneration, governance, and sustainability initiatives.

Remuneration of the External Auditors

KPMG Fakhro are the Group's external auditors for the financial year ended 31 December 2024. Fees paid to KPMG during the year 2024 amount to BD 149 thousand out of which BD 90 thousand is for audit services, BD 54 thousand is for audit related services required by regulatory bodies and BD 5 thousand is for non-recurring

non-audit services. During the Annual General Meeting held on 25 March 2024, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31 December 2024 and authorised the Board of Directors to determine their remuneration.

Information on Products and Services, and Availability of Financial Information

New product information, announcements and information related to all stakeholders are made available in a timely manner through various channels of communication which may include publications, website, direct mailers, electronic mail and local media. Additionally, the Consolidated Financial Statements of at least past 5 years in addition to all supplementary disclosures required by CBB regulations, are available in the Bank's website.

Major Shareholders Ownership (5% and above)

Shareholder	Nationality	Number of Shares	Percentage	Type of Ownership
National Bank of Bahrain	Bahraini	838,630,728	78.81%	Majority Sovereign
Kuwait Awqaf Public Foundation	Kuwaiti	76,366,321	7.18%	Sovereign

Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	87.55%	931,612,784
Kuwait	8.74%	92,955,238
United Arab Emirates	2.79%	29,710,341
Kingdom of Saudi Arabia	0.72%	7,644,285
Qatar	0.13%	1,336,355
Others	0.07%	799,584
Total	100.00%	1,064,058,587

CORPORATE GOVERNANCE REPORT (CONTINUED)

Changes In Distribution Ownership Shares of Approved Persons

Board of Directors

Name	Shares as of 31 Dec 2023	Sold During 2024	Acquired During 2024	Shares as of 31 Dec 2024
Dr. Esam Fakhro*	1,213,750	1,213,750	0	0 - Resigned 28 March 2024
Mr. Zaid Khalid Abdulrahman	0	0	0	0 - From 24 April 2024
Mr. Khalid Yousif Abdulrahman	536,020	0	0	536,020 Retired 28 April 2024
Mr. Usman Ahmed	0	0	0	0
Mr. Mohamed Nooruddin	0	0	0	0
Mr. Khalid AlJassim	0	0	0	0
Mr. Marwan Khaled Tabbara	0	0	0	0
Mr. Saqer Abdulmohsin Al Sijari	0	0	0	0
Mr. Isa Maseeh	0	0	0	0 - Resigned 2 June 2024
Mr. Ali Ehsan	0	0	0	0 - From 2 June 2024
Mr. Gaby El Hakim	0	0	0	0 - Resigned 2 June 2024
Mr. Hesham AlKurdi	0	0	0	0 - From 2 June 2024
Mr. Mohsin Rahim	0	0	0	0 - From 2 June 2024
Ms. Rana Abdulaziz Qambar	0	0	0	0

*Dr. Esam Abdulla Fakhro owned 50% of shares in Kingdom Investment which owns 861,250 number of shares in BisB. He sold all his shares in September 2024.

**Khalid Yousif Abdulrahman owned 30.25% of shares in Yousif Abdulrahman Engineer Holding Co up to April 2024.

Sharia Supervisory Board

Name	Shares as of 31 Dec 2023	Sold During 2024	Acquired During 2024	Shares as of 31 Dec 2024
Sh. Dr. A.Latif Al Mahmood	545,159	0	0	545,159
Dr. Nedham Mohammed Saleh Yacoubi	13,237	0	0	13,237
Sh. Adnan Abdullah Al Qattan	0	0	0	0
Sh. Mohammed Al Juffairi	0	0	0	0

As of 31 December 2024, the total number of shares held by the Board of Directors, Shari'a Supervisory Board members and the Approved

Persons of the Bank are 1,102,688. The shares held by the Approved Persons includes shares granted by the Bank under the Share Incentive Scheme.

Management and Employees

Name	Shares as of 31 Dec 2023	Sold During 2024	Acquired During 2024	Shares as of 31 Dec 2024
Yaser Alsharifi	0	0	0	0 - Resigned 15 August 2024
Fatema AlAlawi	143,958	0	0	143,958
Afnan Saleh	47,834	0	0	47,834
Ameer Dairi	0	0	0	0 - Resigned 30 November 2024
Mohammed Hammad	0	0	0	0
Naeema Taheri	0	0	0	0
Jawad Humaidan*	0	0	0	0 - Approved person until July 2024
Aqeel Ghaith	0	0	0	0
Salman Sayyar	0	0	0	0
Mohamed Alaali	0	0	0	0 - Resigned 23 December 2024
Ajay Jha	0	0	0	0
Mahmood Al Rabea	0	0	0	0 - Resigned 12 March 2024
Hussain Al Banna	0	0	0	0
Hamad AlShaikh	0	0	0	0
Eman Mohammed	0	0	0	0
Ammar AlSabah*	0	0	0	0 - Approved person until July 2024
Hussain Bahram	0	0	0	0
Sohail Kabiruddin	0	0	0	0
Saleh AlMehri	0	0	0	0
Amal Saif	0	0	0	0
Nayef Yusuf*	0	0	0	0 - Approved person until November 2024
Faisal Al-Abdulla*	0	0	0	0 - Approved person until February 2024
Ahmed Askar	0	0	0	0
Hamad Al Qattan	0	0	0	0
Araw AlSharaf	0	0	0	0

*No longer approved as of 31 December 2024

CORPORATE GOVERNANCE REPORT (CONTINUED)

Previous AGM Results

BisB successfully held its Ordinary General Meeting on Monday, 25 March 2024 (corresponding to Ramadan 15, 1445 AH) at 11:00 am at Al Dana Hall (3) in the Gulf Hotel

Bahrain Convention and Spa, Manama. The meeting commenced with a quorum of 90.97%. The following major items were discussed and approved at the meeting:

#	Item
1	The minutes of the previous Ordinary General Meeting (OGM No. 47), held on 21 March 2023, were approved.
2	The Board of Directors' report on the Bank's activities and its financial position for the financial year ended 31 December 2023 was approved.
3	The External Auditor's report for the financial year ended 31 December 2023 was reviewed and accepted.
4	The Shari'a Supervisory Board's report for the financial year ended 31 December 2023 was reviewed and accepted.
5	The audited financial statements for the year ended 31 December 2023 were approved.
6	The notification of transactions carried out during the year ended 31 December 2023 between the Bank and related parties, including major shareholders, was approved, as presented in note (28) of the consolidated financial statements, in accordance with Article (189) of the Bahrain Commercial Companies Law.
7	The Board of Directors' recommendation to allocate the net profit of BD 11,135,676 for the year ended 31 December 2023 was approved as follows: A. BD 288,745 to the Zakah Fund (with the Board authorised to distribute it). B. BD 250,000 for charitable donations (with the Board authorised to distribute it). C. BD 1,113,568 to statutory reserves. d. BD 9,483,363 to retained earnings.

#	Item
8	The payment of BD 274,000 as remuneration to the Board of Directors for the financial year ended 31 December 2023, along with all benefits and privileges, including sitting fees, was approved. The sitting fees for the year 2024 were approved at the same rate as the previous year.
9	The introduction of the Long-Term Incentive Plan as part of the Variable Remuneration Policy was approved, with the Board of Directors authorised to issue the necessary regulations and make amendments to related policies, subject to approval by the Central Bank of Bahrain.
10	The Corporate Governance report for the year ended 31 December 2023, which includes the Bank's commitment to the requirements of the Central Bank of Bahrain, was approved.
11	The members of the Board of Directors were absolved of liability for their actions during the year ended 31 December 2023.
12	The re-appointment of the Shari'a Supervisory Board ("SSB") for a minimum of three years, was approved, with the Board of Directors authorization to determine their fees and remuneration.
13	The re-appointment of KPMG as external auditors for the year 2024, was approved, with the Board of Directors authorization to determine their fees, subject to obtaining the approval of the Central Bank of Bahrain.
14	No further matters were raised for discussion in accordance with Article 207 of the Bahrain Commercial Companies Law.

Note: All reports and financial statements were for the financial year ended on 31 December 2023.



11

**REMUNERATION
DISCLOSURES**

REMUNERATION DISCLOSURES

The Bank's total compensation approach, which includes the variable remuneration policy and the Share Incentive Scheme, sets out the Bank's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

The Bank adopted regulations concerning Sound Remuneration Practices issued by the Central Bank of Bahrain. The revised policy framework and incentive components were approved by the Board of Directors and the policy came into effect as of January 2014 and was reviewed at the end of 2023.

The key features of the remuneration framework are summarised below:

Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the shareholders of the Bank.

These elements support the achievement of the Bank's objectives through balancing rewards for both short-term results and long-term sustainable performance. This strategy is designed to share success, and to align employees' incentives with the risk framework and risk outcomes.

The quality and long-term commitment of all BisB's employees is fundamental to success. The Bank therefore aims to attract, retain and motivate the very best people who are

committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of shareholders.

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

1. Fixed pay
2. Benefits
3. Annual performance bonus

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

The Bank's remuneration policy in particular, considers the role of each employee and has set guidance on whether an employee is a Material Risk Taker and / or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Bank; and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who have a material impact on the Bank's risk profile.

In order to ensure alignment between what BisB pays its people and the business strategy, individual performance is assessed against annual and long-term financial and non-financial objectives summarised in the performance management system. This assessment also

takes into account adherence to the Bank's values, risks and compliance measures and above all integrity.

Altogether, performance is therefore judged not only on what is achieved over the short and long-term, but also importantly on how it is achieved, as the NRGSC believes the latter contributes to the long-term sustainability of the business.

NRGSC role and focus

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

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

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and amounts for each Approved Person and Material Risk-Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including

salaries, fees, expenses, bonuses and other employee benefits.

- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn the same short-run profit but take different amounts, of risk on behalf of the Bank.
- Ensure that for Material Risk-Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including

salaries, fees, expenses, bonuses and other employee benefits.

- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRGSC will question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for Approved Persons in risk management, internal audit, operations, financial control and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.

REMUNERATION DISCLOSURES (CONTINUED)

- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Scope of application of the remuneration policy

The variable remuneration policy has been adopted on a bank-wide basis.

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law. The Board of Directors' remuneration will be capped so that total remuneration (excluding sitting fees) does not exceed 10% of the Bank's net profit after all required deductions as outlined in Article 188 of the Bahrain Commercial Companies Law, in any financial year. Board remuneration is subject to approval of the shareholders in the Annual General Meeting as well as Ministry of Industry and Commerce. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

Variable remuneration for staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual

performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

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

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

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

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

transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRGSC. For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control functions

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

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control,

compliance and ethical considerations, as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units

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

Risk assessment framework

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

The NRGSC considers whether the variable remuneration policy is in line with the Bank's risk profile, and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

REMUNERATION DISCLOSURES (CONTINUED)

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit

its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the Bank's current capital position and its ICAAP.

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

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

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

The NRGSC keeps itself abreast of the Bank's performance against the risk management framework. The NRGSC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

Risk adjustments

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

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

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

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

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

Malus and Clawback Framework

The Bank's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited / adjusted or the delivered variable remuneration recovered in certain situations.

The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Bank during the concerned performance year.

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

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

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

- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.
- Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Variable remuneration has the following main components:

Upfront cash:

The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.

Deferred cash:

The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years.

Upfront shares:

The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.

Deferred shares:

The portion of variable compensation awarded and paid in the form of shares on a pro-rata basis over three years.

REMUNERATION DISCLOSURES (CONTINUED)

Long Term Incentive Plans:

The portion of variable compensation awarded and paid in the form of shares on a cliff vesting basis after three years based on performance and retention conditions.

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six month

retention period from the date of vesting. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

The CEO, his deputies and 5 most highly paid business line employees are subject to the following deferral rules:

Elements of variable remuneration	Payout percentages	Vesting period	Retention	Malus	Clawback
Upfront cash	40%	Immediate	-	-	Yes
Deferred cash	10%	3 years	-	Yes	Yes
Deferred share awards	50%	3 years	6 months	Yes	Yes

All other covered staff, i.e. Assistant General Manager level and above are subject to the following deferral rules:

Elements of variable remuneration	Payout percentages	Vesting period	Retention	Malus	Clawback
Upfront cash	50%	Immediate	-	-	Yes
Deferred cash	10%	Immediate	6 months	Yes	Yes
Deferred share awards	40%	3 years	6 months	Yes	Yes

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

Details of remuneration paid

(a) Board of Directors & committees

BD 000's	2024	2023
Sitting fees and others	197*	199*
Remuneration	268**	274**

*Includes NRGSC sitting fees as of 31 December 2024 amounted to BD 24 thousand (2023: BD 16 thousand).

**Subject to AGM and regulatory approval.

(b) Shari’a Supervisory Board

BD 000's	2024	2023
Remuneration, Fees and Expenses	72	69

(c) Employee Remuneration

2024

BD 000's	Number of staff	Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration					Total
		cash	Others	(Cash/ Shares)	(Cash/ Shares)	Upfront		Deferred		Others	
						Cash	Shares	Cash	Shares		
Approved persons											
- Business lines	4	502	-	-	-	28	-	6	31	-	567
- Control & Support	14	1,213	-	-	-	44	6	-	22	-	1,285
Other material risk takers	-	-	-	-	-	-	-	-	-	-	-
Other staff	342	10,049	-	-	-	645	1	-	7	72	10,774
Total	360	11,764*	-	-	-	717	7	6	60	72	12,626

* Includes end of service compensations & staff costs of employees who have left the Bank during the year.

2023

BD 000's	Number of staff	Fixed remuneration		Sign on bonuses	Guaranteed bonuses	Variable remuneration					Total
		cash	Others	(Cash/ Shares)	(Cash/ Shares)	Upfront		Deferred		Others	
						Cash	Shares	Cash	Shares		
Approved persons											
- Business lines	8	968	-	-	-	171	-	33	165	-	1,337
- Control & Support	17	1,242	-	-	-	88	12	-	50	8	1,400
Other material risk takers	-	-	-	-	-	-	-	-	-	-	-
Other staff	331	8,347	-	-	-	892	4	-	15	-	9,258
Total	356	10,557*	-	-	-	1,151	16	33	230	8	11,995

* Includes end of service compensations, ex-gratia & staff costs of employees who have left the Bank during the year.

REMUNERATION DISCLOSURES (CONTINUED)

Deferred awards disclosures 2024

BD 000's	Cash	Shares		Total
		Number	BD 000's	
Opening balance	52	6,022,269	477	529
Adjustment based on final award price of 2023	-	(3,579,542)	(230)	(230)
Awarded for the year	7	1,147,405	67	73
Paid out / released during the year	(10)	(1,285,196)*	(101)	(111)
Corporate action adjustment	-	-	-	-
Closing balance	49	2,304,936	212	261

* As approved by the Central Bank of Bahrain, during the year, 788,361 shares were bought back at market price by the Bank as treasury shares, upon completion of vesting period.

Deferred awards disclosures 2023

BD 000's	Cash	Shares		Total
		Number	BD 000's	
Opening balance	34	3,569,809	364	398
Adjustment based on final award price of 2022	-	(116,866)	(10)	(10)
Awarded for the year	33	3,851,500	246	279
Paid out / released during the year	(15)	(1,282,174)*	(123)	(138)
Corporate action adjustment	-	-	-	-
Closing balance	52	6,022,269	477	529

* As approved by the Central Bank of Bahrain, during the year, 320,897 shares were bought back at market price by the Bank as treasury shares, upon completion of vesting period.



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**CONSOLIDATED
FINANCIAL
STATEMENTS**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC BANK B.S.C.

P.O 5240
Manama - Kingdom of Bahrain

OPINION

We have audited the consolidated financial statements of Bahrain Islamic Bank B.S.C. (the “Bank”), and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of income, comprehensive income, income and attribution to quasi-equity, changes in owners’ equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated results of operations, consolidated income and attribution to quasi-equity, consolidated changes in owners’ equity, and consolidated cash flows for the year then ended in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”).

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group’s Shariah Supervisory Board during the year ended 31 December 2024.

BASIS FOR OPINION

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions (“ASIFIs”) issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI’s Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (together “the Code”), together with the ethical requirements that are relevant to our audit of the consolidated financial statements 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 of the current period. 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC BANK B.S.C. (CONTINUED)

IMPAIRMENT ALLOWANCE ON FINANCING CONTRACTS	
Refer to accounting policy in Note (2w), use of estimates and judgments in Note (2y(i)) and management of credit risk in Note (28e) to the consolidated financial statements.	
THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
We focused on this area because: • of the significance of financing contracts representing 65%; • impairment of financing contracts involves: - complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias; - use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its ECL models which is determined as a function of the assessment of the probability of default (“PD”), loss given default (“LGD”), and exposure at default (“EAD”) associated with the underlying financial assets; and - complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses. • The need to measure ECLs on an unbiased forwardlooking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them; and • Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts.	Our audit procedures, amongst others, to address significant risks associated with impairment included: • Evaluating the appropriateness of the accounting policies adopted based on the requirements of FAS 30, our business understanding, and industry practice. • Confirming our understanding of management’s processes, systems and controls implemented, including controls over expected credit loss (“ECL”) model development. Controls testing We performed process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant General IT and application controls over key systems used in the ECL process incorporating consideration of the economic disruption. Key aspects of our control testing involved the following: • Performing detailed credit risk assessment for a sample of performing and non-performing financing assets to test controls over credit rating and its monitoring process; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions elements into the FAS 30 ECL models; • Testing controls over the transfer of data between underlying source systems and the ECL models that the Group operates; • Testing controls over the modelling process, including governance over model monitoring, validation and approval; • Testing key controls relating to selection and implementation of material economic variables;

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC
BANK B.S.C. (CONTINUED)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
	• Testing controls over the governance and assessment of model outputs and authorisation and review of post model adjustments and management overlays including selection of economic scenarios and the probability weights applied to them. Test of details Key aspects of our testing involved: • Sample testing over key inputs and assumptions impacting ECL calculations including economic forecasts and weights to confirm the accuracy of information used; • Re-performing key aspects of the Group's significant increase in credit risk ("SICR") determinations and selecting samples of financial instruments to determine whether a SICR was appropriately identified; • Re-performing key elements of the Group's model calculations and assessing performance results for accuracy; and • Selecting a sample of post model adjustments and management overlays in order to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data. Use of specialists For the relevant portfolios examined, we have involved our specialists to assist us in assessing IT system controls and challenging key management assumptions used in determining expected credit losses. Key aspects of their involvement include: • We involved our information technology specialists to test controls over the IT systems, recording of data in source systems and transfer of data between source systems and the impairment models;

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC
BANK B.S.C. (CONTINUED)

	• We involved our credit risk specialists in: - evaluating the appropriateness of the Groups' ECL methodologies (including the staging criteria used); - on a test check basis, re-performing the calculation of certain components of the ECL model (including the staging criteria); - evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weighing applied to them; and - evaluating the overall reasonableness of the management economic forecast by comparing it to external market data and reflective of underlying credit quality and macroeconomic trends. Disclosures We assessed the adequacy of the Group's disclosure in relation to use of significant estimates and judgement and credit quality of financing contracts by reference to the requirements of the relevant accounting standards.
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OTHER INFORMATION

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 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 that we have obtained prior to the date of this auditors' 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 BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Shariah Rules and Principles as determined by the Group's Shariah Supervisory Board.

The board of directors is also 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC BANK B.S.C. (CONTINUED)

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.

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

As part of an audit in accordance with ASIFs, 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN ISLAMIC BANK B.S.C. (CONTINUED)

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

From the matters communicated with the board of directors, 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 auditors' 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 REGULATORY REQUIREMENTS

As required by the Commercial Companies Law 2001 {as amended} and Volume 2 of the Central Bank of Bahrain {CBB} Rule Book, we report that:

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the board of directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law 2001 {as amended}, the CBB and Financial Institutions Law No. 64 of 2006 {as amended}, the CBB Rule Book {Volume 2, applicable provisions of Volume 6 and CBB directives}, the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Jalil Alaali.

KPMG Fakhro
Partner Registration Number 100
16 February 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 BD'000	2023 BD'000
ASSETS			
Cash and balances with banks and Central Bank	3	65,084	61,602
Placements with financial institutions	4	156,586	51,689
Financing contracts	5	1,000,663	924,340
Investment securities	6	272,126	278,213
Investment in associates	7	11,441	8,302
Investment in real estate	9	14,583	14,725
Property and equipment	8	14,793	13,692
Other assets	10	6,658	5,528
TOTAL ASSETS		1,541,934	1,358,091
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		77,377	95,842
Placements from non-financial institutions and individuals		470,891	297,215
Financing from financial institutions	11	175,197	181,502
Customers' current accounts		216,442	202,511
Other liabilities	12	38,221	24,668
Total Liabilities		978,128	801,738
Quasi-equity			
Financial institutions		64,892	39,865
Non-financial institutions and individuals		351,494	371,856
Total Quasi-equity	13	416,386	411,721
Owners' Equity			
Share capital	14	106,406	106,406
Treasury shares	14	(892)	(892)
Shares under employee share incentive scheme		(101)	(195)
Share premium		206	206
Reserves		16,801	14,107
Equity attributable to Bank's shareholders		122,420	119,632
Subordinated Mudaraba (AT1)	14	25,000	25,000
Total Owners' Equity		147,420	144,632
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		1,541,934	1,358,091

The consolidated financial statements were approved by the Board of Directors on 16 February 2025 and signed on its behalf by:

Zaid Khalid Abdulrahman
Chairman

Usman Ahmed
Vice Chairman

Fatema AlAlawi
Chief Executive Officer

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

	Note	2024 BD'000	2023 BD'000
INCOME			
Income from financing contracts	17	53,250	49,372
Income from placements with financial institutions		5,854	2,902
Income from investment in Sukuk	18	14,998	14,994
Expense on placements from financial institutions		(5,910)	(8,695)
Expense on placements from non-financial institutions and individuals		(23,284)	(15,513)
Expense on financing from financial institutions		(8,802)	(6,024)
Net finance income		36,106	37,036
Fee and commission income, net		6,072	5,773
Income from investment securities	19	36	6
Income from investment in real estate, net	20	44	221
Share of results of associates, net	7	109	347
Other income, net	21	2,446	4,477
Total income		44,813	47,860
EXPENSES			
Staff costs		13,302	12,384
Depreciation and amortization	8, 10.1	1,815	1,823
Other expenses	22	13,572	13,352
Total expenses		28,689	27,559
Profit before impairment allowances and attribution to quasi-equity		16,124	20,301
Impairment allowance and other provisions, net	23	(6,984)	(6,635)
Profit before attribution to quasi-equity		9,140	13,666
Profit attributable to quasi-equity		(4,070)	(2,530)
PROFIT FOR THE YEAR		5,070	11,136
BASIC AND DILUTED EARNINGS PER SHARE (fils)	26	3.00	8.76

Zaid Khalid Abdulrahman
Chairman

Usman Ahmed
Vice Chairman

Fatema AlAlawi
Chief Executive Officer

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 BD'000	2023 BD'000
Profit for the year	5,070	11,136
Other comprehensive income		
Items that are or may be reclassified subsequently to the statement of income		
Fair value changes on equity investments carried at fair value through OCI	69	(32)
Total other comprehensive income for the year	69	(32)
Total comprehensive income	5,139	11,104

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December 2024

	2024 BD'000	2023 BD'000
Profit before impairment allowances and attribution to quasi-equity	16,124	20,301
Adjusted for:		
Less: income not attributable to quasi-equity	(8,707)	(10,824)
Add: expenses not attributable to quasi-equity	66,685	57,791
Less: institution's share of income from jointly financed assets	(50,991)	(46,566)
Less: allowance for impairment allowances attributable to quasi-equity	(2,157)	(2,177)
Total income available for quasi-equity holders	20,954	18,525
Profit equalization reserve – net movement	(229)	1,373
Total income attributable to quasi-equity holders (adjusted for reserves)	20,725	19,898
Less: mudarib's share	(16,429)	(17,111)
Less: wakala fees	(226)	(257)
Profit attributable to quasi-equity	4,070	2,530

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 BD'000	2023 BD'000
OPERATING ACTIVITIES			
Profit for the year		5,070	11,136
Adjustments for non-cash items:			
Depreciation	8	1,457	1,484
Impairment allowance and other provisions, net	23	6,984	6,635
Loss on sale of investment in real estate	20	-	28
Amortization of right-of-use asset	10.1	358	339
Fair value movement in investment in real estate	20	142	50
Amortization of gain on sale of investment in real estate	20	-	(108)
Gain on sale of investment in sukuk	18	(9)	(2)
Share of results of associates, net	7	(109)	(347)
Operating profit before changes in operating assets and liabilities		13,893	19,215
Working capital adjustments:			
Mandatory reserve with Central Bank of Bahrain		(6,905)	940
Financing contracts		(86,652)	(20,055)
Other assets		(193)	6,864
Customers' current accounts		13,931	(28,567)
Other liabilities		14,092	(11,813)
Placements from financial institutions		(18,709)	(57,676)
Placements from non-financial institutions and individuals		173,676	51,773
Quasi-equity		4,665	(38,687)
Net cash from / (used in) operating activities		107,798	(78,006)
INVESTING ACTIVITIES			
Disposal of investment in real estate		-	1,373
Purchase of investment securities		(74,961)	(18,125)
Purchase of property and equipment		(2,558)	(1,157)
Proceeds from disposal of investment securities		79,589	107
Net cash from / (used in) investing activities		2,070	(17,802)
FINANCING ACTIVITIES			
Purchase of treasury shares		(54)	(26)
Profit distribution on AT1 Capital		(1,906)	(1,901)
(Repayment of) / Proceeds from financing from financial institutions		(6,305)	71,389
Lease liability paid		(373)	(328)
Net cash (used in) / from financing activities		(8,638)	69,134
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		101,230	(26,674)
Cash and cash equivalents at 1 January		74,399	101,073
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		175,629	74,399
Cash and cash equivalents comprise of:			
Cash on hand	3	11,031	12,601
Balances with CBB, excluding mandatory reserve deposits	3	151	5,875
Balances with banks and other financial institutions excluding restricted balances	3	7,861	4,234
Placements with financial institutions with original maturities less than 90 days	4	156,586	51,689
		175,629	74,399

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2024

2024	Share capital BD'000	Treasury shares BD'000	Shares under employee share incentive scheme BD'000	Share premium BD'000	Reserves					Equity Attributable to Bank's shareholders BD'000	Sub-ordinated mudaraba (AT1) BD'000	Total owners' equity BD'000
					Statutory reserve BD'000	Real estate fair value reserve BD'000	Investment securities fair value reserve BD'000	Retained earnings / (Accumulated losses) BD'000	Total reserves BD'000			
Balance at 1 January 2024	106,406	(892)	(195)	206	7,720	1,320	1,583	3,484	14,107	119,632	25,000	144,632
Profit for the year	-	-	-	-	-	-	-	5,070	5,070	5,070	-	5,070
Other comprehensive income	-	-	-	-	-	-	69	-	69	69	-	69
Total comprehensive income for the year	-	-	-	-	-	-	69	5,070	5,139	5,139	-	5,139
Zakah approved	-	-	-	-	-	-	-	(289)	(289)	(289)	-	(289)
Donations approved	-	-	-	-	-	-	-	(250)	(250)	(250)	-	(250)
Profit distribution on AT1 Capital	-	-	-	-	-	-	-	(1,906)	(1,906)	(1,906)	-	(1,906)
Shares allocated to staff during the year	-	-	148	-	-	-	-	-	-	148	-	148
Purchase of treasury shares	-	(54)	-	-	-	-	-	-	-	(54)	-	(54)
Transfer to shares under employee share incentive scheme	-	54	(54)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	507	-	-	(507)	-	-	-	-
Balance at 31 December 2024	106,406	(892)	(101)	206	8,227	1,320	1,652	5,602	16,801	122,420	25,000	147,420
2023												
Balance at 1 January 2023	106,406	(892)	(293)	206	6,606	1,320	1,615	(4,217)	5,324	110,751	25,000	135,751
Profit for the year	-	-	-	-	-	-	-	11,136	11,136	11,136	-	11,136
Other comprehensive income	-	-	-	-	-	-	(32)	-	(32)	(32)	-	(32)
Total comprehensive income for the year	-	-	-	-	-	-	(32)	11,136	11,104	11,104	-	11,104
Zakah approved	-	-	-	-	-	-	-	(170)	(170)	(170)	-	(170)
Donations approved	-	-	-	-	-	-	-	(250)	(250)	(250)	-	(250)
Profit distribution on AT1 Capital	-	-	-	-	-	-	-	(1,901)	(1,901)	(1,901)	-	(1,901)
Shares allocated to staff during the year	-	-	124	-	-	-	-	-	-	124	-	124
Purchase of treasury shares	-	(26)	-	-	-	-	-	-	-	(26)	-	(26)
Transfer to shares under employee share incentive scheme	-	26	(26)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	1,114	-	-	(1,114)	-	-	-	-
Balance at 31 December 2023	106,406	(892)	(195)	206	7,720	1,320	1,583	3,484	14,107	119,632	25,000	144,632

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the “Bank”) was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry and Commerce (“MOIC”) under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari’a). The Bank operates under an Islamic retail banking license issued by the Central Bank of Bahrain (“CBB”). The Bank’s Shari’a Supervisory Board is entrusted to ensure the Bank’s adherence to Shari’a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

The Bank’s registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has eight branches (2023: eight branches), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its wholly owned subsidiaries (together the “Group”). The Bank holds 100% (2023: 100%) of the share capital of Abaad Real Estate W.L.L.

Abaad Real Estate W.L.L. (“Abaad”)

Abaad was incorporated in the Kingdom of Bahrain on 8 April 2003 with an authorised and fully paid-up share capital of BD 25 million. Abaad started operations in 2007. The main activity of Abaad is investment in real estate (in accordance with the Islamic Shari’a rules and principles).

National Bank of Bahrain (NBB) owns 78.81% (2023: 78.81%) of shares. Hence, NBB is considered as Parent of the Bank for financial reporting purposes.

a. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the “risk management instruments”, “investments in real estate” and “equity type instruments carried at fair value through other comprehensive income” that have been measured at fair value. In addition, financial assets that are hedged in a fair value hedge relationship are adjusted to record changes in fair value attributable to the risk that is being hedged.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group’s consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note (2 (y)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. REPORTING ENTITY (CONTINUED)

a. Basis of preparation (continued)

The consolidated financial statements have been presented in Bahraini Dinars (“BD”), which is also the functional currency of the Group’s operations. All the values are rounded to the nearest BD thousand except when otherwise indicated.

b. Statement of Compliance

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 applicable rules and regulations issued by the Central Bank of Bahrain (“CBB”).

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered by AAOIFI standards, the group takes guidance from the relevant IFRS accounting standards issued by the International Accounting Standards Board (“IASB”) in so far as those requirements do not contravene with the Shari’ah principles and rules and AAOIFI.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except those arising from the adoption of the following standards and amendments to Standards.

a. New standards, amendments, and interpretations

i) New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024

(i) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS’s. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. New standards, amendments, and interpretations (continued)

i) New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024 (continued)

(i) FAS 1 General Presentation and Disclosures in the Financial Statements (continued)

During the year, the Group has adopted FAS 1 (revised). As a result of this adoption the following changes made to the primary statements of the Bank:

Primary statements introduced:

- Statement of comprehensive income
- Statement of income and attribution related to quasi equity

As a result of adoption of FAS 1 certain figures have been regrouped or represented to be consistent with the current year presentation. Such regrouping did not affect previously reported net profits, total assets, total liabilities and total equity of the Bank. Further the Bank has elected to present statement of income and statement of comprehensive income as two separate statements.

ii) New standards, amendments, and interpretations issued but not yet effective

(i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 “Quasi-Equity (Including Investment Accounts)” during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting “quasi-equity” instruments in the financial statements of Islamic Financial Institutions “IFIs”.

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner’s equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect a significant impact from the adoption of this standard.

(ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard (“FAS”) 46 “Off-Balance-Sheet Assets Under Management” during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari’a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. New standards, amendments, and interpretations (continued)

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

(ii) FAS 46: Off-Balance-Sheet Assets Under Management (continued)

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants’ Takaful fund and / or participants’ investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

(iii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard (“FAS”) 47 “Transfer of Assets Between Investment Pools” during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

(iv) FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Group does not expect a significant impact from the adoption of this standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of consolidation

Subsidiaries are all entities (including special purpose entities) controlled by the Group. The Group controls a business if, and only if, it has a) power over the business; b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group to the date that control ceases.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

All intra-group balances, income, expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

c. Cash and cash equivalents

For the purpose of the consolidated cash flows statement, "cash and cash equivalents" consist of cash on hand, balances with the Central Bank of Bahrain excluding mandatory reserve deposits, balances with banks and other financial institutions excluding restricted balances and placements with financial institutions with original maturities less than 90 days when acquired.

d. Placements with and financing from financial institutions

i) Placements with financial institutions

Placements with financial institutions comprise of commodity Murabaha receivables and Wakala receivables. Commodity Murabaha receivables are stated at amortised cost net of deferred profits and provision for impairment, if any. Wakala receivables are stated at amortised cost less provision for impairment, if any.

ii) Financing from financial institutions

Financing from financial institutions comprise of financing obtained through a murabaha contract recognized on the origination date and carried at amortized cost.

e. Financing contracts

Financing contracts comprise of Shari'a compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka and Ijara Muntahia Bitamleek contracts. Financing contracts are recognised on the date at which they are originated and carried at their amortised cost less impairment allowances, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financing contracts (continued)

i) Murabaha financing

Murabaha financing consist mainly of deferred sales transactions which are stated net of deferred profits and provisions for impairment, if any.

Murabaha financing is a sale on deferred terms. The Group arranges a Murabaha transaction by buying a commodity (which represents the object of the Murabaha) and then resells this commodity to a Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus profit margin) is repaid in instalments by the Murabeh over the agreed period.

ii) Musharaka financing

Musharaka financing are stated at the fair value of consideration given less impairment, if any.

Musharaka financing are a form of capital partnership. Musharaka financing capital provided by the Group at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of the assets results in a difference between fair value and book value, such difference is recognised as profit or loss to the Group.

iii) Ijara Muntahia Bitamleek (IMB)

Ijarah Mutahia Bitamleek contract is an agreement with a customer whereby, based on the customer's request and promise to lease, the Group purchases or acquires a specified tangible asset, either from a third-party seller or from the customer. The Group ("Lessee") leases an asset to the customer ("Lessor") against certain rental payments for a specific lease term, payable on fixed and / or variable rental basis.

The IMB agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The lessee provides the lessor with undertaking to renew the lease years and pay the relevant rental payment amounts as per the agreed schedule throughout the lease term.

The lessor retains the ownership of the assets throughout the lease term. At the end of the lease term, the lessor transfers the leased asset to the lessee in line with the promise to purchase provided by the lessee. Upon fulfillment of all the obligations by the lessee under the IMB agreement, based on sale undertaking given by the lessor.

Depreciation is provided on a systematic basis on all IMB assets other than land (which is deemed to have an indefinite useful life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

The group measures at each reporting date whether there is objective evidence that IMB assets are impaired. Impairment loss is recognized when the carrying amount of assets exceeds its recoverable amount. The estimates of future cashflows, when dependent on a single customer, takes into consideration the credit evaluation of the customer in addition to other factors. Impairment losses, if any, are recognized in the statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financing contracts (continued)

Modification of financing contracts

If the terms of the financing contract are modified, then the Group evaluates whether the cash flows of the modified contract are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financing contract are deemed to have expired. In this case, the original financing contract is de-recognized and a new financing contract is recognized at fair value plus any eligible transaction cost. If the modification of a financing contract measured at amortized cost does not result in the de-recognition of the financing contract, then the Group first re-calculates the gross carrying amount of the financing contract using the original effective profit rate of the contract and recognizes the resulting adjustment as a modification gain or loss in the consolidated statement of income.

f. Investment securities

Investment securities comprise of investments in equity-type securities and investments in debt-type securities (sukuk).

(i) Classification

The Group segregates its investment into following categories:

i) Equity-type instruments:

Instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

ii) Debt-type instruments:

Monetary debt-type instruments - instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments - instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah Mawsufah fi al-Dhimmah) or services (service Ijarah) to be delivered in future.

The Group classifies its investments on initial recognition as measured at: (a) amortised cost, (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through income statement ("FVTIS").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment securities (continued)

(i) Classification (continued)

ii) Debt-type instruments (continued):

(a) Amortised cost

An investment shall be measured at amortised cost if both of the following conditions are met:

- a) The investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
- b) The investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

(b) Fair value through other comprehensive income

An investment shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a) The investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
- b) The investment represents a non-monetary debt-type instrument or other investment instrument having reasonably determinable effective yield.

Irrevocable classification at initial recognition

On initial recognition, an institution may make an irrevocable election to designate a particular investment, at initial recognition, being:

- a) An equity-type instrument that would otherwise be measured at fair value through income statement - to present subsequent changes in fair value in equity.
- b) A non-monetary debt-type instrument or other investment instrument - as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or quasi-equity or recognizing the gains and losses on them on different bases. This shall, however, be subject to the Shari'a requirements with regard to the attribution of, and distribution of such gains to the respective stakeholders.

(c) Fair value through income statement

All other investments are measured at FVTIS.

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit, maintaining practical profit rate profile and realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment securities (continued)

(i) Classification (continued)

ii) Debt-type instruments (continued):

Business model assessment (continued)

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Investments that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTIS.

(ii) Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, investments carried at FVTIS and FVTOCI are re-measured to fair value in accordance with FAS 30 "Impairment, Credit Losses and Onerous Commitments". Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the statement of income in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTOCI are recognised in other comprehensive income. The fair value gains/losses are recognised taking into consideration the split between portions related to owners' equity and quasi-equity. When the investments carried at FVTOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the statement of income.

Subsequent to initial recognition, debt-type securities, other than those carried at FVTIS, are measured at amortised cost using the effective profit method less any impairment allowances.

g. Measurement principles

i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Measurement principles (continued)

i) Fair value measurement (continued)

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active or there is no market, the Group establishes fair value using well-recognised valuation techniques that may include recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flows or market multiples for similar instruments.

Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Fair value estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

In determining fair valuation, the Group in many instances relies on the financial data of investees and on estimates by the management of the investee companies as to the effect of future developments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

ii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through use of an allowance account) for impairment or uncollectability. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate. While applying the effective profit rate method, the commencement (or consummation in case of trade-based transaction) date of the respective transaction in line with Shari'ah is considered as the date of initial cash outflow, if the investment is made at the subscription stage of the instrument or at any time before the commencement (consummation) of such transaction.

Investments carried at amortised cost are tested for impairment at each reporting period in accordance with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Investment in associates

Associates are all entities in which the Group holds, between 20% and 50% of the voting rights and exercises significant influence, but not control or joint control, over the financial and operating policies of the entities. Investment in associates are accounted for using the equity method of accounting.

Investments in associates are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate) and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from the changes in the investee’s equity. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and the carrying value and recognises this amount in the consolidated statement of income.

Accounting policies of the associates are consistent with the policies adopted by the Group.

i. Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured to fair value and changes in fair value (only gains) are recognised in a property fair value reserve in the consolidated statement of changes in owners’ equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Property and equipment

Property and equipment are recognised at cost less accumulated depreciation. The cost of additions and major improvements that are directly attributable to the acquisition of the asset are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Useful lives are reassessed at each reporting date and adjusted prospectively, if appropriate. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 to 35 years
Fixtures and fittings	5 years
Equipment	5 years
Furniture	5 years

k. Quasi-equity

Quasi-equity are funds held by the Group in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorises the Group to invest the account holders’ funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. The Group charges management fee (Mudarib fees) to the quasi-equity. Of the total income from quasi-equity, the income attributable to customers is allocated to quasi-equity after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve) and deducting the Group’s share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the quasi-equity. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to quasi-equity. Only profits earned from the pool of assets funded by the quasi-equity are allocated between the owners’ equity and quasi-equity.

Quasi-equity are carried at their book values and include amounts retained towards profit equalisation and investment risk reserves, if any. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

l. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of quasi-equity, after allocating the Mudarib share, in order to cater for future losses for quasi-equity.

m. Profit equalisation reserve

The Group appropriates a certain amount in excess of the profit to be distributed to quasi-equity before allocating the Mudarib share of income. This is used to maintain a certain level of return on investment for quasi-equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Zakah

Zakah is calculated annually on the Zakah base of the Group in accordance with FAS 39 issued by AAOIFI using the net invested funds method. The Group calculates Zakah based on the consolidated figures of statutory reserve, general reserve and retained earning balances at the end of the year and notifies the shareholders. Payment of Zakah on quasi-equity and other accounts is the responsibility of respective accountholders. The calculations of Zakah are approved by the Shari'a Supervisory Board.

o. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

p. Dividends

Dividends are recognised as liabilities in the year in which they are declared / approved by the shareholders.

q. Derecognition of financial assets and liabilities

i) Financial assets

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

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

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

ii) Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Treasury shares

These are own equity instruments of the Group which are reacquired through its own broker. Treasury shares are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase or sale of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue, or cancellation of own equity instruments.

s. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity fund where the Group uses these funds for social welfare activities.

t. Offsetting

Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statement of financial position, when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

u. Income recognition

i) Murabaha

Income from Murabaha contracts is recognised on a time-apportioned basis over the period of the contract using effective profit rate method.

ii) Musharaka

Profit or losses in respect of the Group's share in a Musharaka financing transaction that commence and end during a single financial period is recognised in the consolidated statement of income at the time of liquidation (closure of the contract). Where the Musharaka financing continues for more than one financial period, profit is recognised to the extent that such profits are being distributed during that period in accordance with the profit sharing ratio stipulated in the Musharaka agreement.

iii) Mudarbah financing

Income on mudaraba financing is recognised when the right to receive payment is established or on distribution by the mudarib, where as losses are charged to income on declaration by the mudarib.

iv) Sukuk

Income from Sukuk is recognized using the effective profit rate over the term of the instrument.

v) Placements with financial institutions

Income on placements with financial institutions is recognised proportionately over the period of the contract based on the principal amounts outstanding and the profit agreed with clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Income recognition (continued)

vi) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is recognised proportionately over the lease term and is stated net of depreciation.

vii) Dividend income

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

viii) Fees and commission income

Fees and commission income that is integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees, are recognised as the related services are performed.

v. Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Bahraini Dinars at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income.

Translation gains or losses on non-monetary items carried at fair value are included in owners' equity as part of the fair value adjustment.

w. Impairment of exposures subject to credit risk

The Group recognizes expected credit losses (ECLs) on the following:

- Bank balances and placements with banks;
- Financing contracts;
- Investment in Sukuk - debt type securities at amortised cost;
- Financial guarantee contracts issued; and
- Commitments to finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. Impairment of exposures subject to credit risk (continued)

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

- Debt-type securities that are determined to have low credit risk at the reporting date; and
- Other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of an exposure subject to credit risk has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on an exposure subject to credit risk has increased significantly if it is more than 30 days past due.

The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the financial asset is 90 days past due or more.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher per S&P.

The Group applies a three-stage approach to measuring ECL on exposures subject to credit risk. Exposures migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

Stage 1 includes exposures subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that arise from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL is recognised. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. Impairment of exposures subject to credit risk (continued)

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

i) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Exposures subject to credit risk that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Exposures subject to credit risk that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn commitments to finance: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

ii) Restructured exposures

If the terms of an exposures subject to credit risk are renegotiated or modified or an existing exposures subject to credit risk is replaced with a new one due to financial difficulties of the borrower, the exposures subject to credit risk should be derecognized and ECL is calculated using the cash shortfalls from the existing exposures subject to credit risk that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing exposures subject to credit risk.

iii) Credit-impaired exposures

At each reporting date, the Group assesses whether exposures subject to credit risk are credit-impaired. An exposure subject to credit risk is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the exposures have occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. Impairment of exposures subject to credit risk (continued)

iii) Credit-impaired exposures (continued)

Evidence that an exposure subject to credit risk is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default;
- The restructuring of a financing facility by the Group on terms that the Group would not consider otherwise; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

iv) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from gross carrying amount of exposures subject to credit risk.

v) Write-off

Exposures subject to credit risk are written off either partially or in their entirety. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

Financing asset exposures are either fully or partially written off when there is no expectation for further recovery. Indicators that there is no reasonable expectation of recovery include (i) borrower is insolvent or (ii) all possible recovery options have been exhausted.

x. Equity investments classified at Fair Value through other comprehensive income (FVTOCI)

For equity-type investments classified as fair value through other comprehensive Income and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If such evidence exists for equity-type investments classified as fair value through other comprehensive income, the cumulative loss previously recognized in the consolidated statement of changes in equity is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y. Use of estimates and judgements in preparation of the consolidated financial statements

In the process of applying the Group's accounting policies, management has made estimates and judgements in determining the amounts recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The most significant use of judgements and estimates are as follows:

i) Impairment of exposures subject to credit risk

- Establishing the criteria for determining whether credit risk on exposures subject to credit risk has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL, and selection and approval of models used to measure ECL is set out in note (2 (w)) and note (28).
- Impairment on ijarah: key assumptions used in estimating recoverable cash flows is set out in note (2 (w)).
- Determining inputs into ECL measurement model including incorporation of forward looking information is set out in note (2 (w)) and note (28).

ii) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

iii) Impairment of equity investments

The Group determines that equity investments carried at fair value through other comprehensive income are impaired when there is a significant or prolonged decline in the fair value of the investment below its cost. This determination of what is significant or prolonged requires judgment.

In case of equity investments, the Group considers a decline of more than 30% in the fair value below cost to be significant and considers a decline below cost which persists for more than 9 months as prolonged.

(iv) Fair value of unquoted investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of consolidated financial statements. Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate at fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y. Use of estimates and judgements in preparation of the consolidated financial statements (continued)

(v) Classification of investments

Management decides, based on its business model, at the time of acquisition of an investment whether it should be classified as equity-type instrument at fair value through statement on income, equity-type instrument at fair value through other comprehensive income, debt-type instrument at fair value through statement of income or debt-type instrument at amortised cost.

z. Trade date accounting

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

aa. Customers' current accounts

Balances in current (non-investment) accounts are recognised when received by the Group. The transactions are measured at the cash equivalent amount received by the Group. At the end of the accounting period, the accounts are measured at their book value.

bb. Employees' benefits

i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus as profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Post-employment benefits

Pension and other benefits for Bahraini employees are covered by the Social Insurance Organisation Scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed percentage of salaries basis. Contributions by the Group are recognised as an expense in the consolidated statement of income when they are due.

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under Bahraini labour law, based on the length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

These benefits are in the nature of "defined benefits scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated statement of income.

The Group also operates a voluntary employee saving scheme under which the Group and the employee contribute monthly on a fixed percentage of salaries basis. The scheme is managed and administered by the bank. The scheme is in the nature of defined contribution scheme and contributions by the Group are recognised as an expense in the consolidated statement of income when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb. Employees' benefits (continued)

iii) Share based employee incentive scheme

The grant-date fair value of equity settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

cc. Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment, when a payment under the guarantee has become probable.

dd. Repossessed assets

In certain circumstances, property is repossessed following the foreclosure of financing facilities that are in default. Repossessed properties are measured at the lower of carrying amount or fair value less costs to sell and reported within 'other assets'.

ee. Statutory reserve

The Commercial Companies Law requires that 10 per cent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

ff. URIA protection scheme

Investment accounts held within the Group's Bahrain operations are covered by the regulation protecting URIA issued by the Central Bank of Bahrain in accordance with Resolution No (34) of 2010. The scheme applies to all eligible accounts held with Bahrain offices of the Bank subject to specific exclusions, maximum total amount entitled and other regulations governing the establishment of a URIA Protection Scheme and a URIA Protection Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial instruments

The Group enters into a variety of risk management financial instruments held to manage its exposure to profit rate risk and foreign exchange rate risk. Risk management instruments held include foreign exchange swaps and profit rate swaps.

All risk management financial instruments are initially recognised at cost, being the fair value at contract date, and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques including discounted cash flow models and option pricing models as appropriate.

Changes in the fair value of risk management financial instruments that do not qualify for hedge accounting are recognised in same statement of income line as the hedged item. In the case of fair value hedges that meet the criteria for hedge accounting, any gain or loss arising from remeasuring the hedging instruments to fair value as well as the related changes in fair value of the item being hedged are recognised in the statement of income under other income.

A risk management instrument with a positive fair value is recognised as a financial asset whereas a risk management instrument with a negative fair value is recognised as a financial liability. A risk management instrument is presented as an other asset or other liability.

Hedge accounting (Tahawwut)

The Group designates certain risk management instruments as hedging instruments in respect of profit rate risk in fair value hedges. The Group does not apply fair value hedge accounting of portfolio hedges of profit rate risk.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial instruments (continued)

Hedge accounting (Tahawwut) (continued)

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases, discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in the consolidated statement of income except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in equity. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVTOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in the consolidated statement of income. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in the consolidated statement of income instead of equity. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in equity to match that of the hedging instrument.

Where hedging gains/losses are recognised in the consolidated statement of income, they are recognised in the same line as the hedged item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial instruments (continued)

Fair value hedges (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the Effective profit Rate (EPR) method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability profit rate risk.

Fair value hedges: The Group uses profit rate swaps to hedge its exposure to changes in fair value, of certain investments in fixed rate Sukuk, attributable to changes in market profit rates. Fair values of the profit rate swap agreements are estimated based on the prevailing market rates of profit. During the year, the Group has entered into a profit rate swaps with its Parent.

Other risk management instruments: The Group uses risk management instruments, not designated in qualifying accounting hedge relationship, to manage its exposure to market risks. The Group enters into foreign exchange swap contracts (Waad) to manage against foreign exchange fluctuations. Fair values of the forward currency contracts are estimated based on the prevailing market rates of profit and forward rates of the related foreign currencies, respectively.

hh. Perpetual Tier 1 capital securities

Perpetual Tier 1 capital securities and sukuk of the Group are recognised under owners' equity in the consolidated statement of financial position and the corresponding distribution on those securities are accounted as a debit to the retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. CASH AND BALANCES WITH BANKS AND CENTRAL BANK

	2024 BD'000	2023 BD'000
Cash on hand	11,031	12,601
Balances with CBB, excluding mandatory reserve deposits	151	5,875
Balances with banks and other financial institutions**	9,897	6,026
	21,079	24,502
Mandatory reserve with CBB*	44,005	37,100
	65,084	61,602

* The mandatory reserve with CBB is not available for use in the day-to-day operations.

** Balances with banks and other financial institutions include an amount of BD 2,036 thousand (2023: BD 1,792 thousand) which is not available for use in the day-to-day operations.

4. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2024 BD'000	2023 BD'000
Commodity Murabaha	118,386	48,079
Deferred profits	(208)	(8)
	118,178	48,071
Wakala	38,409	3,621
Gross Commodity Murabaha and Wakala	156,587	51,692
Impairment allowance	(1)	(3)
	156,586	51,689

5. FINANCING CONTRACTS

	2024 BD'000	2023 BD'000
Trade-based		
Murabaha (note 5.1)	595,427	520,162
Participatory-based		
Musharaka (note 5.2)	92,727	85,341
Lease-based		
Ijarah Muntahia Bittamleek (net of accumulated depreciation) (note 5.3)	312,509	318,837
	1,000,663	924,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCING CONTRACTS (CONTINUED)

5.1. Murabaha

	2024 BD'000	2023 BD'000
Tasheel	321,683	326,496
Tawarooq	281,460	199,759
Altamweel Almaren	81,187	70,842
Letters of credit refinance	7,299	9,586
Motor vehicles Murabaha	3,440	1,977
Credit cards	25,332	25,638
	720,401	634,298
Qard fund	145	138
Gross Murabaha receivables	720,546	634,436
Deferred profits	(87,721)	(82,719)
Impairment allowance	(37,398)	(31,555)
	595,427	520,162

Non-performing Murabaha financing outstanding as of 31 December 2024 amounted to BD 60,228 thousand (2023: BD 55,407 thousand).

The Group considers the promise made in the Murabaha to the purchase orderer as obligatory.

The composition of the Murabaha financing portfolio net of deferred profit and before provision for impairment by sector is as follows:

	2024 BD'000	2023 BD'000
Commercial	85,125	88,676
Financial institutions	26,602	13,396
Others including retail	521,098	449,645
	632,825	551,717

The Group exposures of Murabaha financing portfolio is concentrated in the Middle East.

5.2. Musharaka

	2024 BD'000	2023 BD'000
Gross Musharaka in real estate	97,430	90,204
Impairment allowance	(4,703)	(4,863)
	92,727	85,341

Non-performing Musharaka financing outstanding as of 31 December 2024 amounted to BD 7,328 thousand (2023: BD 8,437 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCING CONTRACTS (CONTINUED)

5.3. Ijarah Muntahia Bittamleek

	2024			2023		
	Properties BD'000	Aviation related assets BD'000	Total BD'000	Properties BD'000	Aviation related assets BD'000	Total BD'000
Cost:						
At 1 January	392,320	6,770	399,090	355,456	6,985	362,441
Additions	54,851	108	54,959	79,734	-	79,734
Settlements / adjustments	(47,222)	-	(47,222)	(42,870)	(215)	(43,085)
At 31 December	399,949	6,878	406,827	392,320	6,770	399,090
Accumulated depreciation:						
At 1 January	74,402	2,379	76,781	67,718	1,517	69,235
Charge for the year	20,791	865	21,656	18,137	862	18,999
Settlements / adjustments	(8,592)	-	(8,592)	(11,453)	-	(11,453)
At 31 December	86,601	3,244	89,845	74,402	2,379	76,781
Impairment allowance	(4,428)	(45)	(4,473)	(3,421)	(51)	(3,472)
Net Book Value	308,920	3,589	312,509	314,497	4,340	318,837

5.4. The movement in impairment allowances is as follows:

2024	Stage 1	Stage 2	Stage 3	Total
	BD'000	BD'000	BD'000	BD'000
At 1 January 2024	4,064	8,612	27,214	39,890
Net movement between stages	1,037	(3,447)	2,410	-
Net charge for the year	337	(541)	7,503	7,299
Write-off	-	-	(615)	(615)
At 31 December 2024	5,438	4,624	36,512	46,574

2023	Stage 1	Stage 2	Stage 3	Total
	BD'000	BD'000	BD'000	BD'000
At 1 January 2023	4,717	11,542	26,170	42,429
Net movement between stages	298	(2,178)	1,880	-
Net charge for the year	(951)	(752)	7,323	5,620
Write-off	-	-	(8,159)	(8,159)
At 31 December 2023	4,064	8,612	27,214	39,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. INVESTMENT SECURITIES

	2024 BD'000	2023 BD'000
a. Debt type instruments*		
Quoted Sukuk - carried at amortised cost		
Gross balance at beginning of the year	258,547	240,527
Acquisitions	74,961	18,125
Disposals and redemptions	(79,580)	(105)
Gross balance at the end of the year	253,928	258,547
Impairment allowance	(34)	(82)
Fair value losses on hedged items attributable to profit rate risk hedged**	(2,135)	(738)
Net balance at the end of the year	251,759	257,727
Unquoted Sukuk - carried at amortised cost		
Gross balance at beginning of the year	12,516	12,527
Foreign currency translation changes	(9)	(11)
Gross balance at the end of the year	12,507	12,516
Impairment allowance	(12,507)	(12,516)
Net balance at the end of the year	-	-
b. Equity type instruments		
Unquoted shares - at fair value through other comprehensive Income		
Balance at beginning of the year	20,050	20,081
Fair value movement - net***	(119)	(31)
Balance at the end of the year	19,931	20,050
Unquoted managed funds	436	436
Total net investment securities	272,126	278,213

*As of 31 December 2024, debt type instruments includes Sukuk of BD 117,667 thousand (2023: BD 208,060 thousand) pledged against financing from financial institutions of BD 103,338 thousand (2023: BD 181,502 thousand) (note 11).

** As of 31 December 2024, sukuk of BD 110,595 thousand (2023: BD 77,360 thousand) carried at amortised cost were hedged through profit rate swaps and the resultant fair value losses on the hedged items related to profit rate risk of BD 2,135 thousand (2023: BD 738 thousand) were adjusted to the carrying value.

***Includes BD 69 thousand fair value gain (2023: BD 32 thousand fair value loss) reported in the investment securities fair value reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. INVESTMENT SECURITIES (CONTINUED)

The movement in impairment allowances on debt type instruments (Sukuk) is as follows:

2024	Stage 1	Stage 2	Stage 3	Total
	BD'000	BD'000	BD'000	BD'000
At 1 January 2024	82	-	12,516	12,598
Net charge for the year	(48)	-	-	(48)
Foreign exchange movement	-	-	(9)	(9)
At 31 December 2024	34	-	12,507	12,541

2023	Stage 1	Stage 2	Stage 3	Total
	BD'000	BD'000	BD'000	BD'000
At 1 January 2023	129	-	12,527	12,656
Net charge for the year	(47)	-	-	(47)
Foreign exchange movement	-	-	(11)	(11)
At 31 December 2023	82	-	12,516	12,598

During the year, impairment of BD 188 thousand (2023: BD nil) was provided on equity type instruments.

7. INVESTMENT IN ASSOCIATES

	2024	2023
	BD'000	BD'000
At 1 January	8,302	8,832
Share of results of associates, net	109	347
Acquisition*	3,030	-
Impairment allowance	-	(877)
At 31 December	11,441	8,302

*Acquisition represents a stake in a company as a result of an in-kind settlement with a customer. The underlying asset of the company is real estate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information of associates that have been equity accounted for in these consolidated financial statements, not adjusted for percentage of ownership held by the Group:

	2024	2023
	BD'000	BD'000
Total assets	38,100	38,786
Total liabilities	883	705
Total revenues	1,408	3,351
Total net profit / (loss)	(1,015)	1,843

Investment in associates comprise of:

Name of associate	Ownership %	Country of incorporation	Nature of business
Liquidity Management Centre B.S.C. (c)	25.00%	Bahrain	Liquidity Management Centre B.S.C. (c) was incorporated in 2002 as a bank, licensed and regulated by the Central Bank of Bahrain to facilitate the creation of an Islamic inter-bank market that allow Islamic financial services institutions to effectively manage their assets and liabilities.
LS Real Estate Company W.L.L.	36.75%	Bahrain	LS Real Estate Company W.L.L. was incorporated in the Kingdom of Bahrain in 2019. The Company focuses on real estate activities including the development and overall management of owned or leased properties.
Seef Umm Al Hassam Real Estate W.L.L.	30.30% Acquired in 2024	Bahrain	Seef Umm Al Hassam Real Estate W.L.L. was incorporated in 2024 as a Special Purpose Vehicle (SPV). The company is involved in real estate activities and owns a portfolio of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. PROPERTY AND EQUIPMENT

	2024						
	Lands BD'000	Buildings BD'000	Fixture and fitting BD'000	Equipment BD'000	Furniture BD'000	Work in progress BD'000	Total BD'000
Cost:							
At 1 January	5,521	7,651	5,038	16,620	989	1,177	36,996
Additions / Transfers	-	-	34	738	-	1,786	2,558
Disposals	-	-	-	-	-	-	-
At 31 December	5,521	7,651	5,072	17,358	989	2,963	39,554
Depreciation:							
At 1 January	-	3,753	4,405	14,218	928	-	23,304
Charge for the year	-	254	174	1,011	18	-	1,457
Relating to disposed assets	-	-	-	-	-	-	-
At 31 December	-	4,007	4,579	15,229	946	-	24,761
Net Book Value	5,521	3,644	493	2,129	43	2,963	14,793

	2023						
	Lands BD'000	Buildings BD'000	Fixture and fitting BD'000	Equipment BD'000	Furniture BD'000	Work in progress BD'000	Total BD'000
Cost:							
At 1 January	5,521	7,651	4,597	15,951	964	1,110	35,794
Additions / Transfers	-	-	441	624	25	67	1,157
Disposals	-	-	-	45	-	-	45
At 31 December	5,521	7,651	5,038	16,620	989	1,177	36,996
Depreciation:							
At 1 January	-	3,499	4,202	13,163	911	-	21,775
Charge for the year	-	254	203	1,010	17	-	1,484
Relating to disposed assets	-	-	-	45	-	-	45
At 31 December	-	3,753	4,405	14,218	928	-	23,304
Net Book Value	5,521	3,898	633	2,402	61	1,177	13,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. INVESTMENT IN REAL ESTATE

	2024 BD'000	2023 BD'000
Land	14,583	14,725
	14,583	14,725

	2024 BD'000	2023 BD'000
Movement in investment in real estate:		
At 1 January	14,725	16,176
Disposal	-	(1,401)
Fair value changes	(142)	(50)
At 31 December	14,583	14,725

Investment in real estate comprises of properties located in the Kingdom of Bahrain and the United Arab Emirates.

Investment in real estate is stated at fair value, which has been determined based on valuations performed by independent third party property valutors who have the qualification and experience of valuing similar properties in the same location using the sales comparison approach. Fair value of investments in real estate is classified as category 2 of fair value hierarchy.

10. OTHER ASSETS

	2024 BD'000	2023 BD'000
Receivables*	271	247
Staff advances	1,471	1,566
Prepaid expenses	473	368
Right-of-use asset (10.1)	464	438
Risk management instruments (10.2)	2,135	969
Other**	1,844	1,940
	6,658	5,528

*Receivables include expected credit losses allowance of BD 205 thousand (31 December 2023: BD 103 thousand).

**Others includes amounts such as VAT receivable and profit income receivable from profit rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. OTHER ASSETS (CONTINUED)

10.1. Right-of-use asset

	2024 BD'000	2023 BD'000
At 1 January	438	230
Additions for the year	384	547
Amortization charge for the year	(358)	(339)
At 31 December	464	438

10.2. Risk management instruments

The risk management instruments are valued based on observable inputs. The fair values of risk management financial instruments held by the Group as at 31 December are provided below:

	2024		2023	
	Assets BD'000	Liabilities BD'000	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	2,135	-	738	-
Foreign exchange contracts (Waad) (Other risk management instruments)	-	616	231	-
At 31 December	2,135	616	969	-

The notional amount of risk management financial instruments held by the Group as at 31 December are provided below:

	2024		2023	
	Assets BD'000	Liabilities BD'000	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	110,595	-	77,360	-
Foreign exchange contracts (Waad) (Other risk management instruments)	46,625	46,009	62,923	63,154
At 31 December	157,220	46,009	140,283	63,154

The net hedge ineffectiveness gains / (losses) recognized in the consolidated income statement are as follows:

	2024 BD'000	2023 BD'000
Losses on the hedged items attributable to risk hedged	(2,135)	(738)
Gains on the hedging instruments	2,135	738
Net hedge ineffectiveness (loss) / gain	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. FINANCING FROM FINANCIAL INSTITUTIONS

Represents term murabaha facilities of BD 175,197 thousand (2023: BD 181,502 thousand) secured by pledge over Sukuk of BD 117,667 thousand (2023: BD 208,060 thousand). The average rate of financing is 4.99% (2023: 5.86%) (note 6).

12. OTHER LIABILITIES

	2024 BD'000	2023 BD'000
Managers' cheques	2,135	1,433
Payable to vendors	2,710	1,051
Accrued expenses	7,271	6,640
Zakah and charity fund	1,169	927
Net Ijarah liability (12.1)	444	419
Other*	24,492	14,198
	38,221	24,668

* Other includes impairment allowance for commitments and contingent liabilities of BD 969 thousand (2023: BD 1,525 thousand) (refer note 15) and provision for litigation claims of BD nil thousand (2023: BD nil) (refer note 24).

12.1. Net ijarah liability

	2024 BD'000	2023 BD'000
Maturity analysis – Gross Ijarah liability		
Less than one year	369	297
One to five years	264	236
Total gross Ijarah liability	633	533
Maturity analysis – net Ijarah liability		
Less than one year	223	207
One to five years	221	212
Total net Ijarah liability	444	419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. QUASI-EQUITY

The Group comingles the quasi-equity funds with the owners’ equity. In line with its policy, the Group utilizes the funds from quasi-equity to finance assets.

13.1. Quasi-equity

	2024 BD'000	2023 BD'000
Type of quasi-equity		
Placements and financing from financial institutions – Wakala	64,892	39,865
Placements from non-financial institutions and individuals – Wakala	1,113	4,769
Mudharaba	350,381	367,087
	416,386	411,721
Mudharaba-based customer investment accounts		
Balances on demand	318,606	327,780
Contractual basis	31,775	39,307
	350,381	367,087

13.2 Assets in which quasi-equity funds were invested

Assets in which quasi-equity funds were invested as at 31 December are as follows:

	2024 BD'000	2023 BD'000
Asset		
Cash and balances with banks and Central Bank	44,156	13,673
Placements with financial institutions	5,505	-
Financing contracts, net	293,007	311,261
Investment securities, net	73,718	86,787
	416,386	411,721

The Bank proportionately allocates non-performing assets (past due greater than 90 days) to the quasi-equity pool of assets. The ECL charge is also allocated to the quasi-equity pool, in proportion of the non-performing assets financed by quasi-equity to the total non-performing assets. Amounts recovered from these non-performing assets shall be subject to allocation between quasi-equity and owners’ equity. During the year, the Bank allocated BD 17,310 thousand of ECL (2023: ECL of BD 17,675 thousand) to the quasi-equity.

During the year, the Bank did not charge any administration expenses to quasi-equity accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. QUASI-EQUITY (CONTINUED)

13.3. Profit distribution by account type

The following is the average percentage of profit allocation between the quasi-equity’s accounts applied during the year for each type of quasi-equity account as agreed contractually with the customers:

	2024			2023		
	Utilization	Mudarib Share	Profit to quasi-equity	Utilization	Mudarib Share	Profit to quasi-equity
Account type						
Tejoori	90%	98%	2%	90%	98%	2%
Tejoori Premium	90%	21%	79%	0%	0%	0%
Savings	90%	98%	2%	90%	98%	2%
Vevo	90%	98%	2%	90%	98%	2%
IQRA	100%	64%	36%	100%	63%	37%
Time deposits	100%	36%	64%	100%	34%	66%

During the year, the Group did not increase its percentage of profits as mudarib. Further, the Group did not receive any incentive from profits of quasi-equity.

The Group does not share profits with quasi-equity resulting from investing current accounts and other funds received on the basis other than mudaraba contract.

Funds from quasi-equity are invested in assets on a priority basis.

13.4 Quasi-equity reserves

	2024 BD'000	Movement BD'000	2023 BD'000
Profit equalisation reserve	342	229	113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. QUASI-EQUITY (CONTINUED)

13.5 Return on quasi-equity

	2024 BD'000	2023 BD'000
Gross return to quasi-equity	20,954	20,025
Group's share as a Mudarib	(16,655)	(17,368)
Allocation to profit equalization reserve	(229)	(127)
Net return on quasi-equity	4,070	2,530

13.6 Distribution of assets by ownership

	2024			2023		
	Self-financed	Quasi-equity	Total	Self-financed	Quasi-equity	Total
Cash and balances with banks and Central Bank	20,928	44,156	65,084	47,929	13,673	61,602
Placements with financial institutions	151,081	5,505	156,586	51,689	-	51,689
Financing contracts	707,656	293,007	1,000,663	613,079	311,261	924,340
Investment in Sukuk	178,041	73,718	251,759	170,940	86,787	257,727
Investment in equity and funds	20,367	-	20,367	20,486	-	20,486
Investment in associates	11,441	-	11,441	8,302	-	8,302
Investment in real estate	14,583	-	14,583	14,725	-	14,725
Property and equipment	14,793	-	14,793	13,692	-	13,692
Other assets	6,658	-	6,658	5,528	-	5,528
	1,125,548	416,386	1,541,934	946,370	411,721	1,358,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. QUASI-EQUITY (CONTINUED)

13.7 Distribution of income

	2024			2023		
	Self-financed*	Quasi-equity**	Total	Self-financed*	Quasi-equity**	Total
INCOME						
Income from financing contracts	36,807	16,443	53,250	33,170	16,202	49,372
Income from placements with financial institutions	4,046	1,808	5,854	1,950	952	2,902
Income from investment in Sukuk	10,367	4,631	14,998	10,073	4,921	14,994
Expense on placements from financial institutions	(5,910)	-	(5,910)	(8,695)	-	(8,695)
Expense on placements from non-financial institutions	(23,284)	-	(23,284)	(15,513)	-	(15,513)
Expense on financing from financial institutions	(8,802)	-	(8,802)	(6,024)	-	(6,024)
Net finance income	13,224	22,882	36,106	14,961	22,075	37,036
Fee and commission income, net	6,072	-	6,072	5,773	-	5,773
Income from investment securities	36	-	36	6	-	6
Income from investment in real estate, net	44	-	44	221	-	221
Share of results of associates, net	109	-	109	347	-	347
Other income, net	2,446	-	2,446	4,477	-	4,477
Total income	21,931	22,882	44,813	25,785	22,075	47,860
EXPENSES						
Staff costs	13,302	-	13,302	12,384	-	12,384
Depreciation and amortization	1,815	-	1,815	1,823	-	1,823
Other expenses	13,572	-	13,572	13,352	-	13,352
Total expenses	28,689	-	28,689	27,559	-	27,559
Profit before impairment allowances and attribution to quasi-equity	(6,758)	22,882	16,124	(1,774)	22,075	20,301
Impairment allowance and other provisions, net	(4,827)	(2,157)	(6,984)	(4,458)	(2,177)	(6,635)
Group's share as Mudarib and Wakil	16,655	(16,655)	-	17,368	(17,368)	-
ALLOCATED PROFIT	5,070	4,070	9,140	11,136	2,530	13,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14 OWNERS' EQUITY

	2024 BD'000	2023 BD'000
a. Share capital		
<i>i. Authorised</i>		
2,000,000,000 shares (2023: 2,000,000,000 shares) of BD 0.100 each	200,000	200,000
<i>ii. Issued and fully paid up</i>		
1,064,058,587 shares (2023: 1,064,058,587 shares) of BD 0.100 each	106,406	106,406

b. Subordinated Mudaraba (AT1)

In order to meet minimum regulatory requirements relating to total equity as prescribed by Central bank of Bahrain, during the year 2021, the Bank issued a Subordinated Mudaraba Sukuk (Basel III compliant Additional Tier 1 capital securities) of BD 25 million. The issue was at par and was fully subscribed for and paid in cash by the Parent.

Summary of key terms and conditions of this issue are as follows:

- a. Profits on these securities shall be distributed annually starting June 2022 subject to and in accordance with terms and conditions on the outstanding par value of the securities at an expected rate of 7.5% p.a.
- b. Security holder will not have a right to claim the profits and such event will not be considered as an event of default.
- c. Subordinated Mudaraba is invested in a general mudaraba pool of assets on an unrestricted comingled basis.
- d. In the event of non-viability, the Sukuk certificates will be converted either in full or in part in accordance with the conversion rules and procedures.
- e. The Sukuk certificates carry a call option after 5 years from the date of issue.

The Subordinated Mudaraba is recognized under the owners' equity in the consolidated statement of financial position and the profits paid to rab al-maal (security holder) will be accounted for as appropriation of profits.

During the year, BD 1,906 thousand (2023: BD 1,901 thousand) was paid as profit declarations on AT1 securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14 OWNERS' EQUITY (CONTINUED)

c. Treasury Shares

	2024		2023	
	Number of Shares	BD'000	Number of Shares	BD'000
At 31 December	5,855,358	892	5,855,358	892
				2024 BD'000
Cost of treasury shares, excluding shares under employee share incentive scheme				892
Market value of treasury shares				340

The treasury shares as a percentage of total shares in issue is 0.55% (2023: 0.55%).

Owners' equity instruments which are reacquired are deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

d. Reserves

i) Statutory reserve

During the year, the Bank has appropriated BD 507 thousand (2023: BD 1,114 thousand) to the statutory reserve representing 10% of the profit for the year of BD 5,070 thousand (2023: BD 11,136 thousand). The reserve is not distributable except in such circumstances as stipulated in the Commercial Companies Law and following the approval of CBB.

ii) General reserve

The general reserve is established in accordance with the articles of association of the Bank and is distributable following a resolution of shareholders at a general meeting and the approval of CBB. The Group may transfer any amount to the general reserve, as approved by the shareholders at a general meeting, out of the profit for the year after appropriating the statutory reserve.

iii) Real estate fair value reserve

This represents cumulative unrealised revaluation gains on investment in real estate. This reserve is transferred to the consolidated statement of income upon sale of the investment in real estate.

iv) Investment fair value reserve

This represents the net unrealised gains or losses on equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14 OWNERS' EQUITY (CONTINUED)

e. Additional information on shareholding pattern

i. Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

Names	Nationality	2024		2023	
		Number of shares	% holding	Number of shares	% holding
National Bank of Bahrain	Bahraini	838,630,728	78.81%	838,630,728	78.81%
Kuwait Awqaf Public Foundation	Kuwaiti	76,366,321	7.18%	76,366,321	7.18%

ii. The Group has only one class of shares and the holders of these shares have equal voting rights.

iii. Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

	2024			2023		
	Number of shares	Number of shareholders	% of total outstanding shares	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	86,303,690	2,680	8.11%	86,303,690	2,728	8.11%
1% and less than 5%	62,757,848	4	5.90%	62,757,848	4	5.90%
5% and less than 10%	76,366,321	1	7.18%	76,366,321	1	7.18%
10% and more	838,630,728	1	78.81%	838,630,728	1	78.81%
	1,064,058,587	2,686	100.00%	1,064,058,587	2,734	100.00%

Details of Directors' interests in the Group's shares as at the end of the year were:

Categories:

	2024		2023	
	Number of shares	Number of directors	Number of shares	Number of directors
Less than 1%	107,298	1	352,500	1

The following is the number of shares, and percentage of shareholding of Directors, Shari'a supervisory members and senior management (Assistant General Managers and above who are part of the management committee):

	2024		2023	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Directors	107,298	0.01%	352,500	0.03%
Shari'a supervisory members	558,396	0.05%	558,396	0.05%
Senior management	191,792	0.02%	191,792	0.02%
	857,486	0.08%	1,102,688	0.10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14 OWNERS' EQUITY (CONTINUED)

f. Proposed appropriations

The Board of Directors propose the appropriation for zakah of BD 356 thousand in 2024 (2023: BD 289 thousand), charitable donations of BD 50 thousand in 2024 (2023: BD 250 thousand) and dividends amounting to BD nil (2023: BD nil) which are subject to regulatory and shareholders' approval in the ensuing Annual General Meeting.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	2024 BD'000	2023 BD'000
Letters of credit and acceptances	2,550	1,154
Guarantees	31,589	24,011
Credit cards	44,266	39,551
Altamweel Almaren	26,594	38,084
Commitments to finance	8,687	11,895
	113,686	114,695

As of 31 December 2024, the impairment allowance related to the credit risk for commitments and contingent liabilities was BD 969 thousand (2023: BD 1,525 thousand).

16. CAPITAL ADEQUACY

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue Sukuk etc. No changes were made in the objectives, policies and processes from the previous years.

The Group's capital structure primarily consists of its paid-up capital, including share premium and reserves. From a regulatory perspective, a significant amount of the Group's capital is classified as Tier 1 as defined by the CBB, i.e. most of the capital is of a permanent nature.

The Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of financing facilities growth expectations for each business group, expected growth in off-balance sheet facilities, and future sources and uses of funds.

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For the year ended 31 December 2024

16. CAPITAL ADEQUACY (CONTINUED)

The Central Bank of Bahrain issued the final regulation to give effect to the Basel III framework which came into effect on 1 January 2015. The Basel III framework significantly revises the definition of regulatory capital. The framework emphasises on common equity as the predominant component of tier 1 capital by adding a minimum Common Equity Tier 1 (CET 1) capital ratio. The Basel III rules also require institutions to hold capital buffers. For the purpose of calculating CET 1 capital, the regulatory adjustments (deductions) including amounts above the aggregate limit for significant investments in financial institutions, mortgage servicing rights, and deferred tax assets from temporary differences, will be deducted from CET1 over a phased manner to be fully deducted by 1 January 2019. The Bank's current capital position is sufficient to meet the new regulatory capital requirements. The Group has applied CBB concessionary measures relating to adjustment of modification loss and incremental ECL provisions for the purpose of computation of capital adequacy ratio for the years ended 31 December 2024 and 2023.

The classification of the Group's capital in accordance with the regulatory requirements is as follows:

	2024 BD'000	2023 BD'000
CET 1 Capital before regulatory adjustments	126,818	129,749
Less: regulatory adjustments	-	-
CET 1 Capital after regulatory adjustments	126,818	129,749
AT1 Capital	25,000	25,000
T 2 Capital adjustments	9,663	12,190
Regulatory Capital	161,481	166,939

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the Standardised Approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Approach for its Market Risk. The capital requirements for these risks are as follows:

	2024 BD'000	2023 BD'000
Risk weighted exposure:		
Total Credit Risk Weighted Assets	667,432	869,590
Total Market Risk Weighted Assets	287	163
Total Operational Risk Weighted Assets	125,479	119,149
Total Regulatory Risk Weighted Assets	793,198	988,902
Investment risk reserve (30% only)	-	-
Profit equalization reserve (30% only)	103	34
Total Adjusted Risk Weighted Exposures	793,095	988,868
Capital Adequacy Ratio	20.36%	16.88%
Tier 1 Capital Adequacy Ratio	19.14%	15.65%
Minimum requirement	12.5%	12.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. INCOME FROM FINANCING CONTRACTS

	2024 BD'000	2023 BD'000
Income from Murabaha financing	31,166	27,971
Income from Ijarah Muntahia Bittamleek	18,028	17,340
Income from Musharaka financing	4,056	4,061
	53,250	49,372

18. INCOME FROM INVESTMENT IN SUKUK

	2024 BD'000	2023 BD'000
Profit income	14,989	14,992
Gain on sale	9	2
	14,998	14,994

19. INCOME FROM INVESTMENT SECURITIES

	2024 BD'000	2023 BD'000
Dividend income	36	6
	36	6

20. INCOME FROM INVESTMENT IN REAL ESTATE, NET

	2024 BD'000	2023 BD'000
Rental income	186	191
Gain on sale	-	80
Impairment charge	(142)	(50)
	44	221

21. OTHER INCOME, NET

	2024 BD'000	2023 BD'000
Recoveries from previously written-off financing	697	1,137
Foreign exchange gain	1,536	1,262
Others	213	2,078
	2,446	4,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. OTHER EXPENSES

	2024 BD'000	2023 BD'000
Marketing and advertisement expenses	2,055	2,038
Professional services	2,107	1,687
Information technology related expenses	2,352	2,371
Card Centre expenses	1,304	1,291
Premises and equipment expenses	595	640
Communication expenses	1,381	1,638
Board remuneration	350	274
Board of directors sitting fees	201	201
Shari'a committee fees & expenses	77	73
Others	3,150	3,139
	13,572	13,352

23. IMPAIRMENT ALLOWANCE AND OTHER PROVISIONS, NET

	2024 BD'000	2023 BD'000
Financing contracts (note 5)	7,299	5,620
Investments in Sukuk (note 6)	(48)	(47)
Investments at fair value through other comprehensive income (note 6)	188	-
Investment in associates (note 7)	-	877
Placements with financial institutions	(1)	(2)
Other assets	103	83
Commitments	(557)	(56)
Total impairment allowance, net	6,984	6,475
Litigation claims	-	160
Total impairment allowance and other provisions, net	6,984	6,635

24. LITIGATIONS AND CLAIMS

In the normal course of business, legal cases are filed by the Bank against its customers and against the Bank by its customers, employees or investors. The Group's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of directors. The Group as part of the periodic assessment maintains adequate provisions. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors believe that such disclosures may be prejudicial to the Group's legal position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

25. ZAKAH

The total Zakah payable as of 31 December 2024 amounted to BD 2,403 thousand (2023: BD 2,442 thousand) of which the Bank has BD 356 thousand Zakah payable (2023: BD 289 thousand) based on the statutory reserve, general reserve and retained earning as at 1 January 2024. The Zakah balance amounting to BD 2,046 thousand or 1.9 fils per share (2023: BD 2,153 thousand or 2.0 fils per share) is due and payable by the shareholders.

	2024 BD'000	2023 BD'000
Sources and uses of Zakah and Charity Fund:		
Undistributed zakah and charity funds at the beginning of the year	927	676
Non-shariah compliant income / late payment fee	266	304
Contributions by the Bank for zakah	289	170
Contributions by the Bank for donations	250	256
Others	5	-
Total sources of zakah and charity funds during the year	1,737	1,406
Uses of zakah and charity funds		
Philanthropic societies	10	12
Aid to needy families	440	370
Others	118	97
Total uses of funds during the year	568	479
Undistributed zakah and charity funds at the end of the year	1,169	927

26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholder of the Bank (adjusted for Profit distribution on AT 1 Capital) by the weighted average number of shares outstanding during the year net of treasury shares. There are no dilutive potential shares that are convertible into shares.

	2024 BD'000	2023 BD'000
Profit for the year attributable to the shareholders of the parent	5,070	11,136
Less: Profit distribution on AT 1 Capital	(1,906)	(1,901)
Profit for the year attributable to the shareholders of the parent for basic and diluted earnings per share computation	3,164	9,235
Weighted average number of shares outstanding during the year, net of treasury shares (thousand)	1,054,849	1,054,098
Basic and diluted earnings per share (fils)	3.00	8.76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, directors and Shari’a Supervisory board members of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

During the year, BD 1,906 thousand (2023: BD 1,901 thousand) was paid as profit declarations on AT1 securities.

The significant balances and transactions with related parties at 31 December were as follows:

	2024				
	Shareholders BD’000	Associates and joint ventures BD’000	Directors and related entities BD’000	Senior management BD’000	Total BD’000
Assets					
Cash and balances with banks and Central Bank	2,036	-	-	-	2,036
Placements with financial institutions	-	-	-	-	-
Financing contracts	-	-	471	907	1,378
Investment in associates	-	11,441	-	-	11,441
Other assets	3,158	-	-	389	3,547
Liabilities and quasi-equity					
Placements from financial institutions	20,078	-	-	-	20,078
Financing from financial institutions	61,660	-	-	-	61,660
Placements from non-financial institutions and individuals	-	-	640	865	1,505
Customers' current accounts	-	653	1,798	57	2,508
Other liabilities	6,599	-	431	-	7,030
Quasi-equity	-	-	287	1,240	1,527
Off Balance sheet					
Profit rate swap - notional amount	80,131	-	-	-	80,131

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For the year ended 31 December 2024

27. RELATED PARTY TRANSACTIONS (CONTINUED)

	2024				
	Shareholders BD’000	Associates and joint ventures BD’000	Directors and related entities BD’000	Senior management BD’000	Total BD’000
Income					
Income from financing contracts	-	-	19	46	65
Income from placements with financial institutions	997	-	-	-	997
Income from investment in Sukuk	1,830	-	-	-	1,830
Share of results of associates, net	-	109	-	-	109
Other Income	1,397	-	-	-	1,397
Return on quasi-equity	-	-	(1)	(82)	(83)
Expense on placements from financial institutions	(1,195)	-	-	-	(1,195)
Expense on financing from financial institutions	(5,273)	-	-	-	(5,273)
Expense on placements from non-financial institutions and individuals	-	-	(19)	(25)	(44)
Expenses					
Other expenses	-	-	(628)	-	(628)
Staff costs	-	-	-	(1,732)	(1,732)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. RELATED PARTY TRANSACTIONS (CONTINUED)

	2023				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Cash and balances with banks and Central Bank	1,792	-	-	-	1,792
Placements with financial institutions	16,006	-	-	-	16,006
Financing contracts	-	-	697	430	1,127
Investment in associates	-	8,302	-	-	8,302
Other assets	1,668	-	-	481	2,149
Liabilities and quasi-equity					
Placements from financial institutions	11,694	-	-	-	11,694
Financing from financial institutions	103,144	-	-	-	103,144
Placements from non-financial institutions and individuals	-	-	2,842	497	3,339
Customers' current accounts	-	975	248	109	1,332
Other liabilities	4,666	-	476	-	5,142
Quasi-equity	-	-	336	1,632	1,968
Off Balance sheet					
Profit rate swap - notional amount	77,360	-	-	-	77,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. RELATED PARTY TRANSACTIONS (CONTINUED)

	2023				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing contracts	-	-	21	31	52
Income from placements with financial institutions	843	-	-	-	843
Income from investment in Sukuk	1,869	-	-	-	1,869
Share of results of associates, net	-	347	-	-	347
Other Income	1,148	-	-	-	1,148
Return on quasi-equity	-	-	(5)	(79)	(84)
Expense on placements from financial institutions	(4)	-	-	-	(4)
Expense on financing from financial institutions	(4,259)	-	-	-	(4,259)
Expense on placements from non-financial institutions and individuals	-	-	(203)	(27)	(230)
Expenses					
Other expenses	-	-	(674)	-	(674)
Staff costs	-	-	-	(2,183)	(2,183)

Compensation of the key management personnel is as follows:

	2024 BD'000	2023 BD'000
Short term employee benefits	1,589	1,990
Other long term benefits	143	193
	1,732	2,183

Key management personnel includes staff at the grade of assistant general manager or above, part of management committee and other approved persons.

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28. RISK MANAGEMENT

a. Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The risks and the processes to mitigate them have not significantly changed from the previous year.

The Bank is primarily exposed to credit risk, liquidity risk, market risk (including profit rate risk, equity price risk, and foreign exchange risks), operational risk, reputational risk, and Sharia'a-compliance risk.

b. Risk management objectives

The risk management philosophy of the Group is to identify, monitor, and manage the various dimensions of risk with the objective of protecting asset values and income streams such that the interest of the Group's shareholders (and others to whom the Group owes a liability) are safeguarded, while maximising the returns intended to optimise the Group's shareholder return while maintaining its risk exposure within self-imposed parameters.

The Bank's risk appetite is embodied through its risk strategy; BisB reviews and aligns its risk appetite in line with its evolving business plan, and changing economic and market scenarios, in addition to evolving regulatory requirements. The Bank also assesses its tolerance for specific risk categories and its strategy to manage these risks. To monitor and report exposures to these identified risks, the Bank adopted a comprehensive enterprise-wide Risk Management Framework that encompasses the risk limit, monitoring, and reporting structures.

c. Structure and Organization of the Risk Management Function

Risk management structure includes all levels of authorities, organizational structure, people and systems required for the effective functioning of risk management processes in the Group. The responsibilities associated with each level of the risk management structure and authorities include the following:

The Board retains ultimate responsibility and authority for all risk matters, including:

- i. Establishing overall policies and procedures; and
- ii. Delegating authority to the Board Risk & Compliance Committee, the Executive Committee, the Credit and Investment Committee, the Chief Executive Officer and further delegation to the management to approve and review.

The Board Risk & Compliance Committee is responsible for overseeing the Bank's risk management governance, specifically in relation to identifying, measuring, monitoring, and reporting the risks critical to the Bank's operations.

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28. RISK MANAGEMENT (CONTINUED)

c. Structure and Organization of the Risk Management Function (continued)

The Board Executive Committee comprises of three designated members of the Board of Directors. The Board Executive Committee has delegated authority by the Board to manage the ongoing credit activities of the Group. Decisions are taken by the Board Executive Committee either at periodic meetings or if the need arises, by circulation.

Credit and Investment Committee (CIC): The CIC oversees the Credit & Investment Policy of the bank, identifies possible risk assumed by the bank for different transactions. The CIC has the authority to make final decision on approval or rejection of proposed transactions within its delegated authority as well as to monitor the performance and quality of the bank's credit and investment portfolio. The purpose of CIC is to assist management in fulfilling its oversight responsibilities relating to the credit & investment objectives, policies, controls, procedures and related activities, including but not limited to the review of the bank's investment and credit exposures, and credit, investment, per party, concentration and group limits.

The Credit & Risk Management (C&RM) division – headed by the Chief Risk Officer - has day-to-day responsibility for managing the risks involved across all areas of the Bank. C&RM provides independent identification, measurement, monitoring and control of all risk parameters, while liaising with the business divisions that ultimately own the risks. C&RM comprises a number of specialist units, including Risk Management, Credit Review & Analysis, and Credit Administration.

d. Risk Measurement and Reporting Systems

Based on the risk appetite, the Group has put in place various limits. These limits have been approved by the Board. Any limit breach is reported by the Credit & Risk Management Department (C&RM) to the relevant management/Board-level committee. The limits are reviewed and revised periodically, as required by the relevant policy and regulatory requirements.

e. Credit Risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers), investment in Sukuk and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the Credit and Risk Management Department which sets parameters and thresholds for the Group's financing activities.

i) ECL – Significant increase in credit risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Group will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

i) ECL – Significant increase in credit risk (SICR) (continued)

For the Corporate portfolio, the Group’s assessment for significant increase in credit risk (SICR) is done at a counterparty level by assigning and reviewing the migrations in internal rating.

For the Retail portfolio, the Group’s assessment for SICR is done at a facility level using days past due as the primary criteria.

ii) Generating the term structure of Probability of Default (PD)

Internal rating credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. The macroeconomic factors used in this analysis are shortlisted below:

- (i) Gross domestic product, constant prices;
- (ii) Total investments;
- (iii) Gross national savings;
- (iv) Inflation, average consumer prices;
- (v) Volume of imports of goods and services;
- (vi) Volume of exports of goods and services;
- (vii) General government revenue;
- (viii) General government total expenditure;
- (ix) Unemployment rate;
- (x) General government gross debt;
- (xi) Domestic credit growth (%); and
- (xii) Oil (Brent; \$/b).

Based on consideration of a variety of external actual and forecasted information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

ii) Generating the term structure of Probability of Default (PD) (continued)

For Corporate portfolio, through the yearly review of the corporate portfolio, the Group observes yearly performances to compute a count based PD over the one year horizon for the past 5 years. These PDs are grouped as per internal risk ratings (i.e. from 1 to 7). An average default rate of the 5 yearly observed default provides the through the cycle PDs.

In relation to the retail portfolio, the portfolio is segmented by product, as demonstrated below:

- (i) Auto finance;
- (ii) Mortgage finance;
- (iii) Tasheel Finance and Others; and
- (iv) Credit cards.

PDs for each segment are measured using Observed Default Estimation and thus PD is calculated based on Days Past Due (DPD) bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

iii) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, restructuring, expert credit judgement and, where possible, relevant historical experience.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews and validations:

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1 (12 months ECL): for exposures subject to credit risk where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1. Only exceptions are Purchased or Originated Credit Impaired (POCI) assets.

Stage 2 (lifetime ECL not credit impaired): for exposures subject to credit risk where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual / expected maturity profile including restructuring exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

iii) Determining whether credit risk has increased significantly (continued)

Stage 3 (lifetime ECL credit impaired): for credit-impaired exposures subject to credit risk, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 or more is used as stage 3.

iv) Definition of 'Default'

The Group's definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted assets will fall under the Stage 3. In general, a counterparty is considered in default and hence relevant exposure or a group of exposures is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the exposure or group of exposures that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment; rather the combined effect of several events may have caused the impairment losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that an exposure or group of exposures is impaired includes observable data that comes to the attention of the holder of the exposure.

In general, counterparties with facilities with past dues 90 days and above are considered in default.

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an exposure has increased significantly since its initial recognition and its measurement of ECL. The Group annually sources macro economic forecast data from the International Monetary Fund (IMF) database and Economist intelligence unit (EIU) database for Bahrain.

Macroeconomic variables are checked for correlation with the probability of default for the past five years and only those variables for which the movement can be explained are used. Management judgement is exercised when assessing the macroeconomic variables.

(vi) Measurement of ECL

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, Credit Conversion Factor (CCF) and discount rate. For portfolios wherein instrument level information is not available, the Group carries out ECL estimation on a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

- (i) Probability of Default (PD);
- (ii) Loss Given Default (LGD); and
- (iii) Exposure At Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(vi) Measurement of ECL (continued)

Corporate PD estimates are calculated based on statistical rating models, and assessed using rating tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

Retail PD estimates are measured using Observed Default Estimation at the segment level and thus PD will be calculated at DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts will be tracked at an interval of one year with a moving month cycle.

Debt type instruments portfolio, nostro and interbank placements portfolio is assessed for SICR using external ratings. The Group obtains PD estimates from Moody's / Standard & Poor's (S&P) / Fitch or any other external ratings deemed acceptable to the Bank.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

Subject to using a maximum of a 12-month PD for exposures subject to credit risk for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a financing commitment or guarantee.

vii) Modified exposures subject to credit risk

The contractual terms of exposures subject to credit risk may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

vii) Modified exposures subject to credit risk (continued)

When the terms of an exposure are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates exposures to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments, and amending the terms of financing covenants. Both retail and corporate financing exposures are subject to the forbearance policy.

For exposures modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect profit and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behavior over the period of time, in line with the CM module under volume 2 rule book issued by CBB, before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12 month ECL.

viii) Credit Risk Mitigation

Credit risk mitigation refers to the use of a number of techniques, such as obtaining collateral and guarantees to mitigate the credit risks that the Group is exposed to. Credit risk mitigants reduce the credit risk by allowing the Group to protect against counterparty non-performance of credit contracts through collaterals, netting agreements and guarantees.

The Bank extends credit facilities to its obligors after conducting a comprehensive assessment of the credit risk profile of the obligor including, but not limited to, assessment of business risks, financial risks and structural risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

viii) Credit Risk Mitigation (continued)

Credit granting primarily depends on the assessment of the obligor's cash flows and their ability to repay the financing commitments from their core operating activities. However, to lower the credit risk profile, the bank also requests, on case by case basis, collateral supports including tangible securities, assignments, guarantees among other collateral support.

Collateral coverage by type of credit exposure:

2024	Properties BD'000	Others BD'000	Total BD'000
Financing contracts	892,145	53,343	945,488

2023	Properties BD'000	Others BD'000	Total BD'000
Financing contracts	870,224	45,026	915,250

The fair value of collateral that the Group holds relating to non-performing facilities at 31 December 2024 amounts to BD 82,663 thousand (2023: BD 79,188 thousand). The collateral consists of cash, securities and properties. The utilisation of the above collaterals will be on a customer by customer basis and will be limited to the customer's total exposure.

ix) Gross maximum exposure to credit risk

The market value of tangible collateral security is properly evaluated by the Group approved surveyors (for properties) or based on publicly available quotations. Only the amount of such security equivalent to the exposure is taken into account while considering credit facilities.

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit related commitments. The figures represent gross exposure of any collateral held or other credit enhancements.

	2024 BD'000	2023 BD'000
Balances with banks and Central Bank	54,053	49,001
Placements with financial institutions	156,586	51,689
Financing contracts	1,000,663	924,340
Debt type investment instruments	251,759	257,727
	1,463,061	1,282,757
Letters of credit, guarantees and acceptances	34,139	25,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

x) Risk concentrations of the maximum exposure to credit risk

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses.

The distribution of the Group's assets, liabilities, quasi-equity, commitments and contingent liabilities by geographic region and industry sector is as follows:

	Assets		Liabilities and quasi-equity		Commitments and contingent liabilities	
	31 December 2024 BD'000	31 December 2023 BD'000	31 December 2024 BD'000	31 December 2023 BD'000	31 December 2024 BD'000	31 December 2023 BD'000
Geographical region						
Middle East	1,535,532	1,355,099	1,393,407	1,211,224	113,686	114,695
North America	5,840	2,566	917	1,088	-	-
Europe	536	391	183	1,140	-	-
Other	26	35	7	7	-	-
	1,541,934	1,358,091	1,394,514	1,213,459	113,686	114,695
Industry sector						
Trading and Manufacturing	106,867	73,865	56,889	30,227	12,738	13,107
Real Estate	114,957	115,363	49,896	46,268	30,428	21,239
Banks and Financial Institutions	115,827	92,551	327,364	306,816	13,282	10,415
Personal / Consumer Finance	637,169	626,113	689,167	630,379	44,372	39,746
Governmental Organizations	496,320	398,891	118,121	63,501	2,881	21,958
Aviation	-	-	-	251	-	-
Others	70,794	51,308	153,077	136,017	9,985	8,230
	1,541,934	1,358,091	1,394,514	1,213,459	113,686	114,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

xi) Credit quality of exposures subject to credit risk

(i) The following table sets out information about the credit quality of exposures subject to credit risk, unless specifically indicated:

	31 December 2024			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Financing contracts (Funded exposure)				
Low risks	781,188	8,942	-	790,130
Acceptable risks	132,572	45,870	-	178,442
Watch list	7	5,867	-	5,874
Non performing	-	-	72,791	72,791
Gross exposure	913,767	60,679	72,791	1,047,237
Less: ECL	(5,438)	(4,624)	(36,512)	(46,574)
Financing contracts carrying amount	908,329	56,055	36,279	1,000,663
Investment in Sukuk				
Low risks	251,793	-	-	251,793
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	12,507	12,507
Gross exposure	251,793	-	12,507	264,300
Less: ECL	(34)	-	(12,507)	(12,541)
Investment in Sukuk carrying amount	251,759	-	-	251,759
Placements with financial institutions				
Low risks	156,587	-	-	156,587
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	-	-
Gross exposure	156,587	-	-	156,587
Less: ECL	(1)	-	-	(1)
Placements with financial institutions carrying amount	156,586	-	-	156,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

xi) Credit quality of exposures subject to credit risk (continued)

	31 December 2024			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Balances with Banks				
Low risks	10,048	-	-	10,048
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	-	-
Gross exposure	10,048	-	-	10,048
Less: ECL	-	-	-	-
Balances with Banks carrying amount	10,048	-	-	10,048
Other Receivables				
Low risks	-	-	-	-
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	205	205
Gross exposure	-	-	205	205
Less: ECL	-	-	(205)	(205)
Other receivables carrying amount	-	-	-	-
Total funded exposures subject to credit risk carrying amount	1,326,723	56,055	36,279	1,419,057
Commitments				
Gross exposure	37,349	4,430	1,047	42,826
Less: ECL	(128)	(23)	(818)	(969)
Commitments carrying amount	37,221	4,407	229	41,857

*This includes BD 1,732 thousand of gross on-balance sheet exposures in the cooling off period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

xi) Credit quality of exposures subject to credit risk (continued)

(ii) The following table shows the movement in ECL in various stages:

	31 December 2024			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
At 1 January 2024	4,271	8,659	41,189	54,119
Transfer to Stage 1	1,129	(517)	(612)	-
Transfer to Stage 2	(35)	88	(53)	-
Transfer to Stage 3	(34)	(3,022)	3,056	-
Net movement between stages	1,060	(3,451)	2,391	-
Charge for the year (net)	271	(561)	7,086	6,796
Write-off	-	-	(615)	(615)
Foreign exchange movement	-	-	(9)	(9)
At 31 December 2024	5,602	4,647	50,042	60,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

xi) Credit quality of exposures subject to credit risk (continued)

(iii) The following table sets out information about the credit quality of exposures subject to credit risk, unless specifically indicated:

	31 December 2023			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Financing contracts (Funded exposure)				
Low risks	710,538	4,793	-	715,331
Acceptable risks	102,113	70,185	-	172,298
Watch list	17	8,057	-	8,074
Non performing	-	-	68,527	68,527
Gross exposure	812,668	83,035	68,527	964,230
Less: ECL	(4,064)	(8,612)	(27,214)	(39,890)
Financing contracts carrying amount	808,604	74,423	41,313	924,340
Investment in Sukuk				
Low risks	257,809	-	-	257,809
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	12,516	12,516
Gross exposure	257,809	-	12,516	270,325
Less: ECL	(82)	-	(12,516)	(12,598)
Investment in Sukuk carrying amount	257,727	-	-	257,727
Placements with financial institutions				
Low risks	51,692	-	-	51,692
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	-	-
Gross exposure	51,692	-	-	51,692
Less: ECL	(3)	-	-	(3)
Placements with financial institutions carrying amount	51,689	-	-	51,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

xi) Credit quality of exposures subject to credit risk (continued)

	31 December 2023			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Balances with Banks				
Low risks	11,901	-	-	11,901
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	-	-
Gross exposure	11,901	-	-	11,901
Less: ECL	-	-	-	-
Balances with Banks carrying amount	11,901	-	-	11,901
Other Receivables				
Low risks	-	-	-	-
Acceptable risks	-	-	-	-
Watch list	-	-	-	-
Non performing	-	-	205	205
Gross exposure	-	-	205	205
Less: ECL	-	-	(103)	(103)
Other Receivables carrying amount	-	-	102	102
Total funded exposures subject to credit risk carrying amount	1,129,921	74,423	41,415	1,245,759
Commitments				
Gross exposure	29,824	5,553	2,993	38,370
Less: ECL	(122)	(47)	(1,356)	(1,525)
Commitments carrying amount	29,702	5,506	1,637	36,845

*This includes BD 1,919 thousand of gross on-balance sheet exposures in the cooling off period.

(iv) The following table shows the movement in ECL in various stages:

	31 December 2023			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
At 1 January 2023	5,054	11,630	43,693	60,377
Transfer to Stage 1	513	(330)	(183)	-
Transfer to Stage 2	(199)	757	(558)	-
Transfer to Stage 3	(17)	(2,624)	2,641	-
Net movement between stages	297	(2,197)	1,900	-
Charge for the year (net)	(1,080)	(774)	7,452	5,598
Write-off	-	-	(11,845)	(11,845)
Foreign exchange movement	-	-	(11)	(11)
At 31 December 2023	4,271	8,659	41,189	54,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease immediately. To guard against this risk, the Group has a large customer base and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, commodity Murabaha, Wakala receivables, credit lines and high-quality sukuk.

i) Maturity profile of Group's assets and liabilities

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period from the consolidated statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its quasi-equity.

The maturity profile of assets, liabilities and quasi-equity at 31 December 2024 was as follows:

	Up to 1 month BD'000	1 to 3 months BD'000	3 to 6 months BD'000	6 months to 1 year BD'000	1 to 3 years BD'000	Over 3 years BD'000	No fixed maturity BD'000	Total BD'000
ASSETS								
Cash and balances with the banks and Central Bank	21,079	-	-	-	-	-	44,005	65,084
Placements with financial institutions	156,586	-	-	-	-	-	-	156,586
Financing contracts	21,370	53,614	50,387	71,354	251,085	552,853	-	1,000,663
Investment securities	18,746	21,479	-	24,032	37,205	150,297	20,367	272,126
Investment in associates	-	-	-	-	-	-	11,441	11,441
Investment in real estate	-	-	-	-	-	-	14,583	14,583
Property and equipment	-	-	-	-	-	-	14,793	14,793
Other assets	79	625	4,618	326	567	443	-	6,658
Total assets	217,860	75,718	55,005	95,712	288,857	703,593	105,189	1,541,934
LIABILITIES AND QUASI-EQUITY								
Placements from financial institutions	45,085	3,274	20,307	-	8,711	-	-	77,377
Placements from non-financial institutions and individuals	122,794	149,250	128,559	70,288	-	-	-	470,891
Financing from financial institutions	18,264	16,148	-	68,926	71,859	-	-	175,197
Customers' current accounts	216,442	-	-	-	-	-	-	216,442
Other liabilities	38,221	-	-	-	-	-	-	38,221
Quasi-equity	381,826	13,806	4,097	5,008	11,307	342	-	416,386
Total liabilities and quasi-equity	822,632	182,478	152,963	144,222	91,877	342	-	1,394,514
Liquidity gap	(604,772)	(106,760)	(97,958)	(48,510)	196,980	703,251	105,189	147,420
Cumulative liquidity gap	(604,772)	(711,532)	(809,490)	(858,000)	(661,020)	42,231	147,420	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk (continued)

i) Maturity profile of Group's assets and liabilities (continued)

The maturity profile of assets, liabilities and quasi-equity at 31 December 2023 was as follows:

	Up to 1 month BD'000	1 to 3 months BD'000	3 to 6 months BD'000	6 months to 1 year BD'000	1 to 3 years BD'000	Over 3 years BD'000	No fixed maturity BD'000	Total BD'000
ASSETS								
Cash and balances with the banks and Central Bank	24,502	-	-	-	-	-	37,100	61,602
Placements with financial institutions	51,689	-	-	-	-	-	-	51,689
Financing contracts	26,264	32,333	53,304	64,454	228,160	519,825	-	924,340
Investments securities	-	51,444	7,188	20,910	94,174	84,012	20,485	278,213
Investment in associates	-	-	-	-	-	-	8,302	8,302
Investment in real estate	-	-	-	-	-	-	14,725	14,725
Property and equipment	-	-	-	-	-	-	13,692	13,692
Other assets	61	724	3,500	219	272	649	103	5,528
Total assets	102,516	84,501	63,992	85,583	322,606	604,486	94,407	1,358,091
LIABILITIES AND QUASI-EQUITY								
Placements from financial institutions	58,307	15,397	304	12,742	9,092	-	-	95,842
Placements from non-financial institutions and individuals	65,100	66,185	74,369	84,942	6,619	-	-	297,215
Financing from financial institutions	-	86,117	27,824	67,561	-	-	-	181,502
Customers' current accounts	202,511	-	-	-	-	-	-	202,511
Other liabilities	24,668	-	-	-	-	-	-	24,668
Quasi-equity	379,511	5,684	6,739	9,346	10,328	113	-	411,721
Total liabilities and quasi-equity	730,097	173,383	109,236	174,591	26,039	113	-	1,213,459
Liquidity gap	(627,581)	(88,882)	(45,244)	(89,008)	296,567	604,373	94,407	144,632
Cumulative liquidity gap	(627,581)	(716,463)	(761,707)	(850,715)	(554,148)	50,225	144,632	-

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis. The simple average LCR for the year ended 31 December 2024 is 226% (2023: 198%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk (continued)

NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items and promotes funding stability.

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". As of 31 December 2024, the Group had NSFR ratio of 113% (2023: 104%).

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

Item	Unweighted Values (before applying factors)				BD'000
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	151,818	-	-	11,571	163,388
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	264,311	4,841	24	255,719
Less stable deposits	-	380,809	42,897	11,281	392,616
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	474,543	105,385	72,201	249,072
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	32,352	-	-	-
Total ASF	151,818	1,152,015	153,123	95,077	1,060,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk (continued)

Item	Unweighted Values (before applying factors)				BD'000
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	228,368	-	78,612	-	47,965
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	72,259	781	65,401	76,630
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	210,136	68,889	721,429	703,368
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	2,135	-	-	-	2,135
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	101,986	-	-	2,036	104,021
OBS items	113,685	-	-	-	5,684
Total RSF	446,174	282,395	148,282	788,866	939,803
NSFR (%)	112.9%				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

Item	Unweighted Values (before applying factors)				BD'000
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	154,747	-	-	14,251	168,998
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	260,744	7,033	66	254,455
Less stable deposits	-	297,098	70,883	16,874	348,056
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	434,595	101,386	113	132,793
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	13,062	-	-	-
Total ASF	154,747	1,005,499	179,302	31,304	904,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

f. Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows: (continued)

Item	Unweighted Values (before applying factors)				BD'000
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	240,425	-	72,960	-	45,723
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	59,063	746	9,318	18,550
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	105,084	63,848	713,679	690,226
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	738	-	-	-	738
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	103,199	-	-	1,792	104,991
OBS items	114,696	-	-	-	5,735
Total RSF	459,058	164,147	137,554	724,789	865,963
NSFR (%)	104.4%				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

g. Market Risk

The Group has accepted the definition of market risk as defined by CBB as “the risk of losses in on and off balance sheet positions arising from movements in market prices.

i) Profit rate risk

Profit rate risk is the sensitivity of financial products to changes in the profit rates. Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The profit distribution to quasi-equity is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Group’s results do not allow the Group to distribute profits inline with the market rates.

To manage its profit rate risk on the sukuk portfolio, the group entered into a profit rate swaps with its Parent during the period.

ii) Equity price risk

Equity price risk is the sensitivity of financial products to the changes in equity prices. Equity risk arises from holding open positions in equities or equity based instruments, thereby creating exposure to a change in the market price of the equity. In addition to Group performance expectations, equity prices are also susceptible to general economic data and sector performance expectations.

As at the consolidated statement of financial position date, the Group has unquoted (equities and Sukuk) of BD 69 million (2023: BD 39 million). The impact of changes in the value of these unquoted equities and Sukuk and the related impact on equity will only be reflected when the financial instrument is sold or deemed to be impaired.

iii) Foreign exchange risk

Foreign exchange risk is the sensitivity of financial products to changes in spot foreign exchange rates. The value of the Group’s portfolio which is denominated in a number of currencies may be exposed to these risks when converted back to the Group’s base currency.

The Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	Equivalent long (short)	Equivalent long (short)
	2024 BD’000	2023 BD’000
Currency		
Pound Sterling	53	(12)
Euro	162	114
Kuwaiti Dinars	44	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. RISK MANAGEMENT (CONTINUED)

g. Market Risk (continued)

iii) Foreign exchange risk (continued)

As the Bahraini Dinar is pegged to the US Dollar, positions in US Dollars are not considered to represent significant foreign exchange risk.

Moreover, as the Group does not have significant exposures in other currencies, movement of the currency exchange rates against the Bahraini Dinar with other variables held constant will have an immaterial impact on the consolidated statement of income and owners’ equity.

iv) Commodity risk

Commodity risk is defined as inherent risk in financial products arising from their sensitivity to changes in commodity prices. Since prices in commodity markets are determined by fundamental factors (i.e. supply and demand of the underlying commodity) these markets may be strongly correlated within a particular sector and less correlated across sectors.

h. Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

29. SEGMENTAL INFORMATION

For management purposes, the Group is organized into three major business segments;

Corporate	Principally handling of corporate quasi-equity, corporate current accounts, and providing Islamic financing facilities to corporate customers.
Retail	Principally handling of individual retail quasi-equity, retail current accounts, and providing Islamic financing facilities to individual customers.
Investment	Principally handling of banks and financial institutions quasi-equity, providing money market, trading and treasury services as well as the management of the Group’s investment activities. Investment activities involve handling debt and equity investments in local and international markets and investment in real estate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. SEGMENTAL INFORMATION (CONTINUED)

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	31 December 2024			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total income	5,716	23,873	11,154	40,743
Total expenses	(5,738)	(20,333)	(2,618)	(28,689)
Provision for impairment	(4,324)	(2,521)	(139)	(6,984)
Profit / (Loss) for the year	(4,346)	1,019	8,397	5,070
Other information				
Segment assets	368,588	703,172	470,174	1,541,934
Segment liabilities and equity	476,170	705,509	360,255	1,541,934

	31 December 2023			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total income	5,166	25,433	14,731	45,330
Total expenses	(5,310)	(19,590)	(2,659)	(27,559)
Provision for impairment	(3,566)	(2,241)	(828)	(6,635)
Profit / (Loss) for the year	(3,710)	3,602	11,244	11,136
Other information				
Segment assets	303,460	686,073	368,558	1,358,091
Segment liabilities and equity	311,695	615,188	431,208	1,358,091

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) The following table provides disclosure of the accounting classification for assets and liabilities:

	Carrying amount as at 31 December 2024			
	At fair value through statement of income BD'000	At fair value through other comprehensive income BD'000	At amortised cost BD'000	Total BD'000
ASSETS				
Cash and balances with banks and Central Bank	-	-	65,084	65,084
Placements with financial institutions	-	-	156,586	156,586
Financing contracts	-	-	1,000,663	1,000,663
Investment securities	436	19,931	251,759	272,126
Other assets	2,135	-	4,523	6,658
TOTAL ASSETS	2,571	19,931	1,478,615	1,501,117
LIABILITIES				
Placements from financial institutions	-	-	77,377	77,377
Placements from non-financial institutions and individuals	-	-	470,891	470,891
Financing from financial institutions	-	-	175,197	175,197
Customers' current accounts	-	-	216,442	216,442
Other liabilities	-	-	38,221	38,221
TOTAL LIABILITIES	-	-	978,128	978,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) The following table provides disclosure of the accounting classification for assets and liabilities (Continued):

	Carrying amount as at 31 December 2023			
	At fair value through statement of income BD'000	At fair value through other comprehensive income BD'000	At amortised cost BD'000	Total BD'000
ASSETS				
Cash and balances with banks and Central Bank	-	-	61,602	61,602
Placements with financial institutions	-	-	51,689	51,689
Financing contracts	-	-	924,340	924,340
Investment securities	436	20,050	257,727	278,213
Other assets	738	-	4,790	5,528
TOTAL ASSETS	1,174	20,050	1,300,148	1,321,372
LIABILITIES				
Placements from financial institutions	-	-	95,842	95,842
Placements from non-financial institutions and individuals	-	-	297,215	297,215
Financing from financial institutions	-	-	181,502	181,502
Customers' current accounts	-	-	202,511	202,511
Other liabilities	-	-	24,668	24,668
TOTAL LIABILITIES	-	-	801,738	801,738

b) Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Fair value (Continued)

In case of financing contracts the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different from fair value of these assets. Unquoted shares and unquoted managed funds of BD 20,367 thousand (2023: BD 20,486 thousand) are treated as Level 3 investments. During the year, fair value movement of BD 188 thousand (2023: BD nil) was charged to statement of income and BD 69 thousand fair value gain (2023: BD 32 thousand fair value loss) was charged to the fair value reserve. The estimated fair value of the Bank's other financial instruments are not significantly different from their carrying values due to their short-term nature.

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

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

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December:

2024	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Investment securities				
Unquoted shares	-	-	19,931	19,931
Unquoted managed funds	-	-	436	436
Other Assets				
Risk management instruments	-	2,135	-	2,135
Total	-	2,135	20,367	22,502

2023	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Investment securities				
Unquoted shares	-	-	20,050	20,050
Unquoted managed funds	-	-	436	436
Other Assets				
Risk management instruments	-	738	-	738
Total	-	738	20,486	21,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Transfers between Level 1, Level 2 and Level 3

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

31. EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a Qard fund account where the Group uses these funds for various charitable purposes. The non-Islamic income includes the penalties charged on late repayments for Islamic facilities.

32. SHARI'A SUPERVISORY BOARD

The Group's Shari'a Supervisory Board consists of four Islamic scholars who review the Group's compliance with general Shari'a principles and specific Fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

33. SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through Zakah and charity fund's expenditures and donations to good faith Qard fund for marriage, refurbishment, medical treatments, etc.

34. DOMESTIC MINIMUM TOP-UP TAX (DMTT)

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

National Bank Bahrain B.S.C. ("Ultimate Parent Entity"), is domiciled and operates in the Kingdom of Bahrain which has issued and enacted Decree Law No. (11) of 2024 ("Bahrain DMTT law") on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident constituent entities of the MNE group for fiscal years commencing on or after 1 January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. DOMESTIC MINIMUM TOP-UP TAX (DMTT) (CONTINUED)

The Ultimate Parent Entity has assessed that it is in scope of the Bahrain DMTT law. The Group is the constituent entity of the MNE Group which is also domiciled and operates in the Kingdom of Bahrain and therefore it is also within the scope of the Bahrain DMTT law, effective 1 January 2025.

The Ultimate Parent Entity is the designated filing constituent entity responsible for filing DMTT on behalf of the group entities operating in the Kingdom of Bahrain. The Ultimate Parent Entity is expected to be subject to the relief provided to MNE groups under Article 15 of the Bahrain DMTT Law. This relief reduces tax liability to zero for the near term subject to meeting certain conditions.

35. COMPARATIVE FIGURES

Certain prior year's figures have been regrouped to conform to the presentation adopted in the current year. Such regrouping did not affect previously reported profit for the year or total owners' equity.



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**RISK AND
CAPITAL
MANAGEMENT
DISCLOSURE**

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RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

1. BACKGROUND

The Public Disclosures under this section have been prepared in accordance with the Central Bank of Bahrain (“CBB”) requirements outlined in its Public Disclosure Module (“PD”), Section PD-1: Annual Disclosure requirements and PD-3.1.6 Semi-annual Disclosures, CBB Rule Book, Volume 2 for Islamic Banks. Rules concerning the disclosures under this section are applicable to Bahrain Islamic Bank B.S.C. (the “Bank”) being a locally incorporated Bank with a retail banking license, and its subsidiaries together known as (the “Group”).

The Board of Directors 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 by operating within the agreed capital and risk parameters and the Group risk policy framework.

2. STATEMENT OF FINANCIAL POSITION UNDER THE REGULATORY SCOPE OF CONSOLIDATION

The table below shows the reconciliation between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

Table – 1. Statement of Financial Position (PD- 1.3.14)

	Statement of Financial position as per published financial statements 31 December 2024 BD’000	Statement of Financial position as per Regulatory Reporting 31 December 2024 BD’000	Reference
ASSETS			
Cash and balances with banks and Central Bank	65,084	65,084	
Gross placements with financial institutions	156,587	156,587	
Less: Expected credit loss (stage 3)	-	-	
Less: Expected credit loss (stage 1 and stage 2)	(1)	-	
Net placements with financial institutions	156,586	156,587	
Gross financing contracts	1,047,237	1,047,237	
Less: Expected credit loss (stage 3)	(36,512)	(36,512)	
Less: Expected credit loss (stage 1 and stage 2)	(10,062)	-	
Net financing contracts	1,000,663	1,010,725	
Gross investment securities	299,133	299,133	
Less: Expected credit loss (stage 3)	(26,973)	(26,973)	
Less: Expected credit loss (stage 1 and stage 2)	(34)	-	
Net investment securities	272,126	272,160	
Investment in associates	11,441	11,441	
Investment in real estate	14,583	14,583	
Property and equipment	14,793	14,793	
Other assets	6,658	6,658	
TOTAL ASSETS	1,541,934	1,552,031	

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

2. STATEMENT OF FINANCIAL POSITION UNDER THE REGULATORY SCOPE OF CONSOLIDATION (CONTINUED)

Table – 1. Statement of Financial Position (PD- 1.3.14) (continued)

	Statement of Financial position as per published financial statements 31 December 2024 BD’000	Statement of Financial position as per Regulatory Reporting 31 December 2024 BD’000	Reference
LIABILITIES, QUASI EQUITY AND OWNERS’ EQUITY			
Liabilities			
Placements from financial institutions	77,377	77,377	
Placements from non-financial institutions and individuals	470,891	470,891	
Financing from financial institutions	175,197	175,197	
Customers’ current accounts	216,442	216,442	
Other liabilities	38,221	38,070	
of which: Expected credit loss - Off balance sheet exposures (stage 3)	818	818	
of which: Expected credit loss - Off balance sheet exposures (stage 1 and stage 2)	151	-	
of which: Other liabilities	37,252	37,252	
TOTAL LIABILITIES	978,128	977,977	
QUASI EQUITY			
Financial institutions	64,892	64,892	
Non-financial institutions and individuals	351,494	351,494	
TOTAL QUASI-EQUITY	416,386	416,386	

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

2. STATEMENT OF FINANCIAL POSITION UNDER THE REGULATORY SCOPE OF CONSOLIDATION (CONTINUED)

Table – 1. Statement of Financial Position (PD- 1.3.14) (continued)

	Statement of Financial position as per published financial statements 31 December 2024 BD'000	Statement of Financial position as per Regulatory Reporting 31 December 2024 BD'000	Reference
OWNERS' EQUITY			
Share capital	106,406	106,406	a
Treasury shares	(892)	(892)	b
Shares under employee share incentive scheme	(101)	(101)	c
Share premium	206	206	d
Statutory reserve	8,227	8,227	e
Real estate fair value reserve	1,320	1,320	f
Investment securities fair value reserve	1,652	1,652	g
Expected credit loss	-	10,248	h
<i>of which: amount eligible for Tier 2 capital subject to a maximum of %1.25 of credit risk weighted assets</i>	-	8,343	i
<i>of which: amount ineligible for Tier 2 capital</i>	-	1,905	j
Profit for the year	5,070	5,070	k
Retained earnings brought forward	532	532	l
<i>of which: Retained earnings as of 1 January 2024</i>	3,484	3,484	
<i>of which: Zakah and donations approved</i>	(539)	(539)	
<i>of which: Profit distribution on AT1 Capital</i>	(1,906)	(1,906)	
<i>of which: Transfer to statutory reserve</i>	(507)	(507)	
Equity attributable to Bank's shareholders	122,420	132,668	
Subordinated Mudaraba (AT1)	25,000	25,000	m
TOTAL OWNERS' EQUITY	147,420	157,668	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	1,541,934	1,552,031	

3. CAPITAL ADEQUACY

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The Group's capital structure is primarily made up of its paid-up capital, AT1 instruments and reserves. From a regulatory perspective, the significant amount of the Group's capital is in Tier 1 form as defined by the CBB, i.e., most of the capital is of a permanent nature.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

3. CAPITAL ADEQUACY (CONTINUED)

The Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of financing facilities growth expectations for each business group, expected growth in off-balance sheet facilities, and future sources and uses of funds. To assess its capital adequacy requirements in accordance with CBB requirements, the Group follows the Standardised Approach for its Credit Risk, Basic Indicator Approach for its Operational Risk, and Standardised Approach for its Market Risk. Allocation of assets between equity shareholders and profit sharing investment accounts are based on the profit distribution on Quasi-equity policy approved by the Board. All transfer of funds or regulatory capital within the Group is carried out after proper approval process. For the purposes of guidance, every table was cross referenced with the relevant paragraph number of the Central Bank of Bahrain's Public Disclosures Module.

Table – 2. Capital Structure (PD-1.3.13, and 1.3.14)

The following table summarises the eligible capital as of 31 December 2024 after deductions for Capital Adequacy Ratio (CAR) calculation:

	CET 1 BD'000	AT1 & T2 BD'000	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Components of capital			
Issued and fully paid ordinary shares	106,406	-	a
General reserves	-	-	
Statutory reserves	8,227	-	e
Share premium	206	-	d
Retained earnings brought forward	532	-	l
COVID19- concessionary measures adjustments*:			
<i>Modification loss and Government subsidy, net</i>	12,897		
<i>Aggregate ECL provision relating to stage 1 and 2 exposures</i>	4,258		
<i>Less: amortization of modification loss and government subsidy</i>	(11,437)		
Current year profits	5,070		k
Unrealized gains and losses on available for sale financial instruments	1,652	-	g
Less:			
<i>Employee stock incentive program funded by the bank (outstanding)</i>	101	-	c
<i>Treasury shares</i>	892	-	b
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1)	126,818	-	
Instruments issued by parent company (AT1 Subordinated Mudaraba)	25,000		m
Assets revaluation reserve - property, plant, and equipment	1,320		f
Expected credit loss (ECL) - stages 2 & 1	8,343		i
Total Available AT1 & T2 Capital	34,663		
Total Capital	161,481		

*As per the CBB circular OG/226/2020 the aggregate of modification loss and ECL provision, amount must be deducted on an annual basis from CET1 in equal proportions over a three-year period from 1 January 2022 to 31 December 2024. Further, as per the CBB circular OG/417 /2021 the benefit of amortization of modification loss was extended until 30 June 2022. Further, CBB in its circular ODG/28/2022, communicated that the amortization of modification loss and 2020 ECL (management overlay) must be amortized starting from 1 January 2023. As at the year ended 31 December 2024, out of the modification loss of BD 17,155, an amount BD 11,437 thousand representing modification loss net of government subsidy was deducted from CET1.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

3. CAPITAL ADEQUACY (CONTINUED)

Table – 2. Capital Structure (PD-1.3.13, and 1.3.14) (continued)

	Amount of exposures BD'000
Total Credit Risk Weighted Assets	667,432
Total Market Risk Weighted Assets	287
Total Operational Risk Weighted Assets	125,479
Total Regulatory Risk Weighted Assets	793,198
Investment risk reserve (%30 only)	-
Profit equalization reserve (%30 only)	103
Total Adjusted Risk Weighted Exposures	793,095
TOTAL CAPITAL ADEQUACY RATIO	20.36%
Minimum requirement	12.5%
CET 1 ratio	9%
Tier 1 ratio	10.5%
Total Capital ratio	12.5%

AT1 Subordinated Mudaraba

The Subordinated Mudaraba is recognized under the consolidated statement of changes in owners' equity and the profits paid to rab al-maal (security holder) is accounted for as appropriation of profits.

During 2024, an amount of BD 1,906 thousand (2023: BD 1,901 thousand) were paid to AT1 holders as profit distributions.

Table – 3. Capital requirements by type of Islamic financing contracts (PD-1.3.17)

The following table summarises the amount of exposures as of 31 December 2024 subject to standardised approach of credit risk and related capital requirements by type of Islamic financing contracts:

	Exposure			Risk Weighted Assets*			Capital Requirements		
	Share capital BD'000	Quasi-Equity BD'000	Total BD'000	Self-Financed BD'000	Quasi-Equity (3) BD'000	Total BD'000	Self-Financed BD'000	Quasi-Equity BD'000	Total BD'000
Credit Risk Weighted Assets									
Funded									
Cash and balances with banks and Central Bank	20,928	44,156	65,084	6,015	-	6,015	752	-	752
Murabaha and Wakala receivables - interbank	151,082	5,505	156,587	23,336	255	23,591	2,917	32	2,949
Murabaha receivables*	426,166	176,454	602,620	271,682	33,747	305,429	33,960	4,218	38,178
Musharaka receivables*	65,726	27,214	92,940	53,908	6,696	60,604	6,739	837	7,576
Investment in Sukuk	178,065	73,728	251,793	-	-	-	-	-	-
Investment in equity and funds	20,367	-	20,367	72,066	-	72,066	9,008	-	9,008
Ijarah Muntahia Bittamleek*	222,881	92,284	315,165	89,488	11,116	100,604	11,186	1,390	12,576
Investment in associates	11,441	-	11,441	25,148	-	25,148	3,144	-	3,144
Investment in real estate	14,583	-	14,583	29,167	-	29,167	3,646	-	3,646
Property and equipment	14,793	-	14,793	14,793	-	14,793	1,849	-	1,849
Other assets	6,658	-	6,658	6,658	-	6,658	832	-	832
	1,132,690	419,341	1,552,031	592,261	51,814	644,075	74,033	6,477	80,510
Unfunded									
Commitments and contingent liabilities	113,686	-	113,686	23,357	-	23,357	2,920	-	2,920
Total Credit Risk Weighted Assets	1,246,376¹	419,341²	1,665,717	615,618	51,814	667,432	76,953	6,477	83,430
Total Market Risk Weighted Assets				287	-	287	36	-	36
Total Operational Risk Weighted Assets				125,479	-	125,479	15,685	-	15,685
Total Risk Weighted Assets				741,384	51,814	793,198	92,674	6,477	99,151

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

3. CAPITAL ADEQUACY (CONTINUED)

Table – 3. Capital requirements by type of Islamic financing contracts (PD-1.3.17) (continued)

* The risk weighted assets for funded exposures are net of credit risk mitigant of BD 36,197 thousand and for unfunded exposures the appropriate credit conversion factors are applied.
1 The exposure is gross of expected credit loss Stages 1 & 2 of BD 7,293 thousand and net of expected credit loss Stage 3 of BD 35,689 thousand.
2 The exposure is gross of expected credit loss Stages 1 & 2 of BD 2,955 thousand and net of expected credit loss Stage 3 of BD 14,353 thousand.
3 For assets funded through Quasi-equity only 30% of exposure is considered. (CA-1.1.12)

Table – 4. Capital requirements for market risk (PD-1.3.18)

The following table summarises the amount of exposures as of 31 December 2024 subject to standardised approach of market risk and related capital requirements:

Market Risk - Standardised Approach	
Foreign exchange risk (BD'000)	23
Total of Market Risk - Standardised Approach	23
Multiplier	12.5
Risk Weighted Exposures for CAR Calculation (BD'000)	287
Total Market Risk Exposures (BD'000)	287
Total Market Risk Exposures - Capital Requirement (BD'000)	36

Table – 5. Capital requirements for operational risk (PD-1.3.30 (a & b) and PD-1.3.19)

The following table summarises the amount of exposures as of 31 December 2024 subject to basic indicator approach of operational risk and related capital requirements:

Indicators of operational risk	
Average Gross income (BD>000)	66,922
Multiplier	12.5
	836,529
Eligible Portion for the purpose of the calculation	15%
Total Operational Risk Exposure (BD'000)	125,479
Total Operational Risk Exposures - Capital Requirement (BD'000)	15,685

Table – 6. Capital Adequacy Ratios (PD-1.3.20)

The following are Capital Adequacy Ratios as of 31 December 2024 for total capital and CET 1 capital:

	Total capital ratio	T1 Capital ratio	CET 1 capital ratio
Top consolidated level	20.36%	19.14%	15.99%

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

3. CAPITAL ADEQUACY (CONTINUED)

Internal Capital Adequacy Assessment Process (ICAAP)

The Group’s capital management aims to maintain an optimum level of capital to enable it to pursue strategies that build long term shareholder value, whilst always maintaining minimum regulatory ratio requirements and for Pillar II risks.

The key principles of capital management comprise of:

- I. Adequate capital is maintained as buffer for unexpected losses to protect shareholders and depositors.
- II. Optimize risk adjusted return on capital and maintain sustainable return above the cost of capital.

The adequacy of the Group’s capital is monitored using, primarily, the rules and ratios established by the CBB. The primary objective of the Group’s capital management is to be in compliance with externally imposed capital requirements. The Group is in compliance with all externally imposed capital requirements during the year ended 31 December 2024.

4. Risk Management

4.1 Group-wide Risk Management Objectives

The risk management philosophy of the Group is to identify, capture, monitor, and manage the various dimensions of risk with the objective of protecting asset values and income streams such that the interest of the Group’s shareholders (and others to whom the Group owes a liability) are safeguarded, while maximising the returns intended to optimise the Group’s shareholder return and maintaining its risk exposure within self-imposed parameters.

In addition to satisfying the minimum regulatory capital requirements of CBB, the Group seeks to constantly identify and quantify, to the extent possible, the various risks that are inherent in the normal course of its business.

The Group reviews and aligns its risk appetite in line with its evolving business plan, and changing economic and market scenarios, in addition to evolving regulatory requirements. The Group also assesses its tolerance for specific risk categories and its strategy to manage these risks. To monitor and report exposures to these identified risks, the Group adopted a comprehensive enterprise-wide Risk Management Framework that encompasses the risk limit, monitoring, and reporting structures.

4.2 Strategies, Processes and Internal Controls

4.2.1 Group’s risk strategy

The Group maintains a risk appetite and strategy document that is reviewed on an annual basis by the Board Risk and Compliance Committee and is approved by the Board. It also maintains a comprehensive Risk Management Framework that is approved by the Board. These are also supported by appropriate limit structures. These policies provide an enterprise-wide integrated risk management framework for the Group.

The Risk Management Framework identifies risk objectives, policies, strategies, and risk governance both at the Board and management level.

Limit structures serve as key components in articulating risk strategy in quantifiable risk appetite. They are further supported by a comprehensive framework for various risk silos with its own policies and methodology documents.

There are appropriate internal controls in place to ensure that the integrity of the risk management identification, monitoring and reporting systems. This is conducted through periodic internal audit, in addition to external validation, when required.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.2 Strategies, Processes and Internal Controls (continued)

4.2.2 Credit risk

The Group manages its credit risk exposure by evaluating each new product/activity with respect to the credit risk introduced by it, in addition to ongoing review of existing credit risk exposures. The Group has established a limit structure to avoid concentration of risks for counterparty, sector, and geography.

4.2.3 Market risk

The Group proactively measures and monitors the market risk in its portfolio using appropriate measurement techniques such as limits on its foreign exchange open positions. The Group periodically carries out stress testing to assess the impact of adverse market conditions on its market risk sensitive portfolio.

As at 31 December 2024, the group does not maintain any trading portfolio.

4.2.4 Operational risk

The Group carries out Risk Control Self-Assessment (“RCSA”) exercises on a regular basis to record potential risks, controls and events on a continuous basis across different business and support functions. Key operational risk reports are delivered to all relevant stakeholders in the Bank on a periodic basis.

The Group has a mechanism to review the policies and procedures in effect.

4.2.5 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. Currently, acquiring additional equity investments are off-strategy.

4.2.6 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The profit distribution to Quasi-equity accountholders is based on profit sharing agreements.

However, the profit sharing agreements will result in displaced commercial risk when the Group’s results do not allow the Group to distribute profits in line with market rates. The Group uses profit rate swaps as a means to manage this risk.

4.2.7 Displaced Commercial Risk

Displaced Commercial Risk (“DCR”) refers to the market pressure to pay returns that exceed the rate that has been earned on the assets financed by the liabilities, when the return on assets is underperforming as compared with competitors rates.

The Group manages its Displaced Commercial Risk by placing gap limits between the returns paid to investors and market returns.

The Group manages its DCR as outlined in the Group’s Profit Distribution On Equity of Investment Accountholders Policy. The Group may forego its mudarib fee in case displaced commercial risk arises. The Group benchmarks its rates with other leading banks in the market.

All the above strategies used have been effective throughout the reporting year.

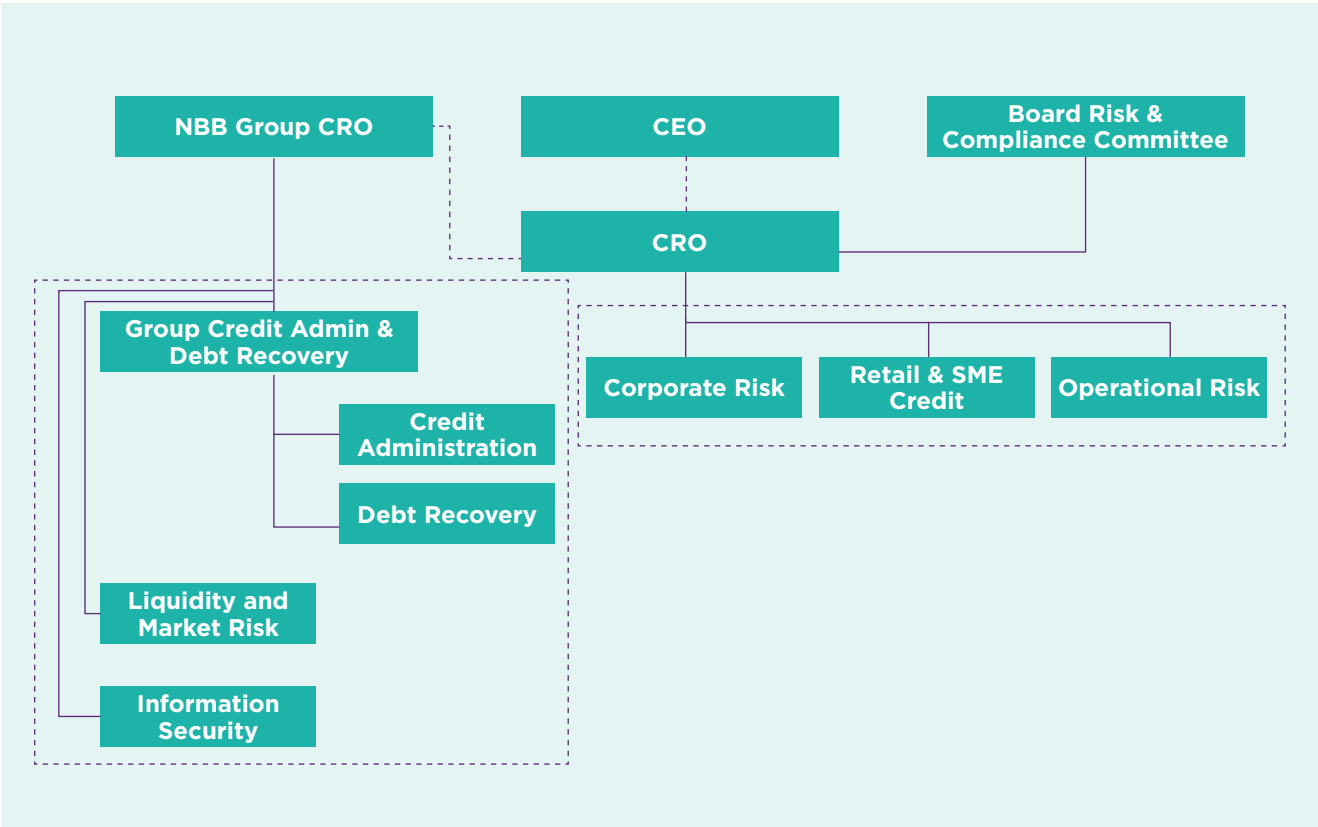
RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.3 Structure and Organisation of Risk Management Function

Risk Management Structure includes all levels of authorities (including Board level Risk & Compliance Committee, in addition to the NBB Group reporting), organisational structure, people, and systems required for the smooth functioning of risk management processes in the Group. The responsibilities associated with each level of risk management structure and authorities include the following:



The board retains ultimate responsibility and authority for all risk matters, including:

- a. Establishing overall policies and procedures; and
- b. Delegating authority to Board Risk and Compliance Committee, Board Executive Committee, Credit Committee, Investment Committee, the Chief Executive Officer and further delegation to management to approve and review.

4.4 Risk Measurement and Reporting Systems

Based on risk appetite of the Group, the Group has put in place various limits. These limits have been approved by the Board of Directors. Any limit breaches are reported to the respective senior management committees and the Board by the Credit and Risk Management Department (“CRMD”). The limits are reviewed and revised at least on an annual basis or when is deemed required.

The Group has developed a risk measurement and reporting system that generates various types of reports which has enhanced the monitoring process of the Group.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk

4.5.1 Introduction

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending and debt-type investment activities. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are secured by suitable tangible collateral wherever deemed necessary.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept in terms of counterparties, product types, geographical area, and industry sector. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Corporate counterparties are regularly assessed by the use of a credit risk classification system. Counterparty limits are established after a comprehensive credit assessment and after factoring in a counterparty risk rating generated by the Credit Risk Rating System. Risk ratings are subject to regular revision by the Credit Review Unit (“CRU”). Any changes to the Credit Risk Policy will be approved by the Board.

All credit proposals undergo a comprehensive risk assessment examining the customer’s financial condition, operating performance, nature of the business, quality of management, and market position, etc. The credit approval decision is made based on such risk assessment.

Retail credit is assessed by the Retail Credit Unit prior to booking as against the Bank’s approved retail financing credit criteria.

Exposure limits are based on the aggregate exposure to counterparty and any connected entities across the Group. Corporate facilities are reviewed on an annual basis by CRU, or more frequently based on the client’s credit condition.

4.5.2 Types of credit risk

Exposures subject to credit risk comprise of due from banks and financial institutions, murabaha receivables, musharaka, sukuk, commitments to finance and financial instruments resulting in contingencies (guarantees and letter of credit) and other assets.

Due from banks and financial institutions

Due from banks and financial institutions comprise commodity murabaha receivables and wakala receivables.

Financing contracts:

A) Financing assets:

Murabaha receivables

The Group finances these transactions through buying the commodity which represents the object of the Murabaha contract and then reselling this commodity to the Murabeh (beneficiary) at a profit. The sale price (cost plus profit margin) is repaid in installments by the Murabeh over the agreed period. The transactions are secured either by the object of the Murabaha contract (in case of real estate finance) or by a total collateral package securing the facilities given to the Murabeh.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.2 Types of credit risk (continued)

Musharaka investments

Musharaka is a form of partnership between the Group and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in an existing one, whereby each of the parties becomes an owner of the capital on a permanent or declining basis. Profits are shared in an agreed ratio, but losses are shared in proportion to the amount of capital contributed.

B) Ijarah Muntahia Bittamleek

The legal title of the assets under Ijarah muntahia bittamleek only passes to the lessee at the end of the Ijarah term, through gift, consideration, or gradual sale, provided that all Ijarah installments are settled.

4.5.3 Credit impaired exposures

The Group defines facilities as credit impaired facilities which are overdue for a period of 90 days or more, any exposure against which specific impairment provision is held irrespective of whether the customer is currently in arrears or not, and customers which are classified in stage 3 and are in cooling off period in line with CBB guidelines. It is a Group policy to classify all facilities of a corporate counterparty as credit impaired if one or more facilities meets the conditions for credit impaired facilities.

As a policy, the Group places any facility where there is reasonable doubt about the collectability of the receivable on a non-accrual basis, irrespective of whether the customer concerned is currently in arrears or not. In such cases, income is recognised to the extent that it is actually received.

For general and specific impairment assessments, the Group classifies its credit exposures into Stage 1, Stage 2 and Stage 3, based on impairment methodology followed, as described below:-

Stage 1 (12 months ECL): for exposures subject to credit risk where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1 with the exception of Purchased or Originated Credit Impaired (POCI) assets.

Stage 2 (lifetime ECL not credit impaired): for exposures subject to credit risk where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL for all exposures classified in this stage based on the actual / expected maturity profile including restructured or rescheduled exposures.

Stage 3 (lifetime ECL credit impaired): for credit-impaired exposures, the group recognises the lifetime ECL. Default identification process i.e. DPD of 90 more is used as Stage 3.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.3 Credit impaired exposures (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- (i) Probability of Default (PD);
- (ii) Loss Given Default (LGD); and
- (iii) Exposure At Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Corporate PD estimates are calculated based on statistical rating models, and assessed using rating tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Retail PD estimates are measured using Observed Default Estimation at the segment level and thus PD is calculated based at DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts will be tracked at an interval of one year with a moving month cycle.

Debt type instruments Portfolio, Nostro and Interbank Placements portfolio is assessed for SICR using external ratings, the group obtains PD estimates from Moody's / Standard & Poor's (S&P) / Fitch or any other external ratings.

LGD is the magnitude of the likely loss if there is a default. The group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of funded exposures is the gross carrying amount. For financing commitments and financial guarantees, the EAD includes the potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

4.5.4 External credit assessment institutions

The Group relies on external ratings for rated corporate customers and counterparties. The Group uses Standard & Poor's, Fitch, Moody's and Capital Intelligence to provide ratings for such counterparties. In case of unrated counterparties, the Group will assess the credit risk on the basis of defined parameters. These ratings are used for risk assessment and calculation of risk weighted equivalents. The Group's policy has the mapping of the external ratings with the internal ratings used by the Group and the corresponding internal rating is allocated to the exposure accordingly to transfer it in the Group's banking book.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.5 Definition of Geographical distribution

The geographic distribution of the credit exposures is monitored on an ongoing basis by the Group's Risk Management Department and reported to the Board on a quarterly basis. The Group's classification of geographical area is according to its business needs and the distribution of its portfolios.

4.5.6 Concentration risk

Concentration risk is the credit risk stemming from not having a well diversified credit portfolio, i.e. being overexposed to a single customer, industry sector, or geographic region. As per CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's prior approval for any planned exposure to a single unconnected counterparty, or group of closely related counterparties, exceeding 15% of the bank's consolidated total capital. Also, banks are required to obtain the CBB's prior approval for any planned exposure to connected counterparties exceeding 25% of their consolidated total capital at an aggregate level.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

4.5.7 Credit risk mitigation

Credit risk mitigation refers to the use of a number of techniques, like collaterals and guarantees to mitigate the credit risks that the Group is exposed to. Credit risk mitigants reduce the credit risk by allowing the Group to protect against counterparty non-compliance with credit contracts, through sale of collaterals, netting agreements, and guarantees. The Group uses on-balance sheet netting as a credit risk mitigation technique only if there is a well-founded legal basis for concluding that the netting or offsetting agreement is enforceable, and is able to determine at any time those assets and liabilities with the same counterparty that are subject to the netting agreement.

Generally, the Group extends credit facilities only where supported by audited financial statement and/or adequate tangible collateral security. Facilities may be considered without adequate tangible collateral security, when audited financial statements reveal satisfactory financial position/repayment ability and the facilities are properly structured and supported by assignments, guarantees, etc. as appropriate.

In general, personal guarantees of the partners/promoters/directors of the borrowing entity are obtained in support of credit facilities. In all cases, a statement of net worth of such personal guarantor is to be compiled/estimated by the Account Officer, so that adequate information is available at a future date in case the guarantees need to be enforced.

The market value of tangible collateral security is properly evaluated by the Group's approved valuers (for properties) or as per the suitable valuation methodology as outlined in the Bank's Credit Risk Mitigation Policy.

Financing to value percentage of securities and list of acceptable securities to the bank are governed through Board approved policies.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.7 Credit risk mitigation (continued)

4.5.7.1 General policy guidelines of collateral management

Acceptable Collateral: The Group has developed guidelines for acceptable collateral. Assets offered by customers must meet the following criteria to qualify as acceptable collateral:

- a. Assets must be maintaining their value, at the level prevalent at inception, until maturity date of the facility granted;
- b. Such assets should be easily convertible into cash, if required (liquidity);
- c. There should be a reasonable market for the assets (marketability); and
- d. The Group should be able to enforce its rights over the asset if necessary (enforceability).

Ownership: Prior to valuation or further follow up on the offered collateral, Credit Administration ensures satisfactory evidence of the borrower's ownership of the assets.

Valuation: All assets offered as collateral are valued by an appropriate source either in-house or by an external appraiser (in the case of real estate related collateral). The Group maintains a list of independent appraisers, approved by management.

a. Valuation of shares and financial securities: The Group performs in-house valuation on the following types of securities:

- For shares and securities listed in active markets, quoted bid prices are utilized;
- For unquoted shares and stakes in collective investment undertakings (CIUs), valuation is determined based on (i) present value of future cashflows and/or (ii) net asset value as and when financials are available; and
- For sukuk, collateral value is based on net realizable value.

b. Valuation of real estate and others: Besides assets mentioned above, the valuation of following securities are also conducted with the help of external valuers and/or independent reports:

- Real Estate;
- Equipment and machinery; and

The Credit Administration requests the concerned department to arrange for the valuation from approved valuers. In the case of real estate, re-evaluations are conducted at least annually by Bank approved evaluators.

The following additional guidelines are also followed by the Group:

- a. No facility should be disbursed until credit documentation is properly signed and security/ guarantees required have been signed and registered, where required. Exceptional cases can be considered by sanctioning authorities; and
- b. All documents received as security or support for credit facilities should be lodged in the safe custody through the Credit Administration and should be kept under dual control. The Group must ascertain that collateral providers are authorised and acting within their capacity.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.7 Credit risk mitigation (continued)

4.5.7.2 Guarantees

In cases where a letter of guarantee from a parent company or a third party is accepted as a credit risk mitigant, the Group ensures that all guarantees are irrevocable, and should be in line with internal policies. Also no maturity (negative) mismatch is permissible between the guarantee and exposure.

4.5.7.3 Custody / collateral management

The assets, or title to the asset, will be maintained in the Group's custody or with custodians approved by the Group. Adequate systems and controls exist to confirm the assets held with each custodian.

The release of collateral without full repayment of all related financial obligations can be done only if the approved level of security coverage is maintained post the release otherwise it requires authorisation of the same level that originally approved and sanctioned the facility. Substitution of collateral is permitted if the new collateral would further minimise the Group's risk exposure.

When collateral is released to the customer, the Head of Credit Administration obtains and maintains in his records acknowledgement of receipt from the customer or his/her authorised representative.

4.5.8 Counterparty credit risk

The Group has adopted the Standardised Approach to allocate capital for counterparty credit risk. The Group has put in place an internal counterparty limit structure which is based on internal / external ratings for different types of counterparties. The Group has also set concentration limits as a percentage of its capital based on internal and external grades. In case of a counterparty rating downgrade / deterioration, the Group may require further collateral or advise the counterparty to reduce its exposure on a case by case basis.

4.5.8.1 Exposure

The measure of exposure reflects the maximum loss that the Group may suffer in case a counterparty fails to fulfill its commitments, or loss that may arise due to exposures relating to concentration per product, asset classes, collateral, segments, country, region, currencies, market, etc. Exposure shall always be calculated on the basis of approved limits or actual outstanding exposure (financing facilities, investments or others), whichever is higher.

4.5.8.2 Counterparty

A counterparty is defined as an obligor (individual/company/other legal entity), a guarantor of an obligor, or a person receiving funds from the Group, the issuer of a security in case of a security held by the Group, or a party with whom a contract is made by the Group for financial transactions.

4.5.8.3 Group exposure

Group exposure is defined as the total exposure to all counterparties closely related or connected to each other. For this purpose, a Group is two or more counterparties that are related (both directly or indirectly) either through the existence of a control relationship or economic interdependence.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.8 Counterparty credit risk (continued)

4.5.8.4 Connected counterparties

Connected counterparties' includes companies or persons connected with the Group, including, in particular; controllers of the Group (and their appointed board representatives); subsidiaries, associates and related parties of the Group; holders of controlled functions in the Group and their close family members; members of the Shari'a Supervisory Board.

4.5.8.5 Large exposure

Large exposure is any exposure whether direct, indirect, or funded by Quasi-equity to a counterparty or a group of closely related counterparties which is greater than or equal to 10% of the Group's capital base.

Prior written approval from the CBB is required in the following cases:

- a. If any unconnected counterparty (single/group) exposure exceeds 15% of Group's Capital Base;
- b. If any facility (new/extended) to any connected counterparty exceeds 25% of the consolidated total capital at an aggregate level

4.5.8.6 Maximum exposure

The Group has set an internal maximum exposure limit in the light of CBB guidelines.

4.5.8.7 Reporting

The Group reports large counterparty exposures (as defined above) to CBB on a periodic basis. The Group reports the exposures on a gross basis without any set-off. However, debit balances on accounts may be offset against credit balances where both are related to the same counterparty, provided the Group has a legally enforceable right to do so.

4.5.8.8 Other matters

As a Group's strategy, exposure to connected counterparties may be undertaken only when negotiated and agreed based on commercial terms.

The Group shall not assume any exposure to its external auditors.

4.5.9 Related party transactions

The disclosure relating to related party transactions has been made in the reviewed condensed financial information for the year ended 31 December 2024. All related party transactions have been made on commercial terms.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 7. Credit Risk Exposure (PD-1.3.23(a))

The following table summarises the amount of gross funded and unfunded credit exposure (before deducting credit risk mitigant) as of 31 December 2024 and average gross funded and unfunded exposures over the year ended 31 December 2024:

	Total gross credit exposure BD'000	*Average gross credit exposure over the period BD'000
Funded		
Cash and balances with banks and Central Bank	65,084	60,895
Placements with financial institutions	156,586	108,550
Financing contracts	1,000,663	970,514
Investment in Sukuk	251,759	247,589
Investment in equity and funds	20,367	20,357
Investment in associates	11,441	10,634
Investment in real estate	14,583	14,690
Property and equipment	14,793	14,158
Other assets	6,658	6,586
Total	1,541,934	1,453,973
Unfunded		
Commitments and contingent liabilities	113,686	117,422
Total	1,655,620	1,571,395

*Average balances are computed based on quarter end balances.

Table – 8. Credit Risk – Geographic Breakdown (PD-1.3.23(b))

The following table summarises the geographic distribution of exposures as of 31 December 2024, broken down into significant areas by major types of credit exposure:

	North America BD'000	Europe BD'000	Middle East BD'000	Other BD'000	Total BD'000
Cash and balances with banks and Central Bank	5,820	536	58,702	26	65,084
Placements with financial institutions	-	-	156,586	-	156,586
Financing contracts	-	-	1,000,663	-	1,000,663
Investment in Sukuk	-	-	251,759	-	251,759
Investment in equity and funds	-	-	20,367	-	20,367
Investment in associates	-	-	11,441	-	11,441
Investment in real estate	-	-	14,583	-	14,583
Property and equipment	-	-	14,793	-	14,793
Other assets	20	-	6,638	-	6,658
Total	5,840	536	1,535,532	26	1,541,934
Unfunded					
Commitments and contingent liabilities	-	-	113,686	-	113,686
Total	5,840	536	1,649,218	26	1,655,620

*Geographical distribution of exposure into significant areas by major type of credit exposure is based on counterparty's country of incorporation.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 9. Credit Risk – Industry Sector Breakdown (PD-1.3.23(c))

The following table summarises the distribution of funded and unfunded exposures as of 31 December 2024 by industry, broken down into major types of credit exposure:

	Trading and Manufacturing BD'000	Banks and Financial Institutions BD'000	Real Estate and Construction BD'000	Personal & Consumer Finance BD'000	Governmental Organisation BD'000	Others BD'000	Total BD'000
Funded							
Cash and balances with banks and Central Bank	-	20,927	-	-	44,157	-	65,084
Placements with financial institutions	-	57,641	-	-	98,945	-	156,586
Financing contracts	106,867	26,334	76,861	635,697	101,459	53,445	1,000,663
Investment in Sukuk	-	-	-	-	251,759	-	251,759
Investment in equity and funds	-	2,503	16,606	-	-	1,258	20,367
Investment in associates	-	4,534	6,907	-	-	-	11,441
Investment in real estate	-	-	14,583	-	-	-	14,583
Property and equipment	-	-	-	-	-	14,793	14,793
Other assets	-	3,888	-	1,472	-	1,298	6,658
Total	106,867	115,827	114,957	637,169	496,320	70,794	1,541,934
Unfunded							
Commitments and contingent liabilities	12,738	13,282	30,429	44,371	2,881	9,985	113,686
Total	119,605	129,109	145,386	681,540	499,201	80,779	1,655,620

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 10. Credit Risk – Financing Facilities to Highly Leveraged or Other High Risk Counterparties (PD-1.3.23(e))

The following balances represent the financing facilities to highly leveraged or other high risk counterparties as of 31 December 2024:

	Gross BD'000	Stage 3 ECL BD'000	Net* BD'000
Counterparties			
Counterparty # 1	5,242	-	5,242
Counterparty # 2	3,651	2,191	1,460
Counterparty # 3	3,607	-	3,607
	12,500	2,191	10,309

*Gross of expected credit loss stage 1 and 2 of BD nil.

Table – 11. Credit Risk – Concentration of Risk (PD-1.3.23(f))

The Bank has the following exposures that are in excess of the individual obligor limit of %15 of the Bank's capital as of 31 December 2024:

	Gross BD'000	Stage 3 ECL BD'000	Net* BD'000
Counterparties			
Counterparty # 1*	244,513	-	244,513
Counterparty # 2*	143,101	-	143,101
Counterparty # 3*	40,127	-	40,127
Counterparty # 4*	30,266	-	30,266
Counterparty # 5*	26,678	-	26,678
	484,685	-	484,685

*Represents exempted large exposures.

**Gross of expected credit loss stage 1 and 2 of BD 316 thousand.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 12. Credit Risk – Residual Contractual Maturity Breakdown (PD-1.3.23(g) PD-1.3.38)

The following table summarises the maturity profile of the total assets based on contractual maturities as at 31 December 2024. All the assets with no fixed contractual maturities are disclosed under no fixed maturity:

	Up to One month BD'000	1-3 months BD'000	3-6 months BD'000	6-12 months BD'000	1-3 years BD'000	3-5 years BD'000	5-10 years BD'000	10-20 years BD'000	Over 20 years BD'000	No fixed maturity BD'000	Total BD'000
Assets											
Cash and balances with banks and Central Bank	21,079	-	-	-	-	-	-	-	-	44,005	65,084
Placements with financial institutions	156,586	-	-	-	-	-	-	-	-	-	156,586
Financing contracts	21,370	53,614	50,387	71,354	251,084	234,760	157,163	134,917	26,014	-	1,000,663
Investment in Sukuk	18,746	21,479	-	24,032	37,204	57,277	93,021	-	-	-	251,759
Investment in equity and funds	-	-	-	-	-	-	-	-	-	20,367	20,367
Investment in associates	-	-	-	-	-	-	-	-	-	11,441	11,441
Investment in real estate	-	-	-	-	-	-	-	-	-	14,583	14,583
Property and equipment	-	-	-	-	-	-	-	-	-	14,793	14,793
Other assets	79	625	4,618	326	567	443	-	-	-	-	6,658
Total Assets	217,860	75,718	55,005	95,712	288,855	292,480	250,184	134,917	26,014	105,189	1,541,934

Table – 13. Credit Risk – Credit Impaired Exposures, Past Due Exposures, and Impairment Allowances by industry sector (PD-1.3.23(h) PD-1.3.24(b) PD-1.3.24(d))

The following table summarises the credit impaired facilities, past due facilities, and impairment allowances disclosed by major industry sector as of 31 December 2024:

	Credit impaired or past due Islamic financing contracts* BD'000	Aging of credit impaired or past due Islamic financing contracts				Stage 3 ECL			Stage 1 & 2 ECL			
		Less than 3 months BD'000	3 months to 1 year BD'000	1 to 3 years BD'000	Over 3 years BD'000	Balance at the beginning of the year BD'000	Charge for the year (net)** BD'000	Write- offs during the year BD'000	Balance at the end of the year BD'000	Balance at the beginning of the year BD'000	Charge for the year (net)** BD'000	Balance at the end of the year BD'000
Assets												
Trading and Manufacturing	49,658	18,858	4,794	22,573	3,433	13,869	1,107	48	14,928	2,246	32	2,278
Real Estate	20,862	7,949	5,105	7,806	2	1,908	4,248	-	6,156	2,166	(986)	1,180
Banks and Financial Institutions	14,041	14,041	-	-	-	-	-	-	-	242	26	268
Personal / Consumer Finance	45,197	30,764	5,013	6,100	3,320	10,678	1,750	312	12,116	3,794	772	4,566
Others	16,000	12,142	3,551	202	105	759	2,808	255	3,312	4,228	(2,458)	1,770
Total	145,758	83,754	18,463	36,681	6,860	27,214	9,913	615	36,512	12,676	(2,614)	10,062

*Gross of expected credit loss of BD 40,323 thousand.

**Net of transfers between stages.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 14. Credit Risk – Credit Impaired Exposures, Past Due Exposures, and Impairment Allowances (by geographic area) (PD-1.3.23(i) PD-1.3.24(c))

The following table summarises the credit impaired facilities, past due facilities, and impairment allowances by geographical area as of 31 December 2024:

	Credit impaired or past due or impaired Islamic financing contracts BD'000	Stage 3 ECL BD'000	Stage 1 & 2 ECL BD'000
Middle East	145,758	36,512	10,062

Table – 15. Credit Risk – Restructured Financing Facilities (PD-1.3.23(j))

The following table summarises the aggregate amount of restructured corporate financing facilities during the period as of 31 December 2024:

	Gross Outstanding BD'000	Stage 3 ECL BD'000	Net BD'000
Total Islamic financing ⁽¹⁾	1,047,237	36,512	1,010,725
Restructured financing facilities* ⁽²⁾	9,430	-	9,430
Percentage	0.90%	0.00%	0.93%

*Excludes facilities restructured during the period amounting to BD 5,725 thousand which are past due as of 31 December 2024. The nature of the concessions include alignment of the payment terms with the clients' expected cash flows.
⁽¹⁾ Gross of expected credit loss Stages 1 and 2 of BD 10,062 thousand.
⁽²⁾ Gross of expected credit loss Stage 2 of BD 190 thousand.

Table – 16. Credit Risk Mitigation (PD-1.3.25 (b) and (c))

The following table summarises the exposure as of 31 December 2024 by type of Islamic financing contract covered by Shari'a-compliant collateral eligible as per CA module of volume 2 of the CBB Rule Book:

	Total exposure covered by	
	Tamkeen Guarantee BD'000	Others BD'000
Financing assets	2,033	79,244
Ijarah Muntahia Bittamleek	-	20,017
Total	2,033	99,261

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 17. Counterparty Credit (PD-1.3.26 (b))

The following table summarises the counterparty credit risk exposure covered by collateral after the application of haircuts as of 31 December 2024:

	Financing assets BD'000	Ijarah Muntahia Bittamleek BD'000	Total BD'000
Exposures:			
Secured*	81,277	20,017	101,294
Unsecured*	607,085	292,284	899,369
Total	688,362	312,301	1,000,663
Collateral held:			
-Cash	18,029	130	18,159
-Guarantees	3,916	-	3,916
-Real Estate**	3,903	13,190	17,093
Total	25,848	13,320	39,168
Collateral as a percentage of secured exposure	31.80%	66.54%	38.67%

* The financing assets and Ijarah Muntahia Bittamleek exposures are net of ECL.
** A haircut of 30% is applied on the Real Estate collateral.

4.6 Market Risk

4.6.1 Introduction

The Group has accepted the definition of market risk as defined by CBB as the risk of losses in on- and off-balance sheet positions arising from movements in market prices.

4.6.2 Sources of market risk

For the Group, market risk may arise from movements in profit rates, foreign exchange markets, equity markets, or commodity markets. A single transaction or financial product may be subject to any number of these risks.

Profit rate risk is the sensitivity of financial products to changes in the profit rates. Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The profit distribution to Quasi-equity is based on profit sharing agreements. One of the methods the Bank uses to manage profit rate risk is through the use of profit rate swaps. For further detail on profit rate swaps, please refer to the audited consolidated financial information for the year ended 31 December 2024.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.6 Market Risk (continued)

4.6.2 Sources of market risk (continued)

Foreign exchange risk is the sensitivity of financial products to changes in spot foreign exchange rates. The value of the Group's portfolio which is denominated in a number of currencies may be exposed to these risks when converted back to the Group's base currency. The Group enters into foreign exchange swap contracts (Waad) to manage against foreign exchange fluctuations. Equity price risk is the sensitivity of financial products to the changes in equity prices. Equity risk arises from holding open positions in equities or equity based instruments, thereby creating exposure to a change in the market price of the equity. The Group has established a limit structure to monitor and control the market risk in its equity type instruments portfolio. These limits include maximum Stop-loss limits and position limits. As at 31 December 2024, the group did not have any trading portfolio. Currently, any new equity investments are off-strategy.

Commodity risk is defined as inherent risk in financial product arising from their sensitivity to changes in commodity prices. Since prices in commodity markets are determined by fundamental factors (i.e. supply and demand of the underlying commodity) these markets may be strongly correlated within particular sector and less correlated across sectors.

4.6.3 Market risk strategy

The Group's Board is responsible for approving and reviewing the risk strategy and significant amendments to the risk policies. The Group's senior management is responsible for implementing the risk strategy approved by the Board, and continually enhancing the policies and procedures for identifying, measuring, monitoring, and controlling risks.

In line with the Group's risk management objectives and risk tolerance levels, the specific strategies for market risk management include:

- a. The Group proactively measures and continually monitors the market risk in its portfolio;
- b. The Group at all times holds sufficient capital in line with the CBB Pillar 1 regulatory capital requirements;
- c. The Group establishes a limit structure to monitor and control the market risk in its portfolio. These limits includes position limits, and maximum/stop loss limits;
- d. The Group carries out stress testing periodically using the worst case scenarios to assess the effects of changes in the market value due to changing market conditions; and
- e. The Group clearly identifies the foreign currencies in which it wishes to deal in and actively manages its market risk in all foreign currencies in which it has significant exposure.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.6 Market Risk (continued)

4.6.4 Market risk measurement methodology

Market risk measurement techniques include the use of a number of techniques for market risk measurement. The risk measurement techniques mentioned in this section are used for measuring market risk in both trading book as well as banking book.

The various techniques which are used by the Group for the measurement, monitoring and control of market risk are as follows:

- a. Overnight open positions;
- b. Stop loss limits;
- c. Stress Testing; and
- d. Profit rate risk gap analysis.

4.6.5 Market risk monitoring and limits structure

The CRMD proposes through the Board Risk and Compliance Committee (BRCC) and Board the tolerance for market risk. Based on these tolerances, Risk Unit and Treasury have established appropriate risk limits that maintain the Group's exposure within the strategic risk tolerances over a range of possible changes in market prices and rates.

4.6.6 Limits monitoring

The Treasury Department and Risk Unit monitor the risk limits for each transaction, ensure that the limits are well within set parameters, and report periodically to top management.

4.6.7 Breach of limits

In case a limit is breached, the escalation and approval process will follow the Board-approved delegated authority limits. The limits are revised at least annually or when deemed required.

4.6.8 Portfolio review process

On a monthly basis, Risk Unit reviews the Group's assets and liabilities portfolio to evaluate the overall corporate exposure to market risk. As part of the review, Risk Unit also monitors the Group's overall market exposure against the risk tolerance limits set by the Board. Risk Unit also reviews the adherence to approved limits to control the market risk. Changes, if any, in market risk limits are communicated to business units after review by the CRO/CEO and approval by the ALCO and BRCC, as per the delegated authorities approved by the Board.

4.6.9 Reporting

Risk Unit generates at regular periodic intervals market risk management reports. These reports aim to provide the Group's senior management with an up-to-date view of its market risk exposure.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.6 Market Risk (continued)

4.6.10 Stress testing

Stress tests produce information summarising the Group’s exposure to extreme, but possible, circumstances and offer a way of measuring and monitoring the portfolio against extreme price movements of this type. The Group’s Risk Unit employs different stress categories: profit rates and foreign exchange rates. For each stress category, the worst possible stress shocks that might realistically occur in the market are defined.

4.6.11 Foreign subsidiary

The Group does not have any foreign subsidiary.

Table – 18. Market Risk Capital Requirements (PD-1.3.27 (b))

The following table summarises the maximum and minimum capital requirement for foreign exchange risk for the year:

	Foreign exchange risk BD’000
Maximum value capital requirement	36
Minimum value capital requirement	23

4.7 Operational Risk

4.7.1 Introduction

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Insurance risk transfer is also a tool through which certain operational risks are mitigated. With respect to the management oversight process, operational risk appetite thresholds are set to control and monitor enterprise-wide operational loss.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.7 Operational Risk (continued)

4.7.2 Sources of operational risk

The different sources of operational risks faced by the Group can be classified broadly into the following categories:

- a. People risk which arises due to staffing inadequacy, unattractive remuneration structure, lack in staff development policies, lack in procedures for appointment, unhealthy professional working relationship, and unethical environment;
- b. Processes risk which arises due to inadequate general controls, inadequate application controls, improper business and market practices and procedures, inappropriate/inadequate monitoring and reporting;
- c. Systems (Technology) risk which arises due to integrity of information - lacking in timeliness of information, omission and duplication of data, hardware failures due to power surge, cyber-attacks, obsolescence or low quality;
- d. External risk which arises due to natural or non-natural (man made) disaster; and
- e. Legal risk which arises due to contractual obligations.

4.7.3 Operational risk management strategy

As a strategy, the Group will identify the sources of operational risks in coordination with each business unit. The Group carried out Risk Control Self-Assessments (“RCSA”), and plans to do a continuous and on-going exercise to identify the operational risks it is exposed to.

The Group on a continuous basis will:

- a. assess the effectiveness of controls associated with identified risks;
- b. regularly monitor operational risk profiles and material exposures to losses / loss events;
- c. identify stress events and scenarios to which it is vulnerable and assess their potential impact, and the probability of aggregated losses from a single event leading to other risks;
- d. Monitoring and reporting of operational risk is through the Operational Risk Committee (ORC), a management-level committee responsible for monitoring and discussing the operational risks emanating from the group’s activities; and
- e. Effecting appropriate contingency and business continuity planning that takes into account the operational risks facing the Group, and providing BCP and operational risk training at a Bank-wide level on the same to ensure that this is fostered across the organization.

4.7.4 Operational risk monitoring and reporting

The internal monitoring and reporting process ensures a consistent approach for providing pertinent information to senior management to highlight operational risks through ongoing, periodic reviews.

The objective of the reporting process is to ensure relevant information is provided to senior management and the Board to enable the proactive management of operational risk. The process ensures a consistent approach for providing information that enables appropriate decision making and action taking.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.7 Operational Risk (continued)

4.7.4 Operational risk monitoring and reporting (continued)

The group has a legal department dedicated to monitor any legal risk arising out of contracts/ agreements entered into by the group on a dayto day basis. The department also liaises with external lawyers for legal cases filed by the group against delinquent accounts for recovery or any legal cases filed against the group.

4.7.5 Operational risk mitigation and control

For those risks that cannot be controlled, the business units in conjunction with Risk Unit will decide whether to accept the risks, reduce the level of business activity involved, transfer the risk outside the Group, or withdraw from the associated activity completely. Risk Unit facilitates the business units in co-developing the mitigation plans. The group deals with the pending legal cases through internal and external lawyers depending upon the severity of the cases.

Table - 19. Operational Risk Exposure (PD-1.3.30 (a) & (b))

The following table summarises the amount of exposure subject to basic indicator approach of operational risk and related capital requirements:

	Gross income		
	2023 BD'000	2022 BD'000	2021 BD'000
Total Gross Income	64,106	70,552	66,109
Indicators of operational risk			
Average Gross income (BD'000)			66,922
Multiplier			12.5
			836,529
Eligible Portion for the purpose of the calculation			15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (BD'000)			125,479

4.8 Equity Position in the Banking Book

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio. To date, the Bank does not carry significant equity position risk in its banking book.

The accounting policies, including valuation methodologies and their related key assumptions, are consistent with those disclosed in the consolidated financial statements for the year ended ended 31 December 2024. Equity type instruments carried at fair value through other comprehensive income and investment properties are kept for capital gain purposes, all other investments including investments in associates are kept for strategic long term holdings.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.8 Equity Position in the Banking Book (continued)

Table - 20. Equity Position Risk in Banking Book (PD-1.3.31 (b), (c) & (g))

The following table summarises the amount of total and average gross exposure of equity investments and funds as of 31 December 2024:

	Total gross exposure ⁽¹⁾ BD'000	Average gross exposure ⁽²⁾ BD'000	Publicly traded BD'000	Privately held BD'000	Risk weighted assets BD'000	Capital Requirements BD'000
Equity investments	34,397	34,340	-	34,397	71,412	8,927
Funds	436	436	-	436	654	82
Total	34,833	34,776	-	34,833	72,066	9,008

⁽¹⁾ Balances are gross of impairment allowance of BD 14,466 thousand.

⁽²⁾ Average balances are computed based on quarter end balances.

Table - 21. Equity Gains or Losses in Banking Book (PD-1.3.31 (d), (e) & (f))

The following table summarises the cumulative realised and unrealised gains during the year ended 31 December 2024:

	BD'000
Cumulative realised gain arising from sales or liquidations in the reporting period	-
Total unrealised fair value losses through other comprehensive income	-
Unrealised gains included in CET 1 Capital	1,652
Unrealised gains included in Tier 2 Capital	1,320

4.9 Quasi-equity

The Group may require to decrease or increase losses or profit on certain Quasi-equity accounts for the purpose of income smoothing. Thus the Group is exposed to some of the price risk on assets funded by Quasi-equity. The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by Quasi-equity on a pro-rata basis.

The Group is authorised by the Quasi-equity to invest the account holder's funds on the basis of Mudaraba contract in a manner which the Group deems appropriate without laying down any restrictions as to where, how, and for what purpose the funds should be invested. Under this arrangement the Group can commingle theQuasi-equity investment funds with its own funds (owner's equity) or with other funds the Group has the right to use (e.g. current accounts or any other funds which the Group does not receive on the basis of Mudaraba contract). The Quasi-equity and the Group generally participate in the returns on the invested funds; however, the Group does not share profits with Quasi-equity resulting from investing current accounts and other funds received on the basis other than mudaraba contracts. In such type of contract, the Group is not

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

liable for any losses incurred on the joint pool other than the loss resulting from gross negligence or wilful misconduct on the part of the Group or due to the Group's violation of the terms and conditions as agreed between the Group and the Quasi-equity. During the period, the Group waived 18% of profit from mudarib fees in order to maintain a competitive profit distribution to Quasi-equity.

All new funds raised using wakala structure, together called "wakala pool" are comingled with the Bank's pool of funds based on an underlying mudaraba agreement. This comingled pool of funds is invested in a common pool of assets in the manner which the Group deems appropriate without laying down restrictions as to where, how and what purpose the funds should be invested.

The amount received from the customer on account of Quasi-equity is not invested completely in the portfolio of selected investments as the Group is required to maintain a cash reserve with CBB. In addition, the Group requires to set aside certain amount to meet operational requirements. The income allocated to the Quasi-equity deposits being received is in accordance with the utilisation of such funds. The utilisation rate is determined by the ALCO with the approval of Shari'a Supervisory Board.

Proposal for new products is initiated by the business lines within the Group and ALCO review such proposal to ensure that the new product is in line with the Group's business and risk strategy. All new products require the approval of the Shari'a Supervisory Board of the Bank. The business lines of the Group have expertise in creating high end value added products offering a wide range of products, expected return, tenors, and risk profile. Information on new products or any change in the existing products will be placed on the Group's website or published in the media.

These accounts are made available to customers through Retail Banking (to include the Thuraya Banking segment), in addition to the Group's Corporate and Institutional Banking division. The Group has designed a Customer Experience and Process Governance Unit to address customer dissatisfaction which reports to Chief Retail Banking. The complaints are investigated by personnel not directly related to the subject matter of the complaints.

The Group offers Quasi-equity in different currencies for maturity periods ranging from 1 month, 3 months, 6 months, 9 months, 12 months, and 36 months. The customer signs a written contract covering all terms and conditions of the investment, including tenor, basis of profit allocation, and early withdrawal. This is made available to both retail and corporate customers.

Because Quasi-equity is a significant funding source for the Group, the Group regularly monitors rate of return offered by competitors to evaluate the expectation of its Quasi-equity. The Group's policy provide whole or partial waiver of the mudarib share of income from investment in order to provide a reasonable return to its investors.

The Group has written policies and procedures applicable to its portfolio of Quasi-equity. Quasi-equity funds are invested and managed in accordance with Shari'a requirements.

Profits of an investment jointly financed by the Group and the Quasi-equity shall be allocated between them according to the contribution of each of the Group and the Quasi-equity in the jointly financed investment. Operating expenses incurred by the Group are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

deducted from the total balance of fund available in the Joint pool, as at that date, in the respective ratio of the Group's and Quasi-equity's respective contribution to the comingled pool. The Bank proportionately allocates non-performing assets to the Quasi-equity pool of assets. The ECL charge is also allocated to the Quasi-equity pool, in proportion of the non-performing assets financed by Quasi-equity to the total non-performing assets. Amounts recovered from these non-performing assets shall be subject to allocation between Quasi-equity and owners' equity.

In case of early withdrawal of Quasi-equity fund before completion of the term, the effective utilisation method will be applied.

In case of term deposits, the Quasi-equity account holders can withdraw funds on a premature basis by paying a nominal amount of fees / penalty; such penalties are offered for charity.

Additional disclosures such as the below are disclosed in the Bank's website:

- a. Characteristics of investors for whom investment account may be appropriate
- b. Purchase redemption and distribution procedures
- c. Product information and the manner in which the products are made available to investors

Governance of Quasi-equity

- a. Shariah review of allocation of assets and resultant income;
- b. Disclosure of profit rates on deposit products and mudaraba fees either in the branch or website;
- c. ALCO discusses the profit rate to be offered to Quasi-equity accounts. Any exceptional profit rates offered to customers are subject to approval by the relevant authority.

Table - 22. Quasi-equity by Type (PD-1.3.33 (a))

The following table summarises the breakdown of Quasi-equity accounts as of 31 December 2024:

	BD'000
Banks and financial institutions	64,892
Individuals and non-financial institutions	351,494
Total	416,386

Table - 23. Quasi-equity Ratios (PD-1.3.33 (d) & (f))

The following table summarises the return on average assets and mudarib share as a percentage of the total investment profit for the year ended 31 December 2024:

Profit Paid on Average Quasi-equity Assets *	0.99%
Mudarib Fee to Net finance income	46.13%

*Average assets funded by Quasi-equity have been calculated using month end balances.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

Table – 24. Quasi-equity Ratios (PD-1.3.33 (e) & (g))

The following table summarises the profit distributed to Quasi-equity and financing ratios to the total of Quasi-equity by type of investment for the year ended 31 December 2024:

	Average declared rate of return	Proportion of total profit distributed by type of Quasi-equity	Proportion of Quasi-equity investments to total Quasi-equity
Saving accounts (including VEVO)	0.05%	1.89%	33.47%
Defined accounts - 1 month	1.00%	0.53%	0.46%
Defined accounts - 3 months	1.00%	0.23%	0.17%
Defined accounts - 6 months	1.05%	0.29%	0.25%
Defined accounts - 9 months	1.15%	0.01%	0.00%
Defined accounts - 1 year	1.45%	2.83%	1.80%
IQRA	2.00%	2.42%	1.10%
Tejoori	1.08%	3.19%	43.72%
Customer special deposits	3.52%	22.92%	4.77%
Wakala - Financial institutions	5.18%	63.29%	13.75%
Wakala - Non-financial institutions and individuals	3.63%	2.41%	0.52%
		100%	100%

The calculation and distribution of profits was based on quarterly average balances.

Table – 25. Quasi-equity to Total Financing (PD-1.3.33 (h) & (i))

The following table summarises the percentage of counterparty type to total financing for each type of Shari’a-compliant contract to total financing as of 31 December 2024:

	Percentage of Counterparty Type to Total Financing Contracts					
	Self Financed BD’000	%	Quasi- equity BD’000	%	Total BD’000	%
Gross financing assets*						
Murabaha	426,166	70.72%	176,454	29.28%	602,620	100.00%
Corporate	219,814	70.72%	91,014	29.28%	310,828	100.00%
Retail	206,352	70.72%	85,440	29.28%	291,792	100.00%
Musharakah	65,726	70.72%	27,214	29.28%	92,940	100.00%
Corporate	372	70.72%	154	29.28%	526	100.00%
Retail	65,354	70.72%	27,060	29.28%	92,414	100.00%
Total	491,892	70.72%	203,668	29.28%	695,560	100.00%
Gross Ijarah Muntahia Bittamleek**						
Corporate	43,173	70.72%	17,876	29.28%	61,049	100.00%
Retail	179,708	70.72%	74,408	29.28%	254,116	100.00%
Total	222,881	70.72%	92,284	29.28%	315,165	100.00%
ECL Stage 1 and 2	(7,116)	70.73%	(2,946)	29.27%	(10,062)	100.00%
Total	707,657	70.72%	293,006	29.28%	1,000,663	100.00%

*Net of expected credit loss (Stage 3) of BD 34,688 thousands.

**Net of expected credit loss (Stage 3) of BD 1,824 thousands.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

Table – 26. Quasi-equity Share of Profit by account type (PD-1.3.33 (d) (l) (m) & (n))

Account Type	Gross return on equity of Quasi-equity BD’000 A	Transfer to equalization reserve BD’000 B	Average mudaraba % C	Mudarib fees BD’000 D	Release from IRR BD’000 E	Profit paid to Quasi- equity BD’000 (A-B-C+D)	Ratio of PER to Quasi- equity %
Tejoori	9,147	161	98%	8,863	-	123	0.21%
Saving	6,006	59	98%	5,885	-	62	0.32%
Vevo	952	9	36%	933	-	10	2.02%
IQRA Deposits	257	-	64%	164	-	93	7.48%
Defined deposit	1,613	-	36%	584	-	1,029	1.19%
Wakala	2,750	-	8%	226	-	2,524	0.70%
	20,725	229		16,655	-	3,841	

Table – 27. Quasi-equity Share of Profit (PD-1.3.33 (l) (m) & (n))

The following table summarises the share of profits earned by and paid out to profit sharing investment accounts and the Group as Mudarib for the year ended 31 December 2024:

Share of profit allocated to Quasi-equity before transfer to/from reserves - BD’000	20,725
Percentage share of profit earned by Quasi-equity before transfer to/from reserves	4.98%
Net return on equity of Quasi-equity - BD’000	4,070
Release of IRR - BD’000	-
Transfer to equalization reserve - BD’000	229
Share of profit paid to Quasi-equity after transfer to/from reserves - BD’000	3,841
Percentage share of profit paid to Quasi-equity after transfer to/from reserves	0.92%
Share of profit paid to Bank as mudarib - BD’000	16,655

Table – 28. Quasi-equity Percentage Return to Profit Rate of Return (PD-1.3.33 (q))

The following table summarises the average distributed rate of return or profit rate on profit sharing investment accounts for the year ended 31 December 2024:

	3 months	6 months	12 months	36 months
Percentage of average distributed rate of return to Quasi-equity	1.28%	2.28%	3.79%	0.00%

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

Table – 29. Quasi-equity Type of Assets (PD-1.3.33 (r) & (s))

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 year ended 31 December 2024:

	As of 31-Dec-23 BD'000	Movement during the year BD'000	As of 31-Dec-24 BD'000
Cash and balances with banks and Central Bank	13,673	30,483	44,156
Murabaha and Wakala receivables - interbank	-	5,505	5,505
Gross financing assets*	207,577	(3,909)	203,668
Gross Ijarah Muntahia Bittamleek*	107,952	(15,668)	92,284
Investment securities	86,814	(13,086)	73,728
Expected credit loss	(4,295)	1,340	(2,955)
Total	411,721	4,665	416,386

*Net of ECL stage 3.

Table – 30. Quasi-equity Profit Earned and Paid (PD-1.3.33 (w))

The following table summarises the amount and rate of return of profits earned by the Group and paid out to Quasi-equity over the past five years:

	Profit Earned (jointly financed)		Profit Paid to (Quasi-equity)	
	BD'000	%	BD'000	%
2024*	74,102	5.26%	3,841	0.92%
2023	67,268	5.45%	3,903	0.95%
2022	62,049	5.09%	3,970	0.88%
2021	55,834	4.62%	3,501	0.68%
2020	53,169	4.92%	4,009	0.81%

Table – 31. Treatment of assets financed by Quasi-equity (PD-1.3.33 (v))

	Assets BD'000	RWA BD'000	RWA for Capital Adequacy Purposes BD'000	Capital Requirements BD'000
Cash and balances with banks and Central Bank	44,156	-	255	-
Murabaha and Wakala receivables - interbank	5,505	850	40,443	32
Financing assets ⁽¹⁾	203,668	134,810	-	5,055
Investment in Sukuk ⁽²⁾	73,728	-	11,116	-
Ijarah Muntahia Bittamleek ⁽¹⁾	92,284	37,053	-	1,390
	419,341	172,714	51,814	6,477

⁽¹⁾ The exposure is gross of ECL stage 1 and 2 of BD 2,946 thousand.

⁽²⁾ The exposure is gross of ECL stage 1 and 2 of BD 10 thousand.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk

4.10.1 Introduction

Liquidity risk is defined as “the risk that the Group will be unable to meet its obligations as they come due because of an inability to obtain adequate funding or to liquidate assets”.

4.10.2 Sources of liquidity risk

The sources of liquidity risk can broadly be categorised in the following:

- Funding risk is the risk of not being able to fund net outflows due to unanticipated withdrawal of capital or deposits;
- Call risk is the risk of crystallisation of a contingent liability; and
- Event risk is the risk of rating downgrades or other negative public news leading to a loss of market confidence in the Group.

4.10.3 Bank’s funding strategy

The Board reviews the funding strategy on an annual basis and amends the existing strategy, as deemed necessary. For this purpose, all business units advise the Treasurer of their projected liquidity requirements and contributions at the start of each year as part of annual budgeting process.

The funding strategy highlights any anticipated liquidity shortfalls, the funding requirements to finance these shortfalls and their impact on the statement of financial position. The Group’s Liquidity Risk Management Policy address liquidity contingency plan to deal with stressed scenarios and outline an action plan that can be taken in the event of liquidity stress situation.

4.10.4 Liquidity risk strategy

The Group monitors the liquidity position by comparing maturing assets and liabilities over various time buckets to include short term, medium term, and long-term buckets. The Group carries out stress testing periodically using the worst case scenarios to assess the effects of changes in market conditions on the liquidity of the Group. As a strategy the Group maintains a large customer base and good customer relationships.

The Group manages funding requirements through the following sources: Current accounts, savings accounts, other Quasi-equity accounts, interbank lines, and borrowing by leverage of Sukuk portfolio. The Group ensures appropriate monitoring of the funding portfolio and the sources of funding.

In fulfilment of Basel III and regulatory requirements, the Group reports the Liquidity Coverage Ratio (“LCR”) and the Net Stable Funding Ratio (“NSFR”) on a monthly and quarterly basis, respectively. In efforts to maintain both metrics above the regulatory and internal limits, the Bank adopts the following strategies:

LCR: The Bank intends on maintaining its LCR within the prescribed regulatory and internal limits through the gradual build up of its customer deposit base and uncumbered High Quality Liquid Assets (“HQLA”), predominantly through sovereign bonds and high grade fixed income assets.

NSFR: The Bank intends on building a stable funding profile by maintaining a balanced trade-off between available and required stable funding, specifically focusing on building its retail deposit base and build up of capital, with particular focus on stable funding to build its longer-term liquidity.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk (continued)

4.10.5 Liquidity risk measurement tools

The Group is monitoring the liquidity risk through ALCO.

4.10.6 Liquidity risk monitoring

The Group has set the tolerance for liquidity risk which are communicated to the Risk Unit and Treasury Department. Based on these tolerances, Risk Unit and Treasury have established appropriate risk limits that maintain the Group’s exposure within the strategic risk tolerances over a range of possible changes in liquidity situations due to cash flows in current accounts, and Quasi-equity accounts.

4.10.7 Liquidity limits structure

The Group uses a combination of different limits to ensure that liquidity is managed and controlled in an optimal manner. The Group has set the following limits for monitoring liquidity risks:

- a. Liquidity Gap limits; and
- b. Liquidity Ratio limits.

4.10.8 Liquidity risk stress testing

To evaluate whether the Group is sufficiently liquid, behavior of the Group’s cash flows under different conditions are observed.

4.10.9 Contingency funding plan

The Group does contingency funding exercises which details procedures to be followed by the Group, in the event of a liquidity crisis or a situation where the Group faces stressed liquidity conditions. The contingency funding plan will be an extension of day to day liquidity management and involves maintenance of an adequate amount of liquid assets and management of access to funding resources. The ALCO members discuss and monitor the situation over regular time-intervals to ensure sufficient liquidity in the Group.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk (continued)

Table – 32. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios for the past five years:

	2024	2023	2022	2021	2020
Due from banks and financial institutions / Total Assets	10.16%	3.81%	5.12%	6.56%	3.67%
Islamic Financing / Customer Deposits ⁽¹⁾	91.95%	101.42%	89.06%	82.63%	75.81%
Customer Deposits ⁽¹⁾ / Total Assets	70.45%	67.11%	75.02%	79.19%	85.30%
Short term assets ⁽²⁾ / Short term liabilities ⁽³⁾	17.02%	9.54%	11.78%	11.44%	8.94%
Liquid Assets ⁽⁴⁾ / Total Assets	11.51%	5.60%	7.46%	8.08%	5.66%
Growth in Customer Deposits	17.59%	(10.89%)	(2.58%)	1.47%	7.29%
Leverage ratio	11.72%	13.87%	13.88%	13.88%	12.02%

⁽¹⁾ Customer deposits include customer current accounts, commodity murabaha deposits from financial institutions, placements from non-financial institutions and individuals and Quasi-equity.

⁽²⁾ Short term assets includes cash and balances with banks and placements with financial institutions (maturing in a year).

⁽³⁾ Short term liabilities includes customer current accounts, other liabilities, placements from financial institutions (maturing within one year) and Quasi-equity (maturing within one year).

⁽⁴⁾ Liquid assets includes cash and balances with banks and Central Bank (excluding CBB reserve) and placements with financial institutions (maturing in a year).

Table – 33. Maturity Analysis (PD-1.3.37, PD-1.3.38)

The following table summarises the maturity profile of the total assets, total liabilities and Quasi-equity based on contractual maturities as at 31 December 2024. All the assets with no fixed contractual maturities are disclosed under no fixed maturity:

	Up to 3 months BD’000	3-6 months BD’000	6-12 months BD’000	1-3 years BD’000	Over 3 years BD’000	No fixed maturity BD’000	Total BD’000
Assets							
Cash and balances with banks and Central Bank	21,079	-	-	-	-	44,005	65,084
Placements with financial institutions	156,586	50,387	-	-	-	-	156,586
Financing contracts	74,984	-	71,354	251,084	552,854	-	1,000,663
Investment in Sukuk	40,225	-	24,032	37,204	150,298	-	251,759
Investment in equity and funds	-	-	-	-	-	20,367	20,367
Investment in associates	-	-	-	-	-	11,441	11,441
Investment real estate	-	-	-	-	-	14,583	14,583
Property and equipment	-	4,618	-	-	-	14,793	14,793
Other assets	704	-	326	567	443	-	6,658
Total Assets	293,578	55,005	95,712	288,855	703,595	105,189	1,541,934

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk (continued)

	Up to 3 months BD'000	3-6 months BD'000	6-12 months BD'000	1-3 years BD'000	Over 3 years BD'000	No fixed maturity BD'000	Total BD'000
Liabilities And Quasi-equity							
Placements from financial institutions	48,359	20,307	-	8,711	-	-	77,377
Placements from non-financial institutions and individuals	272,044	128,559	70,288	-	-	-	470,891
Financing from financial institutions	34,412	-	68,926	71,859	-	-	175,197
Customers' current accounts	216,442	-	-	-	-	-	216,442
Other liabilities	38,222	-	-	-	-	-	38,222
Quasi-equity	395,632	4,097	5,008	11,307	342	-	416,386
Total Liabilities And Quasi-equity	1,005,111	152,963	144,222	91,877	342	-	1,394,515

4.11 Profit Rate Risk

Profit rate risk is the sensitivity of financial products to changes in the profit rates. Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The profit distribution to Quasi-equity is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits inline with the market rates.

To manage its profit rate risk on the sukuk portfolio, the group entered into a profit rate swaps with its Parent during the period.

Senior management identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of the Group. The profit rate risk in the Group may arise due to the following transactions:

- a. Murabaha transactions;
- b. Wakala transactions;
- c. Ijarah Muntahia Bittamleek;
- d. Sukuk; and
- e. Musharaka investments.

The profit distribution to Quasi-equity is based on profit sharing agreements.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.11 Profit Rate Risk (continued)

4.11.1 Sources of Profit Rate Risk

The different profit rate risks faced by the Group can be classified broadly into the following categories:

- a. Re-pricing risk which arises from timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off balance sheet positions. As profit rates vary, these re-pricing mismatches expose the Group's income and underlying economic value to unanticipated fluctuations;
- b. Yield curve risk which arises when unanticipated shifts of the yield curve have adverse effects on the Group's income and/or underlying economic value;
- c. Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off balance sheet instruments of similar maturities or re-pricing frequencies; and
- d. Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitors rates.

4.11.2 Profit rate risk strategy

The Group is subject to profit rate risk on its financial assets, financial liabilities, and Islamic hedging instruments. The Group recognises income on certain of its financial assets on a time-apportioned basis. As a strategy the Group:

- a. has identified the profit rate sensitive products and activities it wishes to engage in;
- b. has established a structure to monitor and control the profit rate risk of the Group;
- c. measures profit rate risk through establishing maturity/re-pricing schedule that distributes profit rate sensitive assets, liabilities, Islamic hedging instruments, and off-balance sheet items in pre-defined time bands according to their maturity; and
- d. makes efforts to match the amount of floating rate assets with floating rate liabilities in the banking book.

4.11.3 Profit rate risk measurement tools

The Group uses the following tools for profit rate risk measurement in the banking book:

- a. Re-pricing gap analysis which measures the arithmetic difference between the profit-sensitive assets and liabilities of the banking book in absolute terms; and
- b. Basis Point Value ("BPV") analysis which is the sensitivity measure for all profit rate priced products and positions. The BPV is the change in net present value of a position arising from basis point shift in the yield curve. This quantifies the sensitivity of the position or portfolio to changes in profit rates.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.11 Profit Rate Risk (continued)

4.11.4 Profit rate risk monitoring and reporting

The Group has implemented information systems for monitoring, controlling and reporting profit rate risk. Reports are provided on a timely basis to all relevant stakeholders in the Group on a periodic basis.

Table – 34. Profit Rate Risk in Banking Book (PD-1.3.40 (b))

The following table summarises the profit rate gap position as of 31 December 2024:

	Up to 3 months BD'000	3-6 months BD'000	6-12 months BD'000	1-3 years BD'000	Over 3 years BD'000	Total BD'000
Assets						
Placements with financial institutions	156,586	-	-	-	-	156,586
Financing contracts	74,984	50,387	71,354	251,084	552,854	1,000,663
Investment in Sukuk	40,225	-	24,032	37,204	150,298	251,759
Other assets*	-	3,158	-	-	-	3,158
Total profit rate sensitive assets	271,795	53,545	95,386	288,288	703,152	1,412,166
Liabilities And Quasi-equity						
Placements from financial institutions**	48,359	20,307	-	8,711	-	77,377
Placements from non-financial institutions and individuals	272,044	128,559	70,288	-	-	470,891
Financing from financial institutions	34,412	-	68,926	71,859	-	175,197
Quasi-equity***	395,632	4,097	5,008	11,307	342	416,386
Other liabilities****	1,587	-	-	-	-	1,587
Total profit rate sensitive liabilities and Quasi-equity	752,034	152,963	144,222	91,877	342	1,141,438
On-balance sheet profit rate gap	(480,239)	(99,418)	(48,836)	196,411	702,810	270,728
Off-balance sheet exposures	72,650	10,028	6,176	19,251	5,581	113,686
Total profit rate gap	(407,589)	(89,390)	(42,660)	215,662	708,391	384,414

* Other assets relate to fair value and the receivable of the profit rate swap entered into during the year.
** Placements from financial institutions includes frozen accounts of BD 8,608 thousand.
*** The Bank uses expected withdrawal pattern to classify its saving accounts into different maturity buckets. The remaining Quasi-equity balances are disclosed on a contractual basis.
**** Other liabilities relate to payable on profit rate swap entered into during the year.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.11 Profit Rate Risk (continued)

Table – 34. Profit Rate Risk in Banking Book (PD-1.3.40 (b)) (continued)

The following table summarises the effect on the value of assets, liabilities and economic capital for a benchmark change of 200 bp in profit rates as of 31 December 2024:

	Effect on value of Asset BD'000	Effect on value of Liability BD'000	Effect on value of Economic Capital BD'000
Upward rate shocks:	9,336	(10,600)	(1,264)
Downward rate shocks:	(9,336)	10,600	1,264

Table – 35. Quantitative Indicators of Financial Performance and Position (PD-1.3.9 (b) PD-1.3.33 (d))

The following table summarises the basic quantitative indicators of financial performance for the past 5 years:

	2024	2023	2022	2021	2020
Return on average equity	3.47%*	7.94%*	9.61%*	5.53%*	(11.58%)
Return on average assets	0.35%	0.82%	0.94%	0.48%	(1.03%)
Cost to Income Ratio	70.41%	60.80%	52.29%	47.10%	60.00%

* Average equity includes AT1 Subordinated Mudaraba of BD 25 million

Table – 36. The following table summarises the historical data over the past five years in relation to Profit Sharing Investment Accounts (PD-1.3.41):

The details of income distribution to Profit Sharing Investment Accounts (PSIA) for the last five years:

	2024	2023	2022	2021	2020
Allocated income to Quasi-equity	20,725	20,613	23,362	23,979	16,551
Distributed profit	3,841	3,903	3,970	3,501	4,010
Mudarib fees	16,655	18,083	19,306	20,388	12,476

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

4. RISK MANAGEMENT (CONTINUED)

4.11 Profit Rate Risk (continued)

	2024	2023	2022	2021	2020
Balances (BD'000s):					
Profit Equalization Reserve (PER)	342	113	1,486	1,400	1,310
Investment Risk Reserve (IRR)	-	-	-	-	-
PER Movement	229	(1,373)	86	90	65
IRR Movement	-	-	-	-	-
Ratios (%):					
Income allocated to Quasi-equity / Mudarabah assets %	1.47%	1.67%	1.92%	1.99%	1.53%
Mudarabah fees / Mudarabah assets %	1.18%	1.47%	1.58%	1.69%	1.16%
Distributed profit / Mudarabah assets %	0.27%	0.32%	0.33%	0.29%	0.38%
Rate of Return on average Quasi-equity %	1.13%	0.66%	0.97%	0.86%	0.98%
Profit Equalization Reserve / Quasi-equity %	0.10%	0.03%	0.37%	0.33%	0.32%
Investment Risk Reserve / Quasi-equity %	0.00%	0.00%	0.00%	0.00%	0.00%

4.12 CBB Penalties (PD 1.3.44)

During the year, the CBB imposed financial penalties of BD 150,400 regarding CBB Directives on EFTS.

4.13 Non-Shari’a compliant income (PD-1.3.23, PD-1.3.24 & PD-1.3.30)

In cases where customers delay the payments of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy such penalties are maintained in a separate account and used for charity purposes approved by the Bank’s Shari’a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the year ended 31 December 2024, an amount of BD 266 thousand was earned from non-shari’a sources, out of which BD 62 was earned from late payment penalties from customers. This income was transferred to Zakah and Charity fund.

As at 31 December, there was no Shari’a violation that lead to a major impact on Bank’s Shari’a governance framework, financial, reputation and invalidation of transactions.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2024

5. GLOSSARY OF TERMS

ALCO	Assets and Liabilities Committee
BCP	Business Continuity Plan
BisB	Bahrain Islamic Bank B.S.C.
BPV	Basis Point Value
BRCC	Board Risk and Compliance Committee
CA Module	Capital Adequacy Module
CAR	Capital Adequacy Ratio
CBB	Central Bank of Bahrain
CRMD	Credit and Risk Management Department
CR & AD	Credit Review and Analysis Department
C&IC	Credit and Investment Committee
DCR	Displaced Commercial Risk
Excom	Executive Committee
FX	Foreign Exchange
GM-C&RM	General Manager-Credit and Risk Management
Group	Bahraini Islamic Bank B.S.C. and its subsidiaries
HR Committee	Human Resource Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IT Committee	Information Technology Committee
IRR	investment Risk Reserve
MLG	Minimum Liquidity Guidelines
PCD	Prudential Consolidation and Deduction Requirements Module
PD	Public Disclosure
PER	Profit Equalisation Reserve
PSIA	Profit Sharing Investment Account
RCSA	Risk and Control Self-Assessment
RMC	Risk Management Committee
RWE	Risk Weighted Exposures
VaR	Value-at-Risk
L/C	Letter of Credit
L/G	Letter of Guarantee
ECL	Expected Credit Losses



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**GRI, CBB
AND BAHRAIN
BOURSE INDEX**

GRI, CBB AND BAHRAIN BOURSE INDEX

GRI Index

GRI STANDARDS			
GRI 1: FOUNDATION 2021			
Statement of Use	Bahrain Islamic Bank (BisB) has reported in accordance with the GRI Standards for the period from 1 January 2024 to 31 December 2024.		
GRI 2: GENERAL DISCLOSURES			
GRI DISCLOSURE	CONTENT	REFERENCE SECTION	NOTES
The Organization and its Reporting Practice			
2-1	Organizational details	About This Report Who We Are Corporate Governance Report	
2-2	Entities included in the organization's sustainability reporting	About This Report	
2-3	Reporting period, frequency and contact point	About This Report	
2-4	Restatements of information	Statements are added in applicable sections.	Some previously reported figures have been revised, accounting for the discrepancy observed from previous years' report and for changes in measurement and reporting methodologies and data management practices. This year's report includes the revisited figures, which may differ from those previously published.
2-5	External assurance	About This Report Independent Assurance Statement	

Activities and Workers		
2-6	Activities, value chain and other business relationships	Who We Are
2-7	Employees	Human Capital
2-8	Workers who are not employees	Human Capital
Governance		
2-9	Governance structure and composition	Safeguarding Values – Robust Governance Structure Our Approach to ESG – ESG Governance Corporate Governance Review
2-10	Nomination and selection of the highest governance body	Safeguarding Values – Robust Governance Structure Corporate Governance Review
2-11	Chair of the highest governance body	Board of Directors Safeguarding Values – Robust Governance Structure Corporate Governance Review
2-12	Role of the highest governance body in overseeing the management of impacts	Our Approach to ESG – ESG Governance Safeguarding Values – Robust Governance Structure Corporate Governance Review
2-13	Delegation of responsibility for managing impacts	Our Approach to ESG – ESG Governance Safeguarding Values – Robust Governance Structure Corporate Governance Review

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

2-14	Role of the highest governance body in sustainability reporting	About This Report
		Our Approach to ESG – ESG Governance
2-15	Conflicts of interest	Safeguarding Values – Robust Governance Structure
2-16	Communication of critical concerns	Corporate Governance Review
		Safeguarding Values
2-17	Collective knowledge of the highest governance body	Corporate Governance Review
		Our Approach to ESG – ESG Governance
		Human Capital – Employee Training and Development
		Safeguarding Values – Robust Governance Structure
2-18	Evaluation of the performance of the highest governance body	Corporate Governance Review
		Our Approach to ESG – ESG Governance
2-19	Remuneration policies	Remuneration Disclosures
2-20	Process to determine remuneration	Remuneration Disclosures
2-21	Annual total compensation ratio	This information hasn't been disclosed.
Strategy, Policies, and Practices		
2-22	Statement on sustainable development strategy	Board of Directors Report
		Chief Executive Officer Report
		Our Approach to ESG

2-23	Policy commitments	Our Approach to ESG Throughout the report where applicable.
2-24	Embedding policy commitments	Throughout the report where applicable.
2-25	Processes to remediate negative impacts	Our Approach to ESG Safeguarding Values
2-26	Mechanisms for seeking advice and raising concerns	Human Capital Safeguarding Values Corporate Governance Review
2-27	Compliance with laws and regulations	Safeguarding Values - Compliance Natural Capital – Environmental Data
2-28	Membership associations	BisB is part of various membership associations mentioned throughout the report where applicable.
Stakeholder Engagement		
2-29	Approach to stakeholder engagement	Our Approach to ESG
2-30	Collective bargaining agreements	Collective Bargaining is covered in BisB's Code of Conduct applicable to all BisB employees. Due to the company size, BisB does not have a standalone committee on this matter.
GRI 3: MATERIAL TOPICS		
3-1	Process to determine material topics	Our Approach to ESG
3-2	List of material topics	Our Approach to ESG
3-3	Management of material topics	Our Approach to ESG Throughout the report linked to the specific Material Topic.

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

GRI 200: Economic Standard Series		
GRI 201: Economic Performance 2016		
GRI 201 Topic Specific		
3-3	Management Approach	Financial Capital Consolidated Financial Statements
201-1	Direct economic value generated and distributed	Financial Capital Consolidated Financial Statements
201-4	Financial assistance received from government	Financial Capital Consolidated Financial Statements
GRI 202: Market Presence 2016		
GRI 202 Topic Specific		
3-3	Management Approach	Management Approach Human Capital - Diversity, Inclusion and Equal Opportunity
202-2	Proportion of senior management hired from the local community	Human Capital - Diversity, Inclusion and Equal Opportunity
GRI 203: Indirect Economic Impacts 2016		
GRI 203 Topic Specific		
3-3	Management Approach	Our Approach to ESG Financial Capital Intellectual Capital - Digital Transformation Social and Relationship Capital - Community Investment
203-2	Significant indirect economic impacts	Our Approach to ESG Financial Capital Intellectual Capital - Digital Transformation Social and Relationship Capital - Community Investment

GRI 204: Procurement Practices 2016		
GRI 204 Topic Specific		
3-3	Management Approach	Social and Relationship Capital - Responsible Sourcing
204-1	Proportion of spending on local suppliers	Social and Relationship Capital - Responsible Sourcing
GRI 205: Anti-Corruption 2016		
GRI 205 Topic Specific		
3-3	Management Approach	Safeguarding Values - Compliance
205-1	Operations assessed for risks related to corruption	Safeguarding Values - Compliance
205-3	Confirmed incidents of corruption and actions taken	Safeguarding Values - Compliance
GRI 300: Environmental Standard Series		
GRI 302: Energy 2016		
GRI 302 Topic Specific		
3-3	Management Approach	Natural Capital
302-1	Energy consumption within the organization	Natural Capital
302-2	Energy consumption outside of the organization	Natural Capital
302-3	Energy intensity	Natural Capital
302-4	Reduction of energy consumption	Natural Capital
GRI 303: Water and Effluents 2018		
GRI 303 Topic Specific		
3-3	Management Approach	Natural Capital
303-1	Interactions with water as a shared resource	Natural Capital

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

303-2	Management of water discharge	Not applicable to BisB
303-3	Water withdrawal	Natural Capital
GRI 305: Emissions 2016		
GRI 305 Topic Specific		
3-3	Management Approach	Natural Capital
305-1	Direct (Scope 1) GHG emissions	Natural Capital - Environmental Data
305-2	Energy indirect (Scope 2) GHG emissions	Natural Capital - Environmental Data
305-3	Other indirect (Scope 3) GHG emissions	Natural Capital - Environmental Data
305-4	GHG emissions intensity	Natural Capital - Environmental Data
305-5	Reduction of GHG emissions	Natural Capital
GRI 306: Waste 2020		
GRI 306 Topic Specific		
3-3	Management Approach	Natural Capital
306-1	Waste generation and significant waste-related impacts	Natural Capital
306-2	Management of significant waste-related impacts	Natural Capital
306-3	Waste generated	Natural Capital - Environmental Data
306-4	Waste diverted from disposal	Natural Capital - Environmental Data
GRI 400: Social Standard Series		
GRI 401: Employment 2016		
GRI 401 Topic Specific		
3-3	Management Approach	Human Capital
401-1	New employee hires and employee turnover	Human Capital - Workforce Well-being

401-2	Benefits provided to full-time employees that are not provided to part-time employees	Human Capital - Workforce Well-being
401-3	Parental Leave	Human Capital - Diversity, Inclusion and Equal Opportunities
GRI 403: Occupational Health & Safety 2018		
GRI 403 Topic Management Disclosures		
3-3	Management Approach	Human Capital - Workforce Well-being
403-1	Occupational health and safety management system	Human Capital - Workforce Well-being
403-2	Hazard identification, risk assessment, and incident investigation	Human Capital - Workforce Well-being
403-3	Occupational health services	Human Capital - Workforce Well-being
403-4	Worker participation, consultation, and communication on Occupational health and safety	Human Capital - Workforce Well-being
403-5	Worker training on occupational health and safety	Human Capital - Workforce Well-being
403-6	Promotion of worker health	Human Capital - Workforce Well-being
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Capital - Workforce Well-being
403-8	Workers covered by an occupational health and safety management system	Human Capital - Workforce Well-being
403-9	Work-related injuries	Human Capital - Workforce Well-being
403-10	Work-related ill health	Human Capital - Workforce Well-being

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

GRI 404: Training and Education 2016		
GRI 404 Topic Specific		
3-3	Management Approach	Human Capital – Employee Training and Development
404-1	Average hours of training per year per employee	Human Capital – Employee Training and Development
404-2	Programmes for upgrading employee skills and transition assistance programmes	Human Capital – Workforce Well-being
404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital – Employee Training and Development
GRI 405: Diversity and Equal Opportunity 2016		
GRI 405 Topic Specific		
3-3	Management Approach	Human Capital – Diversity, Inclusion and Equal Opportunities
405-1	Diversity of governance bodies and employees	Human Capital – Diversity, Inclusion and Equal Opportunities Safeguarding Values – Robust Governance Structure
405-2	Ratio of basic salary and remuneration of women to men	Human Capital – Diversity, Inclusion and Equal Opportunities
GRI 406: Non-Discrimination 2016		
GRI 406 Topic Specific		
3-3	Management Approach	Human Capital – Diversity, Inclusion and Equal Opportunities
406-1	Incidents of discrimination and corrective actions taken	Human Capital – Diversity, Inclusion and Equal Opportunities

GRI 410: Security Practices			
GRI 410 Topic Specific			
3-3	Management Approach	Human Capital – Diversity, Inclusion and Equal Opportunities	
410-1	Security personnel trained in human rights policies or procedures	Human Capital – Diversity, Inclusion and Equal Opportunities	Disclosed in total number of security personnel
GRI 413: Local Community 2016			
GRI 413 Topic Specific			
3-3	Management Approach	Social and Relationship Capital – Community Investment	
GRI 416: Customer Health & Safety			
GRI 416 Topic Specific			
3-3	Management Approach	Social and Relationship Capital – Responsible Customer Relationship	
416-2	Non-compliance with health and safety requirements	Social and Relationship Capital – Responsible Customer Relationship	
GRI 417: Marketing and Labelling			
GRI 417 Topic Specific			
3-3	Management Approach	Social and Relationship Capital – Responsible Customer Relationship	
417-2	Incidents of non-compliance concerning product and service information and labeling	Social and Relationship Capital – Responsible Customer Relationship	
417-3	Incidents of non-compliance concerning marketing communications	Social and Relationship Capital – Responsible Customer Relationship	

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

GRI 418: Customer Privacy			
GRI 418 Topic Specific			
3-3	Management Approach	Intellectual Capital - Data Privacy and Security	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Intellectual Capital - Data Privacy and Security	

Central Bank of Bahrain (CBB) and Bahrain Bourse ESG Index

The below index is prepared in accordance with the CBB ESG Rulebook and Requirements Module 2023 (updated January 2024) as per Appendix 1 – ESG KPIs and Guidance and the ESG Reporting Guide of the Bahrain Bourse and its 32 ESG metrics updated December 2022.

CBB ESG Rulebook and Requirements Module			
KPI	DESCRIPTION	MAIN REPORTING COMPONENTS	REFERENCE PAGE OR SECTION
ENVIRONMENTAL			
E.1: Environmental Oversight	The company should describe its management and board oversight on climate-related risks and opportunities.	- A statement on how the company addresses its environmental impact (e.g., explain whether senior management and/or the board address sustainability issues in meetings or have dedicated committees to do so.) - A statement of purpose and approach of the board/management towards sustainability matters. A description of the following (where applicable): - Policies - Commitments	Our Approach to ESG Natural Capital

CBB ESG Rulebook and Requirements Module			
KPI	DESCRIPTION	MAIN REPORTING COMPONENTS	REFERENCE PAGE OR SECTION
ENVIRONMENTAL			
		- Goals and targets (e.g., a description of how management/the board oversee progress against climate/sustainability related targets) - Responsibilities (e.g., if responsibilities are delegated to management-level positions; dedicated sustainability officer(s); Board committees etc.) - Specific actions, such as processes, projects, programs, initiatives and frequency at which the board is informed about climate/sustainability targets and processes	
E.2: Energy Consumption	The company should provide information on both direct and indirect energy usage. Direct energy usage refers to energy that is generated and used on property owned or operated by the company. Indirect energy usage refers to energy that is generated elsewhere, such as through utilities, but is used by the company.	- Report total energy consumed and breakdown by type; - Indirect energy consumed in the form of electricity, heating, cooling (i.e., total of energy purchases) - - Direct energy consumed, classified by renewable and non-renewable sources. - State the standards, techniques, assumptions, and/or calculation tools utilised	Natural Capital – Environmental Data

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

E.3: Energy Intensity	The company should report total annual energy usage per output scaling factor (such as sales or revenue).	- Report total energy consumed during the year divided by the selected scaling factor (e.g., sales, revenue etc.). - State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital – Environmental Data
E.4: Energy Mix	The company should provide a breakdown of its energy consumption by source.	- Report the percentage of energy used by source, as part of total energy consumption. - Report the percentage of renewable and non-renewable energy used, as part of total energy consumption.	Natural Capital – Environmental Data
E.5: Green House Gas (GHG) Emissions	The company should report its total Green House Gas Emissions.	- Report total absolute emissions by scope; - Total amount, in CO2 equivalents, for Scope 1 - Total amount, in CO2 equivalents, for Scope 2 - Total amount, in CO2 equivalents, for Scope 3 (if applicable). - State the standards, techniques, assumptions, and/or calculation tools utilised. Note: GHG emissions should be calculated in line with the GHG Protocol⁴ methodology to allow for aggregation and comparability across companies and jurisdictions. Term definitions: - Scope 1 – Direct emissions from operations that are owned or controlled by the company; - Scope 2 – Indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within the company; and	Natural Capital – Environmental Data

		Scope 3 – All other indirect emissions that occur outside the company, including both upstream and downstream emissions (if applicable).	
E.6: Emission Intensity	The company should report annual GHG emission scaled by a relevant scaling factor (such as size (e.g. m2 floor space), employment (e.g. headcount) and monetary units (e.g. revenue or sales)).	- Report total annual GHG emission during the year divided by the selected scaling factor. - State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital – Environmental Data
E.7: Climate Risk Mitigation	The company should describe its climate risk identification process, assessment, management processes, and report annual investment in infrastructure, resilience, and product development.	- Describe how your company identifies, assesses, and manages climate-related risks (including physical risks and transition risks). - Report the amount invested annually in climate-related issues (in BHD or USD) (e.g., research and product innovation)	Our Approach to ESG Natural Capital

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

E.8: Water Usage	The company should report total annual amount of water withdrawn, consumed, recycled.	1. Report the total annual amount of water consumed by the organisation. 2. Report the total annual amount of water withdrawn by the organisation. 3. Report the total annual amount of water recycled/reclaimed by the organisation. Note: Companies should refer to CDP term definitions of water withdrawal, consumption and recycling.	Natural Capital – Environmental Data Only water withdrawal is applicable for BisB
E.9: Waste Generated	The company should report total weight of waste generated and a description of its waste disposal method.	1. Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste (hazardous and non-hazardous). 2. Description of the company's waste disposal method(s). • Description of the company's sustainable waste management practices (such as recycling initiatives and waste reduction strategies). 3. State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital
E.10: Emission Targets	The company should provide a description of emission targets set, and steps taken to achieve them, including energy conservation measures.	1. A statement on how the company addresses its total emission. 2. A statement of the board/management approach towards its total emissions, including whether it is subject to any country, regional, or industry-level emissions regulations and policies). 3. A description of the following (where applicable):	Our Approach to ESG Natural Capital

		• Policies • Commitments • Goals and targets (e.g., a description of how management/the board oversee progress against climate/sustainability related targets) • Responsibilities (e.g., if responsibilities are delegated to management-level positions; dedicated • Sustainability officer; Board committees etc.) • Specific actions, such as processes, projects, programs, initiatives, and frequency at which the board is informed about emission targets and process.	Our Approach to ESG Natural Capital
SOCIAL			
S.1: Total Workforce by sex, age-group, and employment type	The company should report the composition of its total workforce by sex, employment type and age group.	1. Report total number of employees currently employed within the organisation and the composition of the total workforce as per the below: • By sex, as percentage of the total workforce • By age-group (as per the GRI's employee age group categories: (a) under 30 years old, (b) 30-50 years old, and (c) over 50 years old), as a percentage of the total workforce. • By employment type (e.g., full-time, part-time, intern etc.), as a percentage of the total workforce.	Human Capital – Workforce Well-being

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

S.2: Child and Forced Labour	The company should provide a statement of policies it applies to prohibit child/ and or forced labour within the company, and if it considers policies that prohibit that same for their suppliers and/or vendors.	1. A statement on how the organisation addresses prohibition of child and or/ forced labour. 2. A statement of the board/ management approach's direction, including whether it is subject to any country, regional, or industry-level regulations and policies. 3. A description of the following (where applicable): • Policies • Commitments • Goals and targets • Responsibilities • Specific actions, such as processes, projects, programs, initiatives and frequency at which the board is informed about any issues concerning child and or/forced labour relating to the company.	Human Capital – Diversity, Inclusion and Equal Opportunity
S.3: Employee Turnover	The company should report the total annual turnover (whether voluntary or involuntary) categorised by sex and age group.	1. Report total annual employee turnover rate (whether voluntary or involuntary) for full-time employees during the reporting period, as per the below categories: • By sex • By age-group (as per the GRI's employee age group categories: (a) under 30 years old, (b) 30-50 years old, and (c) over 50 years old).	Human Capital – Workforce Well-being

S.4: Gender Pay Ratio	The company should report the median total compensation for men compared to the median total compensation for women (as a ratio).	1. Report the median total compensation for women compared to the median total compensation for men (as a ratio).	Human Capital – Diversity, Inclusion and Equal Opportunity
S.5: Health and Safety	The company should report the total number of injuries and fatalities occurred, lost days due to work injury and a description of occupational health and safety measures.	1. Report on the total number of injuries and fatalities occurred in each of the past three years including the reporting year. 2. Report lost days due to work injury in each of the past three years including the reporting year. 3. A description of occupational health and safety measures adopted, and how they are implemented and monitored	Human Capital – Workforce Well-being
S.6: Non Discrimination	The company should provide a description of its harassment and/or non-discrimination policy.	1. A statement on how the organisation addresses harassment and discrimination matters. 2. A statement of the board/ management approach, including whether it is subject to any country, regional, or industry-level regulations and policies.	Human Capital – Diversity, Inclusion and Equal Opportunity
S.7: Nationalisation	The company should report on the number and percentage of national employees, as well as initiatives to increase nationalisation.	1. A statement of the board/ management approach to increase nationalisation, including whether it is subject to any country regulations and policies. 2. Report the number and percentage of national employees, as part of the total workforce. *Note: Applicable to Bahrain only.	Human Capital – Diversity, Inclusion and Equal Opportunity

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

S.8: Community Investment	The company should provide detailed information on the scope and impact of its community investment activities, as well as amount invested in community as a percentage of company revenue.	1. Report the amount invested in the community as a percentage of company revenues. 2. Provide a description of the scope and impact of its community investment initiatives.	Social and Relationship Capital – Community Investment – CSR and Initiatives S.8.1. BisB disclosed as percentage of company net profit income
S.9: Human rights	The company should provide a description of its policy on human rights.	1. A statement on how the organisation addresses human rights. 2. A statement of the board/management approach's direction, including whether it is subject to any country, regional, or industry-level regulations and policies. 3. A description of the following (where applicable): • Policies (and if it also covers suppliers and vendors). • Commitments • Goals and targets • Responsibilities	Human Capital – Diversity, Inclusion and Equal Opportunity
S.10: Management Composition/Diversity	The company should report the percentage of male to female metrics broken down by various organisational levels.	1. Report percentage of male to female metrics, as per the below categories: • Entry-level • Mid-level • Senior/Executive level positions	Human Capital – Diversity, Inclusion and Equal Opportunity

S.11: Development and Training	The company should report average hours of training that its employees have undertaken during the reporting period.	1. Report average hours of training, as per the below categories: • By Sex • By Employee category (Full-time, part-time, internship, etc.)	Human Capital – Employee Training and Development
GOVERNANCE			
G.1: Board Composition	The company should report the composition of the Board categorised by directors, such as the chairman, executive directors, non-executive directors, and independent non executive directors.	1. Report board size 2. Report female board directors by number and percentage of the Board size. 3. Report composition of the board and its committees by: • Executive or non-executive. • Independence. • Tenure. • Representation (appointed or elected) • Details of non-compliance with regulations, as well as a description of the corrective actions taken.	Board of Directors Safeguarding Values – Robust Governance Structure Corporate Governance Review
G.2: Collective Bargaining	The company should report on the total enterprise headcount covered by collective bargaining agreements (Unions) and the process in which employees' contracts with their employers to determine their terms of employment.	1. Report total enterprise headcount covered by collective bargaining agreements (Unions) (if applicable). 2. Provide a description of the process by which employees negotiate their contracts with the organisation to determine their terms of employment (e.g., compensation, benefits, hours, leave, occupational health and safety standards, initiatives to balance work and family etc.)	Collective Bargaining is covered in BisB's Code of Conduct applicable to all BisB employees. Due to the company size, BisB does not have a standalone committee on this matter.

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

G.3: Whistleblowing	The company should provide a description of the mechanisms used to discuss and report on behaviour.	1. Provide a description of internal and external mechanisms for seeking advice and reporting concerns on organisational integrity. 2. Provide a description on awareness initiatives conducted by the organisation.	Corporate Governance Report
G.4: Data privacy	The company should Report if it follows a Data Privacy policy and if the company has taken steps to comply with Personal Data Protection Law (PDPL) rules.	1. Provide a description of the company's Data Privacy policy 2. Provide a statement of the steps taken to comply with Personal Data Protection Law (PDPL) rules.	Intellectual Capital - Data Privacy and Security
G.5: Disclosure Practices	The company should provide a description of its sustainability disclosure practices.	1. Report if the company provides its sustainability data to sustainability supporting organisations such as the Global Reporting Initiative (GRI) Secretariat, United Nations (UN), CDP etc. 2. Report if the company focuses on specific UN Sustainable Development Goals (SDGs), including setting targets and reporting progress. 3. State whether the company publishes a sustainability report and/or how it integrates sustainability data in its disclosures.	About This Report Our Approach to ESG Value Creation Model

G.6: Conflict of interest	The company shall describe the processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated.	1. Report whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders; • Existence of controlling shareholders; • Related parties, their relationships, nature, transactions, and outstanding balances.	Corporate Governance Report
G.7: Supplier Code of Conduct	The company should report if it has established a Supplier Code of Conduct.	1. Provide a description of the company's Supplier Code of Conduct. 2. Report the percentage of suppliers that comply with the company's code of conduct and the compliance assessment mechanism.	Social and Relationship Capital - Responsible Sourcing
G.8: Incentivised Pay	The company should describe the processes for incentivising executives to perform sustainably.	1. Report if executives are formally incentivised to perform on sustainability. 2. Report the percentage of executive compensation tied to ESG performance metrics. 3. Provide a description of other links between executive performance and sustainability performance (if any).	Our Approach to ESG
G.9: Ethics & Anti corruption	The company should describe its policy on ethical conduct and anti-corruption.	1. Report if your company follows an Ethics and/or Anti-Corruption policy. • If yes, report the percentage of the workforce that has formally certified its compliance with the policy (provide description of certification and process). the 2. Provide a statement of company's commitment towards its ethics and/or anti-Corruption policy/position.	Safeguarding Values - Compliance

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

G.10: Assurance	The company shall describe the processes by which its sustainability disclosures are assured or validated.	- Provide a description of the process by which sustainability disclosures are assured or validated. - Report if the company's sustainability disclosures are assured or validated by an independent third party.	About This Report Independent Assurance Statement
BAHRAIN BOURSE 32 ESG METRIC			
ENVIRONMENTAL			
KPI	DESCRIPTION	REFERENCE PAGE OR SECTION	
E1 GHG Emissions	E1.1) Total amount, in CO2 equivalents, for Scope 1 (if applicable) E1.2) Total amount, in CO2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO2 equivalents, for Scope 3 (if applicable)	Natural Capital – Environmental Data	
E2 Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	Natural Capital – Environmental Data	
E3 Energy Usage	E 3.1) Total amount of energy directly consumed E3.2) Total amount of energy indirectly consumed	Natural Capital – Environmental Data	
E4 Energy Intensity	Total direct energy usage per output scaling factor	Natural Capital – Environmental Data	
E5 Energy Mix	Percentage: Energy usage by generation type	Natural Capital – Environmental Data	
E6 Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	Natural Capital – Environmental Data Only water withdrawal is applicable for BisB	

E7 Environmental Operation	E7.1) Does your company follow a formal Environmental Policy? Yes/No E7.2) Does your company follow specific waste, water, energy, and/or recycling policies? Yes/No E7.3) Does your company use a recognized energy management system? Yes/No	Natural Capital
E8 Environmental Oversight (Management)	Does your Management Team oversee and/or manage climate-related risks? Yes/No	Our Approach to ESG Natural Capital
E9 Environmental Oversight (Board)	Does your Board oversee and/or manage other sustainability issues? Yes/No	Our Approach to ESG Natural Capital
E10 Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development?	Natural Capital
SOCIAL		
S1 CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median FTE total compensation S1.2) Does your company report this metric in regulatory filings? Yes/No	This information hasn't been disclosed
S2 Gender Pay Ration	Ratio: Median male compensation to median female compensation	Human Capital – Diversity, Inclusion and Equal Opportunity
S3 Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors and/or consultants	Human Capital - Workforce Well-being S3.3 This information hasn't been disclosed
S4 Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women S4.2) Percentage: Entry- and mid-level positions held by men and women S4.3) Percentage: Senior and executive-level positions held by men and women	Human Capital - Workforce Well-being Human Capital – Diversity, Inclusion and Equal Opportunity

GRI, CBB AND BAHRAIN BOURSE INDEX (CONTINUED)

S5 Temporary Worker ration	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	Human Capital - Workforce Well-being
S6 Non-discrimination	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No	Human Capital - Diversity, Inclusion and Equal Opportunity
S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	Human Capital - Workforce Well-being
S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	Human Capital - Workforce Well-being
S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	Human Capital - Diversity, Inclusion and Equal Opportunity
S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No	Human Capital - Diversity, Inclusion and Equal Opportunity Social and Relationship Capital - Responsible Sourcing
GOVERNANCE		
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	Safeguarding Values – Robust Governance Structure Corporate Governance Report
G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members	Corporate Governance Report
G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No	Our Approach to ESG

G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	Social and Relationship Capital - Responsible Sourcing
G5. Ethics & Anti-Corruption	G5.1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	Safeguarding Values - Compliance
G6. Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No G6.2) Has your company taken steps to comply with GDPR rules? Yes/No	Intellectual Capital - Data Privacy and Security
G7. Sustainability Reporting	G7.1) Does your company publish a sustainability report? Yes/No G7.2) Is sustainability data included in your regulatory filings? Yes/No	About This Report
G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No G8.3) Does your company set targets and report progress on the UN SDGs? Yes/No	About This Report Our Approach to ESG Value Creation Model
G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/No	About This Report Independent Assurance Statement



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**INDEPENDENT
ASSURANCE
STATEMENT**

CSE INDEPENDENT ASSURANCE STATEMENT

CSE has been engaged by Bahrain Islamic Bank (BisB) to provide independent assurance over the Annual Report 2024. The aim of this process is to provide reassurance to Bahrain Islamic Bank (BisB)'s stakeholders over the accuracy, reliability and objectivity of the reported information and the coverage of the material issues regarding the business and the stakeholders. The Bahrain Islamic Bank (BisB) 2024 Annual Report is in compliance with the requirements of the GRI STANDARDS Guidelines at 'In Accordance level' as well as the Bahrain Bourse Index Standards.

Scope of work

The scope of work included a review of the BisB 2024 Annual Report activities and performance data related to the year 2024 that ended December 31, 2024.

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard v3 and applied a Type 2 'moderate' level of assurance. Type 2 requires assessment of organization's adherence with the AA1000 AS Principles and shall additionally assess and evidence the reliability and quality of specified sustainability performance and disclosed information. The principles that the assurance process is focused on are:

- Inclusivity, Materiality, Responsiveness, and Impact.

The scope of work included a review of the 2024 Annual Report activities and performance data.

Specifically, this included:

- Statements, information and performance data contained within the Annual Report.
- BisB's process for determining material aspects for reporting and the management approach to material issues.
- BisB's reported data and information as per the requirements of the Global Reporting Initiative (GRI) STANDARDS Sustainability Reporting Guidelines as indicated in the Report index.

Methodology

To verify the content of the 2024 Annual Report we undertook the following activities to inform our independent assurance engagement:

- Conducted document reviews, data sampling and associated reporting systems as they relate to selected content and performance data.
- Reviewed a selection of external media reports relating to BisB to evaluate the coverage of topics within the Sustainability pages of BisB's website.
- Reviewed the outcomes of BisB's stakeholder engagement activities in 2024.
- Reviewed the materiality analysis and its outputs.
- Evaluated BisB's public disclosures against the GRI and Bahrain Bourse Index standards.

More details on the specific information and data that were verified are presented in the following sections of the present independent assurance report.

General Conclusions

With respect to the scope of work, we conclude that:

- The account of BisB's activities and performance during 2024 and the way they are presented in the 2024 Annual Report is accurate.
- BisB adheres to the principles of inclusivity, materiality, responsiveness, and impact as per the AA1000 Accountability Principles Standard.

Key Observations and Recommendations

BisB achieved significant improvements in the management and performance in corporate responsibility and sustainability during the period covered by the Annual Report, i.e.:

- Improved ESG score from 55% to 61%
- Development of an enhanced three-year Sustainability Roadmap for the 2025 – 2027 period
- UN Global compact participation
- Board & Executive Management Training to enhance its skills and knowledge in ESG areas
- Establishment of an Executive Sustainability Management Committee
- Full roll out of an ESG Risk Identification and Assessment Toolkit to assess client ESG preparedness levels.

Based on the observations and concluding remarks derived from the assurance engagement, our key observations, and recommendations for the improvement of BisB's future Annual Reports are:

- With respect to the principle of inclusivity, BisB maintains a comprehensive communication process with its key stakeholders.
- With respect to the principle of materiality, it is suggested that BisB considers a materiality assessment at least every two years and sets more detailed ESG goals. BisB could consider expanding the scope of the materiality assessment process to 'Double Materiality' and include Financial Impact to its process. In this respect, BisB verified that the Bank is in the process to reassess its materiality topics by Q2 2025.

CSE INDEPENDENT ASSURANCE STATEMENT (CONTINUED)

- With respect to the principle of responsiveness BisB has taken significant steps to incorporate the concerns and preferences of its key stakeholder groups.
- With respect to the principle of impact, BisB shows adequate monitoring, measuring, and accountability for its actions and how they affect its broader natural and human ecosystems.
- With respect to performance indicators, it is recommended to continue showing performance from previous years in most indicators, and to be able to show the progress made in managing all material issues.

Findings and conclusions concerning adherence to the AA1000AS principles of Inclusivity, Materiality, Responsiveness and Specific Performance Information

Inclusivity – how the key stakeholder groups were identified and engaged regarding sustainability issues. All the key stakeholder groups were engaged. BisB applied widely accepted principles in developing its approach to stakeholder engagement and sustainability.

Materiality – how the assessment of the importance of each sustainability topic took place. The process for determining the material issues by BisB provides a balanced representation of the material issues regarding its sustainability performance and impacts.

Responsiveness – how the company responded to the issues that were pointed out by each stakeholder group, and how this response is described in the 2024 Annual Report. BisB has applied the principle of responsiveness during the selection of the issues to be included in the Report, as well as to the manner those are represented in the Report.

Impact – how the company monitors, measures, and is accountable for how its actions affect their broader ecosystems. BisB provides adequate information in its 2024 Annual Report on how it monitors its impact to the natural and human ecosystems. The performance indicators used are based on commonly accepted standards and local/global best practices.

Specific Performance Information – The Specific Performance Information (quantitative data related to GRI and Bahrain Bourse Index metrics and indicators) has been collected and presented in a commonly acceptable manner in the 2024 Annual Report and the ‘general and specific disclosures’ have been reviewed during the assurance process.

Specifically, during the independent assurance process, CSE examined evidence and documentation regarding:

- A description of other means, besides the materiality assessment, of identifying and verifying important sustainability topics for the 2024 fiscal year.
- A description (along with any supporting evidence and documentation) of the stakeholder engagement process, including the materiality assessment process.

- Evidence and documentation about BisB’s Sustainability Strategy and KPIs.
- Evidence and documentation regarding material ESG topics, included in the report:
 - o GHG Emissions
 - o Waste management
 - o Petrol consumption
 - o Energy consumption
 - o Water management
 - o Direct Environmental Footprint
 - o Community Investment
 - o Workforce
 - o Nationalization rates in Bahrain
 - o Regulatory mandatory training hours
 - o Investors in People accreditation
 - o International Business Magazine Awards, World Business Outlook Awards, Islamic Retail Banking Awards, Global Islamic Finance Awards, International Finance Awards
 - o ISO 27001, ISO 27701, ISO 45001, ISO 22301 and ISO 14001 certifications and AIGP certification for BisB CISO.
 - o UN Global participation.
 - o ESG Scores from ESG Invest.
 - o Verification that there were no legal actions against BisB for anticompetitive behavior, anti-trust, or monopoly practices.
 - o Verification that no allegations were made against BisB regarding corruption, as well as that no confirmed incidents under any applicable corruption laws were reported during the reporting period.

Overall, the report is in accordance with the GRI STANDARDS and follows the Bahrain Bourse Index standards.

CSE INDEPENDENT ASSURANCE STATEMENT (CONTINUED)

Exclusions and Limitations

Excluded from the scope of our work is information relating to:

- Activities outside the defined reporting period or scope.
- Company position statements.
- Financial data taken from BisB’s 2024 Annual Report.
- Content of external websites or documents.
- Any other issue or policy was not referred to in the documentation.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the 2024 Annual Report. The scope of our work was defined and agreed in consultation with BisB.

Statement of CSE Independence, Impartiality and Competence

This is the second year that CSE has provided independent assurance services in relation to the BisB Annual Report. Our assurance team completing the work for BisB has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in Annual Reporting and assurance.



On behalf of the Assurance Team

Marina Alonistioti

Head of Assurance Services

Centre For Sustainability and Excellence (CSE)



