BisB

RESILIENCE, RESPONSIBILITY, AND FUTURE FORWARD SUSTAINABLE GROWTH

Annual Financial and Sustainability Report 2025

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



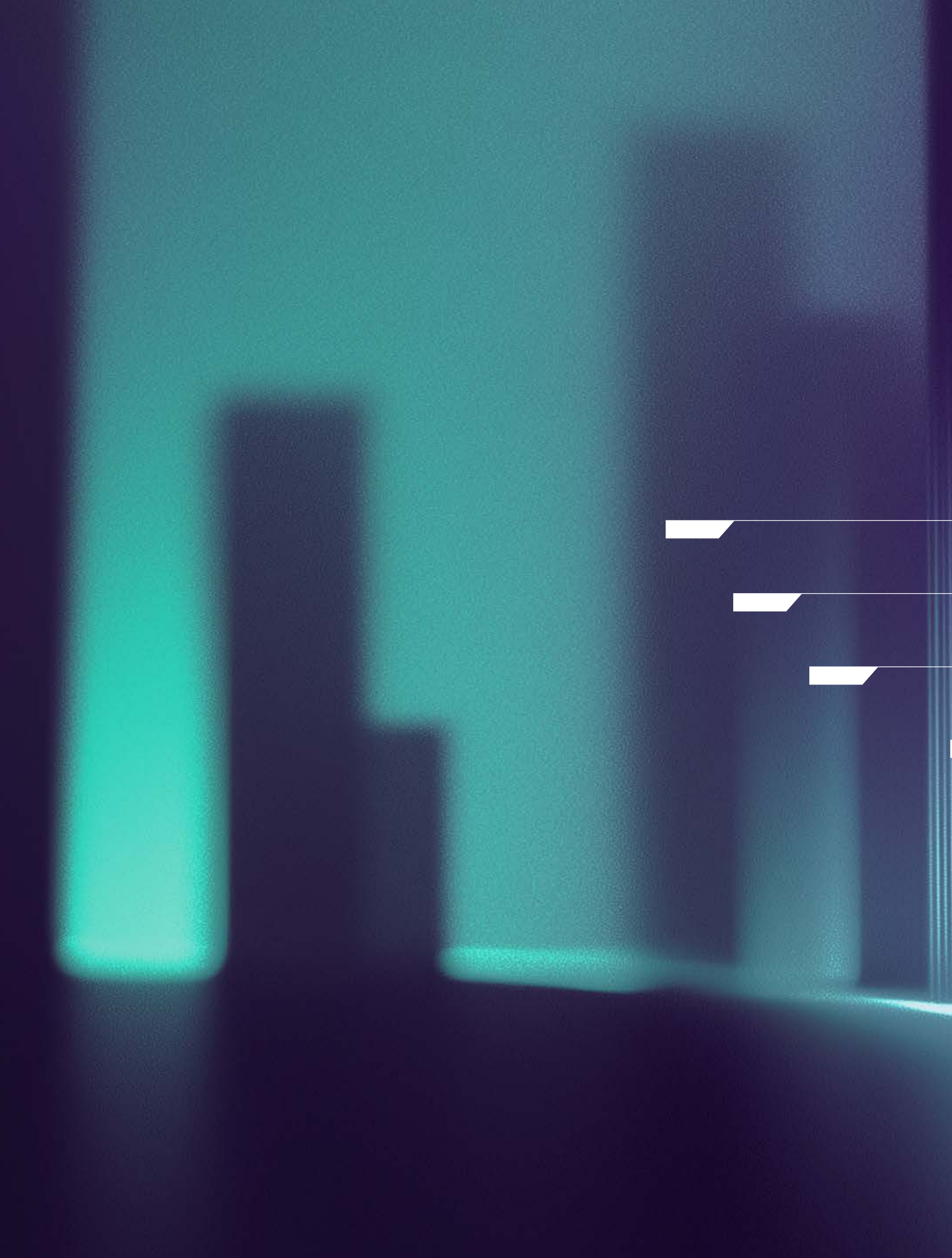
His Majesty
King Hamad bin Isa
Al Khalifa

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 2025, 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 2025, unless otherwise stated.

The consolidated financial statements cover the results of the Bank and its wholly owned subsidiaries 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 seven 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 (together the Group "Group")

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 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 (CSE), an international provider of sustainability, ESG and Corporate Social Responsibility (CSR) advisory and training solutions to conduct a limited assurance on a select number of ESG KPIs (Key Performance Indicators). 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:
(+973) 17 51 51 51

Email: **callcentre@bisb.com**

Website: **www.bisb.com**

Mailing Address: P.O. Box 5240, Manama, Kingdom of Bahrain

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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

Empowering dreams through innovative and simplified financial solutions.



OUR MISSION

To be the Bank of choice by converting customer needs into fit-to-market solutions and engaging experiences.



OUR BRAND PROMISE

Fuelled by Bahraini devotion, we craft new ways of Simplifying Your Money Matters.



OUR MOTTO

Simplifying Money Matters

BANK PROFILE (CONTINUED)

Our Values



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.



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.

Crafting Experiences



We recognise the individuality of each customer, therefore our goal is to craft personalised 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, customising our products, services, and interactions accordingly.

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 prioritise accessibility and responsiveness, guaranteeing that customers can reach us whenever assistance is required. Furthermore, we proactively anticipate and tackle their concerns and challenges, present innovative solutions and go above and beyond to ensure their issues are resolved promptly and effectively.

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), 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 Savers
- Special Investment Deposits
- Call Account
- Vevo Account
- Current Account
- Savings Account

02. FINANCING

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

- Personal Finance
- Property Finance
- Ministry of Housing Programmes
- Special Projects
- Auto Finance

03. CARDS

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

- Rewards Credit Card
- Cashback Credit Card
- Multi-Currency Prepaid Card
- Arcade Card (1st Card of its kind in the GCC)
- Future Leader Program (1st and only wearable product in Bahrain)
- Thuraya Signature Debit Card
- Premium Debit Card
- BisB Rewards
- Seasonal Promotions

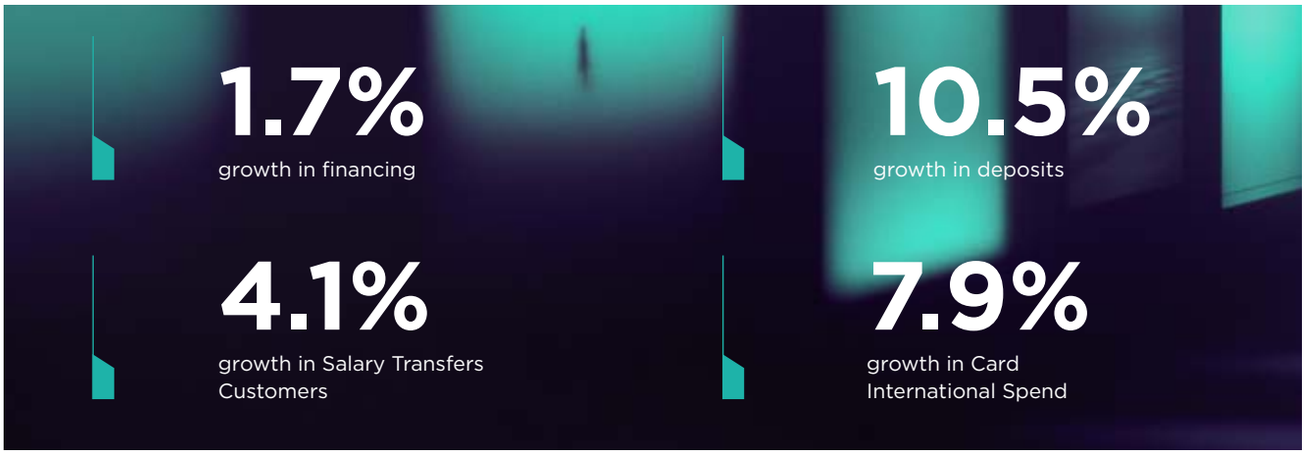
04. SERVICES

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

- BisB Digital
- Contact Centre
- BisB Kiosk
- WhatsApp service
- Chatbot

2025 Update and Highlights

Performance Highlights



New products and services launched

- Special Investment Deposit
- Multi-Currency Card
- Mastercard Cashback Card
- Tas'heel+ Social Housing Product
- Premium Segment
- VISA+
- New notes in ATM for Eid
- Instant Approval during Social Housing Event
- Swap Properties Initiative
- Tejoori Premium Light versions - Saver and Saver Lite
- Credit Linked Note
- Tejoori Scheme for Companies

Other Initiatives

- We Write in Arabic Phase 2
- BisB Innovation Studio
- Eskan Innovation Stand
- Jewellery Arabia
- City Scape
- BisB Bank on Wheels

	Retail Customer and Finance Portfolio	
	% Growth of Retail Banking customers	Percentage of Retail Banking finance portfolio
2023	13.6%	67.3%
2024	9.6%	63.3%
2025	9.8%	64.5%

	Retail Banking (BD Millions)				
	% Growth of Total Retail financing	% Growth of Customer deposit	% Growth of Total Credit Card Spending	% Growth of Total Domestic Spending Credit Card	% Growth of Total International Spending Credit Card
2023	1.1%	2.1%	12.2%	13.4%	7.8%
2024	1.8%	13.7%	14.9%	15.9%	11.1%
2025	1.7%	10.5%	7.9%	7.9%	7.9%

OUR ACTIVITIES
(CONTINUED)

CORPORATE BANKING

BisB provides 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. The Corporate Department has been restructured so that all staff are now fully customer-centric. This enhances efficiency, improves customer experience, and creates clearer career progression opportunities.

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
- Supply Chain Finance



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:

- Businesses can open corporate accounts directly through the BisB Mobile App and, since 2025, they can also open sub-accounts and foreign currency accounts and perform automated Swift confirmations for foreign currency transfers via digital channels



2025 Update/Highlights

Performance Highlights

- Optimised Corporate Financing Portfolio: Improved Corporate Financing Portfolio quality by diversifying away from high risk sectors and increasing composition of high-quality assets and GREs.
- Driving sustainable growth: Reinforced our commitment by expanding our financing portfolio to support purchases of electric vehicles and financing recycling plants.
- Enhanced Deposit Mix: Strengthened liquidity by diversifying depositor base and reducing net Asset / Deposit ratio from 92.8% to 80.6%
- Strengthened Digital Engagement: Improved digital adoption from 55% to 69%.
- Improved Asset Quality: Stage 2 and Stage 3 assets reduced by 15%, demonstrating effective risk management and portfolio clean-up.
- Growth in Digital Banking Transactions: Total value of digital financial transactions increased by 35.9%, highlighting customer confidence in our digital channels.

New products and services launched

- Supply chain finance: Providing SMEs with access to financing on preferrable terms via agreement with large corporates or governmental entities to finance their suppliers and customers.
- 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 client's systems and BisB's banking platform.

Other Initiatives

- Introduced new App features to reduce waiting times and streamline client operations, including opening foreign accounts and sub accounts, automated SWIFT confirmations for forex transfers, and currently working on preferential rates and audit confirmation.
- 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%.
- Targeted 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 client's 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 Eskan Syndication Financing.
- Created Transactional Banking Function which was awarded a strategic client cash inflows bid.

OUR ACTIVITIES
(CONTINUED)

INVESTMENT BANKING

The Treasury department acts as the central hub for the Bank's liquidity management and financial risk oversight. In alignment with Shari'a principles, the function is dedicated to ensuring financial stability, regulatory compliance, and client satisfaction. Its primary responsibilities include:

Liquidity Management: The Bank's liquidity position has shown continued improvement, as evidenced by key regulatory indicators. Both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) exceed regulatory thresholds, highlighting our strong liquidity management and regulatory adherence.

We are committed to optimising the Bank's liquidity levels to ensure adequate funding for operations. This involves employing disciplined and rigorous liquidity management tools and adapting Shari'a-compliant money market instruments as necessary to meet client needs.

Strategic Investments: Efficiently deploying liquidity through Islamic interbank activities, short-term and long term government securities to achieve optimal risk-return matches. Surplus cash is invested with a focus on maintaining principal integrity, ensuring fund accessibility, and generating returns aligned with the Bank's strategy. Over the past year, the function has continued to deploy surplus liquidity through Shari'a-compliant interbank and government instruments while maintaining a balanced risk-return profile.

Foreign exchange and Proprietary Book Management: Actively managing FX operations, Sukuk and fixed-income portfolios, and money market activities to optimise capital utilization. All activities are conducted within the Bank's defined risk tolerance and Shari'a-compliant frameworks.

Market Monitoring and Hedging: Monitoring market trends and rate fluctuations to provide tailored hedging solutions. During 2025, BisB enhanced market surveillance to track profit rate movements and currency fluctuations. The Bank enhanced Shari'a-compliant hedging tools, including Profit Rate Swaps and Wa'ad-based FX contracts, to effectively mitigate both profit and currency risk.

Products and Services

The Treasury department offers a comprehensive range of Shari'a-compliant financial instruments designed to enhance the Bank's liquidity, risk management, and investment strategies. Key offerings include:

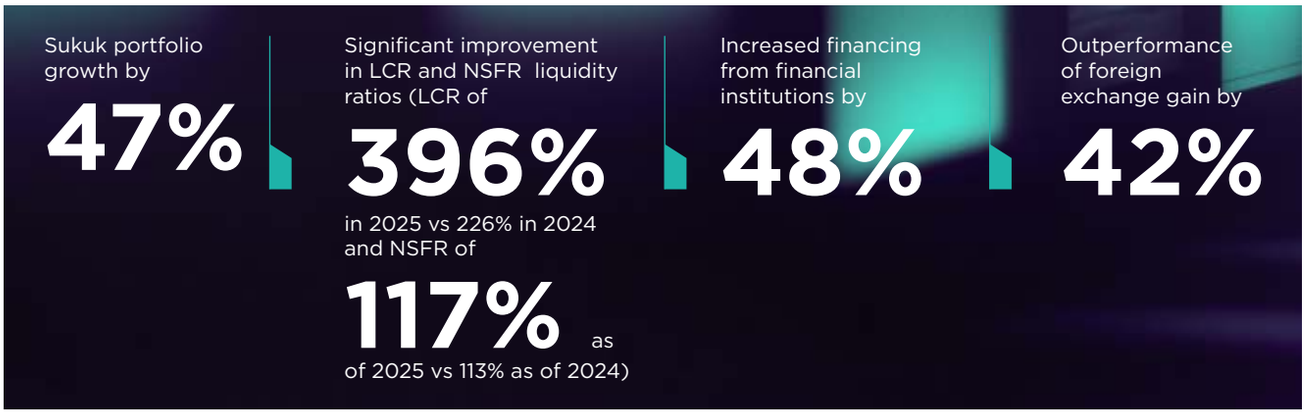
Interbank Tools: Utilising Commodity Murabaha and Wakala instruments for effective short-term liquidity management.

Foreign Exchange Products: Providing Spot FX and Wa'ad-based solutions for currency exchange and hedging needs.

Investment Instruments: Offering Sukuk and structured products to meet strategic investment objectives.

2025 Update/Highlights

Performance Highlights



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

Through a disciplined and strategic approach, the Treasury Division upholds the Bank's commitment to financial integrity, regulatory compliance, and value creation.

New products and services launched

- Wealth Management Services:

- Wealth Management introduced a Shari'a-compliant Islamic Credit-Linked Note (CLN) linked to Bahrain's credit risk, making BisB the first bank in the Kingdom to offer such a structure to accredited investors.

- Partnered with Société Générale - one of the top global Banks - to offer investors word-class wealth management solutions.

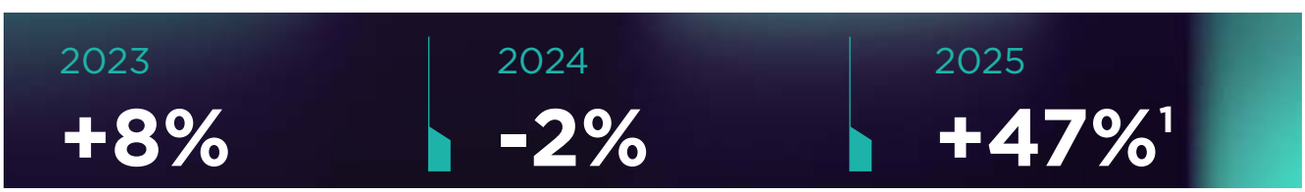
- Partnered with Allfunds to enhance our investment fund architecture and expand client access to a wider universe of global, Shari'a-compliant fund managers and diversified wealth-management solutions, further strengthening our open-architecture investment platform.

Other Initiatives

- Expanded the Group Treasury Management System (TMS) to support a broader range of product bookings while providing real-time reporting and analytics.

- Strengthened the treasury team's expertise and enhanced regulatory compliance with specialised training sessions on Asset Liability Management (ALM) and Funds Transfer Pricing (FTP), Corporate Governance, Strategy Day-Out, and the Artificial Intelligence (AI) Readiness Program.

- Introduced a daily liquidity reporting mechanism supported by a data analytics MIS dashboard. In alignment with regulatory guidance, a Group-wide Asset Liability Management (ALM) system (QRM/ALM) is being launched. This system provides visibility into maturity mismatches across BisB's balance sheet.



Sukuk Portfolio Increase

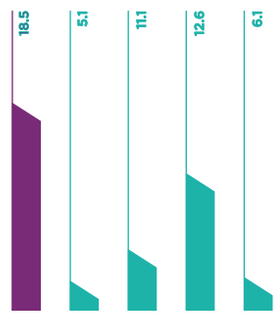
[1.] The expansion of the sukuk portfolio is part of BisB's tactical strategy to improve liquidity ratios and increase High-Quality Liquid Assets (HQLA), including government sukuks that qualify as HQLA, enhancing portfolio management framework and supporting strategic objectives.

FINANCIAL HIGHLIGHTS

5 years financial summary	2025	2024	2023	2022	2021
Earnings (BD Million)					
Net profit income	**35.7**	32.0	34.5	43.2	42.2
Other income	**22.4**	8.7	10.8	7.1	5.7
Total income	**58.1**	40.7	45.3	50.3	47.9
Total expenses	**29.6**	28.7	27.6	26.3	22.6
Operating Profit	**28.4**	12.1	17.8	24.0	25.3
Net profit	**18.5**	5.1	11.1	12.6	6.1
Cash dividend	**5.3**	-	-	-	-
Financial position (BD Millions)					
Total assets	**1,804.3**	1,541.9	1,358.1	1,361.8	1,324.5
Total Islamic financing	**998.5**	1,000.7	924.3	910.0	866.8
Investment securities	**390.3**	272.1	278.2	259.0	274.6
Earning assets	**1,662.1**	1,409.0	1,233.8	1,218.3	1,207.4
Total deposits	**1,597.7**	1,356.3	1,188.8	1,189.4	1,168.7
Customer deposits	**1,173.7**	1,038.8	871.6	897.0	936.2
Owner's equity	**163.3**	147.4	144.6	135.8	125.8
Ratios					
Earnings					
Return on average equity (%)	**11.9**	3.5	7.9	9.6	5.5
Return on average assets (%)	**1.1**	0.3	0.8	0.9	0.5
Earnings per share (fils)	**15.8**	3.0	8.8	10.1	5.8
Cost-to-income ratio (%)	**51.0**	70.4	60.8	52.3	47.1
Capital					
Owners' equity as % of total assets (%)	**9.0**	9.6	10.6	10.0	9.5
Total liabilities and quasi-equity to owners' equity (times)	**10.0**	9.5	8.4	9.0	9.5
Capital adequacy ratio (%)	**24.9**	20.4	16.9	19.5	19.1

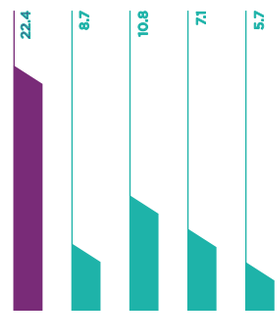
Net profit
(BD Millions)

BD 18.5 m



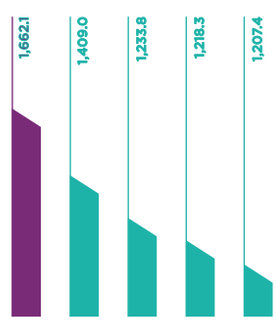
Other income
(BD Millions)

BD 22.4 m



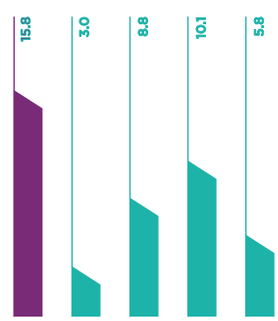
Earnings assets
(BD Millions)

BD 1,662.1 m



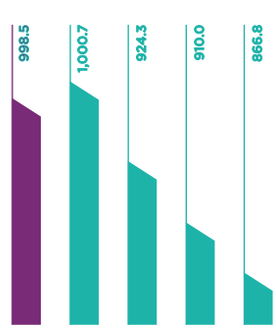
Earnings per share
(Fils)

15.8 Fils



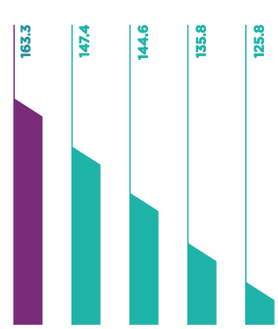
Total Islamic financing
(BD Millions)

BD 998.5 m



Owners' equity
(BD Millions)

BD 163.3 m



OVERALL KEY HIGHLIGHTS

01

MADE SIGNIFICANT PROGRESS IN THE SECOND YEAR OF THE FUTURE FORWARD STRATEGY DEFINED BY focused delivery and strong organisational alignment, supported by quarterly, Bank-wide awareness sessions. BisB will enter the final year of the strategy cycle, on a stronger balance sheet, a more sustainable income base, and greater organisational momentum to fully realize the ambitions of the Future Forward Strategy by 2026.

02

BISB DELIVERED A SIGNIFICANTLY IMPROVED FINANCIAL PERFORMANCE IN 2025, with net profit reaching BD 18.5 million compared to BD 5.1 million in 2024, exceeding expectations and achieving one of the highest profit levels in the Bank's history.

03

INTEGRATION WITH THE NBB GROUP CONTINUED TO BE AN IMPORTANT ENABLER OF PROGRESS IN 2025. Over recent years, BisB and NBB have made significant strides in harmonising and streamlining support and control functions, resulting in a more unified and efficient operating model.

ESG HIGHLIGHTS

Female Employee Rate of 38% (136 female employees)

Nationalisation Rate of 96% (340 Bahraini employees)

Total Training Hours of 2025 accumulate to 22,275

83.87% of total procurement spending on local suppliers

100% of employees completed sustainability awareness training programmes

Set refined direction and commitment on sustainability with an updated Materiality Assessment, Sustainability Strategy and three-year Sustainability Roadmap

Strengthened Sustainability Governance with the launch of the executive level BisB Sustainability Management Committee

Advanced the Bank's decarbonisation journey with a revised updated GHG inventory and the development of a decarbonisation plan

Launched BisB's Sustainable Finance Framework as the first Islamic bank in Bahrain reflecting deep commitment to being a catalyst for positive change in the financial sector. Advanced eligible sustainable finance initiatives with a focus on social eligibility and supporting SMEs

Completed first full year as a participant to the United Nations Global Compact and submitted first Communication on Progress (CoP) report demonstrating transparency and accountability

Advanced the development of an internal Data Management and Reporting Framework to streamline the Bank's internal ESG data management and reporting processes

Launched Al Murshid, an AI-powered Shari'a platform aimed at broadening access to Shari'a knowledge and supporting understanding of Islamic finance principles

Launched several CSR initiatives spanning environmental clean-ups, Ramadan food distribution, health-focused volunteering, support for children with special needs, home renovations for vulnerable families, autism-inclusive activities, and large-scale tree-planting efforts

Led the automation of five key HR operational processes as part of the organisation's digital transformation initiative, enhancing efficiency and reducing manual workload

Introduced the CEO Recognition Program – Future Forward Award to strengthen culture of performance, innovation, and accountability

Reinforced commitment to fairness and responsible labour practices through the approval of a standalone Human Rights Policy

Introduced the Multi-Currency Prepaid Card incorporating the OxyCYCLE PVCr card body manufactured from 100% recycled post-industrial PVC. The card achieves a 27% reduction in CO_2 emissions during manufacturing compared to conventional PVC cards, reflecting BisB's commitment to embedding environmental considerations within its product offering

Achieved notable progress through Process Automation and Transformation Program, implementing more than 50 automation enhancements across critical functions

Automated a list of services through both the Mobile App and physical branches in order to streamline operations, reduce wait times, and provide customers with convenient, personalized experiences

Received the award for 'Best ESG and Sustainability Practices in Bahrain' at the World Business Outlook Awards 2025, in recognition of the Bank's exceptional efforts in championing ESG principles through its impactful "Jood" Volunteering Team initiatives



Mr Ameer Dairi,
Chief Financial and Strategy Officer:

"Sustainability is the foundation of a resilient financial sector of today. We recognise that integrating ESG principles into our business strategy is central to our long-term growth and positive impact."

AWARDS 2025

01

Bahrain's Best Islamic Digital Bank

- Euromoney Islamic Finance Awards 2025



02

Best Islamic Bank in Bahrain

- Islamic Finance News



03

Best AI Initiative (Al Murshid)

- The Digital Banker Global Islamic Finance Awards 2025



04

Best ESG and Sustainability Practices in Bahrain (Jood)

- World Business Outlook Awards 2025



05

Leading Innovative Islamic Bank/Bahrain (Tejoori Premium)

- World Business Outlook Awards 2025

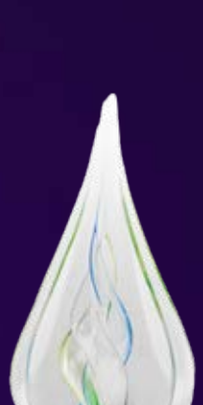


06

Most Innovative Solution Award

- Information Systems Audit and Control Association (ISACA)

Global Achievements Award 2025



07

Grand Prize in the AlBilad CSR Awards 2025 in Bahrain



BOARD OF DIRECTORS REPORT



Zaid Khalid Abdulrahman
Chairman

The Bank continued to grow its assets prudently while maintaining discipline in risk management. Total assets increased by 17%, from BD 1,542 million as of 31 December 2024 to BD 1,804 million as of 31 December 2025.

On behalf of the Board of Directors of Bahrain Islamic Bank (BisB), I am pleased to present the Annual Financial and Sustainability Report for the year ended 31 December 2025. This year, the Bank delivered its soundest, most remarkable financial performance to date. This exceptional performance was apparent to its financial strength, resilience and execution, despite a challenging macroeconomic environment characterized by funding volatility, margin pressure and continued global uncertainty. The performance was driven by disciplined balance sheet management, improved asset quality, effective execution of strategic initiatives, and deliberate emphasis on enhancing the Bank's customer experience initiatives, service quality and value proposition, which together delivered sustainable financial outcome.

The Board remains confident with the Bank's sound financial position and its ability to navigate ongoing uncertainties while continuing to deliver sustainable value to shareholders.

During the year 2025, the Bank recorded an outstanding net profit of BD 18.5 million, compared to BD 5.1 million for the year ended 31 December 2024. This performance was underpinned by the successful execution of the sale of one of the largest real estate investments, undertaken as part of our broader balance sheet optimization strategy to enhance capital efficiency and unlock value for shareholders.

More importantly, the Bank's strong financial performance was primarily driven by sustainable improvement in core profitability, supported by solid underlying operating momentum and growth in reoccurring revenue streams.

The Bank continued to grow its assets prudently while maintaining discipline in risk management. Total assets increased by 17%, from BD 1,542 million as of 31 December 2024 to BD 1,804 million as of 31 December 2025, while customer deposits grew by 13%, from BD 1,039 million as of 31 December 2024 to BD 1,174 million as of 31 December 2025, driven primarily by a healthy growth in low-cost deposits. Islamic financing remained stable at BD 1 billion as of 31 December 2025, reflecting our continued focus on high-quality asset and risk-adjusted returns rather than volume-led growth.

BOARD OF DIRECTORS REPORT (CONTINUED)

The Bank further strengthened its capital and liquidity positions, evidenced by a boosted Capital Adequacy Ratio from 20.4% as of 31 December 2024 to 24.9% as of 31 December 2025, as well as materially improved liquidity metrics remaining comfortably above regulatory requirements, reinforcing balance sheet resilience and funding stability.

MACROECONOMIC ENVIRONMENT AND RISK OVERSIGHT

Throughout the year, BisB closely monitored an evolving macroeconomic environment characterized by yield curve inversion, sustained elevated profit rates, intensified sector competition, and evolved regulatory requirements. In response, the Bank continued to improve the structure of the balance sheet, by diversifying the source of funding, and changing the composition of the liabilities. These actions reflect a disciplined approach to risk management and reinforce the Bank's ability to navigate market volatility while preserving long-term financial stability.

OPERATIONAL PERFORMANCE AND BUSINESS SEGMENTS

Operational efficiency also improved significantly, with the cost-to-income ratio declining from 70% for the year ended 31 December 2024 to 51% for the year ended 31 December 2025. This improvement reflects enhanced income quality, cost optimization, digitalization initiatives, transformation and effective group-level synergies.

Performance during the year was supported by positive contributions across all core business segments. Retail Banking delivered solid growth through an expanded product offering, improved customer experience and entry into new customer segments and markets, resulting in improved portfolio quality. Corporate Banking remained aligned with strategy, prioritizing high quality exposures and selective financing to well rated counterparties. Treasury performance was robust, supported by proactive liquidity management, interbank placement optimization, improved sukuk portfolio performance, and higher foreign exchange income.

STRATEGIC PROGRESS AND SUSTAINABILITY

Being the second year of the Future Forward Strategy, 2025 marked a key phase of execution and consolidation. The Bank made solid progress in strengthening balance sheet resilience, improving profitability and operational efficiency, advancing digital transformation, and reinforcing customer-centricity. These initiatives have enhanced the Bank's ability to operate effectively in a dynamic environment while laying the foundations for sustainable long-term growth.

Sustainability and responsible banking continued to be embedded within the Bank's strategy and operating model. During the year, progress was achieved through an updated materiality assessment, the development of a three-year sustainability roadmap, strengthened

governance arrangements, the formulation of a decarbonization plan, and the launch of the sustainable finance framework. These initiatives support long-term value creation aligned with national priorities and the best global practices.

CONTRIBUTION TO BAHRAIN ECONOMIC VISION 2030

As the first and national Islamic financial institution of Bahrain, BisB remains committed to supporting Bahrain Economic Vision 2030. Through Shari'a compliant financing, support for government-related initiatives, digital transformation, SME development, talent development, education, and sustainable finance, the Bank continues to contribute to economic diversification, financial stability, innovation, and social development.

GOVERNANCE AND OUTLOOK

Strong governance remains central to the Board's oversight. During the year, governance frameworks were refreshed, oversight processes strengthened, and accountability further enhanced, supported by the continued guidance of the Shari'a Supervisory Board to ensure full compliance with Shari'a principles.

ACKNOWLEDGEMENTS

On behalf of the shareholders, the Board of Directors expresses its sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, for their wise leadership and continued support of the Kingdom's Islamic banking sector.

The Board also thanks the Central Bank of Bahrain, the Ministry of Industry and Commerce, the external auditor and other relevant authorities for their guidance and support.

The Board extends its appreciation to the Shari'a Supervisory Board, shareholders, customers, executive management, and employees for their commitment and professionalism, which were instrumental in delivering the Bank's strong performance during the year.

BOARD OF DIRECTORS REPORT (CONTINUED)

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 2025.

First: Board of directors' remuneration details

	Fixed remunerations					Variable remunerations					End-of-service award		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		**Aggregate amount** (Does not include expense allowance)	
First: Independent Directors													
1. Mohamed Abdulrahman Bucheeri **Appointed on 24 March 2025*	20,903	8,000	-	749	29,652	-	-	-	-	-	-	29,652	-
2. Khalid Abdulaziz Al Jassim	27,055	22,000	-	60	49,115	-	-	-	-	-	-	49,115	-
3. Marwan Khaled Tabbara	27,055	19,000	-	-	46,055	-	-	-	-	-	-	46,055	-
4. Naser Mohamed Al Hamad **Appointed on 24 March 2025*	20,903	15,099	-	-	36,002	-	-	-	-	-	-	36,002	-
5. Saqer AbdulMohsen Al Sijari **Resigned on 24 March 2025*	6,152	3,306	-	968	10,426	-	-	-	-	-	-	10,426	-
Second: Non-Executive Directors													
1. Zaid Khalid Abdulrahman	40,583	9,000	-	45	49,628	-	-	-	-	-	-	49,628	-
2. Mohamed Abdulla Nooruddin	27,055	15,000	-	-	42,055	-	-	-	-	-	-	42,055	-
Third: Executive Directors:													
1. Usman Ahmed	27,055**	14,000	-	-	41,055	-	-	-	-	-	-	41,055	-
2. Ali Ehsan Abbas	27,055**	15,000	-	-	42,055	-	-	-	-	-	-	42,055	-
3. Rana AbdulAziz Qambar	27,055**	14,000	-	-	41,055	-	-	-	-	-	-	41,055	-
4. Mohsin Rahim **Resigned on 24 March 2025*	6,152**	2,000	-	-	8,152	-	-	-	-	-	-	8,152	-
5. Hisham Saeed Al Kurdi **Resigned on 17 August 2025*	16,975**	6,000	-	-	22,975	-	-	-	-	-	-	22,975	-
Total	**273,998**	**142,405**	**-**	**1,822**	**418,225**	**-**	**-**	**-**	**-**	**-**	**-**	**418,225**	**-**

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).***

Second: Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,141,533	330,514	-	1,472,047

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 has more than 18 years of experience in engineering, business management, and 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 is an Executive Director at the Food Supply Company and is a Board Member at the Bahrain Ship Repairing and Engineering Company. He is also a Board Member at the National Bank of Bahrain, and the Director of Operations and Investment at Yousif Abdulrahman Engineer Holding Co.

Mr. Zaid holds a Bachelor's Degree in Mechanical Engineering from the University of Leicester in the UK.

Mr. Zaid Khalid Abdulrahman

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



Mr. Usman Ahmed is the Group CEO of the National Bank of Bahrain (NBB) and concurrently the Vice Chairman of Bahrain Islamic Bank. Mr. Ahmed has over 30 years of diverse international banking experience in emerging markets across the EMEA and Asia Pacific regions, of which for the last 20 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 being the Global Head of Citi Islamic Banking, based in Bahrain.

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 SICO Bank, GCC Board of Directors Institute, Injaz Bahrain and the Bahrain Association of Banks.

Mr. Usman Ahmed

Vice Chairman - Executive Director
Chairman - Executive Committee
Member - 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. He has over 41 years of experience in the banking and investment sector and is also a Board member of Arcapita Capital Company – Bahrain.

In the past, Mr. Nooruddin held several executive positions at Arcapita Bank, First Islamic Investment Bank, Bahrain International Bank and Gulf International Bank. In addition to serving as a Board member at Al Baraka Bank Egypt and Tadhamon Capital.

Mr. Mohamed holds a BSc in Business Administration from the University of Bahrain.

Mr. Mohamed Abdulla Nooruddin

Board member - Non Executive Director
Member- Executive Committee



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 15 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.

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.

Mr. Khalid Abdulaziz Al Jassim

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

BOARD OF DIRECTORS (CONTINUED)



Mr. Marwan Khalid 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.

Previously, Mr. Tabara had 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 (Bahrain's National Stock Exchange) and as Board Member of Bahrain Development Bank BSC.

Mr. Tabbara 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) as well as the International School of Creative Science (ISCS). He has also recently been appointed by Royal Decree as a Board member of the Health Insurance Fund.

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

Mr. Marwan Khaled Tabbara

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



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 brings broad and well-rounded discipline to the development, implementation, and oversight of the Group's Risk Management Framework.

Mr. Ali'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 was the Country Manager and Chief of UAE Representative Office Operations at BBK.

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

Mr. Ali Ehsan

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



Ms. Rana Abdulaziz 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, Ms. Rana was the Director of Licensing and Head of Retail Banking Supervision at the Central Bank of Bahrain (CBB).

Ms. Rana holds a Master's Degree in Accounting and a Bachelor in Accounting from the University of Bahrain.

Ms. Rana Abdulaziz Qambar

Board Member - Executive Director
Member - Audit Committee



Mr. Mohamed Abdulrahman Bucheeri brings over four decades of leadership experience across regional and international financial institutions.

He served as Chief Executive Officer and Board Member of both Ithmaar Bank and Shamil Bank of Bahrain, spearheading their business growth and investment strategies across regional markets. His extensive experience also includes earlier executive positions at Gulf International Bank, Smith Barney Inc., Bahrain International Bank, and the Islamic Investment Company of the Gulf, where he oversaw the overall business growth strategy, including the development of credit policies, fund management, and the expansion of regional investments.

He currently serves as Vice Chairman and Chairman of the Executive Committee at Eskan Bank, and holds board positions at A.M. Yateem Brothers, Yateem Oxygen Company, and Middle East Carbon Dioxide, where he also serves as Chairman.

He holds a Bachelor of Arts in Economics and Finance from Aleppo University, Syria, and is a registered financial consultant certified in the United States.

Mr. Bucheeri is also the recipient of the National Service Medal by His Majesty King Hamad bin Isa Al Khalifa.

Mr. Mohamed Abdulrahman Bucheeri

Board Member - Independent Director
Member - Executive Committee

BOARD OF DIRECTORS (CONTINUED)



Mr. Nasser Mohamed Al Hamad is a senior public sector executive in Kuwait with over 30 years of experience in administrative affairs, institutional development, and strategic planning.

Mr. Al Hamad held several leadership positions at the Kuwait Awqaf Public Foundation, including Director of the Administrative Affairs Department, Director of the Planning and Monitoring Department, and Acting Deputy General for Administration and Support Services. Over the years, he has chaired and contributed to numerous internal committees across areas such as personnel affairs, grants, procurement, performance evaluation, and institutional planning.

He currently serves as the Acting Secretary General of the Kuwait Awqaf Public Foundation, a position he assumed in 1995 following a long-standing career within the organisation.

In addition to his executive responsibilities, Mr. Al Hamad is a Member of the Awqaf Affairs Council and sits on the Board of Directors of Kuwait Zakat House, where he also serves on its Resource Development Committee.

He holds a Diploma in Management from the College of Business Studies in the State of Kuwait.

Mr. Naser Mohamed Al Hamad

Board Member - Independent Director
Member - Audit Committee
Member - Nomination, Remuneration, Governance & Sustainability Committee (NRGSC)





SHARIA'A SUPERVISORY BOARD REPORT

For the year ended on 31/12/2025

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 2025, in fulfillment to the mandate conferred upon it by BisB's Articles of Association:

> The Sharia Supervisory Board has monitored the implementation on the Bank's finances and its applicable fees and the relevant policies and procedures.

First: Supervision and Revision of the Bank's Business

1. Sharia'a Complaince

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 2025 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 (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.

2. Sharia'a 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 results also demonstrate that the Bank has established an effective and integrated Sharia governance framework, underpinned by a risk-based Sharia risk management approach, strengthening preventive and concurrent oversight and reducing potential future Sharia risks.
The assessment showed that the Bank has established a sound institutional foundation for integrating the Sharia dimension within governance and sustainability initiatives, as well as activities with social and environmental impact. This has been reflected in achieving an advanced level of partial integration, alongside a clear focus on translating the objectives of Sharia into practical applications embedded within policies and operational procedures.

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.

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 19 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.

SHARIA'A SUPERVISORY BOARD REPORT

(CONTINUED)

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 Supervisory Board Operations

The Sharia Board and its Committees held (24) meetings during the year and issued (116) decisions and fatwas, and approved (265) contracts.

Fourth: Financial Statements and Zakat Calculation Methods

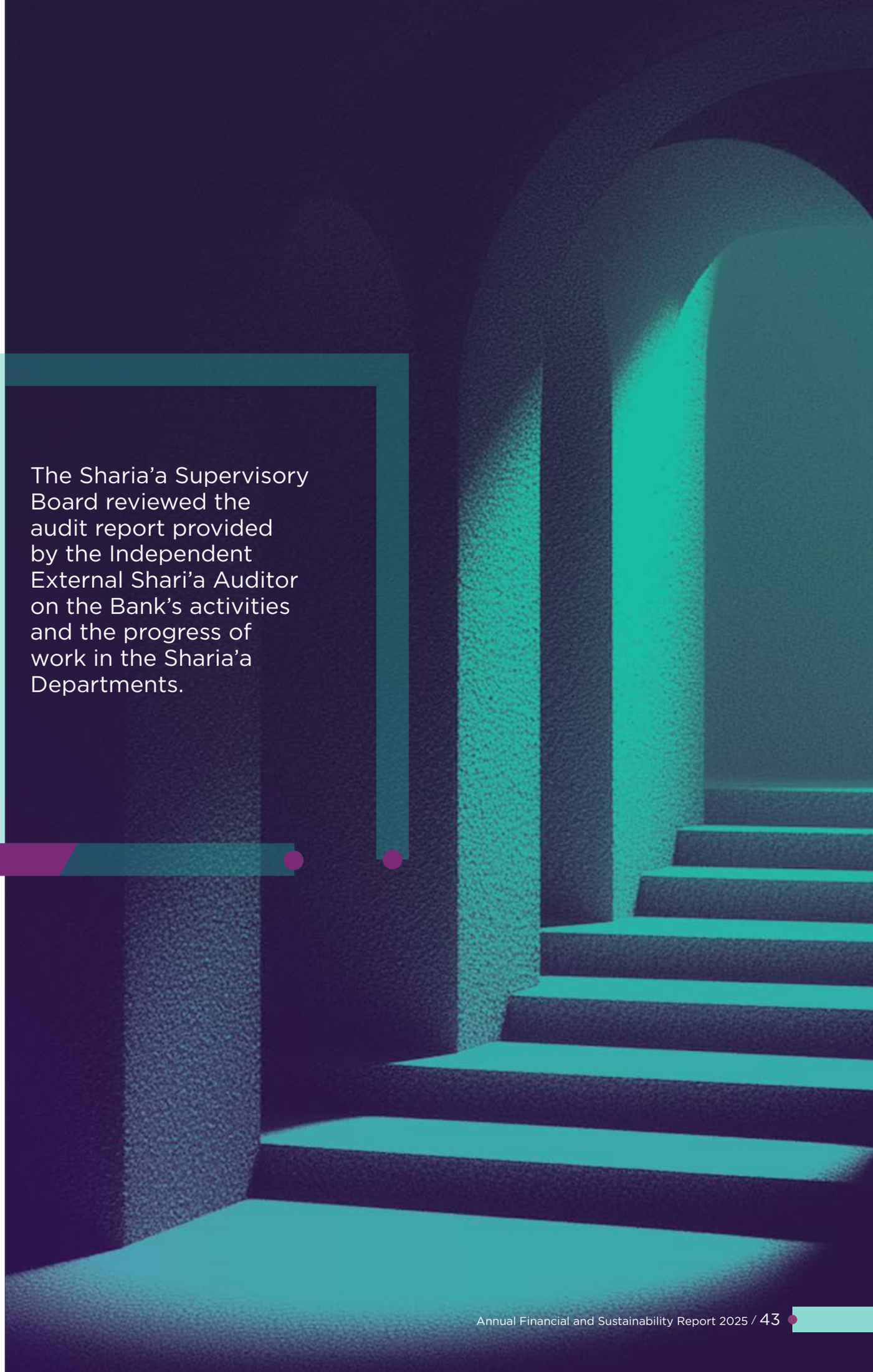
The Sharia Board has reviewed the financial Statements for the year ended on 31st December 2025, the income statement, the distribution of profit and allocation of losses, the attached notes and the Zakat calculation methods.

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



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.

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. Abdul Latif Mahmood Al Mahmood

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 Dr. Nedham Mohamed Saleh Yacoubi

Vice Chairman of Shari'a Supervisory Board



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

Member of the Supreme Council for Islamic Affairs, Bahrain.

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 Mohammed Jaffar Al Juffairi

Shari'a Supervisory Board Member



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

Member of the Supreme Council for Islamic Affairs, 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.

Shaikh Adnan Abdulla Al Qattan

Shari'a Supervisory Board Member

CHIEF EXCECUTIVE OFFICER REPORT



Fatema AlAlawi
Chief Excecutive Officer (CEO)

> BisB delivered a significantly improved financial performance in 2025, with a net profit of BHD 18.5 million compared to BHD 5.1 million for the year ended 2024,

The year 2025 marked a pivotal period for Bahrain Islamic Bank (BisB), defined by disciplined execution and clear progress across our strategic priorities. Against a backdrop of a challenging operating environment, the Bank strengthened its foundations, advanced initiatives across all pillars of the Future Forward Strategy, and built the momentum required to support sustainable, long-term growth.

BisB delivered a significantly improved financial performance in 2025, with a net profit of BHD 18.5 million compared to BHD 5.1 million for the year ended 2024, exceeding expectations and recording one of the highest levels of profitability in the Bank's history. This performance was supported by continued balance sheet growth, with total assets increasing to BD 1,804 million as of 31 December 2025 and customer deposits rising to BD 1,174 million as of 31 December 2025. These remarkable results were delivered despite evolving funding conditions and margin pressure, underscoring the strength of our balance sheet management, disciplined focus on high-quality assets, and sustained improvements in operational efficiency.

As an Islamic bank, BisB's strategy, operations, and growth ambitions remain firmly anchored in authentic Shari'a principles. Our value proposition is built on trust, transparency, and ethical finance, supported by a robust Shari'a governance framework. In 2025, we continued to strengthen our leadership position by combining this foundation with effective execution and innovation, delivering a comprehensive portfolio of Shari'a-compliant solutions across retail and corporate banking that addresses evolving customer needs while remaining true to Islamic finance values.

We also demonstrated that Islamic banking can be technologically advanced without compromising compliance. Through the continued rollout of digital journeys, automation, and AI-enabled solutions, we enhanced accessibility, efficiency, and the overall customer experience, reinforcing our position as one of the most innovative and trusted Islamic banks in Bahrain.

The second year of the Future Forward Strategy was characterized by consistent execution across clearly defined priorities outperforming expectations. Our focus remained on strengthening resilience, advancing digital transformation, improving operational efficiency, enhancing customer experience, and building organisational capability to support long-term growth. A key area of progress during the year was asset quality and credit governance, supported by tighter underwriting standards,

CHIEF EXCECUTIVE OFFICER REPORT (CONTINUED)

enhanced early monitoring frameworks, and sustained recovery efforts, all of which strengthened portfolio quality and reinforced a disciplined risk culture across the Bank.

We also took deliberate steps to reinforce balance sheet strength and flexibility. Focused implementation strengthened capital positioning and improved liquidity flows, supported by deeper customer engagement, successful entry into new GCC markets, and a stronger presence in specialised segments. These initiatives form an integral part of our efforts to build a more diversified and sustainable platform for growth.

ELEVATING CUSTOMER EXPERIENCE

Operational excellence was a central theme for BisB in 2025. We streamlined processes, reduced turnaround times, and accelerated digitalisation and automation across key customer journeys, delivering faster, simpler, and more convenient banking experiences while driving meaningful internal efficiency gains. New banking solutions and expanded digital capabilities attracted a broader customer base and strengthened engagement across channels, reinforcing customer centricity as a core strategic differentiator in an increasingly competitive market.

Our digital transformation journey advanced materially during the year, with the implementation of more than 50 automation enhancements across multiple functions, reducing manual intervention and improving scalability. Digital adoption continued to accelerate, supported by strong growth in our digital customer base and deposits, reflecting increasing confidence in our platforms and services. Digital onboarding remained a critical growth enabler, including further expansion into GCC markets, supporting both operational effectiveness and future growth.

Artificial Intelligence represents a significant opportunity for BisB. During the year, we laid the foundations for AI readiness by strengthening data infrastructure, governance, and internal capabilities. Beyond automation, AI offers meaningful potential across predictive analytics, fraud detection, customer insights, and advisory services, and our ambition is to embed these capabilities responsibly, aligned with trust, transparency, and Shari'a principles.

SUSTAINABILITY AND RESPONSIBLE GROWTH

BisB made significant progress on its sustainability journey in 2025, completing an updated Materiality Assessment and developing a three-year Sustainability Roadmap anchored by a Sustainability Strategy House. We also advanced our decarbonisation roadmap and strengthened sustainability governance structures, sharpening our focus on the issues most relevant to stakeholders and long-term resilience.

The launch of BisB's Sustainable Finance Framework marked a defining step in embedding sustainability into our core business. Through this framework, we aim to support clients in their transition toward more sustainable practices and to scale green and social financing solutions that create long-term value for the economy and society, while aligning with national priorities and global best practices.

PEOPLE, CAPABILITY, AND GROUP INTEGRATION

Our people remain central to our success. In 2025, we continued to invest in talent development, leadership capability, and future-ready skills, particularly in areas critical to the evolving banking landscape such as digitalisation, risk, compliance, and technology. We strengthened performance frameworks, enhanced succession

planning, and redesigned learning architecture to support workforce readiness, while progressing HR digitalisation and analytics-driven decision-making to improve efficiency, transparency, and employee experience.

Integration with the National Bank of Bahrain (NBB) Group continued to be an important enabler of progress and strategic opportunity. Over recent years, BisB and NBB have made significant strides in harmonising and streamlining support and control functions, resulting in a more unified and efficient operating model. Building on this progress, BisB will continue to deepen collaboration across the Group to capture further efficiencies, enhancing scale and access to expertise, while maintaining a clear focus on its strategic priorities and Islamic banking identity.

SUPPORTING BAHRAIN'S VISION FOR THE FUTURE

BisB is deeply committed and plays an active role in supporting Bahrain's Economic Vision 2030, contributing to innovation, digital transformation, talent development, sustainability, and social wellbeing. Through our "Jood" volunteering team, we delivered a broad portfolio of CSR initiatives in 2025, spanning environmental clean-ups, Ramadan food distribution, health-focused volunteering, support for children with special needs, home renovations for vulnerable families, autism-inclusive activities, and large-scale tree-planting efforts. We also continued to invest in youth empowerment through the "Future Leaders" initiative and to support women's advancement through the "On Her Path" programme, reinforcing our commitment to inclusive and long-term community development. Recognition through the Grand Prize at Al Bilad's 2025 Corporate Social Responsibility Awards affirmed the impact of this integrated, year-round approach.

Strong governance underpins sustainable performance. In 2025, we refreshed core governance policies, updated Board and management charters, enhanced oversight and information flow, and refined delegation and executive accountability, ensuring the Bank remains well governed as it continues to grow and evolve.

Our progress in 2025 reflects the dedication of our employees, the guidance of our executive management and Board of Directors, and the continued support of the NBB Group. I also extend my appreciation to the Central Bank of Bahrain for its constructive engagement, and to our shareholders and customers for their continued trust.

As we look ahead, BisB does so with stronger foundations, improved operational effectiveness, and greater organisational momentum. Guided by our Islamic values and supported by a resilient operating model, we remain confident in our ability to deliver responsible, innovative, and future-ready banking solutions that create lasting value for our customers, shareholders, and the wider community in the Kingdom of Bahrain.



Fatema AlAlawi
Chief Executive Officer

EXECUTIVE MANAGEMENT



Ms. Fatema AlAlawi is a visionary leader with over 27 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.

Ms. Fatema AlAlawi

Chief Executive Officer



Mr. Ameer Dairi has over 24 years of experience in financial management accounting, with 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), Board Member of Abaad Real Estate W.L.L., Advisory Board of Bahrain Technology University, Board Member of CBB Waqf Fund, and EX Board Member in The Benefit Company.

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. Ameer Abdul Ghani Dairi

Chief Financial and Strategy Officer



Mr. Faisal Al Abdulla brings 20 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 Hong Kong, and holds the Series 7 certification, reinforcing his financial acumen.

Mr. Faisal Hamed Al Abdulla

Chief Retail Banking 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.

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.

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.

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

Mr. Ajay Jha

Chief Risk Officer

EXECUTIVE MANAGEMENT (CONTINUED)



Ms. Afnan Ahmed Saleh serves as the Chief Human Resources Officer at Bahrain Islamic Bank (BisB), bringing over 25 years of experience in human resources and corporate affairs. She began her career at the University of Bahrain before moving into leadership roles at INTELNACOM and Tharawat Investment House. She joined BisB in 2015 as HR Manager and was promoted to CHRO in 2020.

Throughout her tenure, Afnan has championed major initiatives in culture transformation, HR digitalization, and strategic talent development—solidifying BisB's position as a modern, people-centric institution. She holds a Bachelor's degree in Business Administration from the University of Bahrain and an MBA from the University of Strathclyde in the United Kingdom.

Afnan is deeply committed to empowering women, nurturing leadership capabilities, and mentoring individuals to unlock their full potential

Ms. Afnan Ahmed Saleh

Chief Human Resources Officer



Mr. Salman Sayyar boasts 17 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 Internal Auditor (CIA) from the Institute of Internal Auditors (IIA), 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. He holds a Bachelor's in Accounting from the University of Bahrain.

Mr. Salman Mahmood Sayyar

Chief Internal Audit Officer



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 joined the industry during 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).

Mr. Hussain Ebrahim Al Banna

Head of Treasury



Mr. Yousif Ali Engineer has over 20 years of experience across various areas of banking, including corporate banking, portfolio management, corporate relationship management, credit analysis, real estate and construction financing, and Islamic banking solutions.

Prior to joining Bahrain Islamic Bank, Mr. Engineer held several senior roles including Relationship Manager and Head of Corporate Banking – Real Estate & Construction.

He currently serves as the Acting Chief Corporate & Institutional Banking Officer at Bahrain Islamic Bank. In addition to his executive role, he is a Member of the Corporate & SME Committee at the Bahrain Association of Banks (BAB).

Mr. Engineer holds a Bachelor's Degree in Economics from Pepperdine University in the United States and a Master of Science in International Finance from the University of Westminster in the United Kingdom.

Mr. Yousif Ali Engineer

Acting Chief Corporate & Institutional Banking Officer

EXECUTIVE MANAGEMENT (CONTINUED)



Mrs. Naeema Taheri possesses 33 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.

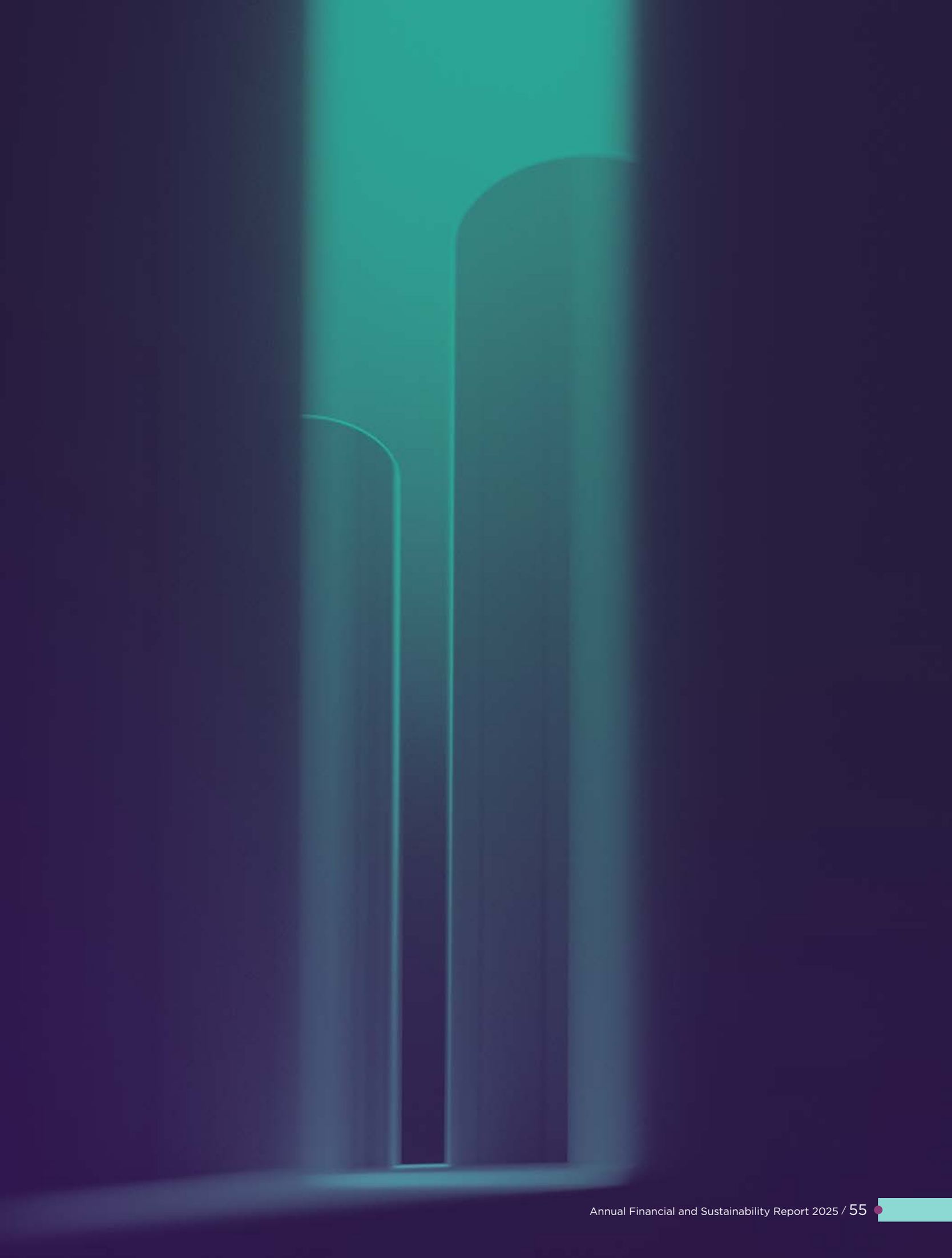
Prior to joining BisB in April 2022, she held several senior positions at leading banks and financial institutions, including Citibank Bahrain as Resident Vice President, Director – Head of Compliance & MLRO at Capinnova Investment Bank, Group Head of Risk & Compliance at BFC Group Holdings, Senior Vice President – Head of Compliance & MLRO at Al Salam Bank, and Compliance Officer & MLRO at Gulf Finance House.

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. Mrs. Taheri is a Certified Anti Money Laundering Specialist (CAMS) from ACAMS in the USA. She has also obtained various certifications of the likes in Anti-Money Laundering and Compliance.

Mrs. Naeema Hasan Taheri

CAMS, FICA, CCO, BCP, MCP
Chief Compliance Officer



02

OUR STRATEGIC DIRECTION

THE FUTURE FORWARD STRATEGY

BisB established the Riyadah 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.

In 2025, BisB advanced its strategic journey with the introduction of the Future Forward Strategy — a refined continuation of the Riyadah Strategy, designed to bring greater focus, agility, and direction to the Bank's ambitions for 2026. This evolution reflects BisB's commitment to building on past successes while accelerating sustainable growth, strengthening liquidity, and enhancing digital and customer excellence. Future Forward underscores the Bank's aspiration to reinforce its leadership as Bahrain's most modern and innovative Islamic financial institution. The strategy is built on five pillars:

- **Enhance Asset Quality**
- **Strengthen Liquidity and Funding**
- **Drive High Performance**
- **Improve Operational Efficiency**
- **Elevate Brand Promise**

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 Finance, Cards and liability spectrum.	BisB aims to expand high-quality corporate and Government Related Entities (GRE) financing, to strengthen liquidity by deepening CASA and diversifying corporate funding flows, and to drive profitable portfolio growth through selective financing to mid-sized corporates, GREs and strategic commercial segments.	To strengthen liquidity and funding resilience while extending the balance sheet efficiently to enhance spreads and sustainably improve Net Financing Margin (NFM). Adopting a structured portfolio management approach, positioning BisB as an anchor investor in local Government and GRE sukuks to optimise returns.

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 FUTURE
FORWARD STRATEGY (CONTINUED)

Key Achievements In 2025

The year witnessed solid progress across five strategic pillars:

1. Enhance Asset Quality

- Strengthened the financing portfolio through prudent risk selection and proactive recovery management, reducing Stage 2 and Stage 3 exposures.
- Sustained improvements in portfolio quality supported by strong risk governance and proactive credit management.
- Diversified financing exposure across resilient sectors and customer segments to enhance asset stability.
- Improved monitoring and early warning systems to maintain high-quality asset performance across the portfolio.

2. Strengthen Liquidity and Funding

- Maintained a robust liquidity position supported by disciplined balance sheet management and diversified funding channels.
- Achieved 48% growth in digital deposits, reflecting customer trust and increasing preference for online and mobile channels.
- Expanded GCC regional presence, diversifying the funding base through innovative onboarding and savings solutions.
- Introduced Shari'a-compliant sustainable deposit offerings and enhanced treasury analytics for more agile liquidity management.
- Optimised capital allocation and asset-liability management to ensure sustainable growth and resilience.

3. Drive High Performance

- Delivered strong performance across core business segments, supported by improved productivity and revenue diversification.
- Digital adoption increased from 68% to 74%, reflecting continued success in customer digital migration.
- Achieved 91% digital onboarding of new-to-bank customers, underscoring leadership in seamless, paperless onboarding.
- Introduced new Shari'a-compliant digital banking solutions catering to individual and corporate clients, enhancing accessibility and convenience.
- Grew the Bank's digital customer base by over 53,000 new users, reaffirming BisB's position as a pioneer in digital Islamic banking.

4. Improve Operational Efficiency

- Continued digitalisation of key operational processes, achieving faster turnaround times across both retail and corporate segments through workflow enhancements.
- Implemented more than 50 process automation enhancements across key business lines, reducing turnaround times and elevating service quality.
- Integrated advanced data analytics and automation tools to streamline internal operations and strengthen governance.
- Adopted agile working methodologies to accelerate project delivery and improve cross-functional collaboration.

5. Elevate Brand Promise

- Reinforced BisB's standing as Bahrain's leading digital Islamic bank, recognised regionally for innovation and customer trust.
- Launched targeted brand and digital engagement initiatives to strengthen customer loyalty and market presence.
- Introduced innovative product bundles and personalised digital experiences aligned with evolving customer needs.
- Enhanced brand visibility through refreshed digital experiences, customer-centric campaigns, and value-driven partnerships.
- Strengthened community connection and brand reputation through continued focus on sustainability, inclusion, and service excellence.
- Received multiple prestigious regional and international recognitions for excellence in innovation, ESG leadership, cybersecurity, inclusion, and product development — underscoring BisB's strong and trusted brand presence across key markets.

Strategic Outlook

As Future Forward continues to guide the Bank's direction, 2026 will focus on execution and acceleration. BisB aims to consolidate its gains under this evolved strategy by deepening regional funding diversification, enhancing operational agility, and driving innovation across every area of the business. Through disciplined growth and a steadfast customer focus, the Bank remains committed to delivering sustainable value and strengthening its position as Bahrain's leading Islamic financial institution.

RELATIONSHIP WITH NBB

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



Since 2020, Bahrain Islamic Bank (BisB) has been part of the National Bank of Bahrain (NBB) Group following NBB's acquisition of a 78.8% controlling stake in the Kingdom's first Islamic bank. The transaction marked an important step in the Group's diversification, combining conventional and Shari'a-compliant banking capabilities under a single Group platform and enabling a broader range of customers and sectors to be served.

In line with Central Bank of Bahrain (CBB) regulations and Shari'a requirements, BisB continues to operate as a fully independent Islamic bank, with a separate license, balance sheet, governance framework, and brand identity. This structure ensures the integrity of BisB's Shari'a-compliant operations while benefiting from the strength and scale of the wider Group.

Over recent years, NBB and BisB have evolved into a complementary partnership. The integration of selected governance, operational, and support functions has continued in 2025, strengthening efficiencies, enhancing capital resilience, and supporting robust regulatory compliance, while allowing both institutions to retain their distinct market positioning.

In parallel, BisB launched its Future Forward Strategy, setting a clear strategic direction for 2025–2026 focused on balance sheet resilience, efficiency and transformation, a data-driven culture, and customer-centric excellence. This strategy is closely aligned with the Group's broader objectives and reinforces BisB's role as a key contributor to long-term value creation within the NBB Group.

With the continued support of its majority shareholder, BisB is well positioned to strengthen its standing as the Islamic bank of choice in Bahrain and to deliver sustainable value for customers, shareholders, and the wider economy, in line with Bahrain's Economic Vision 2030.

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%**

23
Operating Branches

Comprising

20
in Bahrain

03
overseas

78
Automated Teller Machines (ATM)

63
Cash Deposit Machines (CDM)*

04
Interactive Teller Machines (ITM)**

Note:
* 24 Retail CDMs and 39 GMCSs;
** Retail Banking

For further information, readers may refer to NBB's Annual Financial and Sustainability Report 2025, which is available on its website.

OUR APPROACH TO ESG

As Bahrain's leading Islamic bank, BisB is uniquely placed to support the Kingdom's environmental and social objectives through the provision of Shari'a compliant products and services and allocating capital in ways that contribute to building a better future for all.

ESG Governance at BisB

Through the implementation of a formal ESG governance structure, 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.

ESG governance at BisB is underpinned by a Board-approved Sustainability Policy, which defines the Bank's overarching commitments, principles, and approach to managing environmental, social, and governance matters across its operations and value chain.

BisB's Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC) is a Board-level committee responsible for overseeing the integration of ESG within the Bank's business and operations while continuously growing organisational awareness around ESG and sustainability matters.

In 2025, BisB appointed a Chief Financial and Strategy Officer (CFSO), a revised role reporting to the NRGSC and with overall accountability for sustainability at the Bank. The CFSO reports BisB's sustainability matters to the Group Sustainability Management Committee (GSMC) and also chairs the BisB Sustainability Management Committee (SMC), which was established in 2025 to further strengthen sustainability governance at the Bank.

The Sustainability Manager, reporting directly to the CFSO, leads the Sustainability Working Group (SWG) and acts as the secretary of the SMC.

In 2025, BisB further strengthened its ESG Governance by launching the executive-level SMC to provide strategic oversights and institutional accountability for BisB's sustainability ambition, to facilitate the implementation of the revised Sustainability Strategy and Roadmap driving accountability and adherence on the strategy across all relevant aspects of the Bank. It is comprised of Initiative Owners and the Sustainable Finance Working Group (SFWG) Chair, who are responsible for implementing the roadmap. The CEO attends the meetings in an oversight capacity. The SMC meets at least once per quarter to:

- Formulate, guide, and monitor the execution of the Bank's Sustainability Strategy and Sustainability Roadmap, ensuring that ESG principles are meaningfully integrated into core business activities and decision-making processes.
- Oversee sustainability data governance, disclosures, and target-setting in accordance with applicable local and international frameworks.
- Serve as the executive governance body responsible for ESG performance ownership at the departmental level, with each Chief accountable for cascading relevant initiatives within their respective functions who shall form part of a dynamic Sustainability Working Group (SWG).
- Review, endorse, and oversee the implementation of sustainability initiatives across ESG factors, and sustainable

finance, including matters delegated to the Sustainable Finance Working Group (SFWG) and the Sustainability Working Group (SWG).

- Provide periodic reports and strategic recommendations to the GSMC and the NRGSC on sustainability performance, progress against key ESG indicators, gaps, risks, and opportunities.

The newly relaunched Sustainability Working Group (SWG), comprised of members from various departments across the Bank, is responsible for shaping BisB's Sustainability Roadmap and Strategy in line with the Bank's purpose, mission, promise, and values. The Sustainability Working Group (SWG)'s 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.

BisB has formed a Sustainable Finance Working Group (SFWG) to oversee all sustainable finance transactions and determine whether an asset, liability, project, transaction or entity can hold a sustainable label. The function of the Sustainable Finance Working Group (SFWG) is explored in detail in the Sustainable Finance section of the report.

To further strengthen the integration of sustainability into strategic decision-making, BisB continues to integrate sustainability-related KPI into the annual performance reviews of senior management. While this links sustainability directly with performance review, it only indirectly influences compensation.

Group-level ESG Governance

The Group Sustainability Management Committee (GSMC) advises 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 GSMC 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 GSMC also assists the Group NRGSC to integrate sustainability considerations into 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 GSMC reports sustainability performance to the

OUR APPROACH TO ESG (CONTINUED)

Group NRGSC on a periodic basis, at least semi-annually.

The GSMC includes Chiefs and Heads of various departments from the Group and representatives from BisB including the CEO and CFSO. The Committee is chaired by the Group Chief Executive Officer (GCEO) or an appointed delegate.

The GSMC's main responsibilities 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.

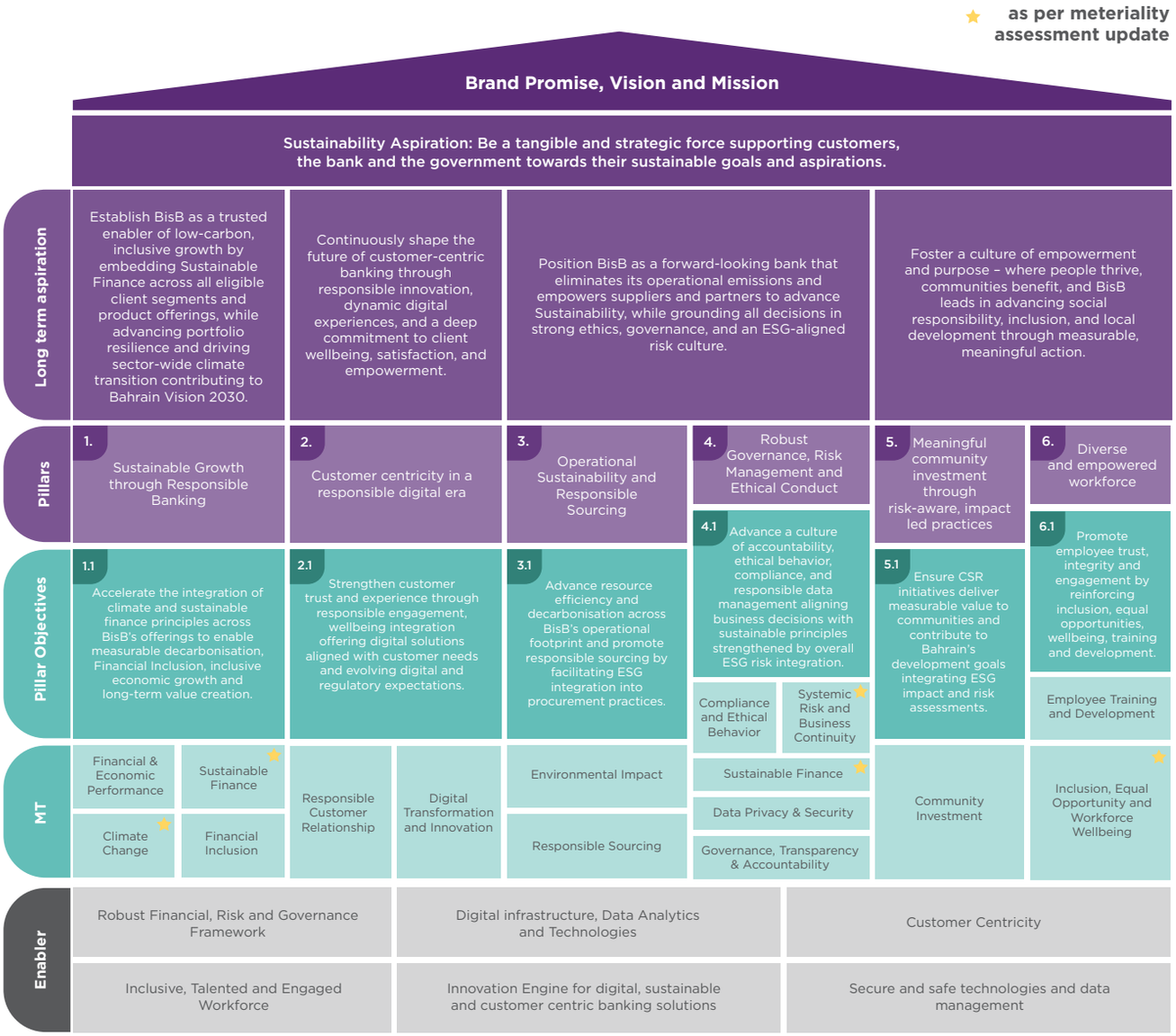
Sustainability Strategy

In 2025, BisB took a major step forward with its approach to managing material ESG risks and opportunities. Building on its existing achievements, the Bank updated its Sustainability Strategy and Roadmap in alignment with the Group and stakeholder needs.

This enhanced approach aligns with BisB's newly defined Sustainability Aspiration, to "be a tangible and strategic force supporting customers, the Bank and the Government towards their sustainable goals and aspirations."

The refined Sustainability Strategy is built on four long-term aspirations and six pillars - each with an overarching objective - aligned to its material ESG topics. To guide actions and ensure alignment with its overarching sustainability priorities, aspirations, and industry

best practices, BisB developed a new Sustainability Strategy House, presented below.



OUR APPROACH TO ESG (CONTINUED)

Roadmap and Initiatives

The updated, expanded and refined Sustainability Strategy outlines 19 initiatives and 56 measures of success, enabling the Bank to effectively track and assess its implementation progress.

Following the Strategy's revision, BisB prepared an enhanced three-year Sustainability Roadmap (2025–2027) designed to reflect the Bank's more ambitious goals and objectives. Initiatives have been prioritised and organised into three phases.

Phase 1 of the Roadmap will concentrate on five key priority areas:

- Climate Change and Decarbonisation
- Sustainable Finance
- Sustainability Data Management and Performance Integration
- Inclusion, Equal Opportunity, and Workforce Wellbeing
- Customer Experience

As evidence of BisB's progress in recent years, the Bank has significantly improved its ESG score to 64/100 in 2024 from 61/100 in 2023, as measured by ESG Invest, a leading ratings agency for the MENA region. In addition, during the year BisB received a first time score of 41/100 from LSEG Data & Analytics (formerly Refinitiv). While BisB is satisfied with the progress made to date, the Bank believes that its refined Sustainability Strategy and Roadmap position it to further enhance its ESG rating in the coming years.

Materiality Assessment and Stakeholder Engagement

BisB's Sustainability Strategy is grounded in a comprehensive materiality assessment that identifies the Bank's most significant ESG risks and opportunities. This assessment is conducted in line with global standards and informed by input from key stakeholders.

Stakeholder Engagement

The Bank maintains active, ongoing engagement with all stakeholder groups to understand their priorities and ensure that material topics are effectively managed.

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.

Stakeholder Group	Relationship with BisB	Needs & Expectations	Engagement Methods
Customers	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, LinkedIn. Personal Communication: Email, phone, mobile app, customer service units. Bank branches. contact centres.

Stakeholder Group	Relationship with BisB	Needs & Expectations	Engagement Methods
Employees	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	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.
Government & Regulators	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 expect 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	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, participate in development programmes, and support technological and economic innovation.	Community outreach and service through the Jood employee volunteer initiative. The Bank's official CSR programme. Education scholarship and corporate funding programmes. Zakat charitable donation programme. Sponsorships.
Suppliers	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 governed by contractual terms. Suppliers must comply with BisB's Code of Conduct.

OUR APPROACH TO ESG (CONTINUED)

Materiality Assessment

The stakeholder engagement process supports the identification of key priorities that need to be managed from a risk and opportunity perspective. BisB uses a Double Materiality Approach aligned with global sustainability standards and frameworks to identify and assess material topics both from an Impact (actual or potential impact of BisB's activities on people or the environment) and Financial Materiality (financial risks and opportunities associated generating a material effect on BisB's financials (e.g. liquidity, net income, and asset valuation) perspective.

BisB periodically reviews its material topics to ensure the Bank manages those that are most relevant to its business and to stakeholders. The Bank conducted a review in 2025, resulting in a revised list of material topics, including the addition of three new material topics: Climate Change, Sustainable Finance, and Systemic Risk Management and Business Continuity.

Furthermore, two previous topics – Diversity, Inclusion, and Equal Opportunity and Workforce Wellbeing – were merged into a single topic - Inclusion, Equal Opportunity & Workforce Wellbeing – due to the degree of overlap between the two. Revisions to BisB's materiality assessment and the new material topics identified have informed the Bank's updated Sustainability Strategy and Roadmap.

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

Priority Material

1. 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.

2. 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.

3. 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.

4. 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.

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

Significant Material

6. 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.

7. Compliance and Ethical Behaviour: BisB develops robust mechanisms to ensure compliance with banking regulations and customer demands.

8. Data Privacy and Security: The Bank implements stringent security protocols and systems to ensure data security, especially from potential breaches in digital systems.

9. Inclusion, Equal Opportunity & Workforce Wellbeing: BisB promotes a culture of diversity, inclusivity and equal opportunities to all employees while prioritising their health, safety and well-being. This facilitates an environment where everyone feels valued and supported, leading to enhanced employee satisfaction, engagement and productivity.

10. Systemic Risk Management and Business Continuity: Systemic Risk Management and Business Continuity focuses on assessing and mitigating risks to ensure operational resilience and financial stability. This includes strengthening disaster recovery and resilience, conducting scenario analysis for systemic risks, and adapting strategies to prevent disruptions and comply with regulatory requirements in the interconnected global financial system.

Key Material

11. 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.

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

13. Sustainable Finance: Developing and offering sustainable products and services that address environmental and social needs and align with diverse customer needs and long-term Sustainability goals. This also includes integrating ESG into financing and investment decisions and activities overall and from an ESG risk management perspective.

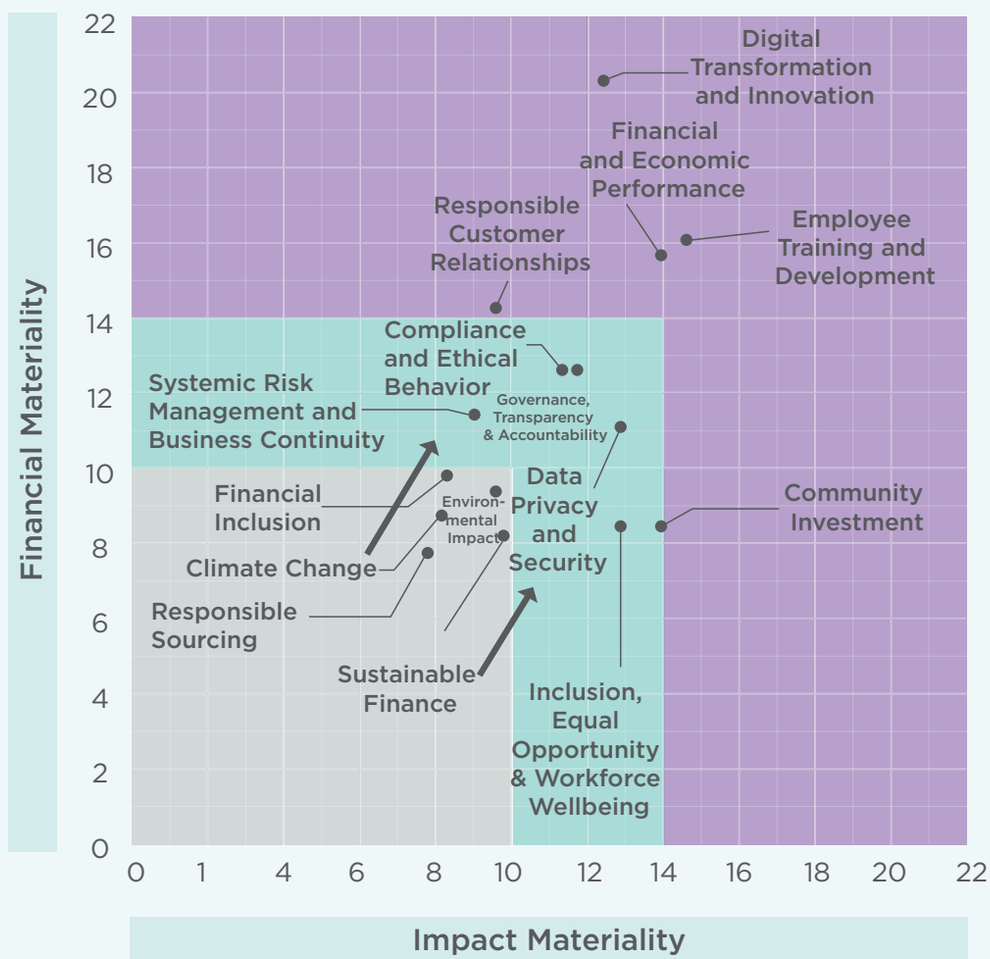
14. Climate Change: Managing the Bank's exposure to climate risk involving assessing and monitoring the impacts of climate change across various areas of the business. This includes identifying and addressing potential risks, mitigating negative consequences, and enhancing resilience. This also covers evaluating the potential financial impacts of climate change, ensuring that any material effects are reflected in its financial statements and decision-making processes.

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.

OUR APPROACH TO ESG (CONTINUED)

Future strategic focus and increased efforts

Double Materiality Matrix [2]



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.

2025 Progress Update

In addition to the revisions to the Sustainability Strategy and Roadmap detailed above, in 2025, BisB continued to advance its sustainability journey through a series of initiatives. These included the following:

UN Global Compact Participation

BisB completed its first full year as 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. The Bank also submitted its first Communication on Progress (CoP) report, a key requirement for participating organisations to demonstrate transparency and accountability.

ESG Risk Integration

BisB acknowledges ESG and Climate Risk as integral components of its enterprise-wide risk management processes. Since 2022, ESG risk has been assessed as a Pillar 2 risk under the Bank's Internal Capital Adequacy Assessment Process (ICAAP), in line with Basel requirements. The Bank has adopted an ESG scorecard approach to measure and manage ESG risk, and ESG considerations are reflected in the Risk Appetite Framework as a zero-tolerance measure for non-compliance. In addition, BisB evaluates Climate Change risk - including its potential impact on business continuity and operational resilience -under its ISO 22301-aligned Business Continuity Management System.

Looking ahead, BisB will continue to enhance its ESG risk framework on integrating and further deepening ESG and Climate Risk in its overall Risk Management Framework.

Data Management and Reporting Framework

In 2025 BisB advanced the development of a Data Management and Reporting Framework to streamline the Bank's internal ESG data management and reporting processes. Comprising of data management tools and a reporting manual, the Framework will guide users through the methodology and tools required to efficiently gather and validate sustainability-related data and report it to key internal and external stakeholders. The Framework will define the frequency of measurement, data sources, and data owners for material ESG metrics outlined by relevant local and global standards and frameworks.

OUR APPROACH TO ESG (CONTINUED)

By establishing clear processes and defined responsibilities, the Framework will enhance the efficiency, consistency, and accuracy of ESG data across the Bank. It will also support the full integration of ESG data management into core business processes, enabling more reliable reporting and informed decision-making.

Shari'a Initiatives

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.

In 2025, BisB launched Al Murshid, an AI-powered Shari'a platform aimed at broadening access to Shari'a knowledge and supporting understanding of Islamic finance principles. The platform draws on a comprehensive repository of Fatwas and resolutions issued by the Bank's Shari'a Supervisory Board since 1979, alongside AAOIFI standards, approved publications, and recognised jurisprudential references. Al Murshid provides AI-powered advisory responses on Islamic financial rulings and contract structures through an integrated digital experience, reinforcing transparency and accessibility in line with Islamic finance principles.

An assessment of the integration of Shari'a principles within the Bank's sustainability framework confirms a strong institutional foundation linking Shari'a governance with social and environmental initiatives, and indicates progress in embedding Shari'a considerations within governance structures and sustainability activities.

The assessment shows clear attention to translating Shari'a objectives into practical actions, particularly in preserving money, removing harm to customers, and promoting fairness in products and procedures. Positive indicators are also evident in the integration of these objectives within operational policies and risk management.

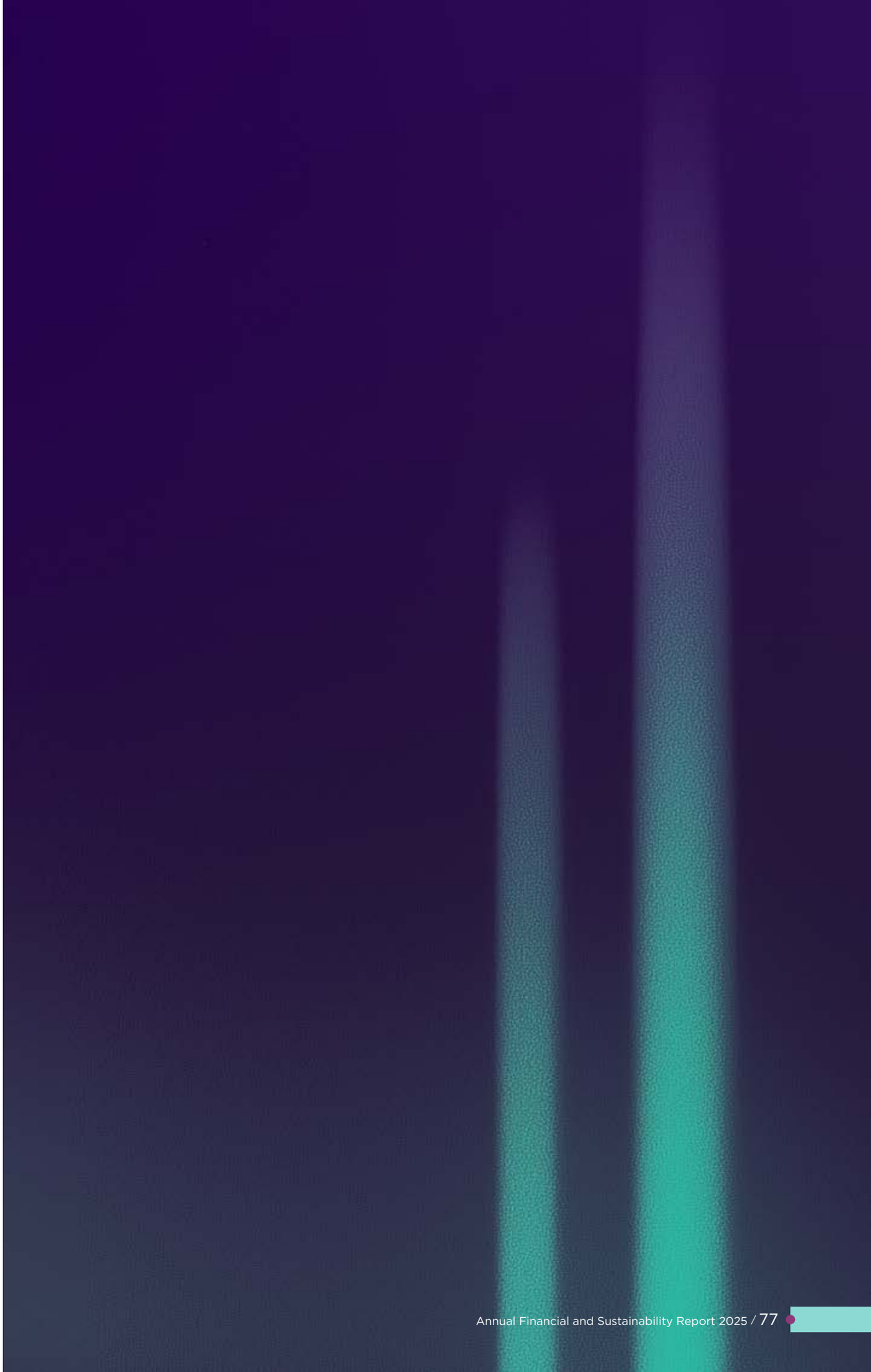
The table below shows initiatives taken by the Shari'a function at BisB.

Initiative	Summary
BisB's contribution in Social Financing	• Medical Treatment • Individual request to cover monthly living expenses, furnishing, renovating • Debt repayment • Education
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 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 non-Shari'a compliant activities
Qard Hasan	• The only bank in the Kingdom that provides Qard Hasan • The financed amounts start from BD 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 and 1 free Iftar coupon for low-income families • Providing gifts and toys to orphans during Eid • Annual visits to elderly, disabled, and pensioners in care • Visiting children with cancer and presenting them with gifts • Furnishing a complete house for a poor family
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 • BisB provides mandatory comprehensive online course for employees as an introduction to Islamic financial operations

OUR APPROACH TO ESG (CONTINUED)

	No. of Beneficiaries (Individuals)		
	2023	2024	2025
Total Donations & Zakat (Per Year)	477,855.52	569,273.55	1,398,399.96
Total Beneficiaries (Per Year)	375	390	334
Medical Treatment (Per Year)	55	119	30
Living expenses (Per Year)	10	55	19
Educational and Sponsorships (Per Year)	5	12	8
Family Sponsorships (Per Year)	90	156	110
Other Sponsorships (Per Year)	215	170	60
Total Value of Coupons (Per Year)	17,000	35,000	30,000
No. of Beneficiaries (Charity & Association)	14	133	44
Total No. of Beneficiaries of Qard Hasan (Per Year)	23	34	20

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



03

VALUE CREATION MODEL

VCM - INPUT

1. 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 998.5 million**
- Investments in Sukuk **BD 370.5 million**
- Placements with financial institutions **BD 293.1 million**
- Impairment Allowance and Other Provisions **BD 9.9 million**
- Investment in real estate **BD 13.7 million**
- **Launched BisB's** Sustainable Finance Framework reflecting deep commitment to being a catalyst for positive change in the financial sector.
- **Strengthened the implementation** of the ESG Due Diligence Toolkit evaluating clients' ESG performance and classifying ESG risks associated with financed projects.

2. 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.

3. 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

- **354 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

4. 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** 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 chain

5. 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.

- **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
- **Advanced** the Bank's decarbonisation journey with a revised updated GHG inventory and the development of a decarbonisation plan

VCM- SDG ALIGNMENT

01



02



03



04



05



VCM - BUSINESS MODEL

PURPOSE

MOTTO

Simplifying
Money Matters

VISION

Empowering dreams through innovative and simplified financial solutions

MISSION

To be the bank of choice by converting customer needs into fit-to-market solutions and engaging experiences

VALUES



Embracing responsibility



Creating opportunities



Crafting experiences



Solving problems

BRAND

BRAND PROMISE

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

OUR ACTIVITIES



Retail Banking



Corporate Banking



Investment Banking

VCM - OUTPUT & OUTCOME

1. FINANCIAL CAPITAL

- Income from financing **BD 53.6 million**
- Income from placements with financial institutions **BD 10.6 million**
- Income from investment in Sukuk **BD 16.5 million**
- Non-funded income **BD 22.4 million**
- **ESG evaluation** through the ESG Due Diligence Toolkit completed for 8 eligible clients in 2025.
- **Undertaken several financing** activities classified as eligible social and green under the Sustainable Finance Framework.

2. INTELLECTUAL CAPITAL

- **90% of new customers** in 2025 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.
- **Overall digital** adoption reached 74% of the total customer base
- **Zero number** of identified leaks, thefts, or losses of customer data
- **100% of employees** completed data security training

3. HUMAN CAPITAL

- **Diverse and inclusive** workforce with **38.43%** female representation
- **38.05%** middle management are female
- **21.95%** female senior management
- **A total of 22,275** hours of training was provided to **354 employees**
- Paid to employees as staff costs: **BD 14.9 million**
- Bahrainisation rate at: **96.05%**
- **100%** of staff underwent sustainability training
- **Zero reported** work-related injuries or fatalities

4. 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 1,433,000** invested in the community and a total of **1,647** volunteering hours performed

- **Financial Literacy products** and service such as low minimum balance accounts and fully remote account opening for GCC citizen.
- **12% growth** of total number of customers
- **2025 Customer** Satisfaction Index at 83% with a response rate to customer queries of 100%
- **83.87%** of total procurement spent on local suppliers and 95.43% of suppliers who comply with the company's code of conduct and compliance assessment mechanism

5. NATURAL CAPITAL

- **Electricity** consumption decreased to **14,099.72 GJ** in 2025.
- **226.26 MtCO2e** Emissions Avoided (MTCo2e) using Electricity generated by Solar Energy
- **Financed Emissions** have been assessed to constitute **667,544 MtCO2e**

VCM- SDG ALIGNMENT



04

FINANCIAL CAPITAL

FINANCIAL CAPITAL

Our Commitment	
Sustainability Pillars	• Sustainable Growth through Responsible Banking
Material Topics	• Financial and Economic Performance • Sustainable Finance
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين 2030 BAHRAIN SDGs • Robust economic growth that benefits the people
GRI Standards	• GRI 201: Economic Performance • GRI 203: Indirect Economic Impacts
SDGs	8 DECENT WORK AND ECONOMIC GROWTH



FINANCIAL STRENGTH

2025 marked a pivotal year for BisB, with the bank delivering a transformational uplift in its financial performance, achieving one of the strongest profitability records in its history and substantially strengthening its financial position. This remarkable financial outcome was not only a result of the successful execution of strategic targets, but a sustainable improvement in the Bank's core business performance, underpinned by disciplined balance sheet management, improved asset quality, and proactive responses to a challenging profit rate and macroeconomic environment.

BisB recorded a net profit of BD 18.5 million for the year ended 2025, representing a substantial increase compared to BD 5.1 million in 2024 and reflecting a structurally stronger earnings profile. Profit income increased to BD 80.7 million in 2025 compared to BD 74.1 million in 2024, while net profit income reached BD 35.7 million, relative to BD 32.0 million in the prior year. Other income rose markedly from BD 8.7 million to BD 22.4 million, a 46% increase after excluding the non-recurring gain on sale of real estate, which also contributed positively as part of the Bank's strategy to free locked up equity and support capital adequacy.

The operating environment this year was characterized by volatile funding costs, compressed margins, broader macroeconomic uncertainty and intensified sector competition. This pressure was envisioned as a strategic opportunity for BisB to implement targeted and tactical measures to protect profitability, achieve balance sheet optimisation, and strengthen financial resilience.

In a highly competitive market environment, BisB maintained a disciplined pricing approach, long-term sustainable profitability, high service quality, enhanced customer experience, and targeted segmental strategies. Accordingly, the Bank's performance was elevated through robust core income streams, effective hedging strategies, and broader diversification of funding and revenue sources.

Balance Sheet Growth and Asset Quality

BisB maintained a prudent approach to balance sheet growth in 2025, prioritising asset quality and sustainability. Total assets increased to BD 1,804 million as of 31 December 2025 , compared to BD 1,542 million as of 31 December 2024, representing growth of approximately 17%.

Financing contracts remained stable at BD 1 billion, reflecting selective financing focused on high asset quality. Customer deposits increased to BD 1,174 million as of 31 December 2025, compared to BD 1,039 million as of 31 December 2024, reflecting strategic deposit acquisition initiatives and aimed at strengthening liquidity and optimizing cost of funds. These initiatives included enhanced digital onboarding and selective access to regional liquidity pools, supporting funding diversification.

Asset quality continued to improve, with reduced gross non-performing financing from BD 72.8 million as of 2024 to BD 66.9 million as of 2025 and subsequently a decent improvement in the non-performing ratio from 7% as of 2024 to 6% as of 2025. This improvement reflects the Bank's continued focus on booking higher-quality assets, refined underwriting standards, and active portfolio management, particularly within the retail segment.

FINANCIAL STRENGTH (CONTINUED)

Capital Strength and Liquidity

BisB's capital and liquidity positions strengthened further during the year, providing a robust foundation to support future growth and resilience. The Capital Adequacy Ratio (CAR) increased to 25% as of 2025, from 20% as of 2024, remaining comfortably above regulatory requirements and market benchmarks.

Liquidity buffers improved materially, with the Liquidity Coverage Ratio (LCR) rising to 396% in 2025, compared to 226% in 2024, and the Net Stable Funding Ratio (NSFR) increasing to 117% as of 2025, from 113% as 2024. These metrics underscore the Bank's strong liquidity profile and its capacity to absorb potential market volatility.

Targeted interbank coordination supported liquidity management and enabled timely adjustments to the Bank's balance sheet structure during a period of market stress.

Operational efficiency improved significantly in 2025, reflecting sustained cost discipline and the benefits of ongoing digitalisation and automation initiatives. The cost-to-income ratio declined to 51% in 2025, compared to 70% in 2024.

This improvement was supported by strategic vendor negotiations, group-level cost optimisation initiatives, and continued process enhancements. A dedicated cost optimisation task force remains in place to identify further efficiencies and eliminate non-value-adding activities, while ensuring continued investment in strategic capabilities and service quality.

Performance Across Business Units

BisB's improved financial performance was supported by positive contributions across its core business units. The Retail Banking segment delivered robust growth, supported by an expanded and revitalised product offering, targeted collections, and entry into new customer segments. Portfolio quality improved materially, reflected in lower non-performing financing ratios and improved risk metrics.

Corporate Banking performance remained aligned with strategy, underpinned by a disciplined focus on high-quality exposures. The portfolio continued to prioritise lower-risk assets, including strategic financing to government-related entities, supporting stability and asset quality.

Treasury performance was strong, supported by effective liquidity management, proactive use of CBB facilities, and improved sukuk portfolio performance. Hedging instruments, including profit rate swaps, alongside increased foreign exchange income, contributed positively to net financing income, reflecting enhanced balance sheet and risk management capabilities. In addition, Wealth Management performance improved significantly, with revenues increasing substantially following the introduction of new products, including green sukuk offerings, supporting further diversification of income streams.

Outlook and Financial Resilience

Looking ahead, BisB remains focused on maintaining a strong capital and liquidity position while continuing to strengthen the quality and sustainability of earnings. While the external environment remains dynamic, the Bank's improved balance sheet structure, enhanced risk management capabilities, and increased operational efficiency position it well to navigate future challenges.

The Bank's 2026 plan is to continue focusing on high-quality financing, strengthening customer relationships, and disciplined execution of the Future Forward Strategy.

ECONOMIC IMPACT

BisB contributes to Bahrain's economic development through its core role as a provider of Shari'a-compliant financial services. By offering accessible and innovative banking solutions to individuals, corporates, and government entities, the Bank enables the flow of capital that supports business activity, entrepreneurship, and national economic resilience.

The Bank also generates economic value through its employment footprint, procurement spending, and ongoing engagement with local and international partners. As one of the Kingdom's major employers, BisB provides income and stability to many households. In 2025, staff-related expenses totalled BD 14.9 million, reflecting the Bank's commitment to investing in its people.

As a publicly listed institution, BisB aims to deliver long-term, sustainable financial returns for its shareholders, including majority shareholder NBB Group. These returns circulate through the wider economy, benefitting retail and institutional investors as well as government stakeholders. By maintaining strong financial performance, the Bank helps create broader economic value and contributes to national prosperity.

BisB also supports economic and social development through targeted community investments and charitable contributions aligned with Islamic values. The Bank undertakes a range of Corporate Social Responsibility (CSR) initiatives across Bahrain, further details of which are presented in the Social and Relationship Capital section.

In addition, BisB contributes to government revenues through the taxes and regulatory fees it pays, reinforcing its role as a responsible corporate citizen.

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 and retained earnings by the Bank for re-investment, and impairment allowances and other provisions.

	Direct Economic Value Generated
	Total Income BD mm
2023	45.3
2024	40.7
2025	58.1

	Economic Value Distributed BD mm		
	2023	**2024**	**2025**
Staff Costs	12.4	13.3	14.9
Depreciation, amortization and other expenses	15.2	15.4	14.7
Impairment allowance and other provisions	6.6	7	9.9
Retained earnings and other reserves	10.6	4.6	12.6
Zakat and Donations Appropriated	0.5	0.4	0.7
Dividends Appropriated	-	-	5.3

SUSTAINABLE GROWTH THROUGH RESPONSIBLE BANKING

In 2025, BisB deepened its commitment to Responsible Banking through the launch of its Sustainable Finance Framework and the expanded application of its ESG Due Diligence Toolkit. These advancements strengthened the Bank's ability to offer sustainable products, assess ESG risks, and support clients in their transition journeys.

Sustainable Finance

BisB has formed a Sustainable Finance Working Group (SFWG) to oversee all sustainable finance transactions and determine whether an asset, liability, project, transaction, or entity can hold a sustainable label under the Bank's Sustainable Finance Framework (SFF). Meeting at least twice per year, the SFWG is responsible for:

- Ratifying eligible sustainable-labelled transactions in accordance with the SFF and relevant guiding principles;
- Ensuring environmental and social risk assessments have been conducted for all eligible sustainable-labelled transactions where applicable;
- Monitoring the asset, liability, and revenue base at least annually to ensure the continued eligibility of sustainable-labelled transactions;
- Facilitating regular reporting on Sustainable Issuance and Financing;
- Managing future updates to the SFF;
- Ensuring sustainable-labelled products follow the Bank's existing finance and investment approval processes.

The SFWG includes key members across relevant departments. The SFWG reports to the BisB Sustainability Management Committee (BSMC), through its Chairperson, who is a standing member of the BisB Sustainability Management Committee. The Chairperson is responsible for presenting quarterly summaries, urgent escalations, and warranting that the Committee is apprised of all relevant sustainable finance developments.

Sustainable Finance Framework

In 2025, BisB achieved a major milestone by becoming the first Islamic bank in Bahrain to establish a Sustainable Finance Framework (SFF), which sets out the criteria for classifying assets and liabilities that qualify as sustainable in line with international standards.

BisB's Sustainable Finance Framework has been developed in collaboration with Standard Chartered Bank (SCB) Bahrain as the Sustainability Structuring Advisor. The framework adheres to the International Capital Market Association's (ICMA) Green and Social Bond Principles and the Loan Market Association's (LMA) Green and Social Loan Principles. Additionally, BisB appointed a Second Party Opinion (SPO) provider to certify the framework's alignment with the above-mentioned standards. For more information on our Sustainable Finance Framework visit the website at: www.bisb.com/en/sustainable-finance-framework

The SFF provides a consistent methodology for identifying eligible assets, projects, and clients, guiding target setting and sustainable product development.

Sustainable finance at BisB spans four categories:

1. Use of Proceeds Products – financing restricted to eligible green, social, or sustainable projects, with post-close monitoring.

2. Sustainability-Linked Products – facilities that incentivise clients to meet sustainability performance targets, verified annually.

3. Sustainable Liabilities Products – liabilities such as sustainable sukuk and deposits aligned to the sustainable asset pool.

4. ESG Advisory Services – support on ESG strategy, disclosure, and structuring of sustainability-labelled instruments.

Guided by the SFF, BisB aims to amplify its social and environmental impact while maintaining alignment with Islamic finance principles.

Ongoing efforts

- Ongoing identification and classification of eligible green, social, and sustainability-linked transactions within the Bank's existing portfolio and pipeline, in line with ICMA and LMA principles and BisB's internal ESG thresholds.

- Conducting environmental and social risk reviews for relevant transactions, supported by appropriate documentation and governance controls.

- Integrating sustainable finance considerations into the Credit Risk Framework, supported by a Sustainable Finance Checklist developed by the Sustainable Finance Working Group (SFWG) for corporate clients to identify and tag sustainable assets within the portfolio.

- Maintaining a dedicated dashboard to track sustainable finance volumes, declassifications, and key performance indicators.

- Ongoing training for members of the SFWG on the application and implementation of the Sustainable Finance Framework.

Eligible Social Projects and Activities

Mazaya Financing

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

Tasheel Aqari

Tas'heel is a housing finance programme launched by Eskan Bank for Bahraini citizens. It is designed to provide subsidized housing finance through participating banks, offering both upfront subsidy in addition covering insurance, fees, 6 months grace period and SLRB cost. The financing amount up to BD 70,000 is determined based on the applicant's monthly income at the time of application. Monthly deductions are capped at 35% of the applicant's income, The programme supports a range of housing needs including purchasing a ready-built home or apartment, buying residential land and constructing a home.

SUSTAINABLE GROWTH THROUGH RESPONSIBLE BANKING (CONTINUED)

Tas'heel+

Tas'heel Plus is a hybrid housing finance programme launched by Eskan Bank for Bahraini citizens. It is designed to provide subsidized housing finance through participating banks, offering both upfront and monthly government subsidies in addition to SLRB cost. The financing amount up to BD 91,000 is determined based on the applicant's monthly income at the time of application. Monthly deductions are capped at 35% of the applicant's income, The programme supports a range of housing needs including purchasing a ready-built home or apartment, buying residential land and constructing a home.

SME Financing

SMEs form the backbone of every thriving economy worldwide. To strengthen the national economy, BisB recognizes its responsibility to support and empower local businesses. The Bank offers tailor-made programs and specialized solutions designed to meet the unique needs of the SME sector. Beyond financing options, BisB provides a wide range of depository products from straightforward operating accounts to sophisticated 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. While 20% have been reached in early 2024, however, given the growth of the corporate banking portfolio of 22% in 2024, the share of local funding allocated to SMEs stands at 12% at the end of 2025.

BisB has undertaken several SME financing activities classified as eligible social under the Sustainable Finance Framework, including financing for school expansions, hospital infrastructure, and social housing projects. For activities classified as eligible green, the Bank has facilitated financing across areas such as energy efficiency, waste management, green mobility, and decarbonisation initiatives.

While BisB does not currently offer sustainability-linked or sustainable liability products, the Bank has committed, through its ESG Roadmap, to launch a sustainability-linked liability product in 2026 and to continue exploring opportunities to expand its range of sustainability-linked offerings over time.

Outlook

Within 12 months of the launch of the Sustainable Finance Framework, BisB intends to publicly disclose Sustainable Finance targets covering relevant business units and markets.

BisB will allocate an amount at least equivalent to the net proceeds of Sustainable Finance Instruments issued under the Framework to finance and/or refinance, in whole or in part, eligible sustainable projects as defined in the Sustainable Finance Framework. For refinanced projects, a maximum look-back period of three years will apply, and BisB expects that each issuance under the Framework will be fully allocated within two years from the date of issuance.

BisB also commits to transparent annual public reporting on:

- Sustainable Finance assets, liabilities, and revenues
- Allocation of proceeds from Sustainable Finance Instruments
- Environmental and social outputs and impacts where feasible, guided by ICMA's Harmonized Framework

Reporting continues until allocation is complete or the instrument matures. Methodologies and assumptions will be disclosed subject to data availability and confidentiality.

External Review and Continuous Improvement

BisB has engaged ISS-Corporate to provide a Second Party Opinion on Framework alignment. A third-party reviewer will annually assess the alignment of allocation and impact reporting with the Framework. The SFWG will periodically review and update the SFF to reflect emerging market best practices. Additionally, BisB aims to enhance capacity and awareness across the organisation through training, engagement, and initiatives that encourage the development of high-impact sustainable products and services.

ESG Integration in Investment and Wealth Management

BisB also recognises the importance of integrating ESG considerations into its investment and wealth management activities. ESG factors are implicitly considered in the Bank's investment portfolio through instruments such as sukuk and social-impact-linked products, and BisB has committed - through its ESG Roadmap - to formally embedding ESG criteria into investment decision-making going forward.

In 2025, BisB enhanced its wealth management offering through the inclusion of three third party ESG sukuk, with at least one client already investing in a green sukuk. The Bank also offers third-party ESG mutual funds, and ESG ratings form part of the general onboarding process for wealth management clients in line with regulatory requirements. BisB is also introducing an ESG assessment section into its investor risk assessment forms to further strengthen ESG integration in client profiling and product suitability assessments.

ESG Due Diligence Toolkit

BisB has developed an ESG Due Diligence Toolkit to evaluate clients' ESG performance and level of preparedness, classify ESG risks associated with financed projects, and assess project-level environmental and social performance. The Toolkit also supports the identification of transactions that fall under the Equator Principles and assists in conducting the required due diligence to ensure compliance. It draws on guidance from the Equator Principles, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and the World Bank, and is designed to be simple, practical, and effective.

The Toolkit evaluates eligible clients using publicly available information and/or internal documents submitted by the client. It assesses environmental, social, and governance parameters using a structured question set to determine whether the client or project demonstrates Advanced, Satisfactory, or Limited ESG integration. Based on responses and supporting documentation, the Toolkit generates an ESG profile score. A low score does not result in automatic rejection; rather, it provides insight into sustainability management practices, helping inform appropriate actions and engagement where necessary.

SUSTAINABLE GROWTH THROUGH RESPONSIBLE BANKING (CONTINUED)

The ESG Toolkit enables BisB to:

- Embed responsible business conduct into policies and management systems
- Identify and assess actual and potential adverse impacts
- Prevent or mitigate negative impacts
- Track implementation and results
- Communicate transparently on material ESG issues

Environmental and biodiversity risks are assessed for eligible clients and projects in line with the Bank's ESG Toolkit and credit evaluation procedures.

Progress in 2025

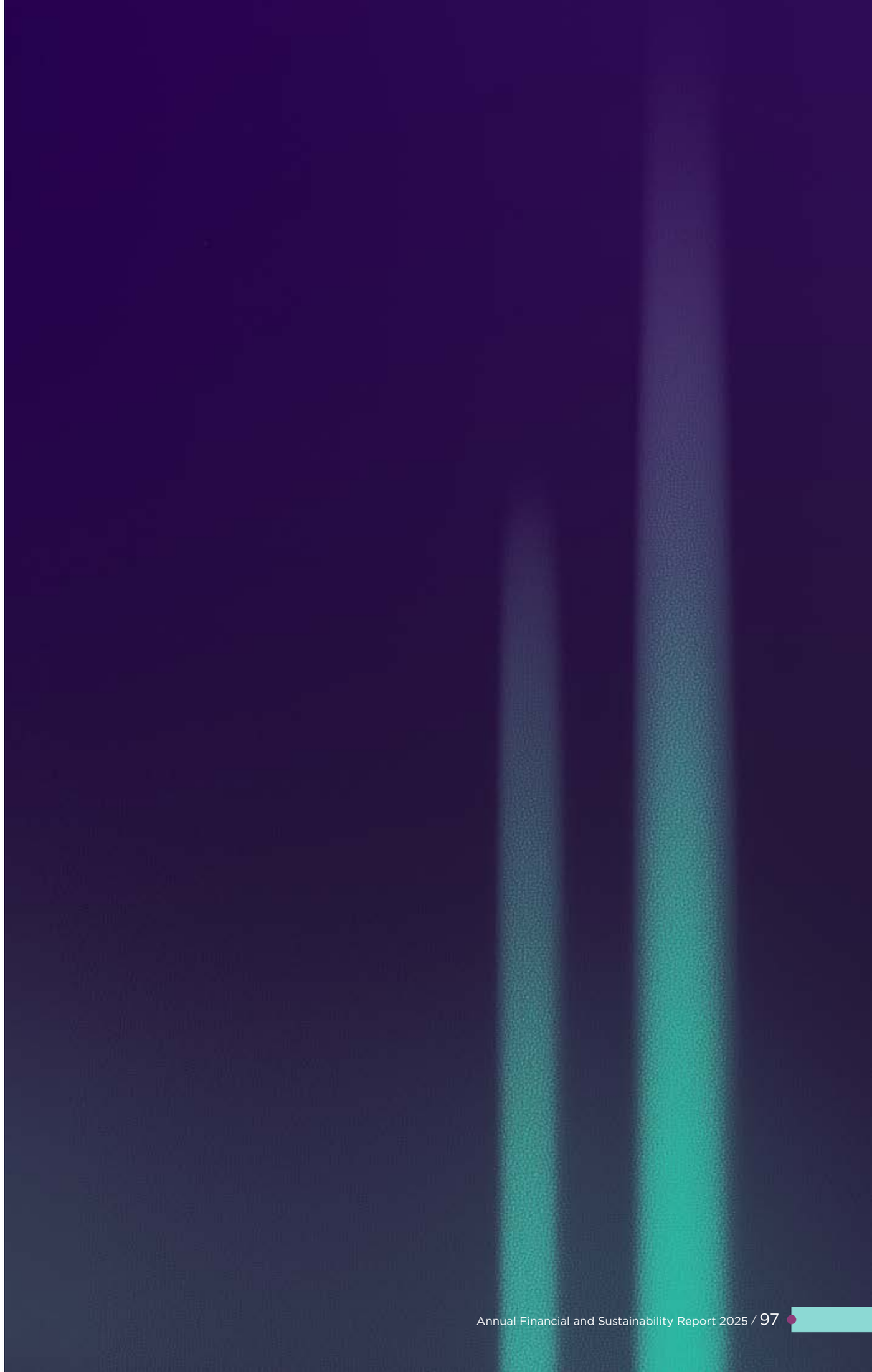
In 2025, BisB strengthened its implementation of the ESG Due Diligence Toolkit and identified 8 eligible clients for ESG evaluation. The Bank has completed 100% of the assessments for these eligible clients.

Embedding the Toolkit in Business Processes

BisB will continue to assess the ESG profiles of valued customers and apply appropriate risk mitigation measures aligned with client-specific contexts. Insights generated through the ESG Due Diligence Toolkit also support BisB's broader ESG Risk Integration efforts.

To ensure consistent application, BisB delivers annual training to existing employees and new joiners on the use of the ESG Due Diligence Toolkit. This reinforces internal capacity and supports the Bank's continuous improvement in responsible financing practices.





05

HUMAN CAPITAL

HUMAN CAPITAL

Our Commitment	
Sustainability Pillars	• Diverse and empowered workforce
Material Topics	• Employee Training and Development • Inclusion, Equal Opportunity and Workforce Wellbeing
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 • 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	

A PEOPLE-FIRST STRATEGY

BisB is dedicated to creating a workplace where every individual feels respected, supported, and empowered to succeed. The Bank's commitment to inclusivity, employee well-being, and continuous professional growth ensures it can build the capabilities required to achieve our strategic vision.

Anchored in a progressive people strategy, BisB aspires to be recognised as both an Employer of Choice within the local and regional financial sector and a Talent Incubator that develops Bahraini expertise while embracing diverse global perspectives.

The Bank's Human Capital approach is closely aligned with the three pillars of the Future Forward Strategy:

Driving High Performance: Building a culture of excellence where employees consistently deliver beyond expectations.

Enhancing Operational Efficiency: Streamlining processes and boosting productivity to meet strategic goals.

Elevating the BisB Brand: Developing a future-ready workforce that sustains growth and strengthens the Bank's competitive edge.

To achieve these objectives, BisB offers a comprehensive portfolio of programmes designed to enhance skills, bridge capability gaps, and promote holistic well-being and career advancement. The ultimate goal is to maintain a safe, inclusive, and future-focused environment that embeds compliance, fosters a strong risk culture, and champions workforce diversity, ensuring BisB remains a place where people can build meaningful, long-term careers.

BisB's Human Capital framework focuses on two core priorities: Inclusion, Equal Opportunity & Workforce Well-being, and Employee Training & Development.

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

BisB manages Inclusion, Equal Opportunity and Workforce Well-being within its Future Forward Strategy and annually updated HR roadmap, ensuring fair employment practices, diverse representation, and holistic employee well-being.

In 2025, this commitment was strengthened through the launch of the Equal Opportunity and Youth Empowerment Committee, dedicated to advancing fairness, inclusion, and opportunities for emerging talent. All related policies, covering child labour, forced labour, non-discrimination, harassment, and health & safety, are Board-approved and informed by internal expertise on human and labour rights. While these policies apply across BisB's value chain, the Diversity & Inclusion policy currently governs BisB's own operations. Oversight of this material topic rests with the CHRO and HR Department, while health and safety responsibilities are managed by the Property, Administration & Business Continuity (PABC) team, reporting to the Group COO.

Risks and opportunities are assessed through annual strategic reviews, performance evaluations, and employee surveys, supported by BisB's Risk Management Framework, which integrates People Risk considerations. The Bank also collaborates with regulators and industry peers via the Bahrain Association of Banks' Sustainability and HR Committees, ensuring alignment with best practices. Insights from stakeholder engagement and surveys inform programme design and continuous improvement.

Effectiveness is tracked through HR dashboards and KPIs, with regular reporting to the Nomination, Remuneration, Governance & Sustainability Committee (NRGSC). All employees undergo annual Code of Conduct training, covering key topics such as child labour, forced labour, non-discrimination, gender equality, and health & safety.

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

Attracting New Talent

BisB attracts top talent through a strong employee value proposition that combines well-being programmes, flexible work arrangements, development opportunities, clear career pathways, and competitive monetary and non-monetary benefits.

To ensure a fair and transparent hiring experience, the Bank has established clear policies and guidelines for recruitment, selection, onboarding, and probation. These practices support consistent and ethical people management while aligning with the Bank's values and regulatory requirements.

BisB Talent Lifecycle: Recruitment, Selection & Onboarding

BisB's Recruitment, Selection, and Onboarding processes form an integrated talent lifecycle that ensures high-quality hiring, rigorous and compliant evaluation, and effective early-stage support. This approach advances workforce capabilities, supports the development of national talent, and strengthens the Bank's culture of performance, inclusion, and leadership excellence.

1. Recruitment Process

BisB's Talent Acquisition Policy promotes the recruitment of the best available talent while upholding diversity and inclusion principles. Candidates are sourced through multiple channels to ensure access to a wide and capable applicant pool. The Policy covers internal and external recruitment, expatriate recruitment, equal opportunities employment, applications from relatives of staff or Board Members, and applications from former Bank employees.

In addition, the Central Bank of Bahrain requires prior approval for certain positions as detailed in the Recruitment and Selection Procedure. Recruitment for senior management roles follows enhanced governance requirements, as detailed below under the Selection Process.

2. Selection Process

BisB's selection process is designed to match candidate qualifications and skills to the requirements of each role in a transparent, ethical, and rigorous manner. The process ensures compliance with statutory and regulatory requirements while maintaining fairness and consistency across all hiring decisions. Core Selection Principles include:

Regulatory Compliance: All appointments must meet statutory requirements,including medical clearances, reference checks, residency requirements for expatriates, and Central Bank of Bahrain regulations.

Role-Based Criteria: Each vacancy is assessed using approved job descriptions and person specifications to ensure consistent evaluation.

Prioritisation for Nationals: When multiple candidates meet the criteria, priority is given to Bahraini nationals.

Best HR Practices: The process includes structured interviews, assessments, reference checks, and verification of qualifications and employment history.

Non-Discrimination: No selection decision is made on the basis of age, gender, nationality, marital status, religion, or disability.

Candidate Support: The Bank strives to create a welcoming selection environment aligned with its commitment to expanding the representation of women and nationals.

Case Study: Strengthened Senior Management Fit & Proper Framework

In response to updates to the CBB's Fit and Proper (FP) Module, BisB has enhanced its approach to the hiring and ongoing evaluation of senior management. The updated process ensures that leaders possess the integrity, financial soundness, and competency required to fulfil their responsibilities effectively.

Key enhancements include:

Role Mapping and Identification: All senior roles undergo structured mapping to define competency expectations, responsibilities, and regulatory requirements.

Comprehensive Fit & Proper Assessments: Evaluations cover integrity, professional conduct, financial soundness, and leadership capability.

Enhanced Screening: Senior candidates undergo in-depth background checks, technical interviews, and behavioural assessments.

Governance-Aligned Approvals: Final decisions require approval from the CEO, CHRO, and relevant Board committees.

Annual Suitability Reviews: Senior leaders are re-assessed annually to ensure continued compliance with regulatory standards and organisational expectations.

Continuous Professional Development: Tailored training and ongoing monitoring support long-term leadership effectiveness and accountability.

This enhanced framework strengthens BisB's governance structure and reinforces a culture of leadership excellence.

3. Onboarding and Induction Process

BisB supports new employees to integrate smoothly into the Bank's culture and work environment. All new joiners receive an individual induction plan and all necessary documentation from HR. The onboarding process ensures alignment with the Bank's values, policies, procedures, and work practices, enabling new staff to adapt efficiently and contribute effectively.

Probation Period

New employees serve a probation period in accordance with applicable labour laws, as defined in their employment contract. The probation period is viewed as a mutual evaluation phase to ensure long-term suitability and alignment. During probation, either party may terminate the employment relationship. Former employees returning to the same role are not required to complete a new probation period.

Competitive Employee Benefits

BisB offers a market-leading package of employee benefits designed to attract, retain, and motivate top talent. The Bank adheres to the CBB's comprehensive remuneration policy, ensuring fair, transparent, and competitive compensation across all levels of the organisation. Compensation includes fixed pay, variable remuneration, and a Share Incentive Scheme that aligns employee interests with long-term shareholder value.

The policy reinforces a performance-driven culture and includes specific provisions for senior management and directors to ensure their remuneration supports the Bank's strategic goals and regulatory requirements. It is periodically reviewed to maintain alignment

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

with market practices and evolving regulatory standards.

In addition, BisB provides a comprehensive suite of benefits to all full-time employees, including:

- Life insurance
- Health insurance
- Competitive bonuses and incentives
- Competitive Leave arrangements: BisB offers an extensive range of leave arrangements that support employees across major life events and personal needs. These include, but are not limited to, Annual leave; Family-related leave (maternity, paternity, marriage, grandparent, childcare, Idda leave); Health-related leave (miscarriage, patient-accompanying leave, vaccination; Examination leave; National Team representation leave.

To further support employee well-being, productivity, and financial security, BisB provides additional benefits including Flexible Working Arrangements; Health and Well-being Programmes; Salary Advance; Social Insurance; Indemnity and Retirement Gratuity; Employee Savings Scheme (see Case Study Box); Employee Loans (Qard Hasan); Employee Credit Cards; Professional Memberships and Annual Subscriptions.

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.

Transition Assistance for Retiring or Departing Employees

For individuals whose time at BisB is coming to an end due to retirement or employment termination, the Bank provides transition assistance programmes designed to support their transition into the next stage of their careers or personal lives. Assistance covers:

Skills Development and Training

Transition programmes may include access to workshops, online courses, and certifications aimed at enhancing employability, strengthening technical skills, or enabling individuals to explore new career pathways.

Retirement Preparation

BisB's Employee Saving Scheme plays a central role in helping employees build long-term financial security. It enables individuals approaching retirement to plan with confidence, providing a structured and supportive foundation for their future.

Case Study: Supporting Financial Security for Employees

BisB's Employee Saving Scheme is designed to help employees build financial stability for retirement or end of service. By combining voluntary employee contributions with Bank-matched savings and investment profits, the scheme strengthens employees' financial resilience and supports their long-term planning.

Key Features at a Glance:

Eligibility

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

Contributions

Employees contribute 3%–25% of their basic salary. BisB matches contributions up to 10%, helping employees grow their savings faster.

Profit Sharing

Employees receive 100% of investment profits accumulated in their accounts. The Bank may set an expected profit rate, but actual profits are calculated monthly.

Withdrawal & End of Service

Balances remain invested until an employee leaves the Bank. Upon retirement, end of service, or death, the employee or their heirs receive:

- The employee's total contributions
- The Bank's matching contributions
- All accumulated profits

Why It Matters

This scheme reflects BisB's commitment to employee well-being beyond their active employment, helping individuals plan for the future with confidence and ensuring financial security for them and their families.

Employee Satisfaction, Engagement and Retention

BisB recognises that strong employee engagement and satisfaction are essential to retaining top talent and sustaining a high-performing, stable workforce. The Bank implements targeted initiatives that recognise contributions, encourage innovation, enable collaboration, and support work–life balance. Key Engagement and Retention Initiatives include:

- Long Service Awards: Formal recognition for employees' long-term commitment to the Bank.
- Appreciation Programmes: Acknowledgement of employees who deliver exceptional contributions beyond their core responsibilities.
- BisB's CEO Recognition Program: Quarterly individual and annual team awards (see Box 1 below).
- NBB Group CEO Awards: Participation in the Group-wide quarterly awards that recognise excellence, creativity, commitment, quality, and leadership.
- Innovation Competitions: Group-level competitions designed to promote creativity and cross-functional collaboration.
- Digital Collaboration Tools: Deployment of advanced digital tools to enhance communication and workflow efficiency.
- Flexible and Remote Work Arrangements: To help employees to balance personal and professional responsibilities and reduce burnout (see Box 2 below).

Case Study Box 1: CEO Recognition Program

In 2025, BisB introduced the CEO Recognition Program – Future Forward Award to strengthen its culture of performance, innovation, and accountability. The programme is designed

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

to recognise employees and teams whose contributions directly support the Bank's Future Forward Strategy, reinforcing behaviours and achievements that drive operational excellence, customer-centricity, and organisational growth. By formally acknowledging outstanding performance, the awards aim to motivate employees, promote excellence across functions, and highlight the individuals and teams who embody BisB's values and strategic priorities.

Case Study Box 2: Strengthening Workforce Wellbeing and Flexibility

In 2025, BisB introduced a formal Time & Attendance Standard Operating Procedure to strengthen governance around working hours, attendance, and flexible working arrangements. The SOP standardises practices across the Bank, ensures compliance with labour and regulatory requirements, and supports workforce wellbeing through provisions covering flexible and remote working, maternity-related arrangements, medical considerations, and Ramadan working hours. The procedure is administered digitally through the HR Hub, enhancing transparency, consistency, and accountability in people management.

	Total Employees (Gender)				
	Female	Male	**Total**	Female %	Male %
2023	126	230	**356**	35.39%	64.61%
2024	125	235	**360**	34.72%	65.28%
2025	136	218	**354**	38.42%	61.58%

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

	Permanent Employees				
	Female	Male	Female %	Male %	% of total workforce
2023	115	213	35.06%	64.94%	92.13%
2024	122	229	34.76%	65.24%	97.50%
2025	132	213	38.26%	61.74%	97.46%

	Temporary Employees				
	Female	Male	Female %	Male %	% of total workforce
2023	11	17	39.29%	60.71%	7.87%
2024	3	6	33.33%	66.67%	2.50%
2025	4	5	44.44%	55.56%	2.54%

	Interns			
	Female	Male	Female %	Male %
2023	56	31	64.37%	35.63%
2024	70	31	69.31%	30.69%
2025	57	57	50.00%	50.00%

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 %
2023	9	17	34.62%	65.38%
2024	9	16	36.00%	64.00%
2025	12	8	60.00%	40.00%

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 %
2023	42	300	14	11.80%	84.27%	3.93%
2024	45[1]	301	14	12.50%	83.61%	3.89%
2025	49	295	10	13.84%	83.33%	2.82%

Note: 'Below 30 years old %' reflects youth employment rate

1. Restatement due to incorrect disclosure in previous year.

	Total Employees (Employment Category)					
	Non-Management (Staff)	Middle Management	Senior Management	Non-Management (Staff) %	Middle Management %	Senior Management %
2023	203	111	42	57.02%	31.18%	11.80%
2024	205	114	41	56.94%	31.67%	11.39%
2025	200	113	41	56.50%	31.92%	11.58%

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

	Total New Hires (Gender)			
	Female	Male	Female %	Male %
2023	22	36	17.46%	15.65%
2024	5	22	4.00%	9.36%
2025	19	23	13.97%	10.55%

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 %
2023	26	31	1	61.90%	10.33%	7.14%
2024	13	13	1	28.89%	4.32%	7.14%
2025	20	22	0	40.82%	7.46%	0.00%

Note: All new hires are full-time employees

	Total Employees Voluntary Turnover (Gender)			
	Female	Male	Female %	Male %
2023	8	18	6.35%	7.83%
2024	5	17	4.00%	7.23%
2025	8	40	5.88%	18.35%

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 %
2023	4	18	4	9.52%	6.00%	28.57%
2024	5	15	2	11.11%	4.98%	14.29%
2025	6	36	6	12.24%	12.20%	60.00%

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

	Total Employees Voluntary Turnover (Gender)			
	Female	Male	Female %	Male %
2023	0	0	0.00%	0.00%
2024	1	0	0.80%	0.00%
2025	0	0	0.00%	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 %
2023	0	0	0	0.00%	0.00%	0.00%
2024	0	1	0	0.00%	0.33%	0.00%
2025	0	0	0	0.00%	0.00%	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 %
2023	7.30%	0.00%	16.29%
2024	6.11%	0.28%	7.50%
2025	13.56%	0.00%	11.86%

	Employee Engagement	
	Employee Engagement Score (%)	Employee Satisfaction Score (%)
2023	72%	90%
2024	66%	90%
2025	Not Available	Not Available

Note: In 2025, the employee engagement survey was conducted at the departmental level, therefore, a consolidated company-wide score is not available. BisB plans to relaunch a comprehensive organization-wide survey in 2026.

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

Health and Safety

BisB is committed to ensuring the health, safety, and well-being of its employees, customers, visitors, and contractors. The Bank strives to maintain a safe and secure working environment by embedding health and safety best practices into daily operations and aligning all behaviours with the Bank's Code of Conduct.

BisB applies the same high standards as its majority shareholder, NBB, through the Group Health and Safety Policy and Health and Safety Manual, which are approved by the Board and aligned with applicable national regulations as well as international guidelines, including those issued by the World Health Organization (WHO). The policy applies to all staff, customers, tenants, and contractors at BisB and NBB premises, both locally and internationally.

Supporting this framework is BisB's ISO 45001:2018 certification for Occupational Health and Safety Management (covering 100% of BisB sites and subsidiaries and all employees). In line with the standard, the Bank maintains a comprehensive health and safety programme with clearly defined roles and responsibilities, established procedures, and systematic controls to identify, mitigate, and monitor workplace risks.

The programme outlines provisions for regular inspections, incident reporting and investigation, and emergency preparedness. An incident reporting form is available to all employees to facilitate timely reporting of unsafe conditions or incidents.

Health and safety training is a core component of the programme. The Bank provides ongoing awareness sessions for all employees, as well as monthly specialised training for maintenance personnel. BisB also trains a proportion of its staff as certified first aiders and fire marshals to ensure that trained responders are always available on-site. In coordination with the Civil Defence Authority, the Bank conducts annual fire drills to assess readiness and reinforce emergency response procedures.

BisB is committed to continuously improving its health and safety performance and has set a target of achieving zero injuries. Progress against health and safety objectives is regularly monitored and reported to management. As a result of this structured and proactive approach, the Bank recorded zero injuries among individuals covered by its health and safety management 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-related injury	Rate of high-consequence work-related injury	Number of non-lost time-work-related injury	Rate of non-lost time work-related injury	Number of recordable work-related injury	Rate of recordable work-related injury	Number of Hours Worked	Lost Days due to Injuries
2023	0	0.00	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	0	0.00	NA	0
2025	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	NA	0

	Work-related ill health 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
2023	0	0	0
2024	0	0	0
2025	0	0	0

	Total Injury Rate employees
2023	0%
2024	0%
2025	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-related injury	Rate of high-consequence work-related injury	Number of non-lost time-work-related injury	Rate of non-lost time work-related injury	Number of recordable work-related injury	Rate of recordable work-related injury	Number of Hours Worked	Lost Days due to Injuries
2023	0	0.00	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	0	0.00	NA	0
2025	0	0.00	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
2023	0	0	0
2024	0	0	0
2025	0	0	0

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

	Total Injury Rate non-employees
2023	0%
2024	0%
2025	0%

	Safety and security training
2023	324
2024	360
2025	354

Note: 'Safety and security training' covers Occupational Health and Safety and Data Privacy and Security topics

Inclusion and Equal Opportunity

BisB is committed to fostering an inclusive, equitable, and supportive workplace where all employees feel respected, valued, and empowered to contribute to the Bank's success. These principles are embedded across BisB's recruitment, people management, and workplace practices, reflecting the Bank's belief that inclusion strengthens collaboration, innovation, and organisational performance.

In line with the Human Resources and Talent Management Policy, all employment decisions at BisB are made strictly on the basis of merit. The Bank does not discriminate on the basis of gender, age, religion, disability, marital status, nationality, or any other factor unrelated to job requirements or regulatory obligations.

These expectations are reinforced through BisB's Code of Conduct, which sets out the ethical standards and behaviours required of all employees and promotes professionalism, fairness, and integrity across the organisation. These commitments are further codified in the Employee Relations Policy, Talent Acquisition Policy, HR Manual, Sustainability Policy and a Diversity and Inclusion policy statement published on the Bank's website, all of which reinforce non-discrimination, gender equality and fair treatment.

Robust Anti-Discrimination and Harassment Policies further help ensure a respectful working environment. BisB is committed to maintaining a workplace free from harassment and violence. Any such behaviour is not tolerated and is addressed promptly and with due respect, ensuring that all employees, including security personnel, are able to work in a safe and respectful environment.

The Whistleblowing Policy, addressed in further detail in the Governance section, provides employees with a secure and confidential mechanism to report concerns without fear of retaliation. In addition to internal channels, a grievance mechanism for employees and a whistleblowing and general outreach mechanism for all stakeholders is available via the Bank's website, covering concerns related to child labour, forced labour, non-discrimination, health and safety, gender equality and digital security.

As a participant in the United Nations Global Compact, BisB remains aligned with the Ten Principles relating to human rights, labour, the environment, and anti-corruption. The Bank upholds relevant International Labour Organization (ILO) conventions and maintains zero tolerance for child labour and forced labour across its operations and supply chain, ensuring that all workers are treated with dignity and fairness.

In 2025, BisB reinforced its commitment to fairness and responsible labour practices through the approval of a standalone Human Rights Policy. The introduction of the full policy, detailed in the Governance section, supports BisB's long-standing commitments to non-discrimination, safe working conditions, employee well-being, and equitable treatment across the organisation and its wider business relationships.

	Total number of incidents of discrimination
2023	0
2024	0
2025	0

	Total number of incidents of harassment
2023	0
2024	0
2025	0

	Percentage of security personnel that completed training in human rights policies or procedures
2023	100%
2024	100%
2025	100%

Note: Restatement due to changes in disclosure methodology.

Bahrainisation

In support of Bahrain's Economic Vision 2030 and the national goal of reducing unemployment among citizens, BisB continues to prioritise employment opportunities for qualified Bahraini talent across the organisation. The Bank is proud to remain an Employer of Choice for nationals and has set a target of maintaining a Bahrainisation rate of 95% with the current rate at 96.05%. These efforts are underpinned by a formal policy statement on nationalisation published on BisB's website.

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

	Number of Bahraini employees		
	Female	Male	Total
2023	125	213	338
2024	124	220	344
2025	134	206	340

	Percentage of Bahraini employees (%)	
	Female	Male
2023	99.21%	92.61%
2024	99.20%	93.62%
2025	98.53%	94.50%

	Number of Bahraini employees		
	Non-Management (Staff)	Middle Management	Senior Management
2023	200	101	37
2024	203	106	35
2025	198	107	35

	Percentage of Bahraini employees (%)		
	Non-Management (Staff) %	Middle Management %	Senior Management %
2023	98.52%	90.99%	88.10%
2024	99.02%	92.98%	85.37%
2025	99.00%	94.69%	85.37%

	Bahrainisation Rate
2023	94.94%
2024	95.56%
2025	96.05 %

	Bahraini Student Internships
2023	42
2024	32
2025	51

Female Empowerment

In alignment with the Kingdom of Bahrain's national efforts to support women's participation in the economy, BisB remains committed to empowering female employees and enabling their long-term career progression. The Bank strives to create a supportive, inclusive environment where women have access to the tools, resources, and opportunities needed to develop their skills and advance into leadership roles.

BisB has established itself as an attractive workplace for women, with steady improvements in female representation across organisational levels. The Bank continues to expand opportunities for women in leadership. Currently, BisB has nine women in critical leadership positions, including three at Chief level. As of 2025, the Bank employs 136 women, representing 38.42% of the total workforce, and aims to increase this to 40% by 2030. Women account for 38.05% of middle management and 21.95% of senior management positions.

BisB supports female employees through a range of workplace policies designed to enhance flexibility, well-being, and career development. These include generous maternity and nursing leave provisions, flexible working arrangements, and a newly introduced Work From Home (WFH) Policy that allows new mothers to work remotely for up to six months following the completion of maternity leave. Additional health and well-being initiatives, including childcare leave, medical coverage, and wellness activities, further strengthen BisB's commitment to supporting women across all phases of their careers.

The Bank also invests in women's professional development through training programmes, e-learning platforms, on-the-job learning, and support for academic and professional qualifications. Female employees are included in BisB's two-tiered succession planning framework, ensuring their consideration for future leadership roles.

	Total number of employees that were entitled parental leave	
	Female	Male
2023	88	186
2024	85	185
2025	87	168

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

	Total number of employees that took parental leave	
	Female	Male
2023	6	3
2024	7	12
2025	11	15

	Total number of employees that returned to work after parental leave ended	
	Female	Male
2023	6	3
2024	7	12
2025	11	15

	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	6	3
2024	7	12
2025	11	15

	Return to work rate	
	Female	Male
2023	100.00%	100.00%
2024	100.00%	100.00%
2025	100.00%	100.00%

	Retention Rate	
	Female	Male
2023	100.00%	100.00%
2024	100.00%	100.00%
2025	100.00%	100.00%

Youth Empowerment at BisB

BisB is committed to empowering young people in Bahrain by providing meaningful opportunities for learning, development, and early career growth and this commitment is reflected in a formal Youth Employment Support policy statement published on the Bank's website. In 2025, this commitment was further strengthened through the establishment of the Equal Opportunity and Youth Empowerment Committee, a new governance

body dedicated to promoting fair and inclusive employment practices, expanding opportunities for emerging talent, and supporting initiatives that help young professionals build the skills needed for long-term success.

At its core, the Committee seeks to advance youth inclusion, development, and long-term employability by embedding equitable, merit-based practices across the employee lifecycle. The Committee ensures that opportunities for young talent - from early career entry and capability building to progression and future leadership - are accessible, transparent, and free from systemic or structural barriers.

The Committee places youth empowerment at the centre of the Bank's people agenda, recognising young Bahrainis as a strategic investment in the institution's future sustainability. It supports initiatives that enhance employability, skills development, work readiness, early career exposure, and leadership pipelines, strengthening workforce resilience and succession over the long term.

In doing so, the Committee seeks to strengthen alignment between youth focused people practices and ESG expectations, acknowledging that inclusive cultures, fair employment practices, and structured youth development are critical drivers of sustainable performance, social value creation, and reputational strength.

The Committee further provides a dedicated forum for thoughtful consideration of people related matters impacting youth participation, particularly where such matters carry social, governance, or sustainability implications. These matters are assessed through a long-term, value driven lens, ensuring decisions support intergenerational equity and future workforce readiness.

Committee Strategic Alignment

In fulfilling its purpose, the Committee contributes to the Bank's role as a responsible national institution by supporting alignment with:

- The Central Bank of Bahrain (CBB) ESG Framework, with particular emphasis on the Social and Governance pillars, which highlight fair employment practices, accountability, and sustainable talent development - especially for young and emerging professionals.
- The Kingdom of Bahrain's national development and workforce priorities, including youth participation, inclusive economic growth, skills localisation, and the advancement of equal opportunity for young Bahrainis entering and progressing within the workforce.
- United Nations Sustainable Development Goals (SDGs), with a strong youth focus, including:
    - SDG 4: Quality Education, through structured learning pathways, internships, and skills development programmes for youth.
    - SDG 5: Gender Equality, by ensuring equitable access for young women and men to opportunities, development, and leadership pathways.
    - SDG 8: Decent Work and Economic Growth, through fair employment practices and sustainable early-career employment.
    - SDG 10: Reduced Inequalities, by addressing barriers faced by young

INCLUSION, EQUAL OPPORTUNITY & WORKFORCE WELL-BEING

(CONTINUED)

entrants and supporting inclusive access to opportunity.

- SDG 17: Partnerships for the Goals, through collaboration with educational institutions, regulators, and national youth initiatives. The Bank's approach to youth empowerment extends beyond direct employment to include work experience programmes, financial literacy initiatives, and collaborative partnerships with educational institutions.

Internship and Training Programmes

During 2025, BisB continued to deliver impactful training opportunities for university students and graduates. The Bank successfully concluded its internship programme for 114 participants, offering hands-on exposure to various banking and administrative functions. Through this experience, trainees developed practical skills, gained a deeper understanding of Islamic banking, and received certificates of completion to support their future careers.

Career Development and Educational Partnerships

To support students entering the workforce, BisB collaborates with local educational institutions to offer career guidance, insights into employment pathways, and exposure to roles within the financial sector. These partnerships are designed to help young people better understand the job market and prepare for future opportunities.

Career Fairs

In 2025, BisB participated in prominent career fairs held by:

- Bahrain Polytechnic University
- University of Bahrain
- Applied Sciences University of Bahrain
- Hope Talent

These events enabled the Bank to engage directly with students, showcase career opportunities, and identify promising candidates for future roles.

Creative Innovation and Leadership Exposure

BisB launched the fourth edition of its Future Leaders Summer Camp, in collaboration with INJAZ Bahrain. The programme offers a blend of educational and interactive activities designed to nurture creativity, leadership, and problem-solving skills among young participants, supporting their personal and professional growth.

	Total Employees by Job Category and by Gender					
	Non-Management (Staff)		Middle Management		Senior Management	
	Male	Female	Male	Female	Male	Female
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%
2025	58.00%	42.00%	61.95%	38.05%	78.05%	21.95%

	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
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%
2025	22.0%	76.50%	1.50%	4.42%	92.92%	2.65%	0.00%	90.24%	9.76%

	Female to Male Remuneration Ratio		
	Non-Management (Staff)	Middle Management	Senior Management
2023	0.95	1.01	0.24
2024	0.93	1.05	0.43
2025	0.81	0.94	1.39

	Total Number of Nationalities
2023	7
2024	7
2025	6

	Total number of Senior Executives	Total number of Senior Executives being female	Percentage of Senior Executives being female
2023	42	9	21.43%
2024	41	8	19.51%
2025	41	9	21.95%

Note: Senior Executives are defined as employee category Senior Manager and above.

	Total number of Senior Executives	Total number of Senior Executives that have a cultural background different from the location of the HQ	Percentage of Senior Executives that have a cultural background different from the location of the HQ
2023	42	4	9.52%
2024	41	4	9.76%
2025	41	4	9.76%

Note: Senior Executives are defined as employee category Senior Manager and above.
While the current percentage of employees with disabilities is 0%, BisB remains committed to inclusive employee management and continues to strengthen its practices and outreach to foster a diverse and accessible workplace.

EMPLOYEE TRAINING AND DEVELOPMENT

BisB manages Employee Training and Development through a structured approach aligned with the Future Forward Strategy and the HR strategy which is reviewed annually. Together, these guide the Bank's efforts to strengthen workforce capabilities, advance internal career progression, and ensure that employees have the skills needed to support BisB's evolving business model.

Oversight of training and development sits with the CHRO, HR Operations, and the Head of HR. The team is responsible for designing, implementing, and monitoring learning programmes, succession pipelines, and capability-building initiatives.

Risks and opportunities related to workforce development are identified through annual strategic planning, Bank-wide employee surveys, and the integration of People Risk factors within the Operational Risk Management Framework. These inputs shape the training agenda and ensure alignment with organisational needs and emerging skill requirements.

Employee feedback is incorporated through annual surveys and ongoing engagement with HR, informing programme enhancements and ensuring learning initiatives remain relevant and effective.

Effectiveness is monitored through internal HR dashboards and KPIs, with regular reporting to the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC) to ensure performance oversight and alignment with strategic objectives.

BisB's commitment to developing its workforce is supported by the Talent Development Policy and the Bank's HR Manual, which promotes structured skills training and clear career development pathways for employees.

To strengthen organisational alignment, BisB also provides employees with continuous communication on the Future Forward Strategy as well as semi-annual awareness sessions. In 2025, the Bank delivered 22 such sessions, generating 2,074 cumulative employee attendances.

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 world-class performance and customer service. Furthermore, as an Islamic bank, it is vital that BisB's employees are equipped with the specialist knowledge required to promote its range of complex Shari'a-compliant products.

Workforce development supports succession planning, a strategic priority that ensures BisB has a pipeline of qualified candidates ready to fill key positions. As outlined in the HR Manual - and further detailed in the Talent Acquisition Procedure - BisB favours the promotion of existing employees, ensuring that internal talent is nurtured and prepared for advancement. Succession planning at BisB involves identifying and developing potential successors for critical roles, assessing their readiness, and providing them with the necessary training and development opportunities. The goal is to ensure business continuity, leadership stability, and long-term organisational strength.

To support all learning and capability-building activities, BisB utilises HRHub, a centralised digital platform that provides employees with seamless access to training materials, development plans, learning records, and career growth resources.

Training and Development Programmes and Initiatives

BisB offers a comprehensive suite of programmes that address leadership capability, technical proficiency, future skills, and broader professional development needs. In addition to its mandatory training programmes, BisB has set a target of providing a minimum of 15 hours of training per employee per year.

Leadership Development

In 2025, BisB significantly expanded its leadership development offering to strengthen its future leadership pipeline. A total of 21 employees in mid-level and senior roles completed specialised leadership programmes covering strategic thinking, communication, decision-making, and team management. Executive development was also enhanced through:

- Board mentorship Program
- Oxford Leadership programmes
- DePaul University MBA sponsorships for three senior managers
- Executive coaching, including one-to-one sessions for the CEO
- AI readiness training for executives

Professional Certifications & Skills Development

BisB supports employees in pursuing role-relevant professional certifications to strengthen technical expertise and compliance with industry standards. Additional development in 2025 included etiquette and professional behaviour workshops to enhance communication, cultural awareness and customer engagement.

Training Academies

In 2025, BisB reinforced its commitment to strategic capability building by establishing four core themes to guide all training programmes: AI, Innovation, Sustainability, and Leadership. These themes ensure that all developmental initiatives are directly aligned with the Bank's long-term strategic direction. Training academies continued to play a pivotal role in cultivating advanced competencies across the workforce, delivering programmes that support emerging business needs and industry trends.

During the year, 132 employees successfully completed specialised programmes in AI, digital transformation, and Innovation, further strengthening BisB's digitalisation agenda and fostering a culture of continuous innovation.

E-Learning Library

Employees have access to an e-learning library containing over 1000 online courses, covering topics such as risk management, information security, leadership, digital skills and personal well-being.

Job Rotation

BisB's job rotation opportunities allow employees to gain exposure to different departments. In 2025, the Bank introduced Elevate, a one-week employee-requested rotation programme designed to deepen organisational understanding and broaden skillsets.

EMPLOYEE TRAINING AND DEVELOPMENT (CONTINUED)

Sustainability and Shari'a Awareness Training

BisB continues to strengthen workforce awareness of sustainability, ESG principles, and Shari'a-compliant banking, ensuring that employees are equipped with the specialised knowledge required to support BisB's strategic objectives and regulatory obligations.

Sustainability 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 addition, 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.

BisB also provides relevant internal stakeholders with training on the Bank's ESG Due Diligence Toolkit to assess clients on their sustainability performance and readiness.

In 2025, all employees completed a mandatory Sustainability e-learning module, reinforcing baseline awareness of ESG concepts, regulatory expectations, and the Bank's sustainability ambitions. To deepen their understanding, employees participated in a range of additional sustainability learning opportunities, including:

- 3 employees attended Introduction to Sustainability training offered by Bahrain Institute of Banking and Finance (BIBF)
- 393 employees completed the Sustainability e-learning module
- 3 BisB employees attended NBB Group's Sustainability Academy week which covered a range of topics

BisB employees have the option to access a wide variety of ESG and sustainability-related training courses via the HR Hub.

Shari'a Awareness and Islamic Banking Training

As an Islamic bank, BisB continues to provide regular training on Shari'a principles and its range of Shari'a-compliant financial products. This ensures employees maintain the knowledge needed to promote products responsibly and uphold Shari'a governance standards. Additional Islamic finance and Shari'a training modules are available through HRHub and the e-learning library to support continuous development in this specialist area.

In addition, the Shari'a Department organises educational awareness lectures in the fields of spiritual development under the title Light of Your Heart, aimed at enhancing psychological and spiritual resilience among employees.

	Total Training Hours		
	Female	Male	Total
2023	6,552	11,500	18,052
2024	7,160	14,060	21,220
2025	7,921	14,354	22,275

	Average Training Hours per Employee		
	Female	Male	Total
2023	52.00	50.00	50.71
2024	57.28	59.83	58.94
2025	58.24	65.84	62.92

Note: All employees are full-time employees

	Total Training Hours by Job Category		
	Non-Management (Staff)	Middle Management	Senior Management
2023	11,784	5,982	286
2024	9,463	8,280	3,477
2025	11,252	7,191	3,832

	Average Training Hours per Employee by Job Category		
	Non-Management (Staff)	Middle Management	Senior Management
2023	58.05	53.89	6.81
2024	46.16	72.63	84.79
2025	56.26	63.64	93.46

Note: All employees are full-time employees

	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
2025	570	5.00	186	5.00

	Training Costs	
	Total cost of training conducted for all employees (BD)	Average Training Hours
2023	200,000	561
2024	200,000	555
2025	180,000	508

EMPLOYEE TRAINING AND DEVELOPMENT (CONTINUED)

	Sustainability and Shari'a- related awareness training		
	Total training delivered in alignment with Islamic principles (Hours)	Number of employees who completed sustainability-related awareness/ training programmes (Number)	Number of Shari'a related awareness campaigns
2023	2,196	365	15
2024	3,903	342	14
2025	3,182	354	19

Performance Management

Performance management remains a cornerstone of BisB's approach to developing internal talent, supporting succession planning, and strengthening organisational performance. Through structured evaluations, competency assessments and data-driven insights, BisB ensures that employees receive the feedback and guidance needed to grow in their roles and progress in their careers.

Performance Reviews

Performance reviews help identify employee strengths, development needs and opportunities for progression. These reviews support decisions related to promotions, bonuses and recognition, while encouraging employees to reflect on their goals and development priorities.

Review formats vary by seniority. For Line Managers, evaluations incorporate multiple tools such as competency assessments and structured feedback mechanisms. In 2025, BisB strengthened its leadership evaluation process by introducing 360-degree performance assessments for all senior management. This provides a holistic view of leadership capability and supporting succession readiness. During the year, 100% of employees received formal performance reviews.

Individual Development Plans (IDPs)

Individual Development Plans outline the training, experience and skill-building required for employees to advance within the organisation. IDPs are an essential component of BisB's talent pipeline, ensuring employees are prepared for future leadership roles.

To encourage ownership of development, BisB runs an annual IDP Competition, which invites employees to submit their own development plans. Winners receive incentives such as monetary rewards, additional leave days and preferred parking.

Engagement and Performance Analysis

BisB leverages data analytics tools, including Engagesoft, to identify drivers of high performance and pinpoint factors contributing to underperformance. These insights guide targeted interventions, inform training priorities and support initiatives to

strengthen organisational culture and employee engagement.

Role/Competency - Training Mapping

BisB maintains a structured competency framework that maps the skills and capabilities required for each role. This ensures that training programmes are aligned with business needs and that employees receive the support necessary to perform effectively. Competency mapping also helps identify skill gaps, which are addressed through targeted learning interventions and development initiatives.

	Total Number of Employees receiving regular performance reviews (Gender)			
	Female	Male	Female %	Male %
2023	126	230	100%	100%
2024	125	235	100%	100%
2025	136	218	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 %
2023	203	111	42	100%	100%	100%
2024	205	114	41	100%	100%	100%
2025	200	113	41	100%	100%	100%

06

INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL

Our Commitment	
Sustainability Pillars	• Customer centricity in a responsible digital era • Robust Governance, Risk Management and Ethical Conduct
Material Topics	• Digital Transformation and Innovation • Data Privacy and Security
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين 2030 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	

DIGITAL TRANSFORMATION

Powering Innovation through Digital Experience

Digital transformation remains at the core of BisB's strategy and continues to shape the Bank's evolution and growth. While BisB does not currently have a standalone Digital Banking Policy, the topic is embedded within the Banks overarching business strategy and is covered by the Strategy Policy.

BisB manages Digital Transformation and Innovation through a comprehensive Digital Strategy with defined objectives, KPIs, targets, and actionable initiatives. Delivery is led by the Digital Banking Department, which reports to the Chief Financial and Strategy Officer (CFSO) and is responsible for driving digital channel development, customer-centric product design, and the optimisation and automation of digital processes.

Risks and opportunities are identified and assessed through a structured approach embedded within the Enterprise Risk Management Framework, ensuring that digital initiatives support operational resilience, customer experience, and strategic growth.

Stakeholder engagement plays a central role in shaping BisB's digital roadmap, with feedback from customers, employees, regulators, and industry partners guiding priorities. Effectiveness is monitored through KPIs, OKRs, customer insights, and oversight by the Strategy function. Progress is evaluated against BisB's Digital Strategy 2025 targets, which focus on enhancing customer experience, increasing digital adoption, expanding automation, and driving innovation-led growth.

Driving Digital Growth and Innovation

Building on years of innovation, BisB accelerated its digital trajectory in 2025, delivering data-driven and customer-centric experiences that redefine how individuals and businesses interact with the Bank. Through the award-winning BisB Mobile App, Online Banking platforms, and a growing network of self-service kiosks, the Bank continues to offer secure, seamless, and convenient access to banking services.

As part of this continued enhancement of digital customer journeys, BisB introduced an instant pledge-based financing service through its mobile banking application. The fully digital and paperless solution enables eligible customers to access personal finance against pledged deposits without visiting a branch or submitting physical documentation, reflecting the Bank's focus on automation, speed, and seamless digital service delivery.

In 2025, BisB's digital customer base grew by over 20%, with more than 90% of new-to-bank customers onboarding fully through digital channels, exceeding the target of 90%. Overall digital adoption reached 74% of the total customer base, reflecting the Bank's continued success in providing trusted, accessible, and intuitive digital banking solutions.

Under a scaled agile delivery framework, BisB delivered over 50 new digital features and enhancements in 2025, significantly enriching the customer experience and supporting operational efficiency. These enhancements included:

- Multicurrency cards
- Revamped identity verification solution

DIGITAL TRANSFORMATION (CONTINUED)

- Digital corporate additional account opening
- Digital capture of customer signatures
- Ability for customers to open multiple-currency call accounts digitally
- Corporate multicurrency accounts
- Corporate onboarding enhancements
- Automation of account-opening flows in branches

These initiatives improve turnaround times, reduce manual intervention, and elevate digital convenience for both retail and corporate customers.

Strategic Direction and Outlook

The Digital Banking Department continues to drive BisB's innovation agenda, steering strategic prioritisation, enabling data-driven decision-making, and maintaining a relentless focus on customer centricity.

Looking ahead, BisB will further expand its digital ecosystem, deepen automation across its operations, and scale AI-enabled capabilities to deliver more personalised, faster, and frictionless banking experiences.

Through its commitment to innovation, BisB will remain at the forefront of Bahrain's digital banking landscape, combining cutting-edge technology with personalised service to deliver a modern, inclusive, and future-ready banking experience.

Enhancing Branch Services with Digital Solutions

BisB continues to enhance the branch experience through digital solutions that improve convenience, efficiency, and security.

These enhancements support a faster, more seamless service journey while enabling customers to benefit from modern, intuitive processes across the Bank's branch network.

The Customer Experience Manager guides customers toward self-service channels and ensures smooth navigation of digital tools within the branch. A unified smart queue management system across all branches ensures a more consistent and efficient experience.

BisB continues to collect real-time customer feedback using QR codes displayed throughout branches, enabling customers to provide instant ratings and comments to help improve service quality. In 2025, BisB achieved an NPS of 83% for its branch services, reflecting its success in delivering customer satisfaction.

In 2025, BisB introduced several new digital capabilities within branches, further strengthening its omnichannel service offering. These include:

- Personal Finance against Pledge digital processing
- Dormant RIM Activation through automated workflows
- Early Settlement Certificate generation via digital systems
- Tejoori Saver and Saver Lite digital account opening in branches
- Digital signature capture at Customer Service Representative (CSR) counters

These upgrades build on existing in-branch digital functions including:

- Automated and controlled customer contact information updates

- Fully automated KYC renewal integrated with the national Wathiq eKYC system
- Digital scanning and simplified documentation processes within the finance workflow
- Use of tablets by Sales Agents and Relationship Managers to complete onboarding and account opening at customer locations

Together, these functions reinforce BisB's commitment to offering quick, reliable, and secure branch services powered by digital innovation.

Leading the Way in Digital Corporate Banking

BisB continues to reinforce its leadership as a provider of innovative and secure digital banking solutions for corporate clients, empowering businesses of all sizes to manage their finances seamlessly and efficiently. Through continuous innovation and transformation, the Bank aims to remain the partner of choice for corporates seeking intelligent, technology-driven financial services.

Advancing Corporate Digital Solutions

In 2025, BisB made substantial strides in expanding its corporate digital banking ecosystem, delivering enhanced functionality, faster processing, and smarter connectivity for businesses. Corporate clients now benefit from a fully integrated suite of services - including digital (foreign currency) (sub-)account opening, real-time payments and transfers, foreign exchange transactions, trade finance, bulk payroll, and cash management tools - all accessible through the BisB Corporate Digital Banking Platform.

The Bank's commitment to a frictionless, end-to-end digital experience resulted in over 95% of new corporate customers being onboarded digitally, underscoring its success in simplifying complex business banking journeys.

Corporate Onboarding and API Integration

BisB remains the first and only bank in Bahrain to offer a fully digitised and automated onboarding process for corporate customers, supporting all company types - from startups and SMEs to large enterprises. In 2025, BisB introduced a series of onboarding enhancements, including straight-through processing (STP) for select account types, further reducing manual intervention and accelerating account activation times.

Building on earlier integration achievements, the Bank enhanced its Host-to-Host (H2H) solution, enabling corporates to connect their Enterprise Resource Planning (ERP) systems directly to BisB's core banking platform via secure API connections. This allows for real-time transaction processing, account reconciliation, and payment monitoring, significantly reducing operational overheads and enhancing financial visibility for large corporate clients.

Strategic Partnerships and Regulatory Integration

In alignment with Bahrain's national digitalisation agenda, BisB maintained and expanded its integration with the Ministry of Industry and Commerce's (MOIC) SIJILAT system, enabling automated Know Your Customer (KYC) verification for business entities. This collaboration enhances compliance efficiency while delivering a smoother, faster onboarding experience.

DIGITAL TRANSFORMATION (CONTINUED)

The Bank also continued to support the MOIC directive on digital account openings for active, without-license corporates, further cementing BisB's position as a pioneer in regulatory technology adoption within Bahrain's financial sector.

Enhancing Customer Engagement and Experience

In 2025, BisB strengthened its data-driven corporate engagement model by deploying automated communication and lead management tools that deliver personalised information on digital products and services to potential clients.

These efforts, combined with continuous platform enhancements and user experience improvements, contributed to a 79% increase in active corporate users and a 36% year-on-year rise in digital transaction volumes.

Automation and Process Transformation

BisB continues to advance its automation journey as a cornerstone of its digital transformation strategy, driving greater efficiency, accuracy, and sustainability while placing the customer experience at the centre of every process. Through intelligent automation, the Bank has streamlined operations, reduced manual intervention, and enhanced service quality to deliver faster, simpler, and more reliable banking experiences.

In 2025, BisB achieved notable progress through its Process Automation and Transformation Program, implementing more than 40 automation enhancements across critical functions. These initiatives generated cost savings exceeding BD 150,000, improved processing speeds, and significantly reduced turnaround times for both customers and internal teams. By digitising workflows and eliminating paper-based processes, BisB also made meaningful strides toward its sustainability objectives, reducing its carbon footprint and operational waste.

Every automation initiative at BisB is designed with the customer in mind, whether by reducing wait times for financing disbursement, enabling instant card issuance, or simplifying corporate onboarding and merchant settlement. These improvements have elevated customer satisfaction while enabling employees to focus on higher-value, customer-facing activities.

Looking ahead, BisB remains committed to embedding automation across its entire value chain, transforming traditional workflows into intelligent, data-driven systems that anticipate customer needs, enhance accuracy, and deliver seamless service at every touchpoint.

By leveraging automation as a strategic enabler of customer-centric innovation, BisB continues to strengthen its position as a digital leader in Bahrain's financial sector, setting new standards for operational excellence and customer experience.

	Percentage of new customers onboarded through the Bank's digital platform
2024	88.00%
2025	91.00%

INFORMATION SECURITY AND PRIVACY

BisB manages Data Privacy and Security through a comprehensive Information Security and Privacy strategy that identifies and addresses risks and opportunities across short-, medium-, and long-term horizons. This strategy is aligned with the Bank's business objectives and regulatory requirements, ensuring that data protection remains central to maintaining customer trust and operational resilience.

Oversight is structured through clearly defined governance roles. The Chief Information Security Officer (CISO) leads the Information Security and Privacy Framework, supported by the Information Security Committee (ISC), which develops and implements security and privacy initiatives. The Board Risk and Compliance Committee (BRCC) provides Board-level oversight, monitoring progress and associated risks.

Risks are identified, assessed, and managed through established processes integrated into the Bank's broader risk management framework, supported by regular internal assessments and independent external audits. Stakeholder input, from customers, regulators, government bodies, and industry peers, helps shape priorities and align practices with emerging expectations.

Performance is monitored through internal KPIs, regular reporting to senior committees, and ongoing security awareness programmes for employees and contractors. BisB maintains strong operational resilience supported by continuous improvement and ongoing training. BisB is committed to ensuring that privacy breaches, information security incidents, and continuity targets are minimized to near zero.

BisB also engages in collaborative initiatives and collective action with peers and authorities through its participation in industry and professional bodies, including the Bahrain Association of Banks Cyber Security and Business Continuity Committee, the Business Continuity Institute (BCI), the International Information System Security Certification Consortium (ISC2), and ISACA. These engagements support knowledge-sharing, capability building, and alignment with international practices in information security, data privacy, business continuity, and operational resilience.

In 2025, BisB engaged with the Central Bank of Bahrain, Information & eGovernment Authority, the Benefit Company and the Financial Intelligence National Centre on initiatives related to fraud prevention, digital identity, bulk KYC enablement, and national platform development.

Beyond regulatory engagement, the Bank contributed to workforce development and public awareness through collaboration with Tamkeen, universities, civil society organisations, and startups, supporting cybersecurity skills development, research, mentoring, and community education.

Data Privacy

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 essential to maintaining stakeholder trust and preserving the Bank's reputation.

BisB's approach to data protection is outlined in its Information Security and Data Privacy Policies, supported by a robust procedures manual. These policies were developed with internal expertise, reviewed against relevant ISO standards, and are aligned with recognised international best practices.

Together, these documents ensure compliance with all applicable regulations and standards, including Central Bank of Bahrain's rulebook,

INFORMATION SECURITY AND PRIVACY (CONTINUED)

Bahrain's Personal Data Protection Law (PDPL), the Swift Customer Security Controls Framework (CSCF 2025), and the Payment Card Industry Data Security Standard version 4.0.1 (PCI DSS 4.0.1). BisB also maintains compliance with the EU's General Data Protection Regulation (GDPR) through its certification under ISO 27701:2019 (Privacy Information Management System).

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 deploys robust controls to safeguard customer and employee information from cyber threats, unauthorised access, theft, and data breaches. The Bank has achieved and maintained several international certifications and was the first bank in Bahrain to achieve the ISO 27001:2022 Information Security Management System (ISMS) certification, and the first Islamic bank in Bahrain to achieve the ISO 27701:2019 Privacy Information Management System (PIMS) certification. Furthermore, BisB has been independently attested against the SWIFT Customer Security Controls Framework (CSCF 2025). All certifications were successfully renewed in 2025, including compliance with the latest Payment Card Industry Data Security Standard version 4.0.1 (PCI DSS 4.0.1).

In addition, the Bank maintains a robust framework to ensure continuity and resilience through its implementation of ISO 22301:2019 (Business Continuity Management System), supporting its ability to respond to and recover from operational disruptions.

BisB values the importance of transparency in building trust with customers who are made aware of their rights through the Security and Privacy Statement published on the Bank's website. Written in clear, accessible language, the statement explains when and how personal data is collected, stored, protected, and used by the Bank. It is available at: https://www.bisb.om/en/security-and-privacy

Furthermore, all sensitive communications with customers and third parties are vetted by professionally trained staff from relevant departments, including Marketing, Corporate Communications, Legal, Compliance, Information Security, and Business Units, to ensure accuracy, confidentiality, and alignment with internal policies.

BisB also conducts enhanced due diligence on partners and suppliers to evaluate and monitor their security controls and risk ratings. All employees are required to complete annual data privacy and information security training, supplemented by monthly phishing simulation exercises to assess vigilance and reinforce awareness. Third-party contractors also receive annual security training to ensure alignment with BisB's standards.

Cybersecurity

The digital transformation of the banking sector raises the risk of cyber-attacks that 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 cybersecurity regulations and international best practices.

BisB's cybersecurity processes are aligned with leading global frameworks, including the National Institute of Standards and Technology (NIST) Cybersecurity Framework, the Open Worldwide Application Security Project (OWASP) guidelines, the Centre for Internet Security (CIS) benchmarks, and other recognised standards.

BisB deploys a comprehensive suite of security and privacy controls to safeguard the Bank's operations and ensure secure transactions across all channels, including online banking, mobile banking, self-service kiosks and ATMs.

The Bank applies Security by Design and Privacy by Design principles to ensure that every digital service and product is built with embedded, proactive protection. BisB also utilises advanced security technologies—including firewalls, intrusion detection and prevention systems, and continuous security testing and monitoring - to achieve Security in Depth through layered controls across all domains.

To further strengthen system resilience and promote a strong culture of data security, BisB provides periodic training and awareness programmes for employees, ensuring they remain vigilant and well-prepared to identify and respond to evolving cyber threats.

Case Study

In 2025, the Bank's Chief Information Security Officer (CISO) became the first Bahraini national to achieve the Advanced in AI Security Management (AAISM) Certification from ISACA (formerly known as the Information Systems Audit and Control Association). This certification equips professionals with essential skills to manage AI and information security risks, with a strong focus on governance, best practices, and global compliance for the secure and ethical deployment of AI technologies.

In recognition of exceptional leadership and transformative contributions to the field of information security, BisB's CISO was also honoured with the prestigious ISACA Global Achievement Award for Most Innovative Solutions. This accolade celebrates individuals who demonstrate outstanding commitment to advancing digital trust, cybersecurity, and governance practices on a global scale.

INFORMATION SECURITY AND PRIVACY (CONTINUED)

The award acknowledges the CISO's pioneering initiatives that have significantly strengthened Bahrain's cybersecurity posture - ranging from the development of secure authentication mechanisms and fraud prevention strategies to the design of multiple national platforms and practices. These efforts, delivered in close collaboration with regulators, government entities, and financial sector partners, have led to measurable reductions in fraud and enhanced digital resilience across the Kingdom.

This recognition not only underscores BisB's leadership in driving impactful, first-of-their-kind initiatives from the heart of the Middle East but also marks a historic milestone, making BisB the first organisation in Bahrain, the GCC, and the wider Middle East to receive this distinguished honour from ISACA.

As a result of its comprehensive and robust approach to data protection and cybersecurity, BisB experienced no security breaches in 2025.

	Overview of Certifications
	Year of Completion
SWIFT Customer Security Control Framework	Certified for 2025
ISO 27001:2022, Information Security Management System Certification	2025 Surveillance audit completed successfully
ISO27701:2019, Privacy Information Management System Certification	2025 Surveillance audit completed successfully
PCI-DSS 4.0.1, Payment Card Industry Data Security Standard, version 4.0.1	Certified for 2025

	Number of substantiated complaints received concerning breaches of customer privacy		
	Total number of complaints received from outside parties and substantiated by the organisation	Total number of complaints from regulatory bodies	Total number of identified leaks, thefts, or losses of customer data
2023	0	0	0
2024	0	0	0
2025	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
2023	0	0	0.00%
2024	0	0	0.00%
2025	0	0	0.00%

	2023	2024	2025
	Additional Certifications and Upskilling		
Total number of professional certifications in the information security, continuity and privacy field	29	30	32
Number of unique professional certifications or award in the field, where BisB security professional is the first to achieve in Bahrain	-	1	2
Total number of computer-based training modules completed by our staff	1,388	1,576	1,553

	Data Security Training for Employees		
	Type of training provided	Number of employees that completed the training	Number of total equivalent training hours per employee
2023	Online	100.00%	1.5
2024	Online	100.00%	1.5
2025	Online	100.00%	1.5

	Other Trainings in number of employees completed		
	Safety and security training	Understanding PCI DSS	Safety procedures training
2023	324	324	324
2024	360	360	360
2025	354	354	354

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

With reference to GRI 416, 100% of BisB products and services are assessed for Data Privacy and Security improvements as per BisB policies and procedures and there have been no incidents of non-compliance with regulations and/or voluntary codes concerning Digital Safety impacts of products and services.

07

NATURAL CAPITAL

NATURAL CAPITAL

Our Commitment	
Sustainability Pillars	• Operational Sustainability and Responsible Sourcing • Sustainable Growth through Responsible Banking
Material Topics	• Environmental Impact • Climate Change
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين 2030 BAHRAIN SDGs • Robust economic growth that benefits the people • An efficient and effective government
GRI Standards	• GRI 2: General Disclosures • GRI 102: Climate Change • GRI 103: Energy • GRI 303: Water and Effluents • GRI 306: Waste
SDGs	

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 environmental and climate-related considerations into decision-making processes, and supporting initiatives that mitigate environmental risks and capture opportunities. Through this approach, BisB aims to contribute to long-term environmental sustainability while creating enduring value for its stakeholders.

BisB's Environmental Policy and Sustainability Policy together provide the foundation for the Bank's approach to managing environmental impacts. Both policies are Board-approved and have been developed with input from internal environmental expertise, underscoring the Bank's commitment to robust governance and informed decision-making.

These policies acknowledge key environmental risks and opportunities relevant to the Bank's operations and value chain and define priority focus areas, including energy and water consumption, waste management, and climate change. The Environmental Policy commitments are publicly disclosed and available on the Bank's website.

The Group Property, Administration, Buildings and Construction (PABC) Team has overall responsibility for the implementation and management of the Environmental Management System (EMS) and is responsible for developing the Environmental Management Plan, including the setting of annual environmental objectives and targets.

The Environmental Management Plan is reviewed and approved annually, with progress reported through management channels to the Group Chief Operating Officer (GCOO), who is a member of the Group Management Sustainability Committee. Environmental performance and progress are also reported to the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC) at Board level at least semi-annually, ensuring appropriate senior management and Board oversight.

NATURAL CAPITAL (CONTINUED)

BisB has established an Environmental Management System aligned with the ISO 14001:2015 standard, the scope and boundaries of which cover all direct operations as well as relevant indirect impacts across the Bank's value chain. Formal ISO 14001 certification currently applies to the Bank's headquarters, while ISO-aligned environmental management principles are implemented across branch operations without formal certification. The EMS provides a structured framework for identifying, assessing, and managing environmental risks and opportunities, and for embedding environmental considerations into day-to-day operations. Environmental objectives and initiatives are documented in the Environmental Management Plan, which is reviewed at least twice per year to ensure continued relevance and effectiveness.

Stakeholder engagement forms an integral part of BisB's approach to managing environmental impact. Internal stakeholders are engaged through awareness sessions, training programmes, and governance forums as part of the EMS process. Externally, the Bank collaborates with regulators, governmental bodies, and industry peers, including through participation in sustainability-focused industry committees, to share knowledge, align practices, and contribute to broader environmental initiatives.

The effectiveness of environmental actions is monitored through regular performance reviews against defined objectives, supported by structured management reviews, internal audits, and external audits to maintain ISO 14001 certification.

Progress against environmental goals is reviewed at least semi-annually, with findings informing continuous improvement actions. No fines or penalties were incurred in relation to violations of environmental laws and regulations during the past three years. Through this management approach, BisB seeks to strengthen its environmental performance, enhance resilience to environmental risks, and support the transition towards more sustainable business practices.

The following sections focus on BisB's two material Natural Capital topics: Environmental Impact, which addresses the management of the Bank's direct operational footprint, and Climate Change, which considers climate-related risks and opportunities across the value chain, with particular attention to financed emissions as the Bank's most significant source of greenhouse gas emissions.

ENVIRONMENTAL IMPACT

BisB's environmental impact arises primarily from its operational footprint and associated value chain activities, including energy and water consumption, waste generation, and greenhouse gas emissions. Managing these impacts is a material aspect of the Bank's Natural Capital stewardship and supports regulatory compliance, operational efficiency, and long-term resilience.

The Bank's approach to environmental impact management is guided by its Environmental Policy and Sustainability Policy, which together set out BisB's commitments across climate change, energy and resource use, water management, and waste reduction. These policies provide the framework for identifying, managing, and mitigating environmental impacts across both direct operations and indirect impacts within the value chain.

BisB manages its direct environmental impacts through a combination of monitoring, operational controls, and continuous improvement measures. This includes tracking and managing energy use, water consumption, waste generation, and operational greenhouse gas emissions; integrating environmental considerations into business processes through the Environmental Management System; and investing in technologies and solutions that improve resource efficiency and reduce emissions. Environmental considerations are also incorporated into the design, refurbishment, and operation of buildings and facilities.

The Bank also recognises its responsibility to address indirect environmental impacts associated with its suppliers and service providers. To this end, BisB embeds environmental criteria into procurement processes, engages with suppliers to raise awareness of environmental risks and opportunities, and monitors compliance with relevant environmental laws and regulations.

Environmental actions and initiatives are supported by defined objectives, internal and external audits, and corrective action processes, enabling BisB to monitor effectiveness and drive continual improvement. Where appropriate, the Bank also undertakes targeted environmental investments to reduce future risks and enhance operational efficiency. In 2025, BisB invested BD 70,000 in environmental expenditure *(This also includes consulting expenses and broader sustainability-related expenses that are not exclusively environmental-focused).*

The following sections outline BisB's approach to managing its environmental impact across key focus areas: energy efficiency, water conservation, waste management, and operational greenhouse gas emissions.

Energy Efficiency

BisB manages energy consumption across its operations as part of its efforts to reduce environmental impact and improve operational efficiency. Energy use is monitored across facilities and relevant activities, providing the basis for identifying efficiency opportunities and tracking performance. The Bank has set a target to reduce total energy consumption by 5% per year.

To support this objective, BisB is implementing technology-based measures to improve energy performance across its facilities. This includes the rollout of a building management system at Al Salam Tower and upgrades to cooling infrastructure aimed at enhancing monitoring and optimising energy use. The Bank continues to explore additional efficiency measures across its facilities and operational activities, where feasible.

ENVIRONMENTAL IMPACT (CONTINUED)

Water Conservation

Water use across BisB's operations is primarily associated with domestic and sanitary purposes within office facilities and branches, including washrooms, kitchens, and routine cleaning activities. Water consumption is tracked and monitored across facilities to support responsible resource management.

While no formal quantitative reduction target has been set for water use due to the Bank's limited consumption as an office-based entity, BisB promotes responsible water use through internal awareness initiatives and operational controls. Monitoring of water use provides a basis for identifying opportunities for improvement and informing future actions, where appropriate.

Waste Reduction

BisB seeks to reduce waste generation and promote responsible materials management across its operations. The Bank has set a target of reducing overall waste generation by 15%, supported by initiatives aimed at increasing awareness, encouraging recycling, and reducing reliance on single-use and non-essential materials.

Key focus areas include using recycled material in prepaid cards and reducing paper consumption through increased use of digital processes, promoting reusable alternatives within offices, and ensuring appropriate segregation and disposal of non-hazardous recyclable waste through approved service providers. Waste-related data is collected through monthly reports provided by third-party waste management vendors.

In 2025, BisB initiated an early-stage pilot to strengthen the management of electronic waste generated through its IT operations. The pilot involves the collection and recycling of end-of-life IT equipment through an approved third-party recycling facility, with the aim of improving responsible disposal practices and supporting improved tracking of e-waste volumes over time.

In parallel, the Bank partnered with Ibn Khuldoon National School to support a national e-waste awareness campaign focused on educating the public and promoting responsible recycling practices. The collaboration includes employee engagement and community-based e-waste collection activities, reinforcing BisB's broader commitment to environmental awareness and responsible waste management.

Managing GHG Emissions

BisB manages its operational greenhouse gas (GHG) emissions through its ISO 14001:2015-certified EMS, which provides a structured framework for monitoring, assessment, and continuous improvement. Operational emissions are monitored on a regular basis to support internal analysis and decision-making.

Based on this monitoring, the Bank has established a target of reducing operational GHG emissions by approximately 5% per year, primarily through energy efficiency measures and targeted operational initiatives, however this may be revised as part of the Bank's ongoing Decarbonisation Project. BisB has implemented solar panel systems at selected branch locations to support on-site renewable energy generation.

In parallel, BisB is strengthening its understanding of emissions beyond its direct operations as part of a broader Decarbonisation Project, which is addressed in the following section.

CLIMATE CHANGE

Climate change, and the global transition towards a low-carbon economy, present both risks and opportunities for the banking sector. For BisB, climate-related considerations are increasingly relevant across operational resilience, credit risk, regulatory compliance, and client engagement. Globally and regionally, evolving climate policies, regulatory expectations, and market dynamics are reshaping how banks assess and manage transition and physical climate risks.

In Bahrain, regulatory guidance issued by the CBB has reinforced the expectation that banks identify, assess, and manage climate-related risks within their financing portfolios. In response, BisB continues to strengthen the integration of climate considerations into its broader risk management and decision-making processes. This includes the use of the Bank's ESG Due Diligence Toolkit to assess environmental and climate-related risks associated with clients and projects, supporting more informed credit and investment decisions.

BisB's approach to managing climate change is governed by the Bank's Sustainability Policy and Environmental Policy, which together provide the overarching framework for managing climate-related risks and supporting the transition to a lower-carbon economy.

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

During 2025, BisB made significant progress in advancing a more structured and forward-looking approach to climate action in the form of a phased Decarbonisation Plan, which represents an important evolution in the Bank's climate journey. The plan is in the final stages of being developed and will be implemented in 2026, with initial outputs informing this report where available. More detailed disclosures will be developed progressively.

The plan focuses on strengthening the measurement and understanding of greenhouse gas emissions across Scope 1 and Scope 2 operational emissions, as well as relevant Scope 3 emissions across the Bank's value chain, with the objective of establishing a robust and credible emissions baseline.

Based on this, targets for operational emissions (including scope 1 and 2 and scope 3 category 1-14) and financed emissions (Scope 3 category 15) have been defined aligning with national ambition and international frameworks such as NZBA, PCAF and SBTi. Near-term and long-term Net Zero targets have been developed in alignment with the Paris Agreement, Bahrain's Net Zero by 2060 ambition, and international best practices. BisB is currently in the process of internally reviewing and validating targets and will publicly communicate those moving forward.

The final phase focuses on the development of a decarbonisation plan and detailed Net Zero roadmap, identifying and prioritising high-level carbon reduction initiatives associated with operational and sectoral decarbonisation trajectories for financed emissions, providing actionable guidance for BisB to progress on its decarbonisation journey.

BisB's Sustainable Finance Framework is playing a critical role in supporting climate transition efforts by enabling the development of products and services that help clients reduce their environmental impact and contribute to a lower-carbon economy. Together, these initiatives position the Bank to progressively enhance its climate-related disclosures and capabilities over time.

CLIMATE CHANGE (CONTINUED)

Overall, BisB's approach to climate change reflects a pragmatic and progressive pathway aligned with the Bank's operating context and regulatory environment. During the year, the Bank reached a major milestone with the decarbonisation project entering its final stages, supported by the establishment of clear internal governance arrangements, defined roles and responsibilities, and integration with strategy, risk management, and reporting processes.

While potential targets and transition pathways are currently subject to internal review and validation and are therefore not yet publicly disclosed, the outcomes of this work represent a significant step forward in BisB's climate journey. Building on this progress, the Bank intends to enhance its climate-related disclosures and formalize public commitments in 2026.

In 2025, BisB invested approximately BD 13,000 in climate-related issues

(This also includes consulting expenses and broader sustainability-related expenses that are not exclusively climate-focused).

		Energy Consumption: (GJ)	
Direct Energy Consumption (GJ)		**2024**	**2025**
Fuel Consumption	Petrol	128.08	168.45
	Diesel	55.04	51.11
Solar Energy		1,715.22	1,594.46
Total Direct Consumption (GJ)		1,898.34	1,814.02
Energy Intensity by Space (GJ/m2)		0.34	0.32
Total Intensity (GJ/FTE)		5.27	5.12
Indirect Energy Consumption (GJ)			
Purchased Electricity - Non-Renewable		18,446.10	14,099.72
Total Indirect Consumption (GJ)		18,446.10	14,099.72
Energy Intensity by Space (GJ/m2)		3.29	2.51
Energy Intensity by FTE (GJ/FTE)		51.24	39.83
Total Energy Consumption (GJ)		**20,344.45**	**15,913.74**
Energy Intensity by Space (GJ/m2)		3.62[1]	2.84
Total Intensity (GJ/FTE)		**56.51**	**44.95**

Note: Conversion rates updated as per DEFRA 2025 conversion rate GJ per cubic meter

Note: Intensity numbers are calculated per space and full time employees (FTE)

1. Restatement due to incorrect disclosure in previous year

	Percentage of renewable and non-renewable energy used as part of total energy consumption (GJ)			
	2024		2025	
	GJ	%	GJ	%
Total Non-Renewable Energy	18,629.23	91.57%	14,319.28	89.98
Total Renewable Energy	1,715.22	8.43%	1,594.46	10.02
Total Energy	**20,344.45**	**100.00%**	**15,913.74**	**100%**

	Electricity Consumption (MW)			
	2024		2025	
	MW	%	MW	%
Purchased Electricity	5,123.92	91.49%	3,916.59	88.90%
Solar Energy Electricity	476.45	8.51%	442.91	10.05%
ATMs and CDMs Electricity	Not Available	Not Available	46.11	1.05%
Total Electricity Consumption	**5,600.37**	**100.00%**	**4,405.60**	**100.00%**

Note: ATM Reporting of electricity consumption was commenced in 2025.

		Percentage of Energy Used by Source (GJ)			
		2024		2025	
		GJ	%	GJ	%
Fuel Consumption	Petrol	128.08	0.63%	168.45	1.06%
	Diesel	55.04	0.27%	51.11	0.32%
Electricity Consumption	Electricity - Non-Renewable (Purchased Electricity)	18,446.11	90.67%	14,099.72	88.60%
	Electricity – Renewable (Solar Energy)	1,715.22	8.43%	1,594.46	10.02%
Total Electricity Consumption		**20,344.45**	**100.00%**	**15,913.74**	**100.00%**

CLIMATE CHANGE (CONTINUED)

	Water Withdrawal (m3)		
	2023	**2024**	**2025**
Total Water Withdrawal in m^3	7,468.00	19,888.00	18,881.00
Total Water Withdrawal Intensity (M3/Space)	1.33	3.54	3.36
Total Water Withdrawal Intensity (M3/FTE)	20.98	55.24	53.34

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

		Waste Management in MT	
		2024	**2025**
Non-Hazardous Waste MT	Paper Recycled	11.15	11.17
	Plastic Recycled	0.12	0.12
	Cans Recycled	0.07	0.07
	Glass Bottles Recycled	Not Available	Not Available
	General Waste	2.96	3.91
Total Non-Hazardous Waste in MT			
Hazardous Waste MT	E-Waste (Personal Computers/ATM Machines) Recycled	0.00	0.00
Total Waste in MT		**14.29**	**15.27**
Total Waste in MT per FTE (Waste Employee Ratio)		**0.04**	**0.04**

			Waste recycling (MT)	
			2024	**2025**
Waste Recycled MT	Non-Hazardous		11.34	11.35
	Hazardous		0.00	0.00
Total Waste Recycled in MT			11.34	11.35
Waste Recycling Ratio			79.32%	74.37%
Target			BisB strives to reduce waste generation by 15%.	

Paper Consumption (Ream)	2024	2025
Papers Purchased	4,401	5,090

			GHG Emissions Breakdown		
Scope	**Item**	**Sub-Item**	**2023**	**2024**	**2025**
Scope 1 (MTCo2e)	Fuel consumption for Power Generators	Diesel	6.06	4.07	3.92
	Company Fleet	Petrol		9.31	12.31
Total Scope 1 (MTCo2e)			**6.06**	**13.39**	**16.23**
Scope 1 GHG Emissions Intensity (MTCo2e/FTE)			0.02	0.04	0.05
Scope 2 (MTCo2e)	Electricity – Non-Renewable		1,908.91	2,617.59	2,000.81
Total Scope 2 (MTCo2e)			**1,908.91**	**2,617.59**	**2,000.81**
Scope 2 GHG Emissions Intensity (MTCo2e/FTE)			5.36	7.27	5.65
Scope 3 (MTCo2e)	Non-hazardous Waste: General Waste and Recycled Waste		Not Available	0.07	0.07
	Hazardous waste: E-waste		Not Available	0.00	0.00
	Paper Purchase		Not Available	5.67	6.56
	Water Supply and Water Treatment		Not Available	6.74	6.40
	Employee Commute		Not Available	Not Available	Not Available
	Financed emissions		Not Available	501,747.00	667,544.00
Total Scope 3 (MTCo2e)			**Not Available**	**501,759.48**	**667,557.03**
Scope 3 GHG Emissions Intensity (MTCo2e/FTE)			Not Available	1,393.78	1,885.75
Total GHG Emissions (MTCo2e)			**1,914.97**	**504,390.46**	**669,574.07**
Total GHG Emissions Intensity (MTCo2e/FTE)			5.38	1,401.08	1,891.45
Target			BisB plans to reduce its operational emissions by 5% per year		

CLIMATE CHANGE (CONTINUED)

	2024	2025
Emissions Avoided (MTCo2e) using Electricity generated by Solar Energy	243.40	226.26

1. The emission factors updated referring to DEFRA 2025

2. Revisions to the 2024 Scope 3 figures reflect the use of updated DEFRA 2025 emission factors, which affected the calculation of emissions associated with paper purchased.

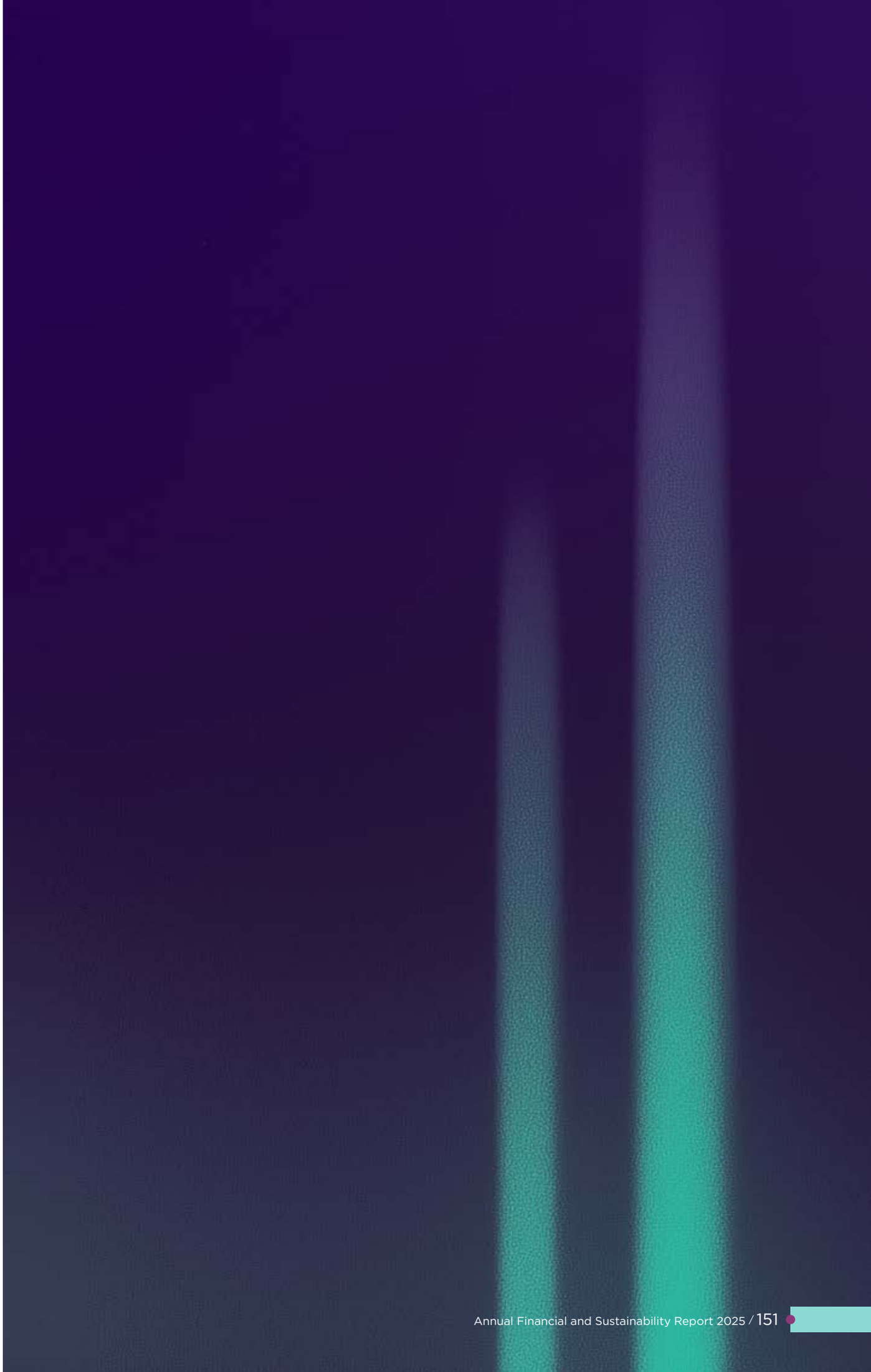
3. The GHG Emissions were measured in accordance to the international GHG protocol that defines reporting scopes 1, 2 and 3

4. Financial emissions data for 2023 is 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.

5. Restatement of 2024 Scope 3 Financed Emissions (and resulting Total Scope 3 Emissions, Scope 3 GHG Emissions Intensity, Total GHG Emissions and Total GHG Emissions Intensity) due to prior incorrect disclosure in megatons (0.5 Megaton) instead of metric tons (501,747 MTCO2e).

	2024	2025
Weighted Average PCAF Data Quality Score	4.79	4.38

	2024	2025
Percentage of Total Exposure Covered by Financed Emissions Estimation	69.29%	74.64%



08

SOCIAL AND RELATIONSHIP CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

Our Commitment	
Sustainability Pillars	• Meaningful community investment through risk-aware, impact led practices • Sustainable Growth through Responsible Banking • Customer centricity in a responsible digital era • Operational Sustainability and Responsible Sourcing
Material Topics	• Community Investment • Financial Inclusion • Responsible Customer Relationship • Responsible Sourcing
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين BAHRAIN 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	

COMMUNITY INVESTMENT

BisB maintains a long-standing commitment to Corporate Social Responsibility (CSR) and community investment, reflecting the Bank's heritage and its dedication to supporting local communities in line with Islamic principles.

BisB manages its community investment efforts through an annual CSR and Zakat strategy that defines priority areas, expected outcomes, and alignment with the Bank's Sustainability pillars. The strategy focuses on social wellbeing, community empowerment, environmental responsibility, and Shari'a-compliant social support, guiding the selection and delivery of initiatives throughout the year.

Oversight is shared between the Marketing & Corporate Communications Department - which leads CSR, sponsorships, and Jood programmes - and the Shari'a and Sustainability teams. Zakat activities are governed through the Shari'a framework, while operational initiatives are implemented by the Jood team in collaboration with internal departments and external partners.

BisB's dedicated volunteer team, *Jood,* plays a central role in philanthropy and CSR outreach, managing welfare sponsorships, Zakat collection and distribution, and regular donations to charity organisations aligned with BisB's values.

Community investment is guided by key policies, including the Zakat, Charity and Qard Hasan Policy and the Marketing & Corporate Communications Policy. All CSR and sponsorship proposals undergo Shari'a review, compliance checks, and CEO approval where required. Opportunities are evaluated against national priorities, stakeholder needs, and the Bank's sustainability focus areas, with risks assessed across eligibility, reputational impact, operational feasibility, and partner reliability.

Stakeholder engagement - including partnerships with NGOs and government agencies, direct community outreach, and employee feedback - helps refine programme design and ensure resources reach the intended beneficiaries. Effectiveness is measured through completion reports, beneficiary reach, volunteer participation, and partner feedback, with lessons learned used to inform future planning.

BisB has a target on allocating 5% of its annual net profits to the support of various programmes and initiatives that fall under the Donations and Contributions pillars.

At, BisB, CSR covers the following categories:

Community Development & Volunteerism

BisB continues to advance high-impact community programmes that foster social cohesion and reinforce the Bank's commitment to national development. Through Jood, the Bank leads and proactively encourages structured volunteering initiatives focused on supporting vulnerable groups, engaging staff in service-based activities, and contributing to the wellbeing of local communities.

Environmental Stewardship

The Bank delivers a series of environmental initiatives designed to promote sustainability awareness and responsible community behaviour. Activities include beach cleanups, tree-planting collaborations, and environmental-themed youth engagements, reflecting BisB's alignment with national sustainability objectives and international environmental standards.

COMMUNITY INVESTMENT (CONTINUED)

Charity & Social Support

BisB sustains its philanthropic footprint through targeted charitable programmes such as Ramadan Iftar distribution, welfare assistance, and zakat-aligned outreach. These initiatives reinforce the Bank's values of compassion and social solidarity, ensuring support reaches families and individuals across Bahrain.

Youth & Education Empowerment

The Bank invests in national talent development through initiatives such as We Write in Arabic, Future Leaders Summer Camp, and educational engagements with national institutions. These programmes cultivate creativity, leadership, and academic enrichment, contributing to the long-term advancement of Bahrain's youth.

Women Empowerment

Under the On Her Path initiative, BisB champions professional growth opportunities for women through mentorship, exposure, and capacity-building programmes. This reflects the Bank's continued commitment to supporting women's active participation and leadership in the national workforce.

Health & Wellbeing Initiatives

The Bank partners with NGOs and community organisations to deliver health-focused initiatives, including engagements with cancer support teams and hospital visits for children. These activities strengthen community wellbeing and reflect BisB's people-centric CSR philosophy.

Skills, Innovation & SME Development

Through the Innovation Studio Competition, BisB empowers entrepreneurs, startups, and SMEs by equipping them with practical skills, exposure to industry experts, and opportunities to compete and scale their ideas. This aligns with national economic priorities centered on innovation and sustainable enterprise growth.

Internal Social Impact Programmes

The Sustainable Goodness internal campaign encourages staff participation in supporting productive families and community-focused causes. This initiative embeds a culture of social responsibility within the Bank and reinforces the values of shared purpose and collective impact.

Strategic Partnerships with Government & NGOs

BisB maintains strong collaborations with Government agencies, national institutions, and NGOs to deliver community development programmes across multiple sectors. These partnerships enhance programme reach, improve impact measurement, and support broader national development goals.

Sponsorships, Donations, Zakat, and Qard Hasan

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:

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, youth empowerment, education, innovation, women empowerment, support for the Islamic banking industry, and nation-wide projects.

Donations, Zakat, and Qard Hasan

Donations

The Board of Directors allocates a portion of the Bank's annual profits, if any, for donations. 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. Donations align with BisB's Community Development & Social Wellbeing pillar. They support charitable, educational, cultural, and health-oriented initiatives across Bahrain, demonstrating the Bank's commitment to long-term national development and positive societal impact. During the year, the Bank paid BD 708,000 in donations and donation commitments to support healthcare, education, social welfare, community development, and economic empowerment initiatives across Bahrain, with certain multi-year projects continuing into 2026.

Zakat

Zakat reflects BisB's core Islamic values and contributes directly to the Bank's pillar of Social Equity & Inclusive Growth. Funds are distributed to eligible beneficiaries under Sharia governance, reinforcing the Bank's mission to uplift vulnerable groups and strengthen national social protection systems. In 2025, BisB distributed from Zakat fund BD 371 thousand supporting eligible beneficiaries and nationally significant social and welfare initiatives in accordance with Shari'a governance.

Qard Hasan

Qard Hasan is a key instrument under the Responsible Finance & Financial Empowerment pillar. As a profit-free financing product, it provides temporary relief to individuals and families facing financial hardship, reinforcing BisB's role as a purpose-driven Islamic bank committed to enabling financial resilience.

Together, these three pillars - Zakat, Donations, and Qard Hasan form an integrated social investment framework:

- Islamic values and purpose driven banking model
- Commitment to inclusive economic participation
- National alignment with Bahrain's social development priorities
- Long-term sustainability agenda under the Bank's ESG pillars

Community Initiatives 2025

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

Ramadan Iftar Distribution - Charity & Volunteering

A flagship annual CSR initiative delivering Iftar meals across Bahrain, embodying BisB's values of compassion, strengthens community cohesion, and ensures dignity and support during the Holy Month.

COMMUNITY INVESTMENT (CONTINUED)

Cancer Heroes Graduation with Smile Team - Volunteering & Health

In collaboration with Smile Team, BisB celebrates the recovery milestones of young cancer survivors. The initiative provides emotional encouragement to children and their families, fostering hope and community solidarity.

Gifts & Visit for Kids at Salmaniya Hospital - Volunteering & Health

A heartfelt employee engagement initiative where staff visit hospitalized children, offering gifts and uplifting interaction, reflecting the Bank's people-first approach and commitment to enhancing the wellbeing of vulnerable groups.

Drawing Competition with Environment Theme with Down Syndrome Kids - Environmental & Volunteering

An inclusive art competition empowering children with Down Syndrome to explore environmental themes creatively. Supported by BisB volunteers, the initiative promotes social inclusion while instilling environmental values.

Renovation Houses with Kaaf - Charity & Volunteering

A collaboration with KAAF-Bahraini charitable entity to renovate homes of low-income families, improving their living conditions and long-term wellbeing. The initiative reflects BisB's commitment to community upliftment, dignity, and sustainable social support. BisB staff generously volunteered their time and effort to purchase and design the furniture for the house.

Donation Kiosks with Ministry of Justice, Islamic Affairs and Waqf – Charity & Community Support

In collaboration with the Ministry of Justice, Islamic Affairs and Waqf, BisB installed donation kiosks across its branches to facilitate customer contributions to approved charitable projects through the Zakat and Charity Fund. The initiative enhances access to structured charitable giving and supports community welfare.

Strategic Partnership with Kaaf Humanitarian – Charity & Volunteering

A strategic partnership with Kaaf Humanitarian to support a range of community and humanitarian initiatives focused on improving the quality of life of low-income families and empowering productive households. BisB employees contributed through volunteering and community engagement activities.

National Tree Week Participation – Environmental & Volunteering

BisB participated in Bahrain's National Tree Week initiative in cooperation with the Bahrain Society for Children with Behavioral and Communication Difficulties. The activity involved tree planting by employees and community participants, supporting environmental stewardship and national afforestation efforts. As part of this, BisB staff and children from the Alia Autism Center planted trees together, supporting Bahrain's green efforts while creating a therapeutic, sensory-positive experience for participating children.

Breast Cancer Awareness Month Initiatives – Health & Community Awareness

During Breast Cancer Awareness Month, BisB launched a series of awareness initiatives focused on women's health, education, and early detection. The activities supported community engagement and reinforced the Bank's commitment to health and wellbeing.

Earth Day Customer Sustainability Rewards – Environmental Awareness & CSR

In celebration of Earth Day, BisB launched a customer-focused initiative rewarding individuals who demonstrated reduced electricity and water consumption. The programme aimed to encourage responsible resource use and raise awareness of sustainable consumption practices within the wider community.

BisB's "Jood" Volunteer Team Janabiya Beach Cleanup

BisB's "Jood" Volunteer Team joined forces with Clean Up Bahrain to organize a beach cleanup in Janabiya, with the participation of our employees and their families, reflecting our shared commitment to protecting the environment and fostering community spirit.

Major Initiatives at BisB

Youth & Education Empowerment: We Write In Arabic Initiative (National Level)

A national educational platform launched by BisB to elevate Arabic literacy, writing skills, and creativity among young Bahrainis. The initiative encourages storytelling, cultural pride, and intellectual development through structured competitions and mentorship.

Women Empowerment: On Her Path Initiative

A holistic empowerment programme designed to support women through mentorship, personal development, and professional growth pathways. The initiative strengthens female leadership, aligns with national gender balance objectives, and highlights BisB's role in supporting women's advancement.

Skills & SMEs Empowerment: Innovation Studio Competition

A designing competition supporting startups and SMEs by providing access to industry experts, structured coaching, and opportunities to pitch innovative solutions. The initiative enhances entrepreneurial capabilities and contributes to Bahrain's innovation ecosystem.

Youth & Education Empowerment: From Aspiration to Leadership Initiative - Master degree support

A national competition initiative enabling high-potential Bahraini talents to pursue postgraduate degrees at UK universities through providing innovative ideas and solutions in Islamic Banking, Sustainability and Innovation. The programme strengthens national human capital and prepares future leaders with advanced academic and leadership competencies.

Sustainable Goodness: Internal Campaign to Support Productive Families in Bahrain

An internal sustainability-driven initiative designed to engage BisB employees in

COMMUNITY INVESTMENT (CONTINUED)

proposing impactful, long-term ideas that contribute to community wellbeing. The campaign gathers innovative staff-led concepts focused on supporting productive families, after which the Bank collaborates with relevant national entities to develop and implement these initiatives. This approach strengthens social solidarity, enhances community support structures, and enables sustainable empowerment for Bahraini productive families.

Kids & Education: Future Leaders Summer Camping

A developmental summer programme designed to nurture creativity, independence, and leadership in children. Through hands-on learning, teamwork, and exploration, the programme builds foundational personal and social skills for Bahrain's future generation in collaborating with many organisations and ministries.

	Community Investment	
	Total Amount in BD'000	Percentage of Community Investment of BisB's net profit income %
2023	512	1.5%
2024	590	1.8%
2025	1,433	4.0%

Including Donations, Zakat, commitments to charity and Sponsorship

	Community Investment		
	Zakat and Donations appropriated (in BD thousands)	Total amount of all donations provided	Total community financing and investments which are not considered donations(in BD thousands)[1]
2023	539	478	Not Available
2024	406	569	Not Available
2025	708	1,398	165,492

1. Including CSR, Sponsorship, social SME financing and Social Housing financing (including Mazaya and Tasheel)

	Total Number of Employee Volunteering Hours	Average Volunteering Hours per Employee
2023	1,011	2.8
2024	1,351	3.8
2025	1,647	4.7

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.

In line with this commitment, BisB adopts an inclusive approach to making banking accessible and affordable for all. The Bank works to address the needs of underserved groups by specifically designing and tailoring products for lower-income segments, simplifying access, bridging the digital divide, and enhancing financial literacy efforts. BisB continuously strives to expand and enhance its offering to ensure all members of society are catered for.

As part of its financial inclusion efforts, BisB offers specific Islamic banking products aimed at specific groups. This includes:

- Products tailored for lower-income categories or underserved regions (e.g., current accounts without chequebooks, youth accounts, cashback credit cards with low fees).
- Solutions designed to bridge the digital divide, such as fully digital onboarding for customers unable to visit branches and mobile banking channels that expand access for remote populations.
- Simplified account-opening procedures for priority groups, including GCC citizens and persons with disabilities.
- Low minimum balance accounts, such as youth accounts requiring as little as BD 10 to open.

In addition, BisB's retail banking strategy emphasises Shari'a-compliant financing and innovative digital onboarding models to serve underserved populations. Key initiatives include:

- GCC Onboarding: enabling fully remote account opening for GCC citizens, reducing geographic barriers and expanding access to financial services.
- Women Empowerment Initiatives: including programmes such as the Innovation Studio, which support women's access to financial tools, credit, and entrepreneurship pathways.

These efforts enhance access to credit, savings, and digital financial services for underbanked communities — contributing to inclusive economic growth and building resilience against financial shocks.

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 2025 introduced new segments such as "Tejoori Business" - an exclusive segment designed for businesses — and "Tejoori for GCC," tailored for GCC nationals onboarded through the Bank's straight-through process.

Sector-based Offers

During the year at multiple intervals, BisB launched special offers with exclusive profit rates on personal finance for government and semi-government employees, Bahraini women and subsequently Bahraini nationals.

FINANCIAL INCLUSION (CONTINUED)

	Number of Retail Accounts Opened by First-time Account Holders
2023	47,721
2024	44,466
2025	50,910

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 financing[1]	Finance default rates for overall domestic financing[1]
2023	79.7%	3%	106%	7.11%
2024	87.2%	4%	95%	7.18%
2025	83.9%	3%	87%	6.53%

1. Restatement due to incorrect disclosure in previous year

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 2025, the Bank launched the fourth edition of its Future Leaders Summer Camp which includes a financial dimension in addition to exposure to other key business sectors in the country. The Bank's Future Leaders programme was recognised at the 2024 International Finance Awards as the "Most Innovative Islamic Banking Product" in Bahrain, reflecting BisB's ongoing commitment to fostering financial literacy and youth empowerment.

RESPONSIBLE SOURCING

BisB's approach to responsible sourcing is grounded in strong procurement governance, ethical business conduct, and a commitment to advancing environmental, social, and human rights standards across its supply chain. The Bank continuously enhances its procurement practices to ensure that suppliers uphold BisB's values, comply with applicable laws, and contribute positively to the Bank's sustainability objectives.

The Bank incorporates responsible sourcing principles into its Group Procurement Policy and is in the process of further integrating the Sustainability Framework to strengthen environmental and social considerations across short-, medium-, and long-term planning horizons informing the procurement strategy moving forward.

Responsible sourcing is overseen by the Group Procurement Department, which reports directly to the Group Chief Operating Officer (GCOO). The GCOO is a member of the Group Management Sustainability Committee, ensuring alignment between procurement practices, sustainability objectives, and overall strategic direction.

Procurement activities are governed by the Group Procurement Policy, the Supplier Code of Conduct, and relevant compliance requirements. All new suppliers must acknowledge and adhere to the Supplier Code of Conduct, which is publicly available on the Bank's website and sets expectations on ESG performance, human rights, anti-corruption, and labour practices, including explicit prohibitions on forced and child labour.

BisB identifies and manages procurement-related ESG risks through a combination of processes, including:

- Procurement risk assessment, conducted as part of the Bank's Materiality Assessment.
- On-the-ground supplier risk evaluation, including vendor performance reviews.
- Screening of new suppliers for ISO certifications and compliance credentials, with additional ESG-specific checks for large or high-value projects.
- Ongoing supplier monitoring, covering areas such as environmental performance, health and safety standards, labour rights obligations, and ethical conduct.

If suppliers do not meet BisB's ESG or human rights requirements - or fail to correct identified issues – the Bank reserves the right to discontinue the business relationship, as stipulated in the Supplier Code of Conduct.

To date, BisB has not identified any suppliers or operations with significant risks related to forced labour, child labour, or exposure of young workers to hazardous conditions. Nevertheless, the Bank maintains a proactive due diligence process to continuously assess and monitor potential risks across the supply chain.

BisB engages suppliers regularly to strengthen ESG alignment and promote responsible business practices. Key mechanisms include:

- Annual supplier surveys, incorporating ESG-related questions to assess environmental, health, safety, and social performance.
- Supplier complaints and issue-management channels, enabling suppliers to raise concerns or provide feedback.
- Periodic performance reviews to ensure compliance with contractual, quality, and sustainability expectations.

RESPONSIBLE SOURCING (CONTINUED)

The Bank communicates its procurement criteria to all external providers, including mandatory compliance obligations, competency expectations, and relevant control measures. Regular performance monitoring and re-evaluation ensure ongoing adherence to ESG standards.

BisB supports responsible practices through training and awareness initiatives. All outsourced employees receive ESG and health and safety training, while on-premises contractors undergo mandatory safety training before commencing work. Additionally, all BisB employees complete annual Code of Conduct training which covers topics including health and safety, non-discrimination, human rights, and ethical business conduct, helping to reinforce consistent responsible practices across the Bank's value chain.

Consistent with the Group Procurement Policy, BisB encourages suppliers to prioritise environmental conservation and to adopt environmentally responsible products and practices wherever feasible. Environmental considerations, such as ISO 14001 certification, resource efficiency, and waste minimisation, are incorporated into supplier selection and evaluation processes to reduce the Bank's environmental footprint and support its sustainability commitments.

By integrating ESG criteria into procurement decisions, BisB promotes higher standards of environmental stewardship, enhances supply chain resilience, and strengthens the Bank's reputation as a responsible corporate citizen.

BisB actively supports the local economy by prioritising local suppliers where possible. In 2025, 71.69% of BisB's suppliers were locally based, contributing a total of BD 10.45 million to the local economy. This approach fosters economic participation, supports national development, and strengthens long-term supplier relationships.

	Proportion of spending on local suppliers		
	2023	2024	2025
Total number of suppliers engaged	136	215	219
Total number of local suppliers engaged	133	158	157
Percentage of local suppliers	97.79%	73.49%	71.69%
Total procurement spending (BDm)	12.00	13.3	12.46
Procurement spending on local suppliers (BDm)	10.40	11.4	10.45
Percentage of spending on local suppliers (%)	86.67%	85.71%	83.87%
Number of suppliers assessed against sourcing code of conduct	Not Available	210	209
Percentage of suppliers who comply with the company's code of conduct and compliance assessment mechanism (%)	Not Available	97.67%	95.43%

RESPONSIBLE CUSTOMER RELATIONSHIP

BisB continues to elevate the customer experience through service excellence and digital innovation. All customer-facing staff are trained to deliver prompt, professional support across both physical and digital channels. The Bank has optimised customer journeys and removed service bottlenecks to ensure seamless interactions. Digital transformation remains central to BisB's strategy, enhancing both customer services and internal processes.

BisB's approach is guided by a comprehensive Customer Experience strategy, embedded within the Future Forward Strategy, which identifies short-, medium-, and long-term risks and opportunities related to customer relationships. Customer experience is governed within the business units, with clear processes and controls to ensure consistency, adherence to standards, and alignment with customer-centric objectives. Customer-related risks and opportunities are assessed and managed through the Bank's Risk Management Framework, Operational Risk Framework, and continuous monitoring of Customer Experience-related KPIs.

While BisB does not currently have a standalone Customer Experience Policy, customer experience is governed through documented procedures and controls, including standard operating procedures implemented by the Customer Experience function.

Customer feedback is actively encouraged through multiple channels and is systematically reviewed to drive continuous improvement. They can engage with the Bank via the following channels:

- Visiting any branch
- Contact centre
- Electronic forms on BisB's website
- Social media accounts
- Customer support email
- SMS
- Mobile App
- WhatsApp
- Surveys
- Service Evaluation Calls

Stakeholder insights are also gathered through employee suggestions, social-listening tools, and call-centre monitoring. Feedback collected from these channels is systematically analysed and used to refine customer service processes, improve product transparency and fairness, and shape the design of digital solutions. The Bank communicates resulting improvements through customer updates, KPIs shared internally, post-implementation surveys, and periodic stakeholder briefings.

Customer Relationship Initiatives in 2025

- Arranged for high-level frontline training to elevate the service standards across the bank. This initiative was designed to enhance employee skills, promote customer-centric behaviours, and ensure consistent delivery of exceptional service.
- Launched a new survey tool across two channels - post-transaction and website - enabling the Bank to collect customer feedback more effectively and measure service levels with greater precision.

RESPONSIBLE CUSTOMER RELATIONSHIP (CONTINUED)

- Automated a list of services through both the Mobile App and physical branches in order to streamline operations, reduce wait times, and provide customers with convenient, personalized experiences.

Customer Engagement

BisB consistently looks for ways to enhance customer engagement and foster deeper relationships. The Bank has expanded its engagement strategy by launching multiple communication channels. These initiatives were designed to ensure customers felt heard, supported, and valued throughout their interactions with the bank. Key initiatives implemented in 2025 include:

1. Multi-Channel Surveys
2. AI-Powered Chatbot
    a. Provide 24/7 support
    b. Respond to common queries instantly
    c. Guide customers through banking services
    d. Collect feedback seamlessly

Effectiveness is measured through key customer-related KPIs such as Net Promoter Score (NPS), complaint resolution time, retention rates, waiting time, and SLA performance. These indicators help the Bank track progress, identify root causes of dissatisfaction, and ensure a high standard of customer care. Thanks to its strong customer engagement and response management, BisB achieved an NPS of 83% in 2025.

Responsible Marketing and Labelling and Customer Health and Safety

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.

While there is no dedicated policy covering Responsible Marketing and Customer Health and Safety, these topics are governed through a combination of Shari'a compliance requirements, Compliance controls, Data Privacy and Security frameworks, and other relevant policies and procedures within the Bank. Customer health and safety considerations are also addressed at a high level through the Group Health and Safety Policy.

All product communications undergo mandatory Shari'a and compliance review before launch, ensuring accuracy, fairness, transparency, and adherence to regulatory requirements. BisB avoids making misleading claims about its products and ensures that customers receive balanced and accurate information on product features, fees, terms, and associated risks.

The Bank also monitors the impact of its products and services through KPIs, surveys, and internal audits, helping ensure they continue to deliver fair outcomes and support financial wellbeing across customer groups.

With reference to GRI 416, 100% of BisB products and services are assessed for Health and Safety improvements as per BisB policies and procedures and there have been no incidents of non-compliance with regulations and/or voluntary codes concerning physical Health and Safety impacts of products and services during the past three years.

With reference to GRI 417, 100% of BisB products and services information and labelling are assessed for compliance as per BisB policies and procedures and there have been no incidents of non-compliance with regulations and/or voluntary codes concerning product and services information, labelling and marketing communications during the past three years.

Customer Complaints Handling

BisB has robust protocols to ensure customer complaints are addressed promptly and resolved satisfactorily. All complaints are documented and reported in full compliance with CBB regulations. They are escalated to management and the Board-designated committee for oversight and continuous improvement. In 2025, BisB received 169 customer complaints with a response rate to customer queries of 100%

Customer Satisfaction Data			
	2023	**2024**	**2025**
Overall Customer Satisfaction (%) (NPS Score)	61%	83%	83%
Number of customer complaints	118	75	169
Number of customer complaints addressed	118	75	169
Response rate to customer queries (%)	100%	100%	100%
% Growth of total number of customers	16%	12%	12%

09

SAFEGUARDING VALUES

SAFEGUARDING VALUES

Our Commitment	
Sustainability Pillars	• Robust Governance, Risk Management and Ethical Conduct
Material Topics	• Compliance and Ethical Behaviour • Governance, Transparency and Accountability • Systemic Risk and Business Continuity
Our Alignment	
Bahrain Vision 2030	أهداف التنمية المستدامة البحرين BAHRAIN SDGs 2030 • An efficient and effective government
GRI Standards	• GRI 2: General Disclosures • GRI 205: Anti-Corruption • GRI 206: Anti-competitive Behavior • 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 framework that ensures accountability and transparency.

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.

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).

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 bank's strategy.

BisB Board members are required to complete continuous professional development training each year in accordance with CBB requirements. The training programme covers a range of financial, regulatory, and sustainability-related topics. During 2025, Board members were regularly briefed on relevant strategic, regulatory, and sustainability developments, supporting effective oversight of the Bank's ESG agenda.

The Board has established Board Committees with clearly defined mandates and delegated authorities in accordance with corporate governance best practice, to assist in the effective oversight of specific areas of responsibility. 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 oversees the Bank's compensation and remuneration policies and practices to ensure they are fair, responsible and support long-term value creation. It also oversees sustainability initiatives, ensuring alignment with ESG standards, and monitors corporate governance practices to uphold ethical standards and regulatory compliance.

Remuneration for Board members is primarily fixed and approved by shareholders at the Annual General Meeting. While not directly linked to individual performance, it reflects the Bank's overall performance, industry benchmarks, and the time commitment required. Additional sitting fees recognise active participation in governance activities.

Audit Committee

The Audit Committee is entrusted with the vital responsibility of safeguarding the integrity and robustness of BisB's governance, risk management, and control frameworks. The Committee ensures

ROBUST GOVERNANCE STRUCTURE (CONTINUED)

the Bank maintains the highest standards of independence, internal control effectiveness, risk mitigation, regulatory compliance, ethical conduct, and transparent financial disclosures.

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.

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. In 2025, the BisB Sustainability Management Committee was established to steer the Bank's sustainability direction, alongside the Sustainability Finance Working Group, which was formed to operationalize the Sustainability Finance Framework across the Bank and support effective execution of the Bank's sustainability objectives. Sustainability governance is considered in detail in section 2.

Board Evaluation

In accordance with the CBB Rulebook, BisB conducts an annual Board Evaluation covering Directors who served during the year. The evaluation is designed to assess the Board's overall effectiveness, identify strengths and areas for improvement, and ensure ongoing compliance with regulatory expectations.

Following the completion of the annual evaluation, Board members identify and document key risks that may affect the Bank in the year ahead. The process also generates recommendations for future Board agendas and strategic discussions with management, strengthening the Board's oversight of emerging risks and ensuring alignment between governance priorities and the Bank's strategic direction.

	Board of Directors by Gender			
	Female	Male	Female %	Male %
2023	1	9	10%	90%
2024	1	9	10%	90%
2025	1	8	11%	89%

	Board of Directors by Director Category (Executive / Non-Executive / Independent)						
	Executive	Non-Executive	Independent	Total	Executive %	Non-Executive %	Independent %
2023	4	2	4	10	40%	20%	40%
2024	5	1	4	10	50%	10%	40%
2025	3	2	4	9	33%	22%	44%

	Board of Directors by 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 %
2023	0	5	5	0%	50%	50%
2024	0	4	6	0%	40%	60%
2025	0	4	5	0%	44%	56%

	Board of Directors by Cultural Background	
	Cultural Background different from the location of the HQ	% Cultural Background different from the location of the HQ
2023	3	30%
2024	3	30%
2025	2	22%

For any further details and applicable notes to the quantitative data provided above, please refer to the Corporate Governance Report (Section 10).

COMPLIANCE AND ETHICAL BEHAVIOUR

BisB is committed to ensuring that all activities conducted by the Bank and its employees comply with applicable laws, regulations, and internal policies and procedures.

The Bank manages Compliance and Ethical Business Conduct through a comprehensive strategy that identifies and evaluates risks and opportunities across short-, medium-, and long-term horizons. This strategy is fully aligned with the Bank's business model and risk appetite, and integrates closely with financial outcomes, regulatory expectations, and enterprise-wide strategic planning.

The independent Compliance Function acts as the second line of defence and works closely with Risk Management, Legal, HR, Finance, Operations, and IT to ensure that compliance risks are appropriately managed and emerging regulatory expectations are fully addressed.

The Compliance Function reports directly to the Board Risk and Compliance Committee (BRCC), which oversees BisB's compliance governance framework, monitors adherence to regulatory and legal obligations. Compliance oversight is further supported by the Compliance Management Committee (CMC), which coordinates compliance matters across the Bank and strengthens engagement with internal stakeholders.

Risks related to compliance and ethical conduct are identified, assessed, and prioritised through the Group Compliance Risk Assessment Framework and the Bank's Regulatory Compliance Procedures. Ethical behaviour risks embedded in the Code of Conduct are incorporated within the Risk Management Framework.

BisB utilises quantitative data to assess and identify risks across its business units. The outcomes of this assessment are compiled into a high-level enterprise-wide heatmap, which is subsequently presented to the Board Risk and Compliance Committee. Additionally, structured questionnaires are distributed to departments to support quantitative analysis, capturing relevant risk indicators and metrics.

Embedding an Ethical Business Culture

The Bank's Code of Conduct serves as a guiding framework for directors, officers, and employees, outlining expectations related to integrity, fairness, professionalism, and accountability. The Code also provides practical guidance to employees in situations of uncertainty or potential conflict of interest, including matters relating to gifts and hospitality, donations, sponsorships, and interactions with public officials.

In addition, BisB's commitments to responsible and ethical business conduct are articulated through the following policies:

- Anti-Bribery & Anti-Corruption Policy
- Anti-Money Laundering, Combating Financing Terrorism and Sanctions Policy
- FATCA & CRS Policy
- Conflict of Interest Policy
- Whistleblowing Policy
- Group Compliance Policy
- HR Manual
- Chinese Wall Policy

Policies are maintained in a central repository accessible to all employees. As part of the induction programme, new hires are briefed on their obligations, and all employees are required to confirm their adherence to the Code of Conduct annually.

Mandatory annual Code of Conduct training reinforces employee awareness of key topics such as non-discrimination, gender equality, child and forced labour, anti-corruption practices and health and safety, while live training sessions are conducted to meet CBB requirements. In addition, employees receive mandatory annual training on the Conflict of Interest and Whistleblowing policies.

AML/CFT, Anti-Corruption and Sanctions Compliance

BisB enforces its Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT) and Sanctions Policy and Procedures Framework and Anti-Bribery and Anti-Corruption (AB&AC) Policy, in conformity with the legal and regulatory standards of the Kingdom of Bahrain and the CBB's – Rulebook requirements. The policies shall be reviewed annually or more frequently than that, if necessary, based on changes in the Bank's processes, systems, or regulatory requirements in alignment with the Bank›s policy and procedure guidelines.

The framework reflects international standards, including Financial Action Task Force (FATF) recommendations, and incorporates robust procedures to meet applicable local and international sanctions obligations. Screening is conducted for all new and existing customers, vendors, employees, and connected parties, and external stakeholders such as charities, landlords and tenants, in line with the Bank's Customer Due Diligence (CDD) requirements.

Furthermore, BisB is fully committed to preventing corruption in any form, including bribery or other, as enshrined in the Bank's Anti-Bribery & Anti-Corruption (AB&AC) Policy which is supported by procedures for detection, prevention, and investigation. BisB conducts annual enterprise-wide risk assessments on AML/CFT, CPF and AB&AC with further preventive controls and oversight mechanisms in place.

BisB's participation in the UN Global Compact underscores its commitment to preventing corruption and upholding internationally recognized labour and governance principles. BisB has a formal anti-corruption statement included in its Assurance Letter, reinforcing the Bank's commitment to integrity and ethical conduct. In addition, BisB's Risk Appetite Framework explicitly identifies and addresses various types of fraud, including corruption, across all business units.

BisB's governance bodies receive training and awareness on anti-corruption policies through structured programmes such as workshops, e-learning modules, and periodic awareness sessions led by compliance teams or external experts. These trainings are typically conducted on an annual basis, with additional sessions provided when policies are updated or new regulatory requirements emerge, ensuring governance members remain informed and compliant.

Employees receive mandatory annual training on anti-corruption policies through programmes such as onboarding sessions, annual refresher courses, and e-learning modules. Additional training is provided when policies are updated or new regulations are introduced, ensuring all staff remain aware of their responsibilities and compliant with organisational standards.

COMPLIANCE AND ETHICAL BEHAVIOUR (CONTINUED)

Whistleblowing

BisB's Whistleblowing Policy ensures that any employee or stakeholder who reports wrongdoing in good faith is protected from retaliation, unfair termination, or any prejudicial treatment. The policy applies to all current and former staff members, temporary employees, contractors, auditors, suppliers, consultants, and any stakeholder providing services to the Bank. The policy is publicly available on the BisB website in both English and Arabic.

The policy provides multiple confidential reporting channels, including:

- A secure whistleblowing web portal
- A dedicated email address (Whistleblow@BisB.com)
- A postal address for the Chairperson of the Audit Committee

The Whistleblowing Policy mandates due diligence through structured investigations and audits of reported concerns. The Internal Audit Division (IAD) is responsible for designing, implementing, and monitoring the policy, as well as conducting thorough, timely, and fair investigations into whistleblowing cases. The Chairperson of the Audit Committee oversees the process, which includes initial assessment, investigation by IAD, involvement of senior management as needed, and regular reporting to the Board.

As required by CBB and guided by the Bank's policies and procedures, the policy is reviewed internally on an annual basis with external quality assessment conducted by a third party every five years, last performed between 2024 and 2025 covering all internal audits and governance documents. BisB does not disclose the number of whistleblowing cases in order to protect confidentiality.

	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
2023	0	0
2024	0	0
2025	0	0

	Total number and the monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown of this	
	Instances for which fines were incurred	Instances for which non-monetary sanctions were incurred
2023	0	0
2024	0	0
2025	0	0

	Total number and nature of confirmed incidents of corruption	
	Number of confirmed incidents of corruption	Nature of incidents
2023	0	NA
2024	0	NA
2025	0	0

	Total number of confirmed incidents in which employees were dismissed or disciplined for corruption
	Number of confirmed incidents of corruption
2023	0
2024	0
2025	0

	Operations assessed for risks related to corruption	
	Total number and percentage of operations assessed for risks related to corruption	**Total number and percentage of operations assessed for risks related to money laundering**
2023	NA	Bank wide assessment is being conducted on annual basis equals 100%
2024	Bank wide assessment is being conducted on annual basis equals 100%	Bank wide assessment is being conducted on annual basis equals 100%
2025	Bank wide assessment is being conducted on annual basis equals 100%	Bank wide assessment is being conducted on annual basis equals 100%

	Total amount of litigation expenses incurred and reported by the company
2023	BD 318,216
2024	BD 233,108
2025	BD 229,347

	Number of the workforce that has formally certified its compliance with the Ethics and/or anti-corruption policy	Percentage of the workforce that has formally certified its compliance with the Ethics and/or anti-corruption policy
2023	356	100%
2024	360	100%
2025	354	100%

All employees formally certify by signing the Code of Conduct.

COMPLIANCE AND ETHICAL BEHAVIOUR (CONTINUED)

	Total number of governance body members that the organisation's anti-corruption policies and procedures have been communicated to	Percentage of governance body members that the organisation's anti-corruption policies and procedures have been communicated to
2023	10	100%
2024	10	100%
2025	9	100%

	Total number of employees members that the organisation's anti-corruption policies and procedures have been communicated to	Percentage of employees members that the organisation's anti-corruption policies and procedures have been communicated to
2023	356	100%
2024	360	100%
2025	354	100%

	Total number of governance body members that received training on anti-corruption	Percentage of governance body members that received training on anti-corruption
2023	10	100%
2024	10	100%
2025	9	100%

	Total number of employees that received training on anti-corruption	Percentage of employees that received training on anti-corruption
2023	356	100%
2024	360	100%
2025	354	100%

No public legal cases regarding corruption have been brought against the organisation or its employees during the reporting period. No legal actions are pending or have been completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant.

There have been no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services, regarding the product and service information and labelling and concerning marketing communications, including advertising, promotion and sponsorship in alignment with CBB and Bahrain Bourse regulations and Shari'a law.

INTERNAL AUDIT

BisB's Internal Audit function is a fundamental pillar of the Bank's governance, risk management, and internal control framework. It provides independent and objective assurance on the adequacy and effectiveness of Bank's processes including the risk management practices, governance structures, and Internal controls. Through systematic, risk-based assessments, the Internal Audit function verifies compliance with policies, procedures, and regulatory requirements, while also identifying opportunities to enhance operational resilience and support the Bank's strategic goals.

The department follows a risk-based audit methodology supported by an annual audit plan developed through a thorough risk assessment process. This plan ensures that critical activities, processes, and risk areas are reviewed within a defined audit cycle and is complemented by a three-year strategic audit plan that aligns with the Bank's evolving risk environment and business priorities.

Findings and recommendations are shared with senior management and the Audit Committee to enable timely corrective actions and drive continuous improvement.

The function operates in full alignment with the Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA) and undergoes periodic external quality assessments to affirm its adherence to global best practices. More than 70% of Internal Audit staff hold professional qualifications from leading international bodies, including CIA, CISA, CIPA, CPA, and ACCA.



HUMAN RIGHTS

BisB recognises its corporate responsibility to respect and promote human rights across all operations and business relationships, in line with national legislation and international standards. In 2025, the Bank formalised this commitment through the introduction of a Board-approved Human Rights Policy, which outlines the Bank's expectations regarding fair treatment, labour rights, workplace conditions, and ethical conduct across its workforce and value chain.

In addition, human rights considerations are embedded across the Bank's governance framework, including the Sustainability Policy, Human Resources Manual, Code of Conduct, and Supplier Code of Conduct, which together guide responsible behaviour and respect for fundamental rights across BisB's operations and value chain.

The Human Rights Policy is owned by the Human Resources Division, under the oversight of the CHRO, with ultimate accountability resting with the Board of Directors, which reviews and approves all amendments. Internal Audit conducts periodic audits to verify compliance with the Policy while the Compliance Department coordinates with regulators on policy implementation.

Legal Affairs ensures alignment with national laws, Bahrain Labour Law, and international requirements, and communicates updates to HR and relevant departments. Business Units are responsible for implementing and maintaining standards in daily operations.

The Policy, which applies to all employees, Board members, contractors, and service providers, establishes principles aligned with the ILO Declaration on Fundamental Principles and Rights at Work, including:

- Freedom of association and respect for workers' rights.
- Prohibition of forced or child labour, consistent with HR Policy minimum age requirements.
- Equal opportunities and non-discrimination, covering race, sex, nationality, religion, age, disability, and other protected characteristics.
- Zero tolerance for harassment, intimidation, or unsafe conditions.
- Fair employment practices, including compliance with working hours, conditions, and compensation requirements.
- A safe and healthy workplace, aligned with GPAB Health, Safety & Security guidelines.
- Human rights and labour due diligence, requiring engagement only with clients and partners who uphold fair labour practices, with termination of relationships in case of violations.
- Grievance mechanisms through HR procedures and the Whistleblowing Policy.
- Fair customer treatment, including transparency, suitability, and non-discrimination in all interactions.

Furthermore, BisB's participation in the UN Global Compact complements its Human Rights Policy by reinforcing the Bank's commitment to internationally recognised human rights and labour principles.

SYSTEMIC RISK AND BUSINESS CONTINUITY

BisB manages systemic risk, operational resilience, and business continuity through a comprehensive framework aligned with the Bank's Risk Management Strategy, Risk Appetite Statement, and Risk Management Framework. Oversight is provided by the Board of Directors and the Board Risk and Compliance Committee (BRCC), supported by the Three Lines of Defence model. The Risk Management Division – structurally independent from business lines – serves as the second line of defence, responsible for identifying, assessing, monitoring, and reporting risks across the institution.

Systemic and operational resilience risks are assessed through regular risk assessments, stress testing, scenario analysis, and business impact analyses, enabling the Bank to prioritise mitigation measures and ensure the continuity of critical services within defined Recovery Time Objectives (RTOs). Climate-related risks are also considered within the Business Continuity Management System (BCMS) in line with ISO 22301.

Stakeholder engagement is a central component of the resilience framework. BisB collaborates with regulators, the National Cyber Security Centre, government entities, and industry associations, including participation in the Bahrain Association of Banks' Cyber Security and Business Continuity Committee. Internally, staff receive structured training on business continuity and operational resilience - including induction training for all new joiners, semi-annual operational resilience workshops, and specialised training for BCM Champions and their backups across all departments. Semi-annual notification tests using SMS, email, and phone calls ensure readiness across the Bank.

Performance is tracked through defined resilience and continuity metrics, used for internal monitoring, certification audits, and regulatory reporting. BisB is committed to ensuring that privacy breaches, information security incidents, and continuity targets are minimised to near zero.

Risk Management

BisB's risk management strategy aims to optimise the balance between risk and reward and protect shareholder value. The Bank applies rigorous policies, procedures, and controls to identify, measure, assess, monitor, and report risks. This approach is underpinned by the Board-approved Risk Management Framework, Operational Risk Management Framework, Risk Appetite Framework, and Internal Capital Adequacy Assessment Process (ICAAP) Framework.

The BRCC oversees the establishment of appropriate risk limits, safeguarding asset quality, revenue stability, and capital strength. The Risk Management Division conducts ongoing assessments across all major risk categories, including credit, liquidity, market, operational, and reputational risks, ensuring compliance with internal standards and regulatory requirements.

A semi-annual stress testing programme - supplemented by ad-hoc tests requested by the Board, BRCC, or the CBB - enables the Bank to evaluate the impact of severe but plausible scenarios and refine its mitigation strategies. ESG-related risks are also assessed through the Group's ESG Due Diligence Toolkit.

SYSTEMIC RISK AND BUSINESS CONTINUITY (CONTINUED)

BisB aligns its operational practices with international standards and maintains the following certifications:

- 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)

In 2025, BisB successfully completed surveillance audits for all above ISOs. These certifications support the Bank's ability to anticipate and address emerging threats across its operations. Further detail on the ISO-aligned management systems applied across BisB's operations is provided in the relevant sections of this report, while ESG-related risks are addressed in the Approach to ESG section.

Business Continuity

BisB's Business Continuity and Operational Resilience Framework - certified under ISO 22301:2019 - provides a structured, enterprise-wide approach to anticipating, preparing for, and responding to disruptions. BisB was the first organisation in Bahrain, and among the earliest globally, to achieve this certification, significantly enhancing its ability to maintain critical services under a range of potential scenarios strengthening its resilience.

The certification supports a modern, cloud-based and paperless Business Continuity Management (BCM) programme that enhances preparedness and efficiency. Key benefits include:

- Improved operational efficiency
- Accessible, computer-based training for staff and new joiners
- Enhanced simulation exercises
- Automation of key BCM processes
- Performance indicators aligned with Board-approved policies
- Cost optimisation

Business continuity governance is overseen by the Group Business Continuity Management Committee (BCMC), which sets strategic direction, reviews and tests continuity and disaster recovery plans, and coordinates communications with regulators, authorities, and other stakeholders. The Crisis Management Team (CMT), led by the CEO, is responsible for managing major disruptions affecting people, systems, or facilities.

BisB maintains a full suite of BCM documentation, including:

a) Business Continuity Policy

b) BCM Risk Assessment Report

c) Business Impact Analysis Report

d) BCM Strategic Actions

e) Crisis Management and Emergency Response Plan

f) Maintenance & Testing Plan

g) IT Disaster Recovery Plan

h) Functional Recovery Plans (FRPs) for each department

Throughout the year, BisB conducted multiple simulations to validate recovery capabilities across scenarios such as site outages, cyber incidents, and wider business disruptions. BCM Champions - supported by designated backups in each department - ensure business-unit readiness and serve as trained subject matter experts during disruptions. The Bank's capability was proven in 2025 by completing a successful full DR failover and BCM site activation exercise, that involved engaging BCM champions from all key departments within the bank.

Employees receive operational resilience and business continuity training annually, alongside semi-annual mass notification tests to ensure organisation-wide preparedness. New joiners also receive business continuity, privacy, and security modules during induction.

The BCM framework continues to be strengthened through integration with NBB Group, including aligned templates, documentation, and coordinated testing cycles, ensuring a unified and resilient approach across the organisation.



10

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

BisB continued to uphold a robust corporate governance framework in 2025, underpinned by a comprehensive set of policies and practices that prioritise transparency, accountability, and prudent risk management. The Bank's governance framework is designed in full alignment with the regulatory requirements of the Kingdom of Bahrain, including the Central Bank of Bahrain (CBB) Rulebook, the Bahrain Commercial Companies Law (CCL), Bahrain Bourse (BHB) guidelines, and the Corporate Governance Code issued by the Ministry of Industry and Commerce (MOIC). Particularly for Corporate Governance, BisB adheres to the CBB's High-Level Controls (HC) Module Volume 6 and Volume 2 for Islamic banks and all relevant updates, as well as the modules such as the Environmental, Social, and Governance (ESG) Module, Shari'a Governance (SG) Module, Fit and Proper Requirements (FP) Module, as BisB proactively contemplates that emerging governance obligations are fully met.

The corporate governance framework is also guided by the eleven fundamental principles of the Bahrain Corporate Governance Code; covering effective board leadership, director loyalty, rigorous audit and internal controls, transparent appointment and evaluation processes, fair remuneration, a clear management structure, respect for shareholder rights, and timely disclosure of governance practices, embedding these principles across its governance structure.

BisB affirms its enduring commitment to cultivating a governance culture of the highest calibre; one that is deeply embedded across all levels of the Bank. A testimony to this is continuous refinement of the corporate governance framework to reflect evolving regulatory imperatives, dynamic market conditions, and international best practices, exhibiting utmost resilience, transparency, and ethical stewardship.

BisB's governance ethos is anchored in the following foundational principles, each designed to safeguard the long-term interests of BisB and its stakeholders:

• Transparency & Disclosure

Transparency remains a cornerstone of BisB's governance philosophy. The Bank is committed to the comprehensive, timely, and accurate disclosure of all material information (financial and non-financial) to regulators, shareholders, investors, and relevant stakeholders. In a continued effort to promote transparency and facilitate stakeholder engagement, BisB has made its Corporate Governance Policy publicly available on its website. The Corporate Governance Policy provides 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 these documents are readily accessible, BisB reinforces its dedication to openness and accountability.

• Accountability

The Board of Directors acknowledges its ultimate responsibility to the shareholders for the stewardship of the Bank. Directors are held to the highest standards of accountability,

both individually and collectively, for their strategic decisions, governance practices, and leadership conduct in line with the Kingdom's laws and regulation. BisB undergoes regular independent audits and reviews of governance policies and procedures, which are conducted to assert ongoing adherence to both regulatory requirements and internal standards.

• Fairness & Equity

BisB institutionalizes a culture of fairness and equity, assuring that all shareholders, employees, and stakeholders are treated impartially and without bias. The Board and senior management are expected to act with unimpeachable impartiality by making decisions that reflect integrity, balance, and the equitable protection of stakeholder rights. BisB is nuanced on best corporate governance approach that leaves no individual or group permitted to dominate decision-making. Furthermore, the Bank adopts remuneration frameworks that incentivise directors and officers fairly and responsibly, in alignment with prudent risk-taking.

• Responsibility & Integrity

The Directors and senior management of BisB are expected to act with prudence, care, and diligence, prioritising the Bank's long-term interests above personal or external considerations. BisB remains steadfast in maintaining Shari'a compliance, with a dedicated Shari'a Supervisory Board overseeing all activities to assert that the Bank's operations, products, and services are in full alignment with Islamic principles. The Bank also recognizes its broader responsibilities to the national economy, society, and the environment, embedding corporate social responsibility as a central tenet of its governance framework.

Code of Conduct and Ethical Standards

The Board has endorsed and implemented an extensive Code of Conduct that applies to all Directors, officers, employees, and other individuals working for or representing the Bank, setting clear expectations for ethical behavior and decision-making. All personnel are expected to uphold the highest standards of integrity and fairness in their dealings with customers, regulators, colleagues, stakeholders, and the wider community. The Code of Conduct is based on well-defined principles of professional and ethical behavior, including:

1. Behaviour expected from employees at work
2. Honesty and integrity at work
3. Confidentiality at work
4. Internal and external communications
5. Conflicts of interest at work
6. Technology at work
7. Personal data protection at work
8. Health and safety at work
9. Working with customers
10. Due skill, care and diligence
11. Relations with regulators
12. Market conduct
13. Customer assets
14. Customer interests
15. Adequate resources
16. Management, system and controls
17. Environmental, Social and Governance (ESG) considerations

CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

To maintain that these values are lived day-to-day, BisB provides training and awareness programs on the Code of Conduct. All employees formally acknowledge the Code and are encouraged to report any violations.

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.

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:

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 classified as a Non-Independent Director as he was nominated by the NBB in its capacity as the controller of BisB. The CBB has granted an exemption permitting the appointment of a Non-Independent Chairman on the basis that NBB's representation at the Board level supports effective Group alignment and continuity of strategic oversight.

Reference	Exception
HC-1.3.6	States that, without prejudice to other HC Modules Volumes, a director should not hold more than three directorships in public companies in Bahrain and that no conflict of interest may exist, including situations where board memberships relate to the same line of business. HC-2.2.2(e) stipulates that a director must not have more than two directorships of Bahraini banks, bearing in mind that two directorships of licensees within the same license category (e.g. 'Retail Bank') are not permitted. The CBB has granted an exemption allowing Mr. Zaid Khalid Abdulrahman to hold two directorships within the same license category (Retail Banking) for the 2025-2028 board term.
HC-1.8.4 **&** **HC-1.8.6**	HC-1.8.6 requires the Board to establish a Corporate Governance Committee comprised of at least three independent members. HC-1.8.4 allows the combination of committees, provided that no conflict of interest arises. The CBB has approved the Bank's continued structure whereby the responsibilities of the Corporate Governance Committee are fully integrated within the Nomination, Remuneration, Governance and Sustainability Committee (NRGSC). The Board is of the view that this structure does not compromise effective governance oversight, as the NRGSC possesses adequate independence, resources, and meeting frequency to discharge the full corporate governance mandate.
HC-4.2.2	Requires that the Nominating Committee be composed entirely of independent directors, or alternatively non-executive directors with a majority independent, and chaired by an independent director. The CBB has granted an exemption permitting Mr. Zaid Khalid Abdulrahman (Non-Independent Director) and Mr. Usman Ahmed (Executive Director and Group CEO) to serve as members of the NRGSC in its nominating capacity.
HC-5.3.2	Requires that the Remuneration Committee include only independent directors, or alternatively non-executive directors with a majority independent, and be chaired by an independent director. The CBB has approved an exemption allowing Mr. Usman Ahmed, who is also a member of the Executive Committee (a risk-taking committee), to serve as a member of the NRGSC in its remuneration capacity, which would otherwise not be permitted under the independence expectations of this rule.

CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

Whistleblowing Policy

The Board has adopted a Whistleblowing Policy, which provides a secure and confidential channel for employees (including former or temporary staff), contractors, vendors, or any external party to report any observed wrongdoing, unethical or illegal conduct within the Bank regardless of the wrongdoing conduct being done by directors, employees, contractors, or de facto managers (any person exercising actual management). The policy explicitly protects whistleblowers from retaliation. BisB has appointed an independent Board Member (the Chair of the Audit Committee) to oversee whistleblower reports. Reports can be made anonymously and are directed to the designated Board Member (the Chairperson of the Audit Committee), certifying that concerns are investigated with appropriate seriousness and impartiality. In 2025, the Bank continued to promote awareness of the whistleblowing mechanism among staff as a critical component of its risk governance culture. All legitimate concerns raised are investigated and reported to the Audit Committee, and corrective actions are taken as necessary. This mechanism strengthens BisB's control environment by enabling early detection of potential fraud, corruption, or other misconduct, and underscores the Board's message that ethical conduct is everyone's responsibility.

Succession Planning and Employment of Relatives

Succession planning in BisB is driven by the Bank's strategy and forward-looking approach to talent development. The primary objective of the plan is to identify and prepare qualified internal candidates for various roles within the Bank, including critical executive and senior management positions, in order to ensure smooth business continuity. On an annual basis, the Human Resources & Talent Development of the Bank reviews the succession plan for the Board's approval through the NRGSC, to ensure availability of a practical and executable succession plan. All senior management succession candidates are evaluated against the Central Bank of Bahrain's Fit & Proper criteria, covering integrity, competence, financial soundness, and professional experience.

In parallel, the Bank enforces a policy governing the employment of relatives to prevent the potential conflict of interest and uphold objectivity in hiring and internal controls. As a matter of policy, employment of direct relatives is permitted, but they may not operate within the same reporting line or occupy roles that involve sole decision-making or approval authority over one another.

Conflict of Interest

In accordance with the Bahrain Commercial Companies Law and the CBB Rulebook, 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.

BisB maintains a Conflict of Interest Policy that sets out clear procedures consistent with CBB Rulebook Volumes 2 and 6 and the Commercial Companies Law. The process includes:

- Prompt disclosure by senior management and/or approved position holder of any matter that may give rise to a conflict.

- Recusal from discussion and voting on the relevant item, and from receipt of non-public materials relating to it.
- Independent review (where appropriate) by the Board Risk and Compliance Committee (BRCC) to assess arm's-length terms, fairness and alignment with the Bank's risk appetite.
- Board approval by the non-conflicted Directors in line with the applicable laws; and, where required under the Bank's policy, approval shall be unanimous among the non-conflicted Directors.
- Formal recording of disclosures, recusals and decisions in the minutes.

To enhance transparency and accountability, any decision to enter a transaction in which a director or senior manager 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 relevant governance forum with clear documentation and governance process.

Disclosure of recusals

Below are instances where a Board Member has abstained from voting due to a conflict of interest situation. This includes both the Board and its Committees:

Ser.	Board Member Name	Abstaining from Voting Instances	Approval Authority	Status
1.	Mr. Zaid Abdulrahman	6	Board of Directors	Approved
2.	Mr. Khalid Al Jassim	2	Board of Directors	Approved
3.	Mr. Marwan Tabbara	4	Board of Directors	Approved
4.	Mr. Mohamed Bucheeri	5	Board of Directors	Approved
5.	Mr. Ali Ehsan	1	Board of Directors	Approved

Related Party Transactions

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law and the relevant provisions of the CBB Rulebook. All such transactions are conducted on an arm's length basis and in the ordinary course of business, with due regard to market terms and the interests of the Bank. Material service providers are selected following a transparent and competitive tendering process governed by the Group Procurement Policy. Any Director or member of the senior management who is conflicted is excluded throughout the decision-making process.

At the Bank's AGM, the Chairman will state that the details of related party transactions will be available in the Bank's audited consolidated financial statements, in compliance with Article 189 of the Bahraini Commercial Companies Law. The external auditor will issue a report to the Board of Directors confirming that there will be no transactions in violation of the law and will disclose if there are any remarks or inquiries regarding them. Comprehensive disclosures of related party transactions are provided in disclosed in Note 28 of the financial statements.

CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

Material Transactions Requiring Board Approval

The Board has delegated defined authorities to the Executive Management to facilitate smooth and effective day to day management. Notwithstanding these delegated powers, all material financing transactions, as stipulated in the Bank's delegation of authority matrix, remain subject to the prior review and approval of the Board. In addition, the Board retains exclusive responsibility for approving strategic and high-impact decisions, including but not limited to:

- Revisions to the Bank's strategic direction or business model;
- Changes to the organisational structure;
- Significant capital expenditure commitments;
- Amendments to key policies and frameworks; and
- The appointment of members of the Senior Management Functions.

This structured delegation framework establishes a clear balance between operational autonomy and Board oversight, safeguarding that all material matters are subject to appropriate governance scrutiny and align with the Bank's strategic objectives and risk appetite.

Remuneration of the External Auditors

KPMG Fakhro are the Group's external auditors for the financial year ended 31 December 2025. Fees paid to KPMG during the year 2025 amount to BD 176 thousand out of which BD 79 thousand is for audit services, BD 68 thousand is for audit-related services required by regulatory bodies and BD 29 thousand is for non-recurring non-audit services. During the Annual General Meeting held on 24 March 2025, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31 December 2025 and authorised the Board of Directors to determine their remuneration.

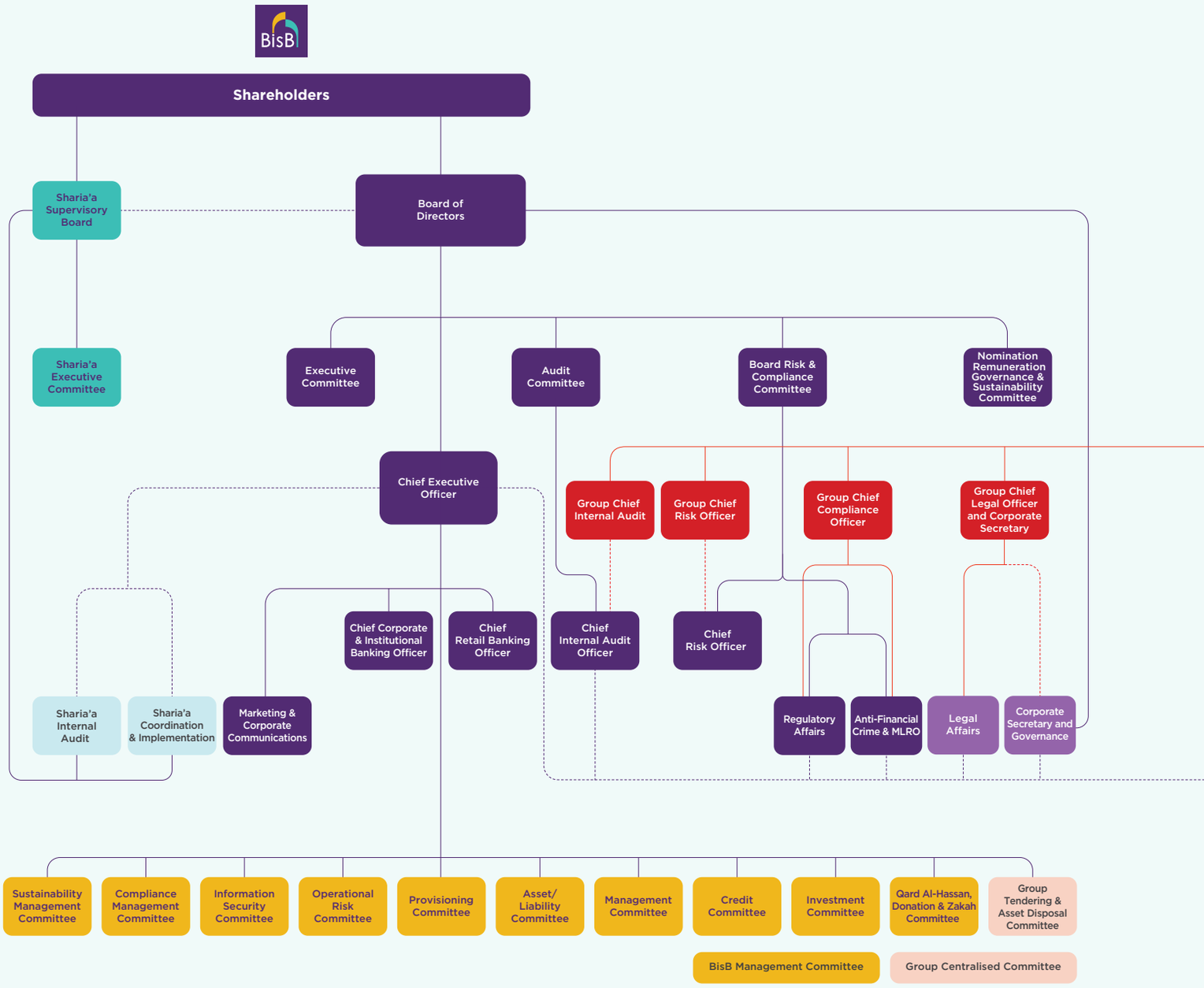
Communications with Stakeholders, Shareholders and Investors

BisB conducts all communications with its stakeholders, including shareholders, investors, customers, and the broader public, in a professional, honest, transparent, accurate, and timely manner. Transparent communication is recognized as a cornerstone of good governance, and the Bank employs a multi-channel approach to ensure that all material information is disseminated effectively and accessibly. All disclosures are made available in both Arabic and English to ensure inclusivity and accessibility across the Bank's diverse stakeholder base.

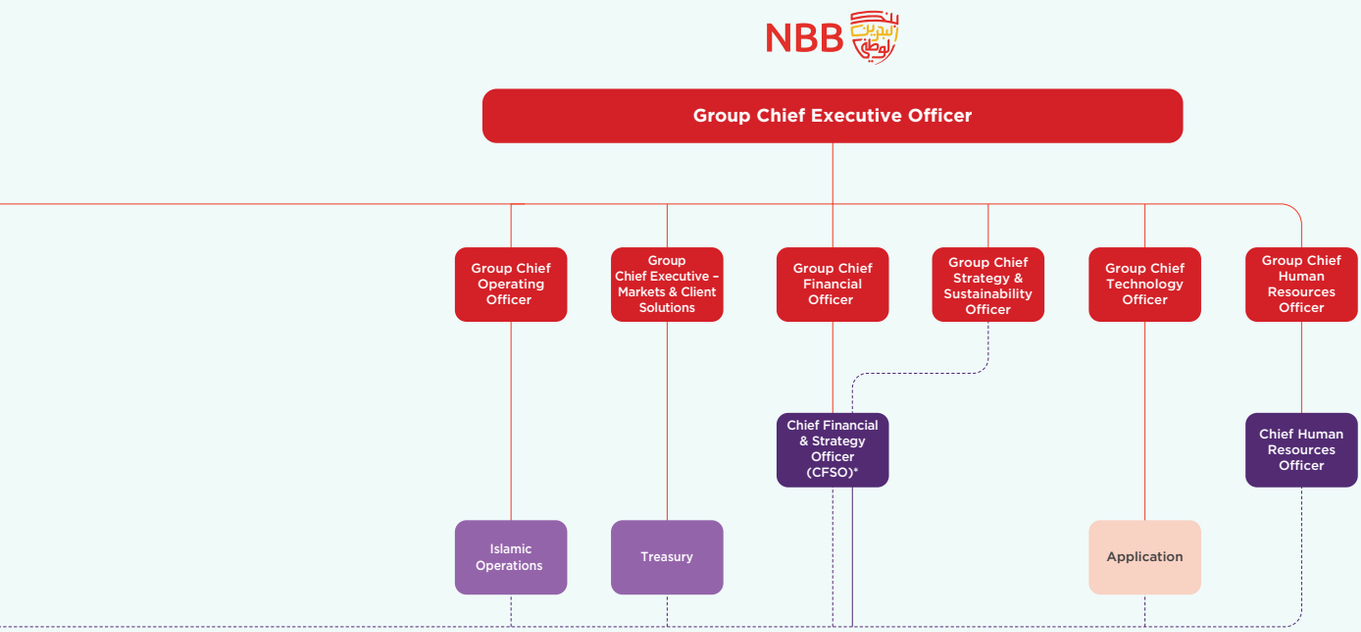
The primary communication channels include:

Disclosures and Announcements	BisB communicates key disclosures through official announcements published in both Arabic and English newspapers, as well as on the Bank's website. 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. Other communications include, but are not limited to, the agenda for the upcoming Annual General Meeting (AGM) and the proxy voting form, allowing shareholders to participate in decision-making processes.
Annual General Meeting (AGM)	BisB's consolidated audited financial statements, along with governance and performance 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, providing all stakeholders with access to the records of discussions and resolutions passed.
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 historical data provides stakeholders with a consistent and transparent view of the Bank's financial performance over time. As of 2020, BisB has adopted an integrated reporting approach, issuing an Annual Financial and Sustainability Report aligned with global standards such as the Global Reporting Initiative (GRI), reflecting the Bank's commitment to ESG transparency and provides stakeholders with a holistic view of the Bank's financial performance and its environmental and social impact.
Quarterly Financial Updates	In line with its commitment to regular and transparent communication and in accordance with the CBB's Public Disclosure (PD) Module requirements, 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 webpage, through which shareholders and analysts can submit questions. The Board Secretary's contact details are also provided for prompt and personalised responses to any additional questions or concerns from shareholders.
Shari'a Governance Transparency	In adherence to Shari'a principles, BisB's website hosts a dedicated section for Shari'a rulings and Fatwas ("Fatawy"), including publications from the Shari'a Supervisory Board and fatwas related to the Bank's products and services. This practice enhances transparency around Islamic banking operations and reinforces trust with the Bank's Shari'a-compliant stakeholders.

CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)



Organisational and Governance Structure



Note: *The CFSO has a functional reporting line to the CEO for Strategy function and administrative for Finance

NBB Group Functions | BisB Functions | Centralised Function with BisB Team (as per Approved Group Structure)

Group Centralised Function (as per Approved Group Structure)

BOARD OF DIRECTORS

Board of Directors' Responsibilities

BisB is governed by an effective, collegial, and informed Board of Directors ("the Board") which holds ultimate responsibility for the Bank's strategic direction, performance, and governance. The Board provides leadership within its corporate governance framework of prudent and effective controls, setting the "tone at the top" and guiding the executive management in its operations to be in the best interests of the Bank and its stakeholders.

Without limitation to the full responsibilities of the Board, the Board's key responsibilities encompass the following:

• Strategic Oversight

The Board approves and monitors the Bank's long-term strategy and annual business plans, sets performance objectives, and oversees their implementation to ensure alignment with shareholder expectations and market dynamics.

• Risk Governance

The Board defines the Bank's risk appetite across all major risk categories and oversees the effectiveness of the risk management framework and internal control systems. This includes emplacing robust mechanisms to identify, assess, and mitigate risks in accordance with regulatory requirements and industry standards.

• Policy and Compliance

The Board approves all policies (including those related to risk management, compliance, internal control, and corporate governance) and reviews them periodically to remain responsive to evolving legal, regulatory, and operational developments.

• Financial Stewardship

The Board is responsible for safeguarding the integrity of the Bank's financial reporting. It reviews and approves BisB's interim and annual financial statements in accordance with applicable accounting standards, including AAOIFI and IFRS, as required.

In fulfilling its mandate, the Board acts in the interests of all stakeholders, including shareholders, depositors, regulators, employees, and the wider community. Directors serve as fiduciaries of the Bank and are required to demonstrate honesty, loyalty, and due care in the performance of their duties. Under the Bahrain Commercial Companies Law, Board members and individuals carrying out actual management functions may be held personally liable for any harm arising from negligence, mismanagement, or breaches of law or the Bank's constitutional documents.

The Board operates in accordance with a formal Board Charter that sets out its responsibilities and those of executive management, providing clarity of authority and preventing the concentration of decision-making. Although certain matters may be delegated to Board Committees or management, the Board retains ultimate accountability for oversight and for the proper application of delegated powers. Acting collectively, the Board is responsible for protecting the Bank's assets and reputation and is expected to apply skill, integrity, and sound judgement in advancing the long-term interests of BisB and its stakeholders.

Board Leadership

The Chairman of the Board plays a critical role in guiding the decision-making process and superintending the performance of the Executive Management. Consistent with best

governance practice, the Chairman also fosters a culture of open discussion, constructive challenge, and collective accountability within the Board. Additionally, the Chairman maintains ongoing engagement with the Bank's shareholders, warranting that their views and interests are consistently represented. The Vice Chairman supports the Chairman in these duties and acts on the Chairman's behalf when required, helping to maintain continuity of leadership and sound governance.

Board of Directors Composition

Director	Directorship	First Election/ Appointment Date	Term
Zaid Khalid Abdulrahman	Non-Executive Director	24 Apr 24	First
Usman Ahmed	Executive Director	11 Jan 23	First
Mohamed Abdulrahman Bucheeri	Independent Director	24 Mar 25	First
Mohamed Abdulla Nooruddin	Non-Executive Director	21 Mar 19	Third
Khalid AbdulAziz Al Jassim	Independent Director	21 Mar 19	Third
Marwan Khaled Tabbara	Independent Director	21 Mar 19	Third
Naser Mohamed Al Hamad**	Independent Director	24 Mar 25	First
Ali Ehsan Abbas	Executive Director	02 Jun 24	First
Rana Abdulaziz Qambar	Executive Director	22 May 23	First
Hisham Saeed Al Kurdi***	Executive Director	02 Jun 24	First

*** As of 31 December 2025, 11.1% of the Board Members are women representatives.**

** In replacement of Mr. Saqer Abdulmohsin Al Sijari

*** Resigned on 17 August 2025

The detailed profiles of the Board Members are available on the Bank's website.

Membership Term and Election Process

As per regulatory requirements the existing Board was appointed to serve for a three-year term commencing in March 2025 and ending in March 2028. Shareholders owning 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 seats are elected through a secret ballot through cumulative voting by the shareholders at the Ordinary General Meeting. Additionally, the Board elects a Chairman and Vice Chairman by secret ballot for a renewable three-year term. All appointments of Board members (and any subsequent replacements mid-term) are subject to CBB approval and must satisfy the CBB's Fit and Proper criteria, maintaining ongoing integrity, competence, and experience.

BOARD OF DIRECTORS (CONTINUED)

Induction and Training

BisB places great emphasis on equipping new directors with the knowledge to fulfill their duties effectively. The Bank offers a structured orientation program for newly appointed or elected directors, which includes detailed presentations by senior management on the Bank's strategy, business model, financial performance, risk profile, internal control framework, and key policies (including the Code of Conduct and Corporate Governance Policy). New directors also receive briefings on their legal responsibilities, governance expectations, and an overview of the Bank's operations and organisational structure. In line with CBB's HC Module, this induction program is designed to ensure that directors can quickly integrate and contribute to the Board's work. During 2025, several induction sessions were conducted for incoming Board members elected in the new term, and site visits to the Bank's main departments were arranged. Beyond induction, the Board encourages ongoing training and professional development for its members. These efforts help the Board stay current on emerging issues and continually improve its governance capabilities.

Termination of Board Membership

Membership of the Board of Directorship may be terminated under the following circumstances:

1. Failure to attend four consecutive Board meetings in one year without a lawful excuse, leading to a resolution by the Board to terminate the membership.
2. Submission of a written resignation; Loss of capability or eligibility under the CBB's Fit and Proper requirements, including integrity, financial soundness, or competence.
3. Misuse of membership by engaging in activities that compete with the Bank or cause actual harm to the Bank.
4. A request for termination presented by the shareholder who appointed the director.
5. The shareholder who appointed the director ceases to be a shareholder or loses the minimum 10% share capital required to appoint a Board representative.
6. Appointment or election in violation of the CBB and/or Bahrain Commercial Companies Law.
7. Persistent non-compliance with Board policies, including failure to complete mandatory training or to disclose relevant information required for Fit and Proper reassessment.
8. Termination grounds expressly provided for under the Bank's Articles of Association.

Independent Directors

Integral to the Bank's governance structure is the role of Independent Directors. At BisB, we adhere 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. 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 Meetings and Attendance

The Board meets regularly and no less than four times a year (quarterly), as mandated by the CBB. In 2025, the Board convened six meetings, primarily on a quarterly basis, supplemented by additional sessions as required to address significant matters. Meetings are conducted with a structured agenda and pre-circulated materials so that directors can make informed decisions. The Board maintained a high attendance rate in 2025; all directors attended substantially all meetings either in person or via videoconference.

Minimum Number of Meetings Required	4	Total Number of Meetings	6

Director	16 Feb 25	24 Mar 25	06 May 25	05 Aug 25	04 Nov 25	08 Dec 25	Percentage of Attendance
Mr. Zaid Abdulrahman	👥	👥	👥	👥	👥	👥	100%
Mr. Usman Ahmed	📞	👥	👥	👥	👥	👥	100%
Mr. Mohamed Bucheeri	Not serving at the time	👥	👥	👥	👥	👥	100%
Mr. Mohamed Nooruddin	👥	👥	👥	👥	👥	👥	100%
Mr. Khalid Al Jassim	👥	👥	👥	📞	📞	👥	100%
Mr. Marwan Tabbara	👥	👥	👥	👥	👥	👥	100%
Mr. Nasser AlHamad	Not serving at the time	📞	👥	👥	👥	👥	100%
Mr. Ali Ehsan	👥	👥	👥	👥	👥	📞	100%
Ms. Rana Qambar	👥	👥	👥	👥	👥	👥	100%
Mr. Hisham Al Kurdi*	👥	👥	👥	📞	N/A	N/A	N/A
Mr. Mohsin Rahim*	👥	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Saqer Al Sijari*	👥	N/A	N/A	N/A	N/A	N/A	N/A

* No longer a member

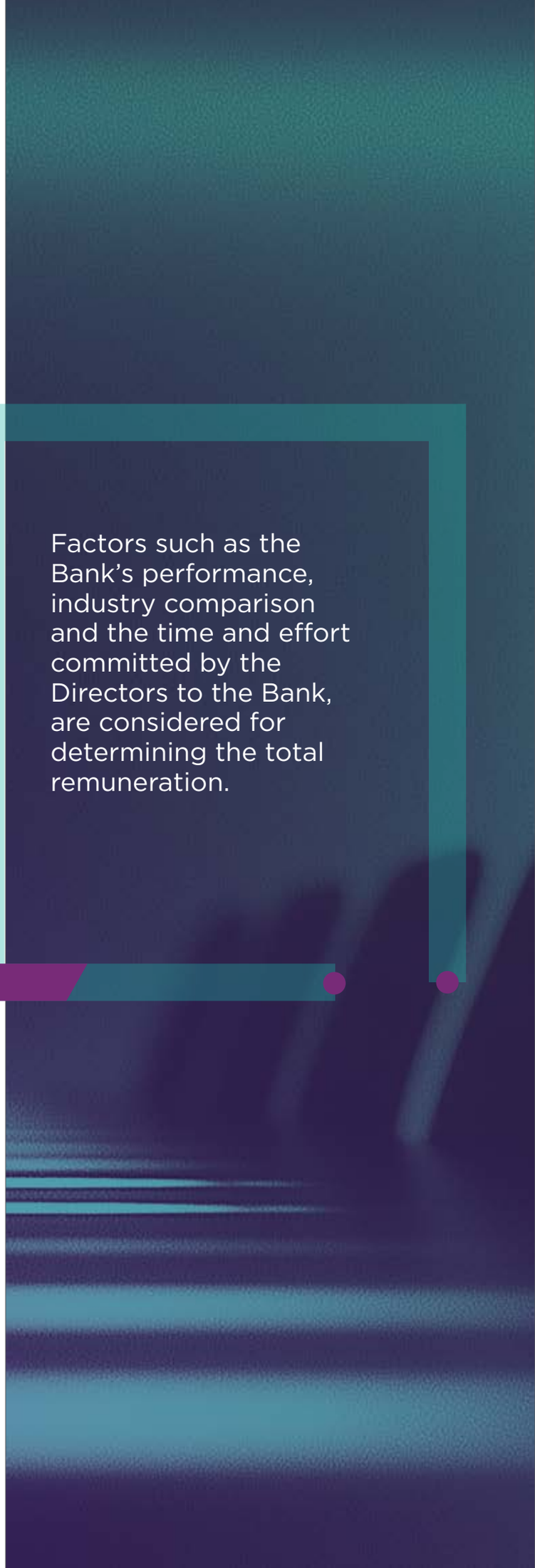
👥 : Physical Attendance
📞 : Virtual Attendance

BOARD OF DIRECTORS (CONTINUED)

Board of Directors Remuneration and Sitting Fees

The remuneration of Board members is determined in a fair and transparent manner, aligned with statutory and regulatory frameworks. The Board of Directors receives 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 to annual remuneration, Board members receive sitting fees for each meeting of the Board and its Committees, in recognition of the time spent and responsibilities undertaken. Non-resident directors are reimbursed for travel expenses when attending meetings in Bahrain. (Details of the Board and senior management remuneration for 2025, including fixed and variable components, are provided in the Remuneration Disclosures).

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.



BOARD COMMITTEES

In order to support the Board's work, the Board has established several Board Committees to oversee critical areas of the Bank's operations and to facilitate specialised decision-making. These committees allow more focused oversight and ensure that recommendations on specific matters are thoroughly vetted before being presented to the full Board for approval. While authority is delegated to these Committees in line with their formal mandates, the Board retains overall accountability for all decisions. During 2025, there were no significant issues regarding the work of these committees.

Each Committee operates under a formal Charter approved by the Board, which defines its roles, responsibilities, composition, quorum, frequency of meetings, and access to internal and external resources. These Charters were reviewed and updated in 2025 to reflect evolving regulatory expectations, including updates under the CBB's Fit and Proper Requirements (FP) Module.

During 2025, no new Board Committees were formed. All existing Committees functioned effectively within their mandates, with no significant issues regarding the work of these committees reported. The Board retains discretion to adjust Committee structures and rotate memberships or Chairs to ensure continued effectiveness and diversity of perspective.

As of 2025, BisB's Board Committees are:

- Executive Committee (EC);
- Audit Committee (AC);
- Nomination, Remuneration, Governance, and Sustainability Committee (NRGSC); and
- Board Risk and Compliance Committee (BRCC).

Executive Committee (EC)

The EC assists the Board in reviewing and approving financing proposals, investments, and other business matters within authority limits delegated by the Board. It acts on behalf of the Board in between Board meetings on urgent credit decisions and strategic initiatives, within defined thresholds. The EC's mandate includes oversight of the Bank's asset-liability position, credit exposures, and investment portfolio, ensuring they are within the Board-approved strategy and risk appetite. Matters that are beyond the EC's authority or are of significant importance are escalated with recommendations to the full Board. By handling these operational decisions, the EC enables the Board to concentrate on higher-level strategy.

Composition: The EC consists of a subset of Board members and met regularly during 2025.

BOARD COMMITTEES (CONTINUED)

EC Meetings and Attendance

Minimum Number of Meetings Required	4	Total Number of Meetings	5

Director	20 Jan 25	14 Apr 25	22 Jun 25	22 Sep 25	24 Nov 25	Percentage of Attendance
Mr. Usman Ahmed	👥	👥	👥	👥	👥	100%
Mr. Mohamed Bucheeri	N\A	👥	👥	👥	👥	100%
Mr. Mohammed Nooruddin	N\A	👥	👥	📞	📞	100%
Mr. Hisham Al Kurdi*	👥	👥	👥	Member Resigned	Member Resigned	

* In replacement of Mr. Mohsin Rahim

👥 : Physical Attendance
📞 : Virtual Attendance

Audit Committee (AC)

The Audit Committee (AC) assists the Board in overseeing the integrity of the Bank's financial reporting, internal controls, and audit functions. It reviews the quarterly and annual financial statements prior to Board approval, ensuring compliance with relevant accounting standards (AAOIFI and IFRS) and regulatory disclosure requirements. The Committee monitors the performance and independence of both the internal and external auditors. The Internal Audit function operates independently, reporting functionally to the AC and administratively to the CEO, and provides reasonable assurance on the Bank's internal control systems. The Committee also reviews the appointment, reappointment, and performance of the External Auditors, including their independence and any non-audit services provided. In fulfilling its mandate, the AC holds independent sessions with the External Auditors and oversees management's response to audit findings.

Composition: The AC comprises at least three directors, the majority of whom are independent, with collectively recent and relevant financial expertise in line with CBB governance standards.

AC Meetings and Attendance

Minimum Number of Meetings Required	4	Total Number of Meetings	7

Director	06 Feb 25	04 May 25	18 May 25	04 Aug 25	05 Oct 25	02 Nov 25	03 Dec 25	Percentage of Attendance
Mr. Khalid Al Jassim	👥	👥	👥	📞	👥	👥	👥	100%
Ms. Rana Qambar*	N/A	👥	👥	👥	📞	👥	👥	100%
Mr. Naser Al Hamad**	N/A	👥	📞	👥	Not Present	👥	📞	83%

* In replacement of Mr. Ali Ehsan.

** In replacement of Mr. Saqer Alsijari.

👥 : Physical Attendance

📞 : Virtual Attendance

Nomination, Remuneration, Governance and Sustainability Committee (NRGSC)

The NRGSC is a combined committee mandated to assist the Board in the nominations, appointments, and remuneration of the Board and senior management, to oversee governance development, and discuss sustainability-related matters. Its structure is approved by the CBB, and it encompasses, without limitation, the following responsibilities:

- Nominations and succession: The Committee assist the Board with the nomination of Board and key senior executive positions, including the CEO and CFSO, with exception to those of independent oversight functions (i.e. the chiefs of Risk, Compliance and Audit, who are appointed by their respective Board Committee). It evaluates candidates against the CBB's Fit and Proper criteria and ensures the Bank maintains a balanced and qualified leadership team. It also supervises the succession planning for the Board and senior management, director induction, and ongoing development.

- Remuneration policy: The NRGSC recommends remuneration frameworks for the Board, senior management, and material risktakers, ensuring fairness and compliance with the CBB requirements, and alignment with the Bank's strategy and long-term objectives, performance and risk appetite. Directors' performance and attendance are factored in annual remuneration recommendations, in line with Article 188 of the Commercial Companies Law.

BOARD COMMITTEES (CONTINUED)

- Governance oversight: The Committee reviews and recommends enhancements to the Bank's governance structure, policies, and charters in line with evolving regulations and best practice. It also oversees the preparation and disclosure of the annual Corporate Governance Report. In 2025, the Bank updated its Corporate Governance Policy to entrench accountable, transparent governance; clarifying mandates, independence and disclosure under Board stewardship and oversight consistent with CBB, Ministry of Industry and Commerce (MOIC), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Bahrain's Corporate Governance Code.
- Sustainability and ESG: As a reflection of BisB's commitment to sustainability, the NRGSC also functions as the Sustainability Committee at the Board level. It warrants that Environmental, Social, and Governance (ESG) principles are embedded in the Bank's strategy and risk management and that the Bank's practices align with Bahrain's Economic Vision 2030 and the United Nations (UN) Sustainable Development Goals. The committee reviews management's ESG initiatives and disclosures, and it promotes awareness of sustainability issues across the Bank and the wider community.

  Composition: The NRGSC comprises at least three directors, with relevant expertise across nomination, remuneration, governance, and sustainability matters.

NRGSC Meetings and Attendance

Minimum Number of Meetings Required	2	Total Number of Meetings	4

Director	02 Feb 25	12 Feb 25	02 Jul 25	27 Nov 25	Percentage of Attendance
Mr. Zaid Abdulrahman	👥	📞	👥	👥	100%
Mr. Usman Ahmed	👥	👥	👥	👥	100%
Mr. Marwan Tabbara	👥	👥	👥	👥	100%
Mr. Naser AlHamad*	N/A	N/A	👥	📞	100%

* In replacement of Mr. Mohammed Nooruddin

👥 : Physical Attendance
📞 : Virtual Attendance

Board Risk and Compliance Committee (BRCC)

The BRCC is responsible for overseeing the effectiveness of the Bank's risk and compliance frameworks across all material risk categories. These include credit, market, liquidity, operational, reputational, information security, Shari'a non-compliance, emerging risks, and compliance with applicable laws and regulations. The Committee reviews and recommends the Bank's Risk Appetite Statement to the Board, ensuring its alignment with strategic objectives and its articulation through quantitative and qualitative limits. It approves risk-related policies and frameworks, including those governing capital adequacy (ICAAP), liquidity, reputational risk, regulatory engagement, and Shari'a risk. The BRCC also warrants that material initiatives, such as new product approvals, are subject to pre-implementation risk and compliance reviews.

The BRCC receives regular reports from the Chief Risk Officer (CRO) and Chief Compliance Officer (CCO), both of whom functionally report directly to the Committee. It monitors the independence, performance, and resource adequacy of both functions and makes recommendations to the Board regarding their appointment or removal, subject to regulatory notification.

The Committee oversees the Bank's adherence to legal and regulatory obligations, internal policies, and ethical standards. It reviews the Bank's response to regulatory examinations and legal findings and monitors corrective actions. It also ensures that the Bank's risk culture, escalation protocols, and early warning indicators are embedded across the organisation. Where necessary, the BRCC escalates material risk or compliance issues to the Board.

Composition: The BRCC comprises at least three directors, with a majority of the Committee being independent members, in line with CBB governance standards. The Committee is chaired by an independent director who does not concurrently chair any other Board Committee. Executive management, including the CEO, is not a member of the Committee to preserve independence.

BOARD COMMITTEES (CONTINUED)

BRCC Meetings and Attendance

Minimum Number of Meetings Required	4	Total Number of Meetings	10

Director	21 Jan 25	6 Feb 25	11 Mar 25	18 Mar 25	15 May 25	16 Jun 25	3 Jul 25	28 Sep 25	16 Nov 25	9 Dec 25	Percentage of Attendance
Mr. Marwan Tabbara	👥	👥	👥	👥	👥	👥	👥	👥	👥	👥	100%
Mr. Khalid Al Jassim	👥	👥	👥	👥	👥	👥	👥	👥	👥	👥	100%
Mr. Ali Ehsan	👥	👥	👥	👥	📞	👥	👥	📞	👥	📞	100%
Mr. Mohamed Nooruddin*	👥	👥	👥	👥	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Rana Qambar*	👥	👥	👥	👥	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* No longer a member as of 15 May 2025.

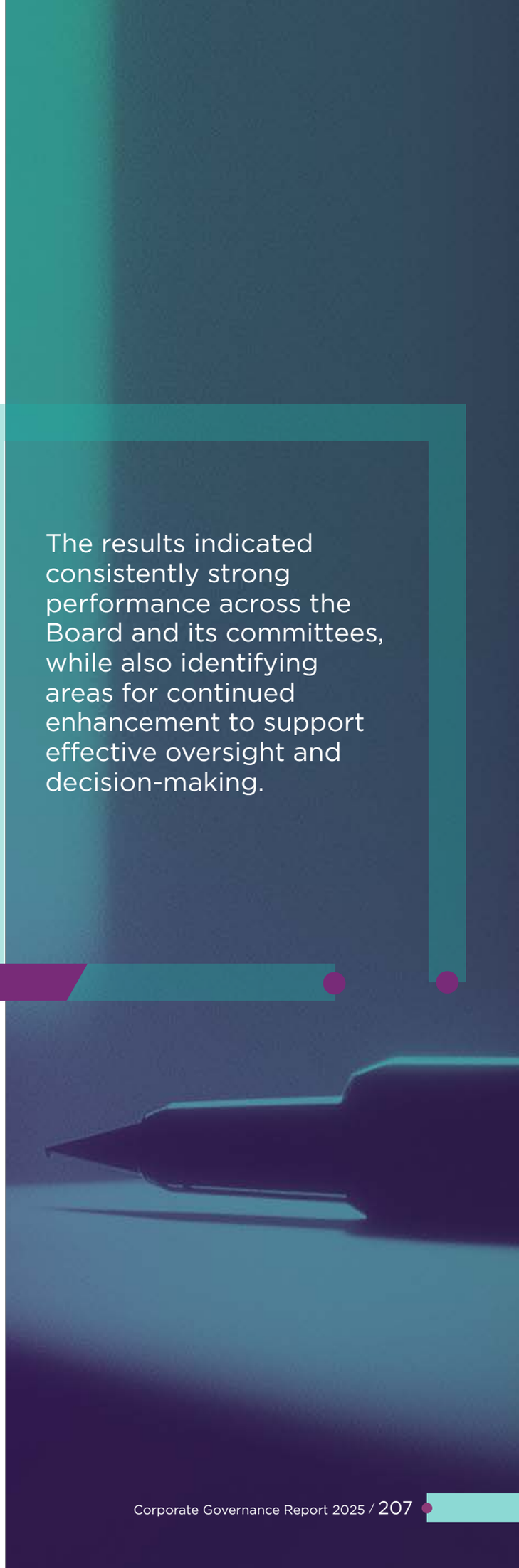
👥 : Physical Attendance
📞 : Virtual Attendance

Evaluation of the Board and Each Committee

A Board performance evaluation was conducted for the year 2025 through the completion of a structured evaluation questionnaire covering the performance of the Board, its committees, and individual Board members, in line with the respective mandates and applicable regulatory requirements. The evaluation assessed Board structure and composition, Board operations, roles and responsibilities, committee effectiveness, and self-performance, using a combination of quantitative ratings and open-ended feedback. The evaluation process was overseen by the NRGSC, with questionnaires distributed to all Board members and responses consolidated, analysed, and reviewed.

The results indicated consistently strong performance across the Board and its committees, while also identifying areas for continued enhancement to support effective oversight and decision-making. Feedback from the evaluation highlighted effective Board and committee dynamics, with directors demonstrating preparedness and meaningful engagement that supported informed decision-making, supported by consistently high attendance levels across Board and committee meetings during the year.

The results indicated consistently strong performance across the Board and its committees, while also identifying areas for continued enhancement to support effective oversight and decision-making.



SHARI'A SUPERVISORY BOARD

As an Islamic bank, BisB gives paramount importance to Shari'a governance to ensure that all products and operations comply with Islamic principles. The Bank's Shari'a Supervisory Board (SSB) is an independent body of scholarly authority that oversees BisB's Shari'a compliance and advises the Bank on matters of Shari'a law. The SSB consists of eminent Shari'a scholars (three at minimum, per CBB rules) who are appointed by the shareholders at the AGM upon recommendation of the Board. SSB members typically serve renewable terms and are experts in Islamic jurisprudence (Fiqh al Muamalat) and finance.

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 AAOIFI Shari'a standards. The SSB reviews and approves all of the Bank's new product structures, transactions, and contracts from a Shari'a perspective. It issues fatwas and rulings on the permissibility of products and on any questions that arise in the Bank's operations. The SSB also supervises the calculation and payment of Zakah and oversees the charity disbursement of any impermissible income. In 2025, the SSB provided guidance on several innovative digital banking products to ensure they adhered to Islamic principles, demonstrating its integral role in product development. The profiles of the Shari'a Supervisory Board are available on the Bank's website.

The SSB had also established a Shari'a Coordination & Implementation function to ensure the Shari'a compliance of the Bank and performance of supervision and reviewer from the Shari'a point of view, in addition to the secretariat of the SSB. The SSB had also established an independent Internal Shari'a Audit function that reports any exceptions to the Shari'a fatwas and guidelines.

Shari'a Board Meetings and Attendance

Minimum Number of Meetings Required	4	Total Number of Meetings in	5

Members	3 Mar 25	3 May 25	19 Oct 25	4 Nov 25 (With BOD)	4 Dec 25	Percentage of Attendance
Sh. Dr. Abdul Latif Al Mahmood SSB Chairman	👥	👥	Not Present	📞	📞	83%
Sh. Dr. Nedham Yacoubi Vice Chairman	👥	📞	📞	👥	📞	100%
Sh. Mohammed Al Juffairi Member	👥	👥	📞	👥	📞	100%
Sh. Adnan Al Qattan Member	👥	👥	📞	👥	📞	100%

👥 : Physical Attendance
📞 : Virtual Attendance

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 and operational excellence. The executive team drives the implementation of Board-approved strategy and policies. They are responsible for managing the Bank's businesses profitably while ensuring compliance with risk limits and internal controls. The CEO, in particular, is accountable to the Board for the overall performance of the Bank and for upholding the governance and risk culture set by the Board. In 2025, BisB's executive management successfully executed key strategic initiatives including digital banking enhancements and growth in core business segments, under the oversight of the Board and its committees. Below is an overview of BisB's esteemed Executive Management.

Name & Designation	Years of Experience	Profession and Qualifications
Fatema Moosa AlAlawi Chief Executive Officer	**27**	• Corporate Director Program - Harvard Business School, Boston, USA. • IVEY Banking Leadership Grooming Program. • Leadership Development Program - Darden School of Business, University of Virginia, USA. • Project Management Professional Certificate - Boston University, Massachusetts, USA. Graduated with honors. • Leadership Program - University of California, Santa Cruz, California, USA. • EMBA (Banking & Finance Major) - University of Bahrain. Graduated with honors. • B.Sc. in Business and Management - University of Bahrain.
Ameer Abdul Ghani Dairi Chief Financial and Strategy Officer	**25**	• BSc in Accounting from the University of Bahrain • CPA, Certified Public Accountant, from New Hampshire Board of Accountancy, USA • CMA, Chartered Institute of Management Accountants, from Chartered Institute of Management Accountant, USA. • Leadership Grooming Program Certificate, from Ivey Business School, Hong Kong and Toronto • Certificate in Data Science and Analytics, from Berkeley University of California • Certificate in Strategic Leadership in the Era of Disruption, FROM University of Oxford, UK.

EXECUTIVE MANAGEMENT (CONTINUED)

Name & Designation	Years of Experience	Profession and Qualifications
Faisal Hamed AlAbdulla Chief Retail Banking Officer (Effective 06 April 2025)	**20**	• Leadership Program, IVEY Business School, Canada • Leadership Development Program, Darden School of Business, University of Virginia • Series 7 certification • BSc. in Banking and Finance
Yousif Engineer Acting Chief Corporate & Institutional Banking Officer (Effective 26 September 2025)	**21**	• Bachelor of Arts in Economics • Master's of Science in International Finance • Series 6 and 63 • FAP II and FAP III
Afnan Ahmed Saleh Chief Human Resources Officer	**25**	• BSc. in Business Administration, University of Bahrain • MBA, University of Strathclyde • SHRM, SCP
Ajay Kumar Jha Chief Risk Officer	**28**	• BSc. (Chemistry) • MBA Finance • Post Graduate Diploma in Sales & Marketing
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

Name & Designation	Years of Experience	Profession and Qualifications
Andrew Mario Stefan Corera Chief Application Officer	**35**	• Chartered Information Technology Practitioner (MBCS CITP) from the 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	**17**	• BSc in Accounting, University of Bahrain • CPA, Certified Public Accountant • Chartered Global Management Accountant (CGMA), 2013 • Certified Islamic Professional Accountant (CIPA), 2019 • Certified Internal Auditor (CIA), 2025
Salah Yasein Mohammed Head of Legal	**34**	• Bachelor's Degree in Law – University of Khartoum • Legal Practitioner License • BAR Certificate
Hussain Ebrahim Al Banna Head of Treasury	**21**	• BSc in Banking & Finance, University of Bahrain • Treasury and Capital Markets Diploma, BIBF
Sara Ahmed AlAmmadi Head of Marketing and Corporate Communications (Effective 6 April 2025)	**14**	• Master's Degree in Business Administration (MBA) - Ahlia University • B.S in Banking & Finance - Ahlia University

EXECUTIVE MANAGEMENT (CONTINUED)

Name & Designation	Years of Experience	Profession and Qualifications
Dr. Hamad Farooq AlShaikh Head of Shari'a Coordination & Implementation	**20**	• 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
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

Recognising the importance of good governance at all levels, BisB has also instituted several Management Committees composed of senior executives. These committees operate under the executive management's purview (with specific executives as chairpersons) and serve to manage specialized areas of operations and risk on a more frequent basis. The major management-level committees in 2025 include:

Committee Name	Members (as of 31 December 2025)	Objective
Management Committee (MANCO) Minimum Number of Meeting **4 per annum** Total No. of Meeting in 2025 **9**	Fatema AlAlawi (Chairperson) Members: • Ameer Dairi • Faisal AlAbdulla • Yousif Engineer • 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.
Asset & Liability Committee (ALCO) Minimum Number of Meeting **8 per annum** Total No. of Meeting in 2025 **17**	Fatema AlAlawi (Chairperson) Members: • Ajay Jha • Ameer Dairi • Hussain Al Banna • Yousif Engineer • Faisal AlAbdulla • Ali Al Moulani • Ali Muslem • Ahmed Askar • Namila Weerasekara	The purpose the of Asset & Liability Committee 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.

MANAGEMENT COMMITTEES (CONTINUED)

Committee Name	Members (as of 31 December 2025)	Objective
Credit Committee (CC) Minimum Number of Meeting **Weekly** Total No. of Meeting in 2025 **35**	Fatema AlAlawi (Chairperson) Members: • Ajay Jha • Ahmed Askar • Hussain Al Banna • Ameer Dairi (Observer)	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 Meeting **Quarterly** Total No. of Meeting in 2025 **5**	Fatema AlAlawi (Chairperson) Members: • Ajay Jha • Yousif Engineer • Ameer Dairi • Hussain Al Banna • Salah Yaseen • Ahmed Askar (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.
Qard Al-Hassan, Donation & Zakah Minimum Number of Meeting **12 per annum** Total No. of Meeting in 2025 **44**	Dr. Hamad AlShaikh (Chairperson) Members: • Nada Ishaq • Afnan Saleh • Sara AlAmmadi • Manar Hood	The main objective of Qard Al-Hassan, Donation and Zakah Committee is to discharge the Group's social responsibilities toward its society through distributing Zakah, charity funds, donations & good faith Qard for marriage, medical treatments, etc.

Committee Name	Members (as of 31 December 2025)	Objective
BisB Project Steering Committee (PSC) Minimum Number of Meeting **Quarterly** Total No. of Meeting in 2025 **5**	Fatima AlAlawi (Chairperson) Members: • Nabeel Mustafa • Razi Amin • Ameer Dairi • Stefan Corera (Observer) • Ali Ghuloom (Observer) • George Faraj (Observer) • Group EPMO Team (Enabler)	BisB PSC was 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 Meeting **Quarterly** Total No. of Meeting in 2025 **4**	Fatema AlAlawi (Chairperson) Members: • Ajay Jha • Ahmed Askar • Ameer Dairi • Salah Yaseen • Hussain Shaker • Salman Sayyar (Observer)	The Provisioning Committee reviews the Bank's provisions as well as reviewing the progress on recovery for impaired assets and problem exposures.
Operational Risk Committee (ORMC) Minimum Number of Meeting **Quarterly** Total No. of Meeting in 2025 **6**	Fatema AlAlawi (Chairperson) • Ajay Jha • Yousif Engineer • Faisal AlAbdulla • Ameer Dairi • Hussain Al Banna • Razi Amin • Nabeel Mustafa • Jaffar Naser • Salman Sayyar (Observer) • AbdulNasir Rafique (Observer) • Eman Al Binghadeer (Observer) • Noor Marhoon (Observer)	The Operational Risk Management Committee is established to: 1. Oversee and periodically review the Bank's operational risk management framework to ensure it remains effective and aligned with industry best practices. 2. Support management in meeting its operational risk management obligations under applicable laws and regulations by: • Reviewing and evaluating the integrity, effectiveness, and adequacy of the Bank's operational risk management function. • Ensure the maintenance of a robust operational risk governance framework that is proportionate to the Bank's size, complexity, and business model.

MANAGEMENT COMMITTEES (CONTINUED)

Committee Name	Members (as of 31 December 2025)	Objective
Information Security Committee (ISC) Minimum Number of Meeting: **Quarterly** Total No. of Meeting in 2025: **4**	Ajay Jha (Chairperson) • Fatema AlAlawi • Mohamed Hammad • Yousif Engineer • Faisal AlAbdulla • Razi Amin • Naeema Taheri • Salman Sayyar (Observer)	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.
Compliance Management Committee (CMC) Minimum Number of Meeting: **6** Total No. of Meeting in 2025: **5*** *The Committee's first meeting was held on 28 July 2025	Naeema Taheri (Chairperson) Members: • Fatema AlAlawi • Ameer Dairi • Nabeel Mustafa • Ajay Jha • Razi Amin • Afnan Saleh • Faisal AlAbdulla • Yousif Engineer • Ammar Al Subbah	The purpose of the Committee is to provide governance and assessment of the Bank-wide compliance risk and oversee implementation of mitigating and compensating controls for the management, and mitigation of the Bank's potential compliance risks.

Committee Name	Members (as of 31 December 2025)	Objective
Sustainability Management Committee Minimum Number of Meeting **Quarterly** Total No. of Meeting in 2025 **2*** *The Committee's first meeting was held on 16 September 2025	Ameer Dairi (Chairperson) Members: • Fatema AlAlawi • Ajay Jha • Yousif Engineer • Faisal AlAbdulla • Hussain Al Banna • Naeema Taheri • Afnan Ahmed • Ahmed Askar • Waleed Dashqooni • Muhammad Mustafa Memon • Sara Al Ammadi • Salman Sayyar • Salah Yaseen • Abeer Janahi • Mohamed Jawad • Hussain Al Adraj • Sayed Hasan Shubbar	The Committee's purpose is to provide strategic guidance and support on sustainability initiatives for BisB , advising on the development and implementation of policies, procedures, and programs that enhance sustainable practices across all operations. This includes shaping the sustainability vision and strategy for BisB, and ensuring alignment with global best practices, industry standards, and applicable regulatory requirement.

OWNERSHIP STRUCTURE AND SHAREHOLDERS' RIGHTS

This section outlines the ownership structure of the Bank as of 31 December 2025, providing transparency on shareholder composition and changes in shareholding among Board members and Senior Management.

The tables below detail:

- Major Shareholders holding 5% or more of the Bank's issued share capital, including their nationality and type of ownership.
- Distribution of Ownership by Nationality, offering insight into the geographic spread of the Bank's shareholder base.
- Changes in Shareholding of members of the Board of Directors, Shari'a Supervisory Board, and Executive Management, highlighting any acquisitions, disposals, or resignations during the reporting period.

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
General Council of Kuwaiti Awqaf	Kuwaiti	76,366,321	7.18%	Sovereign

Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	87.65%	932,698,297
Kuwait	8.72%	92,825,238
United Arab Emirates	2.79%	29,710,341
Kingdom of Saudi Arabia	0.62%	6,568,347
Qatar	0.12%	1,275,150
Others	0.09%	981,214
Total	**100.00%**	**1,064,058,587**

Changes In Distribution Ownership Shares of:

Board of Directors

Name	Shares as of 31 Dec 2024	Sold During 2025	Acquired During 2025	Shares as of 31 Dec 2025
Mr. Zaid Abdulrahman	-	-	-	-
Mr. Usman Ahmed	-	-	-	-
Mr. Mohamed Nooruddin	-	-	-	-
Mr. Khalid Al Jassim	-	-	-	-
Mr. Marwan Tabbara	-	-	-	-
Mr. Naser Mohamed Al Hamad	-	-	-	-
Mr. Mohamed Bucheeri	-	-	-	-
Ms. Rana Qambar	-	-	-	-
Mr. Ali Ehsan	-	-	-	-
Mr. Hisham Al Kurdi*			*Resigned on 17 August 2025	

Sharia Supervisory Board

Name	Shares as of 31 Dec 2024	Sold During 2025	Acquired During 2025	Shares as of 31 Dec 2025
Sh. Dr. A.Latif Al Mahmood	545,159	-	-	545,159
Dr. Nedham Mohammed Yacoubi	13,237	-	-	13,237
Sh. Adnan Abdullah Al Qattan	-	-	-	-
Sh. Mohammed Al Juffairi	-	-	-	-

OWNERSHIP STRUCTURE AND SHAREHOLDERS' RIGHTS (CONTINUED)

Management and Employees

Name	Shares as of 31 Dec 2024	Sold During 2025	Acquired During 2025	Shares as of 31 Dec 2025
Fatema Moosa AlAlawi	143,958	-	-	143,958
Ameer Abdul Ghani Dairi	-	-	-	-
Faisal Hamed AlAbdulla	-	-	-	-
Mohammed Hammad	-	-	-	-
Yousif Ali Abdulrahman	-	-	-	-
Afnan Ahmed Saleh	47,834	-	-	47,834
Ajay Kumar Jha	-	-	-	-
Naeema Hasan Taheri	-	-	-	-
Nada Ishaq Moahmed A.Karim	-	-	-	-
Salman Mahmood Sayyar	-	-	-	-
Salah Yasein Mohammed	-	-	-	-
Hussain Ebrahim Al Banna	-	-	-	-
Sara Ahmed AlAmmadi	-	-	-	-
Hamad Farooq AlShaikh	-	-	-	-
Eman Mohammed AlBinghadeer	-	-	-	-
Hamad Hussain Al Qattan	-	-	-	-

Shareholders' Rights

BisB is dedicated to upholding the rights of all its shareholders in accordance with applicable laws, CBB regulations, and its Articles of Association. The Bank upholds the principles of fairness, transparency, and accountability in all dealings with its shareholders and ensures that all shareholders are treated equally and without discrimination.

• Participation and Voting

Shareholders have the right to attend General Assembly meetings (Ordinary and Extraordinary) and to vote on all matters on the agenda, either in person or by proxy. BisB facilitates shareholder participation by scheduling the AGM at a convenient time and location, providing proxy forms to those who cannot attend, and allowing proxy representation in line with law. Voting follows the "one share, one vote" principle for general resolutions, and cumulative voting for Board elections.

• Equitable Treatment

All shareholders of the same class are entitled to equal and fair treatment. The Bank does not grant any shareholder preferential access or selective disclosure of information. Any modification to shareholder rights or share classes would be subject to the shareholders' approval in addition to necessary legal and regulatory approvals. In 2025, there were no changes to shareholder rights or share classes.

• Access to Information

BisB provides shareholders with timely and accurate information through multiple disclosure channels, including its annual report, market announcements, and BisB website. The Bank complies with disclosure obligations under CBB and Bahrain Bourse regulations to ensure transparency and equal access to material information for all shareholders.

• Protection and Redress

Shareholders have the right to seek redress under applicable laws if they believe their rights have been infringed. BisB's governance framework, oversight processes, and commitment to transparency aim to prevent such issues and maintain shareholder confidence. No shareholder disputes were reported in 2025.

BisB actively facilitates the exercise of shareholders' rights and strives to maintain the trust and confidence of its shareholder base through good governance and transparency.

ANNUAL GENERAL MEETING 2025

The Ordinary General Meeting (OGM) of shareholders is held annually within the first quarter, after the end of the financial year, in full compliance with legal and regulatory requirements. In 2025, the 49th OGM was convened on 24 March 2025 (corresponding to Ramadan 24, 1446 AH) at 11:00 am at Al Dana Hall (3) in the Gulf Hotel Bahrain Convention and Spa, Manama, with a quorum of 94.81% of the share capital. Notices of the meeting, including the agenda and financial documents, were published on the Bank's website and Bahrain Bourse's website in advance. Additionally, as per the CBB requirements, a draft of the AGM agenda and related documents was submitted to the CBB for review prior to dissemination. The AGM was conducted in Arabic (with English translation provided), and minutes were recorded by the Board Secretary and signed by the Chairman and Board Secretary.

During the 2025 AGM, shareholders had the opportunity to engage with the Board and management. The External Auditors (KPMG Fakhro) presented their report and were available to answer questions, and members of the Shari'a Supervisory Board were present to respond to any Shari'a-related inquiries. Key decisions and resolutions from the AGM were as follows, all of which were approved by the requisite majority of shareholders present or represented:

No.	Agenda Item	Summary
1	**Approval of the Minutes of the 48th Ordinary General Meeting held on 25 March 2024**	The shareholders approved the minutes of the 48th OGM, which was held on 25 March 2024. The meeting had achieved a quorum of 90.97%, and the minutes were published on the Bank's and Bahrain Bourse's websites. No objections or comments were raised.
2	**Discussion and Approval of the Board of Directors' Report on the Bank's Activities and Financial Position for the Year Ended 31 December 2024**	The Chairman presented the Board's annual report, highlighting growth in assets (14%), Islamic financing (8%), and deposits (14%). Shareholders raised questions about profitability, cost-to-income ratio, and strategic direction. The report was approved after discussion.
3	**Hearing the External Auditors' Report for the Financial Year Ended 31 December 2024**	KPMG Fakhro presented the independent auditors' report. No comments or objections were raised, and the report was acknowledged.
4	**Hearing the Shari'a Supervisory Board's Report for the Financial Year Ended 31 December 2024**	The Shari'a Supervisory Board confirmed the Bank's compliance with Islamic principles. The report was read by the Chairman of the Board and approved without objections.
5	**Discussion and Approval of the Audited Financial Statements for the Year Ended 31 December 2024**	The audited financial statements were reviewed and discussed. Shareholders raised questions regarding cost efficiency (70% cost-to-income ratio) and asset quality (6.95% NPL). The statements were approved by the shareholders.

No.	Agenda Item	Summary
6	**Disclosure of Related Party Transactions for the Year Ended 31 December 2024**	Transactions with related parties, including major shareholders, were disclosed in Note 27 of the financial statements of the 2024 Annual Report. The external auditors confirmed compliance with Article 189 of the Commercial Companies Law. The shareholders approved the disclosure.
7	**Approval of the Board's Recommendation for Profit Allocation for the Year Ended 31 December 2024**	The net profit of BD 5,070,626 was allocated as follows: BD 398,356 to the Zakah Fund, BD 50,000 to charitable donations, BD 507,000 to statutory reserves, and BD 4,156,625 to retained earnings. The allocation was approved by the shareholders.
8	**Approval of Board Remuneration for the Financial Year Ended 31 December 2024**	The shareholders approved a total remuneration of BD 128,268 for the Board, subject to approval by the Ministry of Industry and Commerce. Sitting fees for 2025 were maintained at the same level as 2024.
9	**Discussion and Approval of the Bank's Corporate Governance Report for the Year Ended 31 December 2024**	The Corporate Governance Report was prepared in accordance with CBB requirements and published online. The shareholders approved the report without comments.
10	**Discharge of Board Members from Liability for Actions Taken During the Financial Year Ended 31 December 2024**	The shareholders discharged the Board of Directors from liability for their actions during the year, in accordance with Article 188 of the Commercial Companies Law.
11	**Reappointment of KPMG Fakhro as External Auditors for the Year 2025 and Authorization of the Board to Determine Their Fees**	The shareholders approved the reappointment of KPMG Fakhro as external auditors for 2025 and authorized the Board to determine their fees.
12	**Approval of the Formation of the Board of Directors for the Term March 2025 to March 2028**	The shareholders elected four independent directors and acknowledged the appointment of six directors by the major shareholder (National Bank of Bahrain), following CBB approval.
13	**Any Other Matters Arising in Accordance with Article 207 of the Bahrain Commercial Companies Law**	No additional matters were raised under this item.

(The above points are reflective of the actual resolutions passed at the 2025 OGM for 2024 matters, as per the meeting minutes. All decisions were taken in compliance with quorum and voting requirements. No objections or special notices were recorded.)

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BisB acknowledges that good corporate governance extends to corporate social responsibility and ethical conduct toward the community. In line with its identity as an Islamic bank, BisB has a strong tradition of contributing positively to society and conducting its business in a socially responsible manner. The Board and management are keenly aware of the Bank's obligations to its broader stakeholders, including customers, employees, the environment, and the community, beyond just its shareholders.

Oversight of CSR and sustainability initiatives is embedded in the governance structure. At the Board level, as noted, the NRGSC oversees sustainability strategy. At management level, the Sustainability Management Committee drives various ESG projects and initiatives. Additionally, the Bank maintains a Qard Al-Hassan, Donations and Zakah Committee (a management-level committee) specifically to manage and disburse the Bank's charitable and socially driven funds. The committee's purpose is to discharge the BisB's social responsibilities towards society by providing interest-free benevolent loans (Qard Al-Hassan) to those in need and distributing Zakah and charity funds in the proper avenues. For example, the committee reviews applications for Qard Al-Hassan (which might be given for purposes like marriage, medical treatment, or education for needy individuals) and oversees donations to charitable organisations and initiatives. In 2025, BisB funded several community programs focusing on educational scholarships, support for healthcare, and entrepreneurship development via its CSR budget. These initiatives were aligned with Bahrain's national priorities and the UN SDGs (e.g., Quality Education, Good Health & Well-being). The Qard Al-Hassan and Donation activities are reported to the Shari'a Supervisory Board as well, since they relate to the disposition of charitable funds and Zakah.

Employee relations are also a part of CSR. BisB maintains policies for fair employment, non-discrimination, and professional development. In 2025, the Bank conducted multiple training programs (including leadership development for future Bahraini leaders) and continued to support employee well-being through initiatives like flexible working arrangements and health programs.

Finally, philanthropy and community engagement remain key to BisB's CSR identity. In addition to Zakah and formal charity distributions, the Bank encourages employees to volunteer in community service. The Board members themselves are supportive of various charitable causes, often representing the Bank at community events. All CSR activities are documented and will be detailed in the Annual Report's sustainability section. The Board is satisfied that BisB's CSR efforts in 2025 have positively impacted the community and enhanced the Bank's reputation as a responsible corporate citizen.



BisB has a strong tradition of contributing positively to society and conducting its business in a socially responsible manner.

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 Banks'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 Position in a business line, control or support function. An Approved Position 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 Position 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 playouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for Approved Position in risk management, internal audit, operations, financial control and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Scope of application of the remuneration policy

The variable remuneration policy has been adopted on a bank-wide basis.

REMUNERATION DISCLOSURES (CONTINUED)

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.

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

REMUNERATION DISCLOSURES (CONTINUED)

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.

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, deputy (if any) and 5 most highly paid business line covered employees are subject to the following deferral rules:

REMUNERATION DISCLOSURES (CONTINUED)

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 & LTIP	50%	3 - 5 years	6 months	Yes	Yes

All other staff are subject to the following deferral rules:

Elements of variable remuneration	Payout percentages	Vesting period	Retention	Malus	Clawback
Upfront cash	50%	Immediate	-	-	Yes
Upfront share awards	10%	Immediate	6 months	Yes	Yes
Deferred share awards & LTIP	40%	3 - 5 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 OOO's	2025	2024
Sitting fees and others	**144***	197*
Remuneration	**274****	268**

*Includes NRGSC sitting fees as of 31 December 2025 amounted to BD 17 thousand (2024: BD 24 thousand).

**Subject to AGM and regulatory approval.

(b) Shari'a Supervisory Board

BD OOO's	2025	2024
Remuneration, Fees and Expenses	**72**	72

(c) Employee Remuneration

2025

BD OOO'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	617	-	-	-	89	-	19	97	6	828
- Control & Support	11	1,328	-	-	-	144	21	-	85	7	1,587
Other material risk takers	14	994	-	-	-	117	5	2	31	4	1,154
Other staff	325	9,092	-	-	-	1,094	4	-	16	871	11,077
Total	354	12,031*	-	-	-	1,444	31	21	229	889	14,644

*Includes end of service compensations, ex-gratia & staff costs of employees who have left the Bank during the year

2024

BD OOO'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, ex-gratia & staff costs of employees who have left the Bank during the year.

REMUNERATION DISCLOSURES (CONTINUED)

Deferred awards disclosures 2025

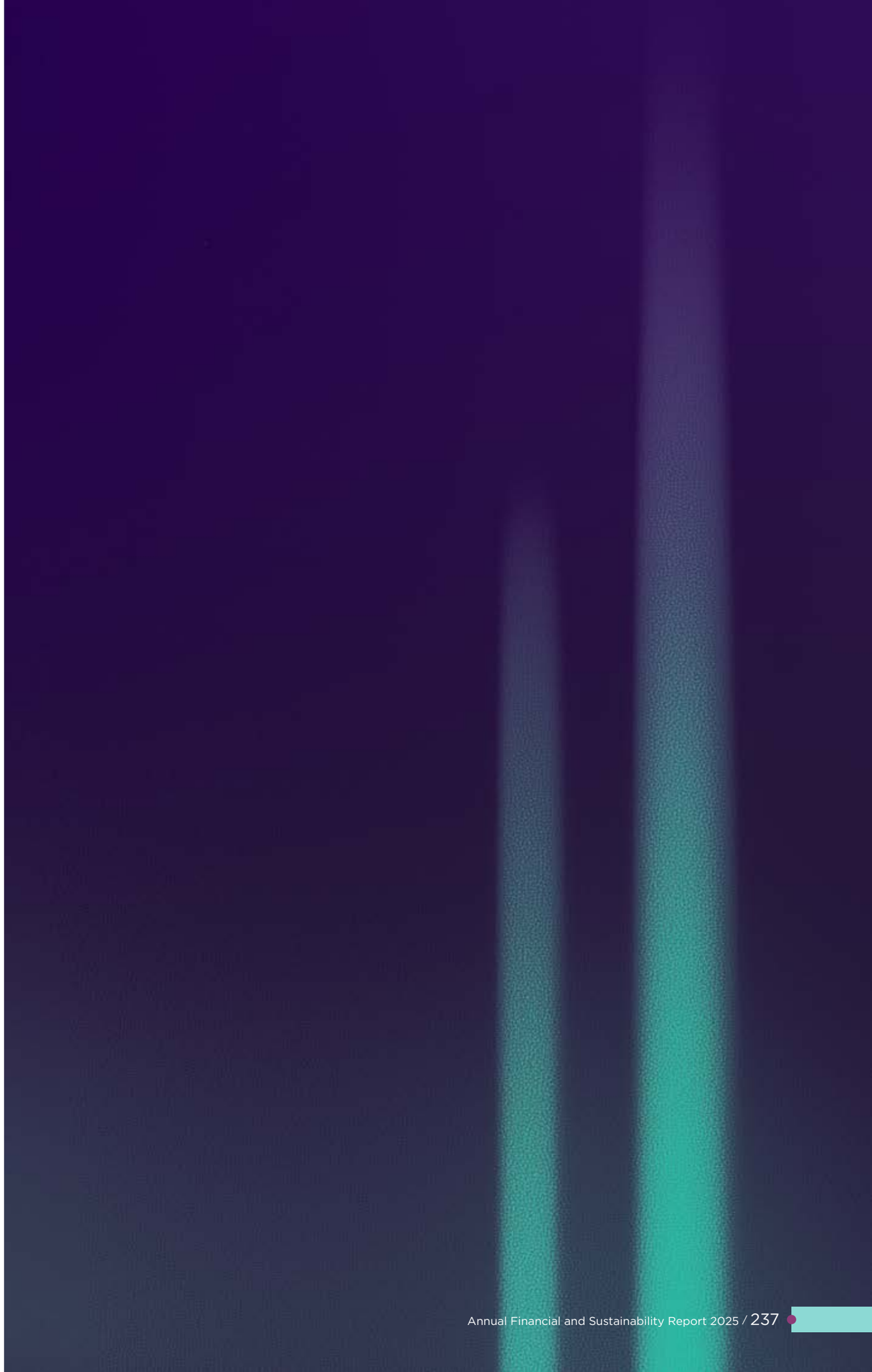
BD OOO's	Cash	Shares		Total
		Number	BD 000's	
Opening balance	49	2,304,936	212	261
Adjustment based on final award price of 2024	-	-	-	-
Awarded for the year	22	3,287,396	269	291
Adjustment for prior years		2,202,971*	132	132
Paid out / released during the year	(17)	(1,589,493)**	(111)	(128)
Corporate action adjustment	-	-	-	-
Closing balance	54	6,205,810	502	556

* The adjustment relates to the prior years share awards that were not issued in that year because the trust did not hold a sufficient number of shares. These shares were subsequently granted in 2025 based on the award date value.
** As approved by the Central Bank of Bahrain, during the year, 952,107 shares were bought back at market price by the Bank as treasury shares, upon completion of vesting period.

Deferred awards disclosures 2024

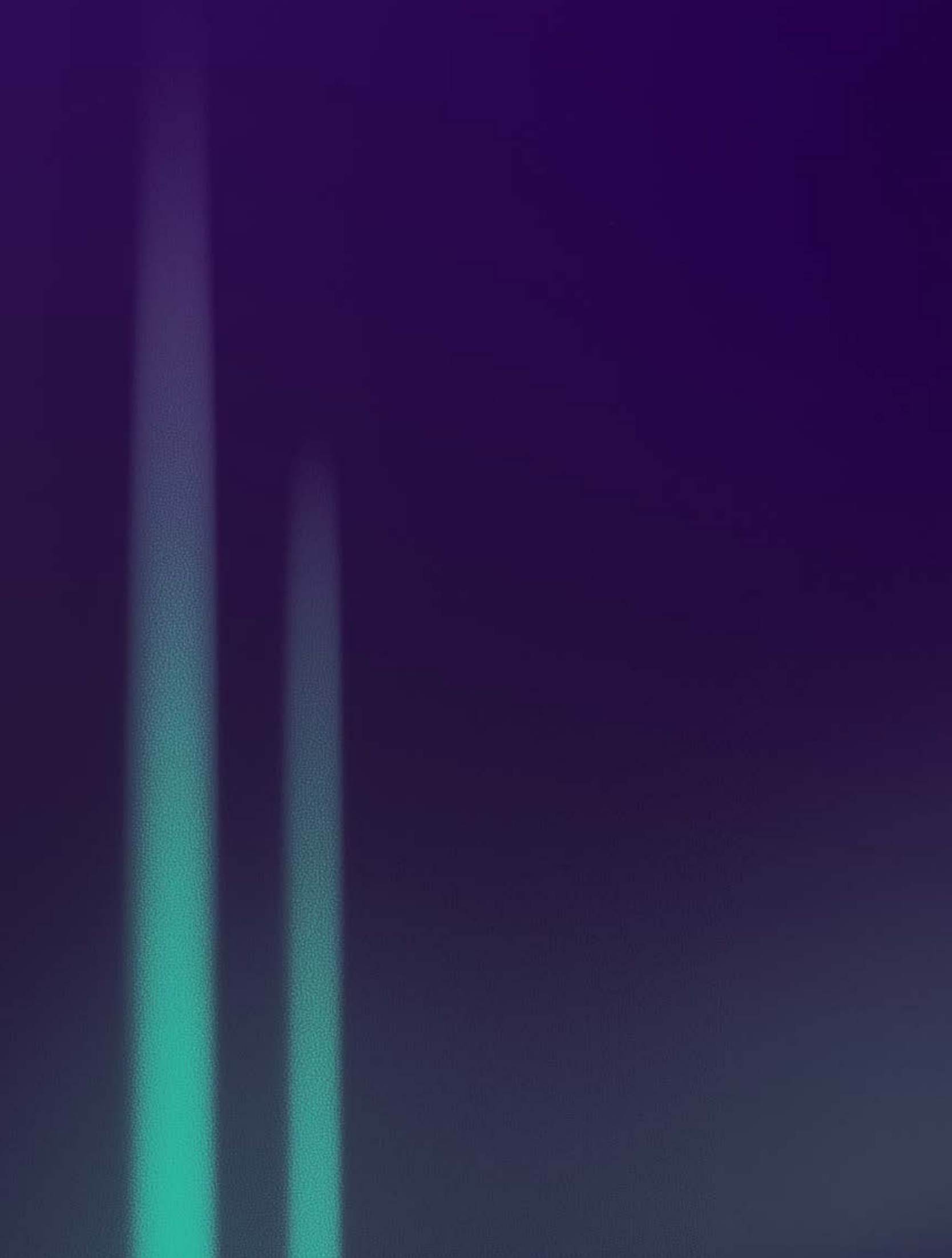
BD OOO's	Cash	Shares		Total
		Number	BD 000's	
Opening balance	52	6,022,269	477	529
Adjustment based on final award price of 2023	-	(3,579,542)	(230)	(230)
Awarded for the year	7	1,147,405	67	73
Paid out / released during the year	(10)	(1,285,196)*	(101)	(111)
Corporate action adjustment	-	-	-	-
Closing 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.



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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. Box 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 2025, 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 2025, 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 2025.

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"), as applicable to audits of the consolidated financial statements of Public Interest Entities, together with tile ethical requirements that are relevant to audits of the consolidated financial statements of Public Interest Entities in the Kingdom of Bahrain. We have also 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.

IMPAIRMENT ALLOWANCE ON FINANCING CONTRACTS

Refer to accounting policy in Note 2(w), use of estimates and judgments in Note 2(y) and management of credit risk in Note 29(e) to the consolidated financial statements.

THE KEY AUDIT MATTER

We focused on this area because:

- of the significance of financing contracts representing 55% of total assets (by value);
- impairment of financing contracts involves:
  - complex eestimates 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 forward-looking 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.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

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 control relating to selection and implementation of material economic variables; and

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;

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
	• 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 - evaluatingthe 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.

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.

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 ASIFIs 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 ASIFIs, we exercise professional judgment and maintain professional scepticism 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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
5 February 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 BD'000	2024 BD'000
ASSETS			
Cash and balances with banks and Central Bank	3	**73,664**	65,084
Placements with financial institutions	4	**293,129**	156,586
Financing contracts	5	**998,523**	1,000,663
Investment securities	6	**390,347**	272,126
Investment in associates	7	**7,691**	11,441
Investment in real estate	9	**13,721**	14,583
Property and equipment	8	**15,948**	15,257
Other assets	10	**11,253**	6,194
TOTAL ASSETS		**1,804,276**	1,541,934
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		**90,595**	77,377
Placements from non-financial institutions and individuals		**167,054**	470,891
Financing from financial institutions	11	**260,125**	175,197
Customers' current accounts		**254,596**	216,442
Other liabilities	12	**43,296**	38,221
Total Liabilities		**815,666**	978,128
Quasi-equity			
Financial institutions		**73,261**	64,892
Non-financial institutions and individuals		**752,066**	351,494
Total Quasi-equity	13	**825,327**	416,386
Owners' Equity			
Share capital	14	**106,406**	106,406
Treasury shares	14	**(677)**	(892)
Shares under employee share incentive scheme		**(245)**	(101)
Share premium		**132**	206
Reserves		**32,667**	16,801
Total Equity attributable to Bank's shareholders		**138,283**	122,420
Subordinated Mudaraba (AT1)	14	**25,000**	25,000
Total Owners' Equity		**163,283**	147,420
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		**1,804,276**	1,541,934

The consolidated financial statements were approved by the Board of Directors on 5 February 2026 and signed on its behalf by:



Zaid Khalid Abdulrahman
Chairman



Usman Ahmed
Vice Chairman



Fatema AlAlawi
Chief Executive Officer

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

	Note	2025 BD'000	2024 BD'000
INCOME			
Income from financing contracts	17	**53,624**	53,250
Income from placements with financial institutions		**10,552**	5,854
Income from investment in Sukuk	18	**16,500**	14,998
Expense on placements from financial institutions		**(3,502)**	(5,910)
Expense on placements from non-financial institutions and individuals		**(14,491)**	(23,284)
Expense on financing from financial institutions		**(10,607)**	(8,802)
Net finance income		**52,076**	36,106
Fee and commission income, net	19	**7,772**	6,072
Income from investment securities	20	**259**	36
Income from investment in real estate, net	21	**10,233**	44
Share of results of associates, net	7	**128**	109
Other income, net	22	**4,020**	2,446
Total income		**74,488**	44,813
EXPENSES			
Staff costs		**14,946**	13,302
Depreciation and amortization	8	**1,862**	1,815
Other operating expenses	23	**12,820**	13,572
Total expenses		**29,628**	28,689
Profit before impairment allowances and attribution to quasi-equity		**44,860**	16,124
Impairment allowance on financial instruments, net	24	**(9,898)**	(6,984)
Profit before attribution to quasi-equity		**34,962**	9,140
Profit attributable to quasi-equity		**(16,425)**	(4,070)
PROFIT FOR THE YEAR		**18,537**	5,070
BASIC AND DILUTED EARNINGS PER SHARE (fils)	27	**15.76**	3.00

Zaid Khalid Abdulrahman
Chairman

Usman Ahmed
Vice Chairman

Fatema AlAlawi
Chief Executive Officer

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 BD'000	2024 BD'000
Profit for the year	**18,537**	5,070
Other comprehensive income		
Items that are or may be reclassified subsequently to the statement of income		
Fair value changes on investment in real estate	**(74)**	-
Fair value changes on equity investments carried at fair value through other comprehensive income	**(290)**	69
Total other comprehensive income	**(364)**	69
Total comprehensive income for the year	**18,173**	5,139

The attached notes 1 to 36 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 2025

	2025 BD'000	2024 BD'000
Profit before impairment allowances and attribution to quasi-equity	**44,860**	16,124
Adjusted for:		
Less: income not attributable to quasi-equity	**(22,412)**	(8,707)
Add: expenses not attributable to quasi-equity	**58,228**	66,685
Less: institution's share of income from jointly financed assets	**(41,109)**	(50,991)
Less: allowance for impairment allowances attributable to quasi-equity	**(4,821)**	(2,157)
Total income available for quasi-equity holders	**34,746**	20,954
Profit equalization reserve – net movement	**(269)**	(229)
Total income attributable to quasi-equity holders (adjusted for reserves)	**34,477**	20,725
Less: mudarib's share	**(15,904)**	(16,429)
Less: wakala fees	**(2,148)**	(226)
Profit attributable to quasi-equity	**16,425**	4,070

The attached..noteL1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2025

					Reserves							
2025	Share capital BD'000	Treasury shares BD'000	Shares under employee share incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	Real estate fair value reserve BD'000	Investment securities fair value reserve BD'000	Retained earnings BD'000	Total reserves BD'000	Equity Attributable to Bank's shareholders BD'000	Subordinated mudaraba (AT1) BD'000	Total owners' equity BD'000
Balance at 1 January 2025	**106,406**	**(892)**	**(101)**	**206**	**8,227**	**1,320**	**1,652**	**5,602**	**16,801**	**122,420**	**25,000**	**147,420**
Profit for the year	-	-	-	-	-	-	-	18,537	18,537	18,537	-	18,537
Other comprehensive income	-	-	-	-	-	(74)	(290)	-	(364)	(364)	-	(364)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(74)**	**(290)**	**18,537**	**18,173**	**18,173**	**-**	**18,173**
Zakah approved	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(356)**	**(356)**	**(356)**	**-**	**(356)**
Donations approved	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50)**	**(50)**	**(50)**	**-**	**(50)**
Profit distribution on AT1 Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,901)**	**(1,901)**	**(1,901)**	**-**	**(1,901)**
Shares allocated to staff during the year	**-**	**-**	**77**	**-**	**-**	**-**	**-**	**-**	**-**	**77**	**-**	**77**
Purchase of treasury shares	**-**	**(80)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(80)**	**-**	**(80)**
Transfer to shares under employee share incentive scheme	**-**	**295**	**(221)**	**(74)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**1,854**	**-**	**-**	**(1,854)**	**-**	**-**	**-**	**-**
Balance at 31 December 2025	**106,406**	**(677)**	**(245)**	**132**	**10,081**	**1,246**	**1,362**	**19,978**	**32,667**	**138,283**	**25,000**	**163,283**
2024												
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

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 BD'000	2024 BD'000
OPERATING ACTIVITIES			
Profit for the year		**18,537**	5,070
Adjustments for non-cash items:			
Depreciation and amortisation	8	**1,862**	1,815
Impairment allowance on financial instruments, net	24	**9,562**	6,796
Gain on sale of investment in real estate	21	**(9,742)**	-
Fair value movement in investment in real estate	21	**(210)**	142
Gain on sale of investment in securities	20	**(192)**	-
Gain on sale of investment in sukuk	18	**(25)**	(9)
Fair value movement in investment securities	6	**336**	188
Share of results of associates, net	7	**(128)**	(109)
Operating profit before changes in operating assets and liabilities		**20,000**	13,893
Working capital adjustments:			
Mandatory reserve with Central Bank of Bahrain		**(1,515)**	(6,905)
Financing contracts		**(7,978)**	(86,652)
Other assets		**(8,364)**	(193)
Customers' current accounts		**38,154**	13,931
Other liabilities		**4,696**	13,719
Placements from financial institutions		**8,183**	(18,709)
Placements from non-financial institutions and individuals		**(303,837)**	173,676
Quasi-equity		**408,941**	4,665
Net cash from operating activities		**158,280**	107,425
INVESTING ACTIVITIES			
Disposal of investment in real estate		**14,684**	-
Purchase of investment securities		**(179,068)**	(74,961)
Purchase of property and equipment		**(2,553)**	(2,558)
Proceeds from disposal of investment securities		**64,282**	79,589
Net cash (used in) / from investing activities		**(102,655)**	2,070
FINANCING ACTIVITIES			
Purchase of treasury shares		**(80)**	(54)
Profit distribution on AT1 Capital		**(1,901)**	(1,906)
Proceeds from / (Repayment of) financing from financial institutions		**84,928**	(6,305)
Net cash from / (used in) financing activities		**82,947**	(8,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**138,572**	101,230
Cash and cash equivalents at 1 January		**175,629**	74,399
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**314,201**	175,629
Cash and cash equivalents comprise of:			
Cash on hand	3	**10,542**	11,031
Balances with CBB, excluding mandatory reserve deposits	3	**230**	151
Balances with banks and other financial institutions excluding restricted balances	3	**10,300**	7,861
Placements with financial institutions with original maturities less than 90 days	4	**293,129**	156,586
		314,201	175,629

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 seven branches (2024: 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% (2024: 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), a Bank Incorporated in the Kingdom of Bahrain and listed on Bahrain Bourse, owns 78.81% (2024: 78.81%) of the Group's equity. Hence, NBB is considered as the Parent of the Group 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 2025

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 the Shari'a principles and rules set out in the AAOIFI Shari'a Standards.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices 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.

a. New standards, amendments, and Interpretations issued but not yet effective

(i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI had 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 any significant impact on the adoption of this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. New standards, amendments, and Interpretations issued but not yet effective (continued)

(ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI had 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.

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 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 had 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. New standards, amendments, and Interpretations issued but not yet effective (continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Placements with and financing from financial institutions, non-financial Institutions and Individuals

(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 murabaha contracts recognized on the origination date and carried at amortized cost.

(iii) Placements from financial institutions, non-financial institutions and individuals

Placements from financial Institutions and non-financial institutions and individuals comprise of reverse murabaha contracts 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financing contracts (continued)

(iii) Ijarah Muntahia Bitamleek (IMB)

Ijarah Muntahia 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 ("Lessor") leases an asset to the customer ("Lessee") 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, and 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 cash flows, 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 consolidated statement of income.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments are instruments whereby the transaction structure results In creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah 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").

i) 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.

ii) 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment securities (continued)

(i) Classification (continued)

ii) Fair value through other comprehensive income (continued):

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 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.

iii) 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 infonnation 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;

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment securities (continued)

(i) Classification (continued)

iii) Fair value through income statement (continued):

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 and FVTOCI, are measured at amortised cost using the effective profit rate 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Measurement principles (continued)

(i) Fair value measurement (continued)

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'a 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".

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 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 in the property fair value reserve, is transferred to the consolldated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Property and equipment

Property includes land which is not depreciated, as well as work-in-progress which is not depreciated until it is ready for use. Work in Progress (WIP) under property and equipment represents capital expenditures for assets that are still under construction or development and not yet ready for use. This typically includes costs for projects such as branch renovations, IT infrastructure installation, or office fit-outs. 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. The Group estimates the residual value of its property and equipment to be nil, based on current expectations of asset disposal values at the end of their useful lives. This estimate is reviewed annually. 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, Equipment and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Derecognition of financial assets and liabilities (continued)

(i) Financial assets (continued)

- 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.

r. Treasury shares

These are the Group's own equity instruments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Income recognition (continued)

(ii) Musharaka

Profit or losses in respect to 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) Mudaraba financing

Income on mudaraba financing is recognised when the right to receive payment is established or on distribution by the mudarib, whereas losses are charged to statement of income on declaration by the mudarib.

(iv) Sukuk

Income from Sukuk Is recognised using effective profit rate over the term of the instrument.

(v) Placements with financial institutions

Income from placements with financial institutions is recognised proportionately over the period of the contract based on the principal amounts outstanding and the profit agreed with counterparties.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 financial instruments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. Impairment of exposures subject to credit risk (continued)

The Group considers an exposure subject to credit risk to be in default when:

- the financed party 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').

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. Impairment of exposures subject to credit risk (continued)

(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 financed party, the exposures subject to credit risk should be derecognised 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.

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 financed party or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- 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 financed party 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.

In the case of financing commitments and financial guarantee contracts, loss allowances for ECL are presented as a provision under other liabilities.

(v) Write-off

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) financed party is insolvent or (ii) all possible recovery options have been exhausted.

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 and recognised once the cash is received.

Financial assets that are written off during the year amounted to BD 10,402 thousand (2024: 615 thousand) could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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.

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 (29).

- 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 (29) and note (29 e. v)).

(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 at fair value through other comprehensive income

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y. Use of estimates and judgements in preparation of the consolidated financial statements (continued)

(iv) Fair value of unquoted investments (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb. Employees' benefits (continued)

(ii) Post-employment benefits (continued)

Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to Social Insurance Organisation, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO In subsequent periods remains the obligation of the Group.

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.

(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 held-for-sale and are not in use by the Group. These properties are measured at the lower of carrying amount or fair value less costs to sell, and are reported within 'other assets'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 mangement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial Instruments (continued)

(i) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial Instruments (continued)

(ii) 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.

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 the statement of income 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 profit rate swaps with its Parent.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg. Risk management financial Instruments (continued)

(ii) Fair value hedges (continued)

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 of the Group meet the definition of equity (refer to note 14 for the terms and conditions) and accordingly has been recognised as a component of owners' equity in the consolidated statement of financial position and the appropriate profits are accounted for as a debit to the retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. CASH AND BALANCES WITH BANKS AND CENTRAL BANK

	2025 BD'000	2024 BD'000
Cash on hand	**10,542**	11,031
Balances with CBB, excluding mandatory reserve deposits	**230**	151
Balances with banks and other financial institutions**	**17,372**	9,897
	28,144	21,079
Mandatory reserve with CBB*	**45,520**	44,005
	73,664	65,084

* 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 7,071 thousand (2024: BD 2,036 thousand) which is not available for use in the day-to-day operations.

4. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2025 BD'000	2024 BD'000
Commodity Murabaha	**282,365**	118,386
Deferred profits	**(547)**	(208)
	281,818	118,178
Wakala	**11,312**	38,409
Gross Commodity Murabaha and Wakala	**293,130**	156,587
Impairment allowance	**(1)**	(1)
	293,129	156,586

5. FINANCING CONTRACTS

	2025 BD'000	2024 BD'000
Trade-based		
Murabaha (note 5.1)	**607,117**	595,427
Participatory-based		
Musharaka (note 5.2)	**89,127**	92,727
Mudaraba (note 5.4)	**4,697**	-
Lease-based		
Ijarah Muntahia Bittamleek (net of accumulated depreciation) (note 5.3)	**297,582**	312,509
	998,523	1,000,663

5. FINANCING CONTRACTS (CONTINUED)

5.1. Murabaha

	2025 BD'000	2024 BD'000
Tasheel	**316,811**	321,683
Tawarooq	**328,201**	281,460
Altamweel Almaren	**60,557**	81,187
Letters of credit refinance	**5,886**	7,299
Motor vehicles Murabaha	**4,232**	3,440
Credit cards	**24,368**	25,332
Others	**248**	-
	740,303	720,401
Qard fund	**142**	145
Gross Murabaha receivables	**740,445**	720,546
Deferred profits	**(94,982)**	(87,721)
Impairment allowance	**(38,346)**	(37,398)
	607,117	595,427

Non-performing Murabaha financing outstanding as of 31 December 2025 amounted to BD 56,585 thousand (2024: BD 60,228 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 impairment allowance by sector is as follows:

	2025 BD'000	2024 BD'000
Commercial entities	**59,951**	85,125
Financial institutions	**33,552**	26,602
Retail customers and others	**551,960**	521,098
	645,463	632,825

The Group exposures of Murabaha financing portfolio is concentrated in the Gulf Cooperation Council (GCC).

5.2. Musharaka

	2025 BD'000	2024 BD'000
Gross Musharaka in real estate	**92,273**	97,430
Impairment allowance	**(3,146)**	(4,703)
	89,127	92,727

Non-performing Musharaka financing outstanding as of 31 December 2025 amounted to BD 5,888 thousand (2024: BD 7,328 thousand).

5. FINANCING CONTRACTS (CONTINUED)

5.3. Ijarah Muntahia Bittamleek

	2025			2024		
	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	**399,949**	**6,878**	**406,827**	392,320	6,770	399,090
Additions	**51,184**	**-**	**51,184**	54,851	108	54,959
Settlements / adjustments	**(55,121)**	**(543)**	**(55,664)**	(47,222)	-	(47,222)
At 31 December	**396,012**	**6,335**	**402,347**	399,949	6,878	406,827
Accumulated depreciation:						
At 1 January	**86,601**	**3,244**	**89,845**	74,402	2,379	76,781
Charge for the year	**21,057**	**862**	**21,919**	20,791	865	21,656
Settlements / adjustments	**(10,772)**	**-**	**(10,772)**	(8,592)	-	(8,592)
At 31 December	**96,886**	**4,106**	**100,992**	86,601	3,244	89,845
Impairment allowance	**(3,755)**	**(18)**	**(3,773)**	(4,428)	(45)	(4,473)
Net Book Value	**295,371**	**2,211**	**297,582**	308,920	3,589	312,509

Non-performing Ijarah Muntahia Bittamleek financing outstanding as of 31 December 2025 amounted to BD 4,407 thousand (2024: BD 5,238 thousand).

5.4 Mudaraba

	2025	2024
	BD'000	BD'000
Gross Mudaraba	**4,728**	-
Impairment allowance	**(31)**	-
	4,697	-

5.5 The movement on impairment allowances on financing contracts is as follows:

2025	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	BD'000	**BD'000**	**BD'000**	**BD'000**
At 1 January 2025	**5,438**	**4,624**	**36,512**	**46,574**
Net movement between stages	**508**	**(1,258)**	**750**	**-**
Net charge for the year	**(745)**	**501**	**9,368**	**9,124**
Write-off	**-**	**-**	**(10,402)**	**(10,402)**
At 31 December 2025	**5,201**	**3,867**	**36,228**	**45,296**

5. FINANCING CONTRACTS (CONTINUED)

5.5 The movement on impairment allowances on financing contracts is as follows (continued):

2024	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total 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

6. INVESTMENT SECURITIES

	2025 BD'000	2024 BD'000
a. Debt type instruments*		
Quoted Sukuk - carried at amortised cost		
Gross balance at beginning of the year	**253,928**	258,547
Acquisitions	**179,068**	74,961
Disposals and redemptions	**(64,257)**	(79,580)
Gross balance at the end of the year	**368,739**	253,928
Impairment allowance	**(112)**	(34)
Fair value losses on hedged items attributable to profit rate risk hedged**	**1,870**	(2,135)
Net balance at the end of the year	**370,497**	251,759
Unquoted Sukuk - carried at amortised cost		
Gross balance at beginning of the year	**12,507**	12,516
Foreign currency translation changes	**2**	(9)
Gross balance at the end of the year	**12,509**	12,507
Impairment allowance	**(12,509)**	(12,507)
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	**19,931**	20,050
Fair value movement - net	**(517)**	(119)
Balance at the end of the year	**19,414**	19,931
Unquoted managed funds	**436**	436
Total net investment securities	**390,347**	272,126

*As of 31 December 2025, debt type instruments includes Sukuk of BD 196,075 thousand (2024: BD 117,667 thousand) pledged against financing from financial institutions of BD 172,726 thousand (2024: BD 103,338 thousand) (note 11).

**As of 31 December 2025, sukuk of BD 227,988 thousand (2024: BD 110,595 thousand) carried at amortised cost were hedged through profit rate swaps and the resultant fair value gain on the hedged items related to profit rate risk of BD 1,870 thousand (2024: BD 2,135 thousand loss) were adjusted to the carrying value.

6. INVESTMENT SECURITIES (CONTINUED)

The movement on impairment allowances on debt type instruments (Sukuk) is as follows:

2025	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	BD'000	**BD'000**	**BD'000**	**BD'000**
At 1 January 2025	**34**	**-**	**12,507**	**12,541**
Net charge for the year	**78**	**-**	**-**	**78**
Foreign exchange movement	**-**	**-**	**2**	**2**
At 31 December 2025	**112**	**-**	**12,509**	**12,621**

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

During the year, impairment of BD 336 thousand (2024: BD 188 thousand) was provided on equity type instruments.

7. INVESTMENT IN ASSOCIATES

	2025 BD'000	2024 BD'000
At 1 January	**11,441**	8,302
Share of results of associates, net	**128**	109
Acquisition	**-**	3,030
Disposal*	**(3,878)**	-
At 31 December	**7,691**	11,441

*During the year, the Group entered into a swap agreement resulting in the derecognition of an associate with a carrying value of BD 3,878 thousand and the recognition of investment in real estate at a fair value of BD 3,947 thousand (refer note 9).

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:

	2025 BD'000	2024 BD'000
Total assets	**19,755**	38,100
Total liabilities	**729**	883
Total revenues	**743**	1,408
Total net profit / (loss)	**373**	(1,015)

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.	Disposed in 2025 (36.75% before disposal)	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) and is involved in real estate activities and owns a portfolio of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. PROPERTY AND EQUIPMENT

	2025							
	Right-of-use asset BD'000	**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	**932**	**5,521**	**7,651**	**5,072**	**17,358**	**989**	**2,963**	**40,486**
Additions / Transfers	**248**	**-**	**-**	**156**	**3,187**	**3**	**(1,041)**	**2,553**
Disposals	**(312)**	**-**	**-**	**-**	**-**	**-**	**-**	**(312)**
At 31 December	**868**	**5,521**	**7,651**	**5,228**	**20,545**	**992**	**1,922**	**42,727**
Depreciation:								
At 1 January	**468**	**-**	**4,007**	**4,579**	**15,229**	**946**	**-**	**25,229**
Charge for the year	**335**	**-**	**254**	**184**	**1,071**	**18**	**-**	**1,862**
Relating to disposed assets	**(312)**	**-**	**-**	**-**	**-**	**-**	**-**	**(312)**
At 31 December	**491**	**-**	**4,261**	**4,763**	**16,300**	**964**	**-**	**26,779**
Net Book Value	**377**	**5,521**	**3,390**	**465**	**4,245**	**28**	**1,922**	**15,948**

	2024							
	Right-of-use asset BD'000	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	745	5,521	7,651	5,038	16,620	989	1,177	37,741
Additions / Transfers	384	-	-	34	738	-	1,786	2,942
Disposals	(197)	-	-	-	-	-	-	(197)
At 31 December	932	5,521	7,651	5,072	17,358	989	2,963	40,486
Depreciation:								
At 1 January	307	-	3,753	4,405	14,218	928	-	23,611
Charge for the year	358	-	254	174	1,011	18	-	1,815
Relating to disposed assets	(197)	-	-	-	-	-	-	(197)
At 31 December	468	-	4,007	4,579	15,229	946	-	25,229
Net Book Value	464	5,521	3,644	493	2,129	43	2,963	15,257

9. INVESTMENT IN REAL ESTATE

	2025 BD'000	2024 BD'000
Land	**9,933**	14,583
Buildings	**3,788**	-
	13,721	14,583

	2025 BD'000	2024 BD'000
Movement on investment in real estate:		
At 1 January	**14,583**	14,725
Acquisition (refer note 7)	**3,946**	-
Disposal*	**(4,942)**	-
Fair value changes	**134**	(142)
At 31 December	**13,721**	14,583

Investment in real estate comprises plots of land and buildings in the Kingdom of Bahrain and the United Arab Emirates.

*During the year ended 31 December 2025, the Group disposed of plots of land with a carrying value of BD 4,942 thousand, for profit of BD 9,742 thousand, recognised in the consolidated statement of income (note 21).

Investment in real estate is stated at fair values, which were determined by external independent property valuers, having the appropriate professional qualification and recent experience of valuing similar properties in the same location using the sales comparison approach. The independent valuers provide the fair value of the Group's investment in real estate every 12 months. Fair value of investment in real estate is categorised as level 2 of the fair value hierarchy.

10. OTHER ASSETS

	2025 BD'000	2024 BD'000
Repossessed assets*	**953**	-
Receivables**	**2,300**	271
Staff advances	**1,598**	1,471
Prepaid expenses	**528**	473
Risk management instruments (10.1)	**430**	2,135
Others***	**5,444**	1,844
	11,253	6,194

*Repossessed assets comprise lands located in Kingdom of Bahrain and are net of impairment allowance of BD 310 thousand (31 December 2024: BD nil thousand).

**Receivables include expected credit losses allowance of BD 205 thousand (31 December 2024: BD 205 thousand).

***Others include amounts such as VAT receivable and profit income receivable from profit rate swaps.

10. OTHER ASSETS (CONTINUED)

10.1. 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:

	2025		2024	
	Assets BD'000	**Liabilities BD'000**	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	**-**	**1,870**	2,135	-
Foreign exchange contracts (Waad) (Other risk management instruments)	**430**	**-**	-	616
At 31 December	**430**	**1,870**	2,135	616

The notional amount of risk management financial instruments held by the Group as at 31 December are provided below:

	2025		2024	
	Assets BD'000	**Liabilities BD'000**	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	**227,988**	**-**	110,595	-
Foreign exchange contracts (Waad) (Other risk management instruments)	**265,574**	**266,190**	46,625	46,009
At 31 December	**493,562**	**266,190**	157,220	46,009

The net hedge ineffectiveness gains / (losses) recognized in the consolidated income statement are as follows:

	2025 BD'000	2024 BD'000
Gains / (Losses) on the hedged items attributable to risk hedged	**1,870**	(2,135)
Gains / (Losses) on the hedging instruments	**(1,870)**	2,135
Net hedge ineffectiveness (loss) / gain	**-**	-

11. FINANCING FROM FINANCIAL INSTITUTIONS

Represents term murabaha facilities of BD 260,125 thousand (2024: BD 175,197 thousand) secured by pledge over Sukuk of BD 196,075 thousand (2024: BD 117,667 thousand) (note 6). The average rate of financing is 4.43% (2024: 4.99%).

12. OTHER LIABILITIES

	2025 BD'000	2024 BD'000
Managers' cheques	**2,118**	2,135
Payable to vendors	**2,581**	2,710
Accrued expenses	**9,319**	7,271
Zakah and charity fund	**545**	1,169
Net Ijarah liability	**401**	444
Other*	**28,332**	24,492
	43,296	38,221

*Others include impairment allowance for commitments and contingent liabilities of BD 1,019 thousand (2024: BD 969 thousand) (refer note 15).

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

	2025 BD'000	2024 BD'000
Type of quasi-equity		
Placements and financing from financial institutions – Wakala	**73,261**	64,892
Placements from non-financial institutions and individuals – Wakala	**603**	1,113
Mudaraba	**751,463**	350,381
	825,327	416,386
Mudaraba-based customer investment accounts		
Balances on demand	**306,504**	314,269
Contractual basis	**444,959**	36,112
	751,463	350,381

13. QUASI-EQUITY (CONTINUED)

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:

	2025 BD'000	2024 BD'000
Asset		
Cash and balances with banks and Central Bank	**45,750**	44,156
Placements with financial institutions	**2,427**	5,505
Financing contracts, net	**566,831**	293,007
Investment securities, net	**210,319**	73,718
	825,327	416,386

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 32,877 thousand of ECL (2024: ECL of BD 17,310 thousand) to the quasi-equity.

During the year, the Bank did not charge any administration expenses to quasi-equity accounts.

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:

	2025			2024		
	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%**	**49%**	**51%**	90%	21%	79%
Savings	**90%**	**98%**	**2%**	90%	98%	2%
Vevo	**90%**	**98%**	**2%**	90%	98%	2%
IQRA	**100%**	**64%**	**36%**	100%	64%	36%
Time deposits	**100%**	**32%**	**68%**	100%	36%	64%

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

	2025 BD'000	**Movement BD'000**	2024 BD'000
Profit equalisation reserve	**611**	**269**	342

13. QUASI-EQUITY (CONTINUED)

13.5 Return on quasi-equity

	2025 BD'000	2024 BD'000
Gross return to quasi-equity	**34,746**	20,954
Group's share as a Mudarib	**(18,052)**	(16,655)
Allocation to profit equalization reserve	**(269)**	(229)
Net return on quasi-equity	**16,425**	4,070

13.6 Distribution of assets by ownership

	2025			2024		
	Self-financed BD'000	**Quasi-equity BD'000**	**Total BD'000**	Self-financed BD'000	Quasi-equity BD'000	Total BD'000
Cash and balances with banks and Central Bank	**27,914**	**45,750**	**73,664**	20,928	44,156	65,084
Placements with financial institutions	**290,702**	**2,427**	**293,129**	151,081	5,505	156,586
Financing contracts	**431,692**	**566,831**	**998,523**	707,656	293,007	1,000,663
Investment in Sukuk	**160,178**	**210,319**	**370,497**	178,041	73,718	251,759
Investment in equity and funds	**19,850**	**-**	**19,850**	20,367	-	20,367
Investment in associates	**7,691**	**-**	**7,691**	11,441	-	11,441
Investment in real estate	**13,721**	**-**	**13,721**	14,583	-	14,583
Property and equipment	**15,948**	**-**	**15,948**	15,257	-	15,257
Other assets	**11,253**	**-**	**11,253**	6,194	-	6,194
	978,949	**825,327**	**1,804,276**	1,125,548	416,386	1,541,934

13. QUASI-EQUITY (CONTINUED)

13.7 Distribution of income

	2025			2024		
	Self-financed BD'000	**Quasi-equity BD'000**	**Total BD'000**	Self-financed BD'000	Quasi-equity BD'000	Total BD'000
INCOME						
Income from financing contracts	**27,503**	**26,121**	**53,624**	36,807	16,443	53,250
Income from placements with financial institutions	**5,412**	**5,140**	**10,552**	4,046	1,808	5,854
Income from investment in Sukuk	**8,463**	**8,037**	**16,500**	10,367	4,631	14,998
Expense on placements from financial institutions	**(3,502)**	**-**	**(3,502)**	(5,910)	-	(5,910)
Expense on placements from non-financial institutions	**(14,491)**	**-**	**(14,491)**	(23,284)	-	(23,284)
Expense on financing from financial institutions	**(10,607)**	**-**	**(10,607)**	(8,802)	-	(8,802)
Net finance income	**12,778**	**39,298**	**52,076**	13,224	22,882	36,106
Fee and commission income, net	**7,772**	**-**	**7,772**	6,072	-	6,072
Income from investment securities	**259**	**-**	**259**	36	-	36
Income from investment in real estate, net	**10,233**	**-**	**10,233**	44	-	44
Share of results of associates, net	**128**	**-**	**128**	109	-	109
Other income, net	**4,020**	**-**	**4,020**	2,446	-	2,446
Total income	**35,190**	**39,298**	**74,488**	21,931	22,882	44,813
EXPENSES						
Staff costs	**14,946**	**-**	**14,946**	13,302	-	13,302
Depreciation and amortization	**1,862**	**-**	**1,862**	1,815	-	1,815
Other expenses	**12,820**	**-**	**12,820**	13,572	-	13,572
Total expenses	**29,628**	**-**	**29,628**	28,689	-	28,689
Profit before impairment allowances and attribution to quasi-equity	**5,562**	**39,298**	**44,860**	(6,758)	22,882	16,124
Impairment allowance and other provisions, net	**(5,077)**	**(4,821)**	**(9,898)**	(4,827)	(2,157)	(6,984)
Group's share as Mudarib and Wakil	**18,052**	**(18,052)**	**-**	16,655	(16,655)	-
ALLOCATED PROFIT	**18,537**	**16,425**	**34,962**	5,070	4,070	9,140

14. OWNERS' EQUITY

a. Share capital

	2025 BD'000	2024 BD'000
i. Authorised		
2,000,000,000 shares (2024: 2,000,000,000 shares) of BD 0.100 each	**200,000**	200,000
ii. Issued and fully paid up		
1,064,058,587 shares (2024: 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, in 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.

Accordingly, Subordinated Mudaraba is recognized as a component of 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.

During the year, BD 1,901 thousand (2024: BD 1,906 thousand) was paid as profit declarations on AT1 securities.

14. OWNERS' EQUITY (CONTINUED)

c. Treasury Shares

	2025		2024	
	Number of Shares	**BD'000**	Number of Shares	BD'000
At 31 December	**4,444,508**	**677**	5,855,358	892

	2025 BD'000
Cost of treasury shares, excluding shares under employee share incentive scheme	**677**
Market value of treasury shares	**356**

The treasury shares as a percentage of total shares in issue is 0.42% (2024: 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 1,854 thousand (2024: BD 507 thousand) to the statutory reserve representing 10% of the profit for the year of BD 18,537 thousand (2024: BD 5,070 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.

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:

		2025		2024	
Names	**Nationality**	**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:

	2025			2024		
	Number of shares	**Number of shareholders**	**% of total outstanding shares**	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	**86,980,934**	**2,735**	**8.17%**	86,303,690	2,680	8.11%
1% and less than 5%	**62,080,604**	**4**	**5.83%**	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	**2,741**	**100.00%**	1,064,058,587	2,686	100.00%

The following is the number of shares, and percentage of shareholding of Shari'a supervisory members and senior management (Assistant General Managers and above who are part of the management committee):

	2025		2024	
	Number of shares	**Percentage of shareholding**	Number of shares	Percentage of shareholding
Shari'a supervisory members	**558,396**	**0.05%**	558,396	0.05%
Senior management	**191,792**	**0.02%**	191,792	0.02%
	750,188	**0.07%**	750,188	0.07%

14. OWNERS' EQUITY (CONTINUED)

f. Proposed appropriations of profits

The Board of Directors propose the appropriation for zakah of BD 638 thousand in 2025 (2024: BD 356 thousand), charitable donations of BD 70 thousand in 2025 (2024: BD 50 thousand) and dividends amounting to BD 5,298 thousand (2024: BD nil) which are subject to regulatory and shareholders' approval at the shareholders' 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 contingent upon their failure to perform under the terms of the contract.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	2025 BD'000	2024 BD'000
Contingent liabilities		
Letters of credit and acceptances	**1,094**	2,550
Guarantees	**31,303**	31,589
	32,397	34,139
Unutilised commitments		
Credit cards	**45,125**	44,266
Altamweel Almaren	**23,862**	26,594
Commitments to finance	**10,865**	8,687
	79,852	79,547
	112,249	113,686

As of 31 December 2025, the impairment allowance related to the credit risk for commitments and contingent liabilities was BD 1,019 thousand (2024: BD 969 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.

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 2025 and 2024.

The classification of the Group's capital in accordance with the regulatory requirements is as follows:

	2025 BD'000	2024 BD'000
CET 1 Capital before regulatory adjustments	**137,037**	126,818
Less: regulatory adjustments	**-**	-
CET 1 Capital after regulatory adjustments	**137,037**	126,818
AT1 Capital	**25,000**	25,000
T 2 Capital adjustments	**8,252**	9,663
Regulatory Capital	**170,289**	161,481

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:

	2025 BD'000	2024 BD'000
Risk weighted exposure:		
Total Credit Risk Weighted Assets	**560,452**	667,432
Total Market Risk Weighted Assets	**291**	287
Total Operational Risk Weighted Assets	**123,128**	125,479
Total Regulatory Risk Weighted Assets	**683,871**	793,198
Investment risk reserve (30% only)	**-**	-
Profit equalization reserve (30% only)	**183**	103
Total Adjusted Risk Weighted Exposures	**683,688**	793,095
Capital Adequacy Ratio	**24.91%**	20.36%
Tier 1 Capital Adequacy Ratio	**23.70%**	19.14%
Minimum requirement	**12.5%**	12.5%

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For the year ended 31 December 2025

17. INCOME FROM FINANCING CONTRACTS

	2025 BD'000	2024 BD'000
Income from Murabaha financing	**32,487**	31,166
Income from Ijarah Muntahia Bittamleek	**16,860**	18,028
Income from Musharaka financing	**4,277**	4,056
	53,624	53,250

18. INCOME FROM INVESTMENT IN SUKUK

	2025 BD'000	2024 BD'000
Profit income	**16,475**	14,989
Gain on sale	**25**	9
	16,500	14,998

19. FEE AND COMMISSION INCOME, NET

	2025 BD'000	2024 BD'000
Fee and commission on financing contracts	**1,591**	710
Fee and commission on letter of credits and guarantees	**294**	460
Fee and commission on cards	**8,688**	7,281
Account service and maintainence charges	**1,898**	1,777
Other fee and commission income	**364**	205
Less: Fee and commission expenses	**(5,063)**	(4,361)
	7,772	6,072

20. INCOME FROM INVESTMENT SECURITIES

	2025 BD'000	2024 BD'000
Gain on sale of investment in securities	**192**	-
Dividend income	**67**	36
	259	36

21. INCOME FROM INVESTMENT IN REAL ESTATE, NET

	2025 BD'000	2024 BD'000
Rental income	**281**	186
Gain on sale (note 9)	**9,742**	-
Impairment charge	**210**	(142)
	10,233	44

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22. OTHER INCOME, NET

	2025 BD'000	2024 BD'000
Recoveries from previously written-off financing	**1,310**	697
Foreign exchange gain	**2,177**	1,536
Others	**533**	213
	4,020	2,446

23. OTHER OPERATING EXPENSES

	2025 BD'000	2024 BD'000
Marketing and advertisement expenses	**1,531**	2,055
Professional services	**2,206**	2,107
Information technology related expenses	**2,316**	2,352
Card Centre expenses	**1,312**	1,304
Premises and equipment expenses	**577**	595
Communication expenses	**1,252**	1,381
Board remuneration	**274**	350
Board of directors sitting fees	**144**	201
Shari'a committee fees & expenses	**74**	77
Others	**3,134**	3,150
	12,820	13,572

24. IMPAIRMENT ALLOWANCE ON FINANCIAL INSTRUMENTS, NET

	2025 BD'000	2024 BD'000
Financing contracts (note 5)	**9,124**	7,299
Investments in Sukuk (note 6)	**78**	(48)
Investments at fair value through other comprehensive income (note 6)	**336**	188
Placements with financial institutions	**-**	(1)
Other assets	**310**	103
Commitments	**50**	(557)
	9,898	6,984

25. 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 has an in-house legal counsel and external legal counsel. 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 2025

26. ZAKAH

The total Zakah payable as of 31 December 2025 amounted to BD 2,888 thousand (2024: BD 2,403 thousand) of which the Bank has BD 775 thousand Zakah payable (2024: BD 356 thousand) based on the statutory reserve, general reserve and retained earning as at 1 January 2025. The Zakah balance amounting to BD 2,123 thousand or 2.0 fils per share (2024: BD 2,046 thousand or 1.9 fils per share) is due and payable by the shareholders.

Sources and uses of Zakah and Charity Fund:

	2025 BD'000	2024 BD'000
Sources of zakah and charity funds		
Undistributed zakah and charity funds at the beginning of the year	**1,169**	927
Non-shariah compliant income / late payment fee	**356**	266
Contributions by the Bank for zakah	**356**	289
Contributions by the Bank for donations	**50**	250
Others	**12**	5
Total sources of zakah and charity funds during the year	**1,943**	1,737
Uses of zakah and charity funds		
Philanthropic societies	**30**	10
Aid to needy families	**547**	440
Others	**821**	118
Total uses of funds during the year	**1,398**	568
Undistributed zakah and charity funds at the end of the year	**545**	1,169

27. 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.

	2025 BD'000	2024 BD'000
Profit for the year attributable to the shareholders of the parent	**18,537**	5,070
Less: Profit distribution on AT 1 Capital	**(1,901)**	(1,906)
Profit for the year attributable to the shareholders of the parent for basic and diluted earnings per share computation	**16,636**	3,164
Weighted average number of shares outstanding during the year, net of treasury shares (thousand)	**1,055,444**	1,054,849
Basic and diluted earnings per share (fils)	**15.76**	3.00

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28. 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 1,901 thousand (2024: BD 1,906 thousand) was paid as profit declarations on AT1 securities.

The significant balances and transactions with related parties at 31 December were as follows:

	2025				
	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	**7,071**	**-**	**-**	**-**	**7,071**
Placements with financial institutions	**29,004**	**-**	**-**	**-**	**29,004**
Financing contracts	**-**	**-**	**2,390**	**987**	**3,377**
Investment in associates	**-**	**7,691**	**-**	**-**	**7,691**
Other assets	**4,963**	**-**	**-**	**680**	**5,643**
Liabilities and quasi-equity					
Placements from financial institutions	**20,016**	**-**	**-**	**-**	**20,016**
Financing from financial institutions	**56,829**	**-**	**-**	**-**	**56,829**
Placements from non-financial institutions and individuals	**-**	**-**	**-**	**-**	**-**
Customers' current accounts	**-**	**78**	**7,624**	**420**	**8,122**
Other liabilities	**14,902**	**-**	**440**	**-**	**15,342**
Qusai-equity	**-**	**-**	**4,286**	**2,816**	**7,102**
Off Balance sheet					
Profit rate swap - notional amount	**227,988**	**-**	**-**	**-**	**227,988**

28. RELATED PARTY TRANSACTIONS (CONTINUED)

	2025				
	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	-	-	116	53	169
Income from placements with financial institutions	631	-	-	-	631
Income from investment in Sukuk	823	-	-	-	823
Share of results of associates, net	-	128	-	-	128
Other income	(4,006)	-	-	-	(4,006)
Profit attributable to quasi-equity	-	-	(31)	(121)	(152)
Expense on placements from financial institutions	(990)	-	-	-	(990)
Expense on financing from financial institutions	(2,693)	-	-	-	(2,693)
Expense on placements from non-financial institutions and individuals	-	-	(18)	(56)	(74)
Expenses					
Other expenses	-	-	(492)	-	(492)
Staff costs	-	-	-	(2,424)	(2,424)

28. 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
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
Qusai-equity	-	-	287	1,240	1,527
Off Balance sheet					
Profit rate swap - notional amount	80,131	-	-	-	80,131

28. 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
Profit attributable to 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)

Compensation of the key management personnel is as follows:

	2025 BD'000	2024 BD'000
Short term employee benefits	**2,209**	1,589
Other long term benefits	**215**	143
	2,424	1,732

Key management personnel includes staff at the grade of assistant general manager or above, part of management committee and other approved persons.

29. FINANCIAL 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 it's 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, specificially in relation to Identifying, measuring, monitoring, and reporting the risks critical to the Bank's operations.

29. FINANCIAL 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 managment in fulfilling its oversight responsibiliites 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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(i) ECL – Significant increase in credit risk (SICR) (continued)

For the Corporate portfollo, 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 Probablllty 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 financed party 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 seNices;

(vi) Volume of exports of goods and seNices;

(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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(ii) Generating the term structure of Probability of Default (PD) (continued)

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 for the performing portfolio). 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 years of 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. The only exceptions are Purchased or Originated Credit Impaired (POCI) assets.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(iii) Determining whether credit risk has increased significantly (continued)

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.

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.

(i) significant financial difficulty of the issuer or the obligor;

(ii) material breach of facility covenants, conditions and contract (subject to management discretion);

(iii) grant to the financed party a concession that the lender would not otherwise consider except for economic or legal reasons relating to the financed party's financial difficulty;

(iv) imminent bankruptcy or other financial reorganization of the financed party;

(v) significant downgrading in credit rating by an external credit rating agency;

(vi) disappearance of an active market because of financial difficulties;

(vii) presence of past due contractual payments of either principal or profit;

(viii) deterioration in the value of security and likelihood of successfully realising it

In general, counterparties with facilities Wfth 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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(v) Incorporation of forward looking information (continued)

ECL. The Group annually sources macro economic forecast data from the International Monetary Fund (IMF) database and Economist intelligence unit (EIU) database for Bahrain.

The scenario probability weightings applied in measuring ECL are based on weights - Base 70%, Improved 15% and Stressed 15%.

The following table compares the ECL (stages 1 and 2) used by the Group against alternative scenarios (Best:Base:Worst) which apply a more conservative weighting to the base case or worst case:

As at 31 December 2025	**Actual mix (15:70:15) BD'000**	**Scenario 1 (10:60:30) BD'000**	**Scenario 2 (10:50:40) BD'000**
Financing contracts (Funded exposure)	**9,067**	**9,790**	**10,205**
Investments and placements with financial institutions	**113**	**114**	**115**
Commitments	**228**	**285**	**313**
	9,408	**10,189**	**10,633**

As at 31 December 2024	Actual mix (15:70:15) BD'000	Scenario 1 (10:60:30) BD'000	Scenario 2 (10:50:40) BD'000
Financing contracts (Funded exposure)	10,062	11,120	11,718
Investments and placements with financial institutions	35	35	35
Commitments	151	176	190
	10,248	11,331	11,943

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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(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. Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

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.

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).

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(vi) Measurement of ECL (continued)

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 financed party'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.

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:

- The 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 financed party'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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 obliger including, but not limited to, assessment of business risks, financial risks and structural risks.

Credit granting primarily depends on the assessment of the obliger'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:

2025	**Properties BD'000**	**Others BD'000**	**Total BD'000**
Financing contracts	**912,924**	**46,429**	**959,353**

2024	Properties BD'000	Others BD'000	Total BD'000
Financing contracts	892,145	53,343	945,488

The fair value of collateral that the Group holds relating to non-performing facilities at 31 December 2025 amounts to BD 72,855 thousand (2024: BD 82,663 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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit Risk (continued)

(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 Group holds collateral against financing contracts to customers in the form of lien over deposits, mortgage over properties and/or shares, and sovereign/bank guarantees.
As at 31 December 2025, financing contracts amounting to BD 459,657 thousand (2024: BD 468,504 thousand) were fully collateralised and financing contracts amounting to BD 168,904 thousand (2024: BD 133,051 thousand) were partly collateralised with a collateral value of BD 91,879 thousand (2024: 87,449 BD thousand).

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit related commitments. The maximum exposure is shown net of provision, before the effect of mitigation through the use of collateral held or other credit enhancements.

	2025 BD'000	2024 BD'000
Balances with banks and Central Bank	**63,122**	54,053
Placements with financial institutions	**293,129**	156,586
Financing contracts	**998,523**	1,000,663
Debt type investment instruments	**370,497**	251,759
	1,725,271	1,463,061
Contingent liabilities and unutilised commitments	**111,230**	112,717

29. FINANCIAL 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 2025 BD'000	31 December 2024 BD'OOO	**31 December 2025 BD'OOO**	31 December 2024 BD'OOO	**31 December 2025 BD'000**	31 December 2024 BD'OOO
Geographical region						
Middle East	**1,788,092**	1,535,532	**1,630,712**	1,393,407	**112,249**	113,686
North America	**8,230**	5,840	**10,074**	917	**-**	**-**
Europe	**7,921**	536	**190**	183	**-**	**-**
Other	**33**	26	**17**	7	**-**	**-**
	1,804,276	1,541,934	**1,640,993**	1,394,514	**112,249**	113,686
Industry sector						
Trading and Manufacturing	**67,793**	106,768	**60,747**	56,889	**11,757**	12,738
Real Estate	**130,093**	115,272	**58,588**	49,896	**28,467**	30,428
Banks and Financial Institutions	**125,363**	115,827	**497,549**	327,364	**12,695**	13,282
Personal / Consumer Finance	**642,156**	636,953	**715,951**	689,167	**45,435**	44,372
Governmental Organizations	**768,354**	496,320	**112,795**	118,121	**5,900**	2,881
Others	**70,517**	70,794	**195,363**	153,077	**7,995**	9,985
	1,804,276	1,541,934	**1,640,993**	1,394,514	**112,249**	113,686

29. FINANCIAL 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 2025			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Financing contracts (Funded exposure)				
Low risks (grades 1-3)	181,027	577	-	181,604
Acceptable risks (grades 4-6)	119,847	35,337	-	155,184
Watch list (grade 7)	-	1,403	-	1,403
Non performing (grades 8-10)	-	-	66,880	66,880
Unrated	629,940	8,808	-	638,748
Gross exposure	930,814	46,125	66,880	1,043,819
Less: ECL	(5,201)	(3,867)	(36,228)	(45,296)
Financing contracts carrying amount	925,613	42,258	30,652	998,523
Investment in Sukuk				
Low risks (grades 1-3)	-	-	-	-
Acceptable risks (grades 4-6)	370,609	-	-	370,609
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	12,509	12,509
Gross exposure	370,609	-	12,509	383,118
Less: ECL	(112)	-	(12,509)	(12,621)
Investment in Sukuk carrying amount	370,497	-	-	370,497
Placements with financial institutions				
Low risks (grades 1-3)	-	-	-	-
Acceptable risks (grades 4-6)	293,130	-	-	293,130
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	-	-
Gross exposure	293,130	-	-	293,130
Less: ECL	(1)	-	-	(1)
Placements with financial institutions carrying amount	293,129	-	-	293,129

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Credit Risk (continued)

(xi) Credit quality of exposures subject to credit risk (continued)

i) The following table sets out information about the credit quality of exposures subject to credit risk, unless specifically indicated (continued):

	31 December 2025			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Balances with Banks				
Low risks (grades 1-3)	4,976	-	-	4,976
Acceptable risks (grades 4-6)	12,626	-	-	12,626
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	-	-
Gross exposure	**17,602**	**-**	**-**	**17,602**
Less: ECL	-	-	-	-
Balances with Banks carrying amount	**17,602**	**-**	**-**	**17,602**
Other Receivables				
Low risks (grades 1-3)	-	-	-	-
Acceptable risks (grades 4-6)	-	-	-	-
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	205	205
Gross exposure	**-**	**-**	**205**	**205**
Less: ECL	-	-	(205)	(205)
Other Receivables carrying amount	**-**	**-**	**-**	**-**
Total funded exposures subject to credit risk carrying amount	**1,606,841**	**42,258**	**30,652**	**1,679,751**
Commitments				
Low risks (grades 1-3)	20,174	697	-	20,871
Acceptable risks (grades 4-6)	14,717	4,564	-	19,281
Watch list (grade 7)	517	-	-	517
Non performing (grades 8-10)	-	-	959	959
Unrated	1,634	-	-	1,634
Gross exposure	**37,042**	**5,261**	**959**	**43,262**
Less: ECL	(161)	(67)	(791)	(1,019)
Commitments carrying amount	**36,881**	**5,194**	**168**	**42,243**

*This includes BD 9,421 thousand of gross on-balance sheet exposures in the cooling off period.
Unrated includes mainly consumer financing contracts and other facilities/ commitments that are not assigned any ratings at inception.

29. FINANCIAL 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 2025			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
At 1 January 2025	5,601	4,647	50,042	60,290
Transfer to Stage 1	579	(233)	(346)	-
Transfer to Stage 2	(55)	96	(41)	-
Transfer to Stage 3	(22)	(1,115)	1,137	-
Net movement between stages	502	(1,252)	750	-
Charge for the year (net)	(628)	539	9,341	9,252
Write-off	-	-	(10,402)	(10,402)
Foreign exchange movement	-	-	2	2
At 31 December 2025	5,475	3,934	49,733	59,142

29. FINANCIAL 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 2024			
	Stage 1	Stage 2	Stage 3*	Total
	BD'000	BD'000	BD'000	BD'000
Financing contracts (Funded exposure)				
Low risks (grades 1-3)	177,734	6,873	-	184,607
Acceptable risks (grades 4-6)	101,956	43,464	-	145,420
Watch list (grade 7)	7	2,571	-	2,578
Non performing (grades 8-10)	-	-	72,791	72,791
Unrated	634,070	7,771	-	641,841
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 (grades 1-3)	-	-	-	-
Acceptable risks (grades 4-6)	251,793	-	-	251,793
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	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 (grades 1-3)	14,641	-	-	14,641
Acceptable risks (grades 4-6)	124,998	-	-	124,998
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	-	-
Unrated	16,948	-	-	16,948
Gross exposure	156,587	-	-	156,587
Less: ECL	(1)	-	-	(1)
Placements with financial institutions carrying amount	156,586	-	-	156,586

29. FINANCIAL 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 (continued):

	31 December 2024			
	Stage 1 BD'000	Stage 2 BD'000	Stage 3* BD'000	Total BD'000
Balances with Banks				
Low risks (grades 1-3)	3,778	-	-	3,778
Acceptable risks (grades 4-6)	6,270	-	-	6,270
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	-	-
Gross exposure	10,048	-	-	10,048
Less: ECL	-	-	-	-
Balances with Banks carrying amount	10,048	-	-	10,048
Other Receivables				
Low risks (grades 1-3)	-	-	-	-
Acceptable risks (grades 4-6)	-	-	-	-
Watch list (grade 7)	-	-	-	-
Non performing (grades 8-10)	-	-	205	205
Gross exposure	-	-	205	205
Less: ECL	-	-	(205)	(205)
Other Receivables carrying amount	-	-	-	-
Total funded exposures subject to credit risk carrying amount	1,326,722	56,055	36,279	1,419,056
Commitments				
Low risks (grades 1-3)	14,425	330	-	14,755
Acceptable risks (grades 4-6)	19,645	4,100	-	23,745
Watch list (grade 7)	522	-	-	522
Non performing (grades 8-10)	-	-	1,047	1,047
Unrated	2,757	-	-	2,757
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.

Unrated includes mainly consumer financing contracts and other facilities/ commitments that are not assigned any ratings at inception.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Credit Risk (continued)

(xi) Credit quality of exposures subject to credit risk (continued)

iv) 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

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.

29. FINANCIAL 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 2025 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	28,143	-	-	-	-	-	45,521	73,664
Placements with financial institutions	293,129	-	-	-	-	-	-	293,129
Financing contracts	24,067	41,160	56,297	84,415	232,500	560,084	-	998,523
Investment securities	-	-	-	30,644	56,008	283,845	19,850	390,347
Investment in associates	-	-	-	-	-	-	7,691	7,691
Investment in real estate	-	-	-	-	-	-	13,721	13,721
Property and equipment	-	-	-	-	-	-	15,948	15,948
Other assets	92	1,163	6,670	330	460	1,585	953	11,253
Total assets	345,431	42,323	62,967	115,389	288,968	845,514	103,684	1,804,276
LIABILITIES AND QUASI-EQUITY								
Placements from financial institutions	60,168	20,936	-	-	9,491	-	-	90,595
Placements from non-financial institutions and individuals	86,558	50,956	23,957	5,583	-	-	-	167,054
Financing from financial institutions	29,351	142,782	27,479	22,654	37,859	-	-	260,125
Customers' current accounts	254,596	-	-	-	-	-	-	254,596
Other liabilities	43,296	-	-	-	-	-	-	43,296
Quasi-equity	470,143	180,803	91,349	71,633	10,788	611	-	825,327
Total liabilities and quasi-equity	944,112	395,477	142,785	99,870	58,138	611	-	1,640,993
Liquidity gap	(598,681)	(353,154)	(79,818)	15,519	230,830	844,903	103,684	163,283
Cumulative liquidity gap	(598,681)	(951,835)	(1,031,653)	(1,016,134)	(785,304)	59,599	163,283	-

29. FINANCIAL 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 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
Investments 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	-	-	-	-	-	-	15,257	15,257
Other assets	79	625	4,154	326	567	443	-	6,194
Total assets	217,860	75,718	54,541	95,712	288,857	703,593	105,653	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)	(98,422)	(48,510)	196,980	703,251	105,653	147,420
Cumulative liquidity gap	(604,772)	(711,532)	(809,954)	(858,464)	(661,484)	41,767	147,420	-

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Liquidity Risk (continued)

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 2025 is 396% (2024: 226%).

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 2025, the Group had NSFR ratio of 117% (2024: 113%).

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2025 is calculated as follows:

	Unweighted Values (before applying factors)				BD'000
Item	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	162,036	-	-	10,654	172,691
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	268,388	5,494	11	260,199
Less stable deposits	-	410,480	43,330	10,777	419,206
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	756,540	64,207	38,469	212,020
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	1,870	-	-	-	-
All other liabilities not included in the above categories	-	41,198	-	-	-
Total ASF	163,906	1,476,606	113,031	59,911	1,064,116

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2025 is calculated as follows:

	Unweighted Values (before applying factors)				BD'000
Item	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)	**426,901**	**-**	**-**	**-**	**18,530**
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	**-**	**58,187**	**-**	**-**	**8,728**
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	**-**	**356,038**	**76,327**	**789,817**	**766,777**
- 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	**-**	**-**	**-**	**-**	**-**
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	**-**	**-**	**-**	**-**	**-**
All other assets not included in the above categories	**99,115**	**-**	**-**	**7,071**	**106,186**
OBS items	**112,249**	**-**	**-**	**-**	**5,612**
Total RSF	**638,265**	**414,225**	**76,327**	**796,888**	**905,833**
NSFR (%)					**117.5%**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

	Unweighted Values (before applying factors)				BD'000
Item	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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Liquidity Risk (continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

	Unweighted Values (before applying factors)				BD'000
Item	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%

29. FINANCIAL 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 in line 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.

The following table summarises the profit rate gap position as of 31 December 2025:

	Up to 3 months BD'000	3 to 6 months BD'000	6 -12 months BD'000	1 to 3 years BD'000	Over 3 years BD'000	Total BD'000
ASSETS						
Placements with financial institutions	293,129	-	-	-	-	293,129
Financing contracts	65,227	56,297	84,415	232,500	560,084	998,523
Investment in Sukuk	-	-	30,644	56,008	283,845	370,497
Other assets*	-	3,952	-	-	-	3,952
Total profit rate sensitive assets	358,356	60,249	115,059	288,508	843,929	1,666,101
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions**	81,104	-	-	9,491	-	90,595
Placements from non-financial institutions and individuals	137,514	23,957	5,583	-	-	167,054
Financing from financial institutions	172,134	27,478	22,654	37,859	-	260,125
Quasi-equity***	650,946	91,349	71,633	10,788	611	825,327
Other liabilities****	6,072	-	-	-	-	6,072
Total profit rate sensitive liabilities and quasi-equity	1,047,770	142,784	99,870	58,138	611	1,349,173
On-balance sheet profit rate gap	(689,414)	(82,535)	15,189	230,370	843,318	316,928
Off-balance sheet exposures	61,529	10,510	9,996	28,524	1,690	112,249
Total profit rate gap	(627,885)	(72,025)	25,185	258,894	845,008	429,177

* 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 9,367 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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

g. Market Risk (continued)

(i) Profit rate risk (continued)

The followlng 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 2025:

	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:	**14,231**	**(17,029)**	**(2,799)**
Downward rate shocks:	**(14,231)**	**17,029**	**2,799**

The following table summarises the profit rate gap position as of 31 December 2024:

	Up to 3 months BD'000	3 to 6 months BD'000	6 -12 months BD'000	1 to 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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

g. Market Risk (continued)

(i) Profit rate risk (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

(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 19,850 thousands (2024: BD 20,367 thousands). 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) 2025 BD'000	Equivalent long (short) 2024 BD'000
Currency		
Pound Sterling	**221**	53
Euro	**23**	162
Kuwaiti Dinars	**15**	44

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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

g. Market Risk (continued)

(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.

30. 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 currentaccounts, 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

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.

30. SEGMENTAL INFORMATION (CONTINUED)

Segment information is disclosed as follows:

	31 December 2025			
	Corporate	**Retail**	**Investment**	**Total**
	BD'000	**BD'000**	**BD'000**	**BD'000**
Total income	**3,379**	**24,675**	**30,009**	**58,063**
Total expenses	**(5,853)**	**(20,819}**	**(2,956)**	**(29,628)**
Provision for impairment	**(5,697)**	**(3,476)**	**(725)**	**(9,898)**
Profit / (Loss) for the year	**(8,171)**	**380**	**26,328**	**18,537**
Other information				
Segment assets	**355,875**	**715,776**	**732,625**	**1,804,276**
Segment liabilities and equity	**533,706**	**779,721**	**490,849**	**1,804,276**

	31 December 2024			
	Corporate	Retail	Investment	Total
	BD'000	BD'000	BD'000	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

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

31. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Accounting classification:

	Carrying amount as at 31 December 2025			
	At fair value through statement of income	At fair value through other comprehensive income	At amortised cost	Total
	BD'000	BD'000	BD'000	BD'000
ASSETS				
Cash and balances with banks and Central Bank	-	-	73,664	73,664
Placements with financial institutions	-	-	293,129	293,129
Financing contracts	-	-	998,523	998,523
Investment securities	436	19,414	370,497	390,347
Other assets	-	-	11,253	11,253
TOTAL ASSETS	436	19,414	1,747,066	1,766,916
LIABILITIES				
Placements from financial institutions	-	-	90,595	90,595
Placements from non-financial institutions and individuals	-	-	167,054	167,054
Financing from financial institutions	-	-	260,125	260,125
Customers' current accounts	-	-	254,596	254,596
Other liabilities	1,870	-	41,426	43,296
TOTAL LIABILITIES	1,870	-	813,796	815,666

31. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a. Accounting classification (continued)

	Carrying amount as at 31 December 2024			
	At fair value through statement of income	At fair value through other comprehensive income	At amortised cost	Total
	BD'000	BD'000	BD'000	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	-	4,059	6,194
TOTAL ASSETS	2,571	19,931	1,478,151	1,500,653
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

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.

31. 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 19,850 thousand (2024: BD 20,367 thousand) are treated as Level 3 investments. During the year, fair value movement of BD 336 thousand (2024: BD 188 thousand) was charged to statement of income and BD 290 thousand fair value loss (2024: BD 69 thousand fair value gain) 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 sensitivity of the fair value as a result of changes to unobservable inputs is not assessed as significant.

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:

2025	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Investment securities				
Unquoted shares	-	-	19,414	19,414
Unquoted managed funds	-	-	436	436
Other Liabilities				
Risk management instruments	-	1,870	-	1,870
	-	1,870	19,850	21,720

31. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b. Fair value (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December (continued):

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

Transfers between Level 1, Level 2 and Level 3

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

32. 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.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. 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.

35. DOMESTIC MINIMUM TOP-UP TAX (DMTT)

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.

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.

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.

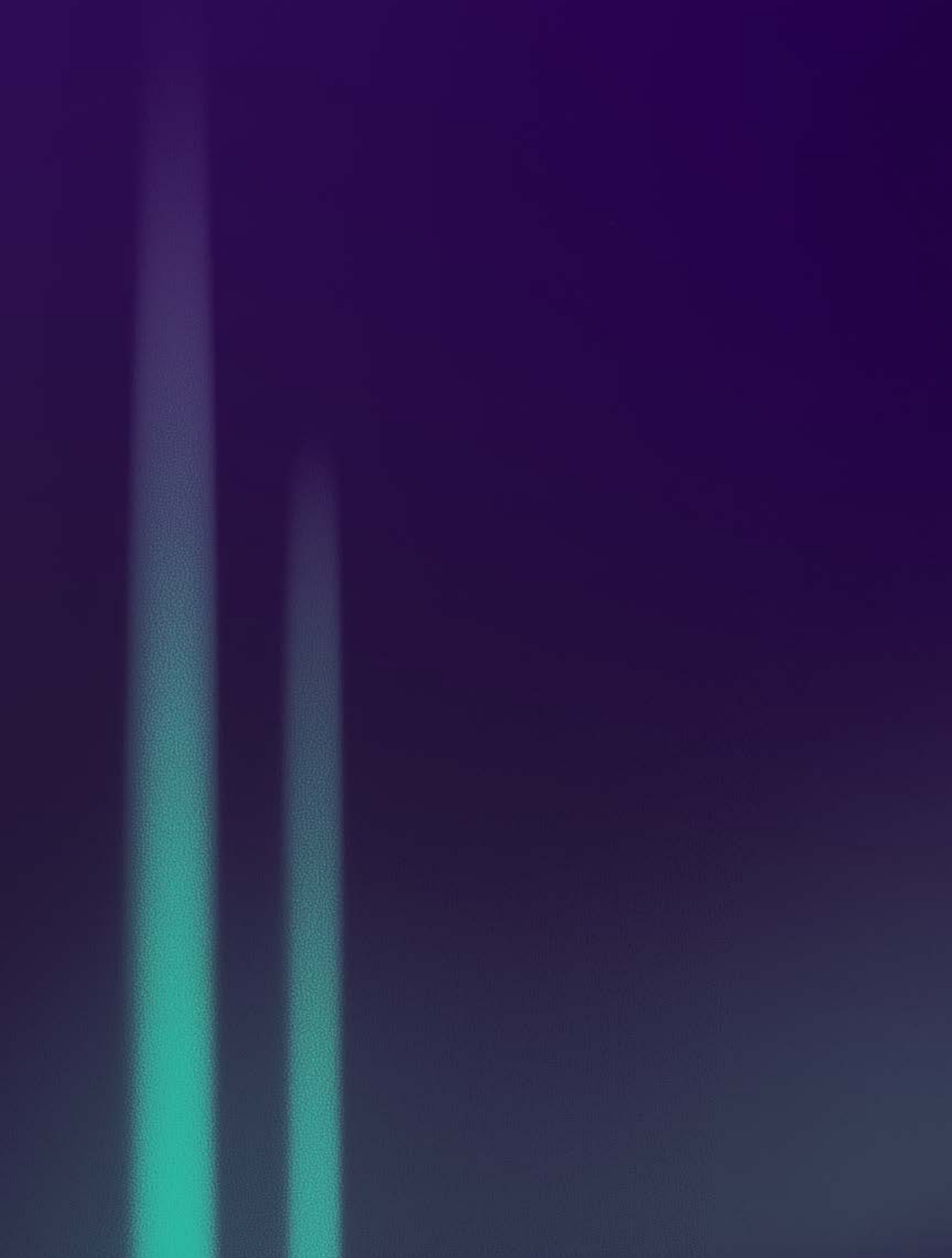
36. COMPARATIVE FIGURES

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 2025

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 2025 BD'000	Statement of Financial position as per Regulatory Reporting 31 December 2025 BD'000	Reference
ASSETS			
Cash and balances with banks and Central Bank	**73,664**	**73,664**	
Gross placements with financial institutions	293,130	293,130	
Less: Expected credit loss (stage 3)	-	-	
Less: Expected credit loss (stage 1 and stage 2)	(1)	-	
Net placements with financial institutions	**293,129**	**293,130**	
Gross financing contracts	1,043,819	1,043,819	
Less: Expected credit loss (stage 3)	(36,228)	(36,228)	
Less: Expected credit loss (stage 1 and stage 2)	(9,068)	-	
Net financing contracts	**998,523**	**1,007,591**	
Gross investment securities	417,660	417,660	
Less: Expected credit loss (stage 3)	(27,201)	(27,201)	
Less: Expected credit loss (stage 1 and stage 2)	(112)	-	
Net investment securities	**390,347**	**390,459**	
Investment in associates	**7,691**	**7,691**	
Investment in real estate	**13,721**	**13,721**	
Property and equipment	**15,948**	**15,948**	
Other assets	**11,253**	**11,253**	
TOTAL ASSETS	**1,804,276**	**1,813,457**	

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

Table – 1. Statement of Financial Position (PD- 1.3.14) (continued)

	Statement of Financial position as per published financial statements 31 December 2025 BD'000	Statement of Financial position as per Regulatory Reporting 31 December 2025 BD'000	Reference
LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions	**90,595**	**90,595**	
Placements from non-financial institutions and individuals	**167,054**	**167,054**	
Financing from financial institutions	**260,125**	**260,125**	
Customers' current accounts	**254,596**	**254,596**	
Other liabilities	**43,296**	**43,068**	
of which: Expected credit loss - Off balance sheet exposures (stage 3)	791	791	
of which: Expected credit loss - Off balance sheet exposures (stage 1 and stage 2)	228	-	
of which: Other liabilities	42,277	42,277	
TOTAL LIABILITIES	**815,666**	**815,438**	
QUASI EQUITY			
Financial institutions	73,261	73,261	
Non-financial institutions and individuals	752,066	752,066	
TOTAL QUASI-EQUITY	**825,327**	**825,327**	

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025 BD'000	Statement of Financial position as per Regulatory Reporting 31 December 2025 BD'000	Reference
OWNERS' EQUITY			
Share capital	**106,406**	**106,406**	**a**
Treasury shares	**(677)**	**(677)**	**b**
Shares under employee share incentive scheme	**(245)**	**(245)**	**c**
Share premium	**132**	**132**	**d**
Statutory reserve	**10,081**	**10,081**	**e**
Real estate fair value reserve	**1,246**	**1,246**	**f**
Investment securities fair value reserve	**1,362**	**1,362**	**g**
Expected credit loss	-	**9,409**	**h**
of which: amount eligible for Tier 2 capital subject to a maximum of 1.25% of credit risk weighted assets	-	7,006	**i**
of which: amount ineligible for Tier 2 capital	-	2,403	**j**
Profit for the year	**18,537**	**18,537**	**k**
Retained earnings brought forward	**1,441**	**1,441**	**l**
of which: Retained earnings as of 1 January 2025	5,602	5,602	
of which: Zakah and donations approved	(406)	(406)	
of which: Profit distribution on AT1 Capital	(1,901)	(1,901)	
of which: Transfer to statutory reserve	(1,854)	(1,854)	
Equity attributable to Bank's shareholders	**138,283**	**147,692**	
Subordinated Mudaraba (AT1)	**25,000**	**25,000**	**m**
TOTAL OWNERS' EQUITY	**163,283**	**172,692**	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	**1,804,276**	**1,813,457**	

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 2025

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 2025 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**
Statutory reserves	**10,081**	**-**	**e**
Share premium	**132**	**-**	**d**
Retained earnings brought forward	**1,441**	**-**	**l**
COVID-19 concessionary measures adjustments*:			
Modification loss and Government subsidy, net	**12,897**		
Aggregate ECL provision relating to stage 1 and 2	**4,258**		
Less: amortization of modification loss and government subsidy	**(17,155)**		
Current year profits	**18,537**		**k**
Unrealized gains and losses on available for sale financial instruments	**1,362**	**-**	**g**
Less:			
Employee stock incentive program funded by the bank (outstanding)	**245**	**-**	**c**
Treasury shares	**677**	**-**	**b**
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1)	**137,037**	**-**	
Instruments issued by parent company (AT1 Subordinated Mudaraba)		**25,000**	**m**
Assets revaluation reserve - property, plant, and equipment		**1,246**	**f**
Expected credit loss (ECL) - stages 1 & 2		**7,006**	**i**
Total Available AT1 & T2 Capital		**33,252**	
Total Capital		**170,289**	

*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 2025, out of the modification loss of BD 17,155, an amount BD 17,155 thousand representing modification loss net of government subsidy was deducted from CET1.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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	**560,452**
Total Market Risk Weighted Assets	**291**
Total Operational Risk Weighted Assets	**123,128**
Total Regulatory Risk Weighted Assets	**683,871**
Investment risk reserve (30% only)	**-**
Profit equalization reserve (30% only)	**183**
Total Adjusted Risk Weighted Exposures	**683,688**
TOTAL CAPITAL ADEQUACY RATIO	**24.91%**
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 2025, an amount of BD 1,901 thousand (2024: BD 1,906 thousand) were paid to AT1 holders as profit distributions.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

3. CAPITAL ADEQUACY (CONTINUED)

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 2025 subject to standardised approach of credit risk and related capital requirements by type of Islamic financing contracts:

	Exposure			Risk Weighted Assets*			Capital Requirements		
Credit Risk Weighted Assets	**Self-Financed 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**
Funded									
Cash and balances with banks and Central Bank	27,913	45,751	73,664	12,223	-	12,223	1,528	-	1,528
Murabaha and Wakala receivables - interbank	290,703	2,427	293,130	18,840	47	18,887	2,355	6	2,361
Murabaha receivables*	267,369	351,068	618,437	170,310	67,087	237,397	21,289	8,386	29,675
Musharaka receivables*	38,624	50,714	89,338	31,674	12,477	44,151	3,959	1,560	5,519
Investment in Sukuk	160,226	210,383	370,609	-	-	-	-	-	-
Investment in equity and funds	19,850	-	19,850	70,660	-	70,660	8,833	-	8,833
Ijarah Muntahia Bittamleek*	129,620	170,196	299,816	55,740	21,957	77,697	6,968	2,745	9,713
Investment in associates	7,691	-	7,691	17,714	-	17,714	2,214	-	2,214
Investment in real estate	13,721	-	13,721	27,442	-	27,442	3,430	-	3,430
Property and equipment	15,948	-	15,948	15,948	-	15,948	1,994	-	1,994
Other assets	11,253	-	11,253	12,207	-	12,207	1,526	-	1,526
	982,918	830,539	1,813,457	432,758	101,568	534,326	54,096	12,697	66,793
Unfunded									
Commitments and contingent liabilities	112,249	-	112,249	26,126	-	26,126	3,266	-	3,266
Total Credit Risk Weighted Assets	1,095,167 (1)	830,539 (2)	1,925,706	458,884	101,568	560,452	57,362	12,697	70,059
Total Market Risk Weighted Assets				291	-	291	36	-	36
Total Operational Risk Weighted Assets				123,128	-	123,128	15,391	-	15,391
Total Risk Weighted Assets				582,303	101,568	683,871	72,789	12,697	85,486

* The risk weighted assets for funded exposures are net of credit risk mitigant of BD 27,345 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 4,198 thousand and net of expected credit loss Stage 3 of BD 22,377 thousand.

(2) The exposure is gross of expected credit loss Stages 1 & 2 of BD 5,212 thousand and net of expected credit loss Stage 3 of BD 27,667 thousand.

(3) For assets funded through quasi-equity only 30% of exposure is considered. (CA-1.1.12)

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

3. CAPITAL ADEQUACY (CONTINUED)

Table – 4. Capital requirements for market risk (PD-1.3.18)

The following table summarises the amount of exposures as of 31 December 2025 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)	**291**
Total Market Risk Exposures (BD'000)	**291**
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 2025 subject to basic indicator approach of operational risk and related capital requirements:

Indicators of operational risk	
Average Gross income (BD'000)	**65,668**
Multiplier	**12.5**
	820,850
Eligible Portion for the purpose of the calculation	**15%**
Total Operational Risk Exposure (BD'000)	**123,128**
Total Operational Risk Exposures - Capital Requirement (BD'000)	**15,391**

Table – 6. Capital Adequacy Ratios (PD-1.3.20)

The following are Capital Adequacy Ratios as of 31 December 2025 for total capital and CET 1 capital:

	Total capital ratio	T1 Capital ratio	CET 1 capital ratio
Top consolidated level	**24.91%**	**23.70%**	**20.04%**

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

3. CAPITAL ADEQUACY (CONTINUED)

Internal Capacity 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 2025.

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 it's 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 Commitee 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.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

4. RISK MANAGEMENT (CONTINUED)

4.2 Strategies, Processes and Internal Controls (continued)

4.2.1 Group's Risk Strategy (continued)

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.

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 2025, 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.

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.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

4. RISK MANAGEMENT (CONTINUED)

4.2 Strategies, Processes, and Internal Controls (continued)

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.

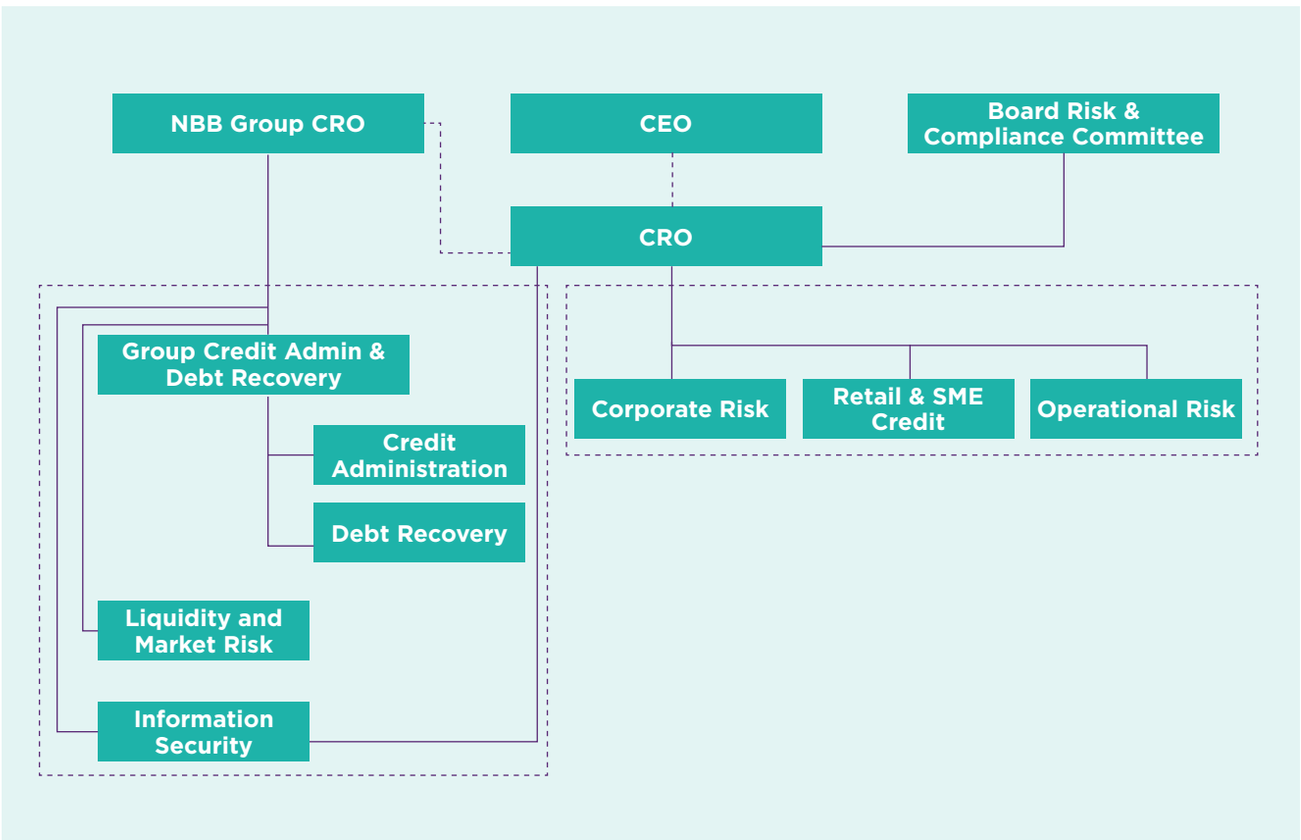
The Group manages its Displaced Commercial Risk by placing gap limits between the returns paid to investors and market returns.

The Group manages its DCR as outlined in the Group's Profit Distribution On Quasi-Equity 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.

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:



RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

4. RISK MANAGEMENT (CONTINUED)

4.3 Structure and Organisation of Risk Management Function (continued)

The Board of Directors 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.

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 whereever 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 assesed 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. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

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:

i) 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.

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.

ii) 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.

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.3 Credit impaired exposures (continued)

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.

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.

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.3 Credit impaired exposures (continued)

Measurement of ECL (continued)

Debt type instruments Portfolio, FI exposure, 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.

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. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

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 financed party 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 Policy.

Financing to value percentage of securities and list of acceptable securities to the bank are governed through Board approved policies.

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 financed party'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.

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 (continued)

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 valuators. 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.

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. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

4.5.7 Credit risk mitigation (continued)

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 2025

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 audited consolidated financial statements for the year ended 31 Decermber 2025. All related party transactions have been made on commercial terms.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025 and average gross funded and unfunded exposures over the year ended 31 December 2025:

	Total gross credit exposure BD'000	*Average gross credit exposure over the year BD'000
Funded		
Cash and balances with banks and Central Bank	**73,664**	**71,531**
Placements with financial institutions	**293,129**	**223,613**
Financing contracts	**998,523**	**991,522**
Investment in Sukuk	**370,497**	**300,575**
Investment in equity and funds	**19,850**	**20,833**
Investment in associates	**7,691**	**9,585**
Investment in real estate	**13,721**	**11,565**
Property and equipment	**15,948**	**15,297**
Other assets	**11,253**	**12,880**
Total	**1,804,276**	**1,657,401**
Unfunded		
Commitments and contingent liabilities	**112,249**	**106,390**
Total	**1,916,525**	**1,763,791**

*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 2025, 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	**8,223**	**393**	**65,015**	**33**	**73,664**
Placements with financial institutions	**-**	**-**	**293,129**	**-**	**293,129**
Financing contracts	**-**	**7,528**	**990,995**	**-**	**998,523**
Investment in Sukuk	**-**	**-**	**370,497**	**-**	**370,497**
Investment in equity and funds	**-**	**-**	**19,850**	**-**	**19,850**
Investment in associates	**-**	**-**	**7,691**	**-**	**7,691**
Investment in real estate	**-**	**-**	**13,721**	**-**	**13,721**
Property and equipment	**-**	**-**	**15,948**	**-**	**15,948**
Other assets	**7**	**-**	**11,246**	**-**	**11,253**
Total	**8,230**	**7,921**	**1,788,092**	**33**	**1,804,276**
Unfunded					
Commitments and contingent liabilities	**-**	**-**	**112,249**	**-**	**112,249**
Total	**8,230**	**7,921**	**1,900,341**	**33**	**1,916,525**

*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 2025

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 2025 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	-	27,914	-	-	45,750	-	73,664
Placements with financial institutions	-	51,248	-	-	241,881	-	293,129
Financing contracts	67,793	33,525	96,035	640,238	110,226	50,706	998,523
Investment in Sukuk	-	-	-	-	370,497	-	370,497
Investment in equity and funds	-	2,151	16,354	-	-	1,345	19,850
Investment in associates	-	4,661	3,030	-	-	-	7,691
Investment in real estate	-	-	13,721	-	-	-	13,721
Property and equipment	-	-	-	-	-	15,948	15,948
Other assets	-	5,865	953	1,917	-	2,518	11,253
Total	67,793	125,364	130,093	642,155	768,354	70,517	1,804,276
Unfunded							
Commitments and contingent liabilities	11,757	12,695	28,467	45,435	5,900	7,995	112,249
Total	79,550	138,059	158,560	687,590	774,254	78,512	1,916,525

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 2025:

	Gross BD'000	Stage 3 ECL BD'000	Net* BD'000
Counterparties			
Counterparty # 1	**7,217**	**1,804**	**5,413**
Counterparty # 2	**4,973**	**-**	**4,973**
Counterparty # 3	**3,483**	**2,713**	**770**
Counterparty # 4	**3,303**	**1,156**	**2,147**
Counterparty # 5	**3,200**	**-**	**3,200**
	22,176	**5,673**	**16,503**

*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 2025:

	Gross BD'000	Stage 3 ECL BD'000	Net** BD'000
Counterparties			
Counterparty # 1*	**339,734**	**-**	**339,734**
Counterparty # 2*	**287,630**	**-**	**287,630**
Counterparty # 3*	**49,863**	**-**	**49,863**
Counterparty # 4*	**41,038**	**-**	**41,038**
Counterparty # 5*	**35,766**	**-**	**35,766**
	754,031	**-**	**754,031**

*Represents exempted large exposures.

**Gross of expected credit loss stage 1 and 2 of BD 132 thousand.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025. 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	28,143	-	-	-	-	-	-	-	-	45,521	73,664
Placements with financial institutions	293,129	-	-	-	-	-	-	-	-	-	293,129
Financing contracts	24,067	41,160	56,297	84,415	232,500	213,400	189,214	133,180	24,290	-	998,523
Investment in Sukuk	-	-	-	30,644	56,008	113,519	170,326	-	-	-	370,497
Investment in equity and funds	-	-	-	-	-	-	-	-	-	19,850	19,850
Investment in associates	-	-	-	-	-	-	-	-	-	7,691	7,691
Investment in real estate	-	-	-	-	-	-	-	-	-	13,721	13,721
Property and equipment	-	-	-	-	-	-	-	-	-	15,948	15,948
Other assets	92	1,163	6,670	330	460	1,585	-	-	-	953	11,253
Total Assets	345,431	42,323	62,967	115,389	288,968	328,504	359,540	133,180	24,290	103,684	1,804,276

Table – 13. Credit Risk – Credit Impaired Exposures, Past Due Exposures, and Impariment 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 2025:

		Aging of credit impaired or past due Islamic financing contracts				Stage 3 ECL				Stage 1 & 2 ECL		
	Credit impaired or past due Islamic financing contracts* BD'000	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 the end of year BD'000	Balance at the beginning of the year BD'000	Charge for the year (net)** BD'000	Balance at the the end of year BD'000
Assets												
Trading and Manufacturing	27,890	13,396	3,924	5,617	4,953	14,377	2,873	2,467	14,783	2,016	(423)	1,593
Real Estate	36,498	14,894	9,511	11,757	336	8,530	3,003	169	11,364	3,798	(830)	2,968
Banks and Financial Institutions	-	-	-	-	-	-	-	-	-	268	(241)	27
Personal / Consumer Finance	43,479	34,489	4,913	3,021	1,056	10,293	2,838	7,569	5,562	2,205	1,099	3,304
Others	52,689	44,822	4,364	3,503	-	3,312	1,404	197	4,519	1,775	(599)	1,176
Total	160,556	107,601	22,712	23,898	6,345	36,512	10,118	10,402	36,228	10,062	(994)	9,068

*Gross of expected credit loss of BD 38,694 thousand.
**Net of transfers between stages.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

4. RISK MANAGEMENT (CONTINUED)

4.5 Credit Risk (continued)

Table – 14. Credit Risk – Credit Impaired Exposures, Past Due Exposures, and Impariment 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 2025:

	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	160,556	36,228	9,068

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 year as of 31 December 2025:

	Gross Outstanding BD'000	Stage 3 ECL BD'000	Net BD'000
Total Islamic financing [1]	1,043,819	36,228	1,007,591
Restructured financing facilities* [2]	11,979	2,464	9,515
Percentage	1.15%	6.80%	0.94%

*Excludes facilities restructured during the year amounting to BD 13,265 thousand which are past due as of 31 December 2025. 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 9,068 thousand.
[2] Gross of expected credit loss Stage 2 of BD 1,135 thousand.

Table – 16. Credit Risk Mitigation (PD-1.3.25 (b) and (c))

The following table summarises the exposure as of 31 December 2025 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	132	99,964
Ijarah Muntahia Bittamleek	-	17,083
Total	132	117,047

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025:

	Financing assets BD'000	Ijarah Muntahia Bittamleek BD'000	Total BD'000
Exposures:			
Secured*	**100,096**	**17,083**	**117,179**
Unsecured*	**600,845**	**280,499**	**881,344**
Total	**700,941**	**297,582**	**998,523**
Collateral held:			
-Cash	**13,573**	**183**	**13,756**
-Guarantees	**4,741**	**-**	**4,741**
-Real Estate**	**2,282**	**10,371**	**12,653**
Total	**20,596**	**10,554**	**31,150**
Collateral as a percentage of secured exposure	**20.58%**	**61.78%**	**26.58%**

* 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 statements for the year ended 31 December 2025.

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 2025, 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.

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.

4. RISK MANAGEMENT (CONTINUED)

4.6 Market Risk (continued)

4.6.4 Market risk measurement methodology (continued)

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.

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. RISK MANAGEMENT (CONTINUED)

4.6 Market Risk (continued)

4.6.11 Foreign subsidiary

The Group does not have any foreign subsidiary.

Table – 18. Market Risk Capital Requirements (PD-1.3.27 (b))

	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.

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. RISK MANAGEMENT (CONTINUED)

4.7 Operational Risk (continued)

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.

The group has a legal department dedicated to monitor any legal risk arising out of contracts / agreements entered into by the group on a day to 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.

4. RISK MANAGEMENT (CONTINUED)

4.7 Operational Risk (continued)

4.7.5 Operational risk mitigation and control (continued)

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		
	2024	2023	2022
	BD'000	BD'000	BD'000
Total Gross Income	**62,346**	**64,106**	**70,552**
Indicators of operational risk			
Average Gross income (BD'000)			**65,668**
Multiplier			**12.5**
			820,850
Eligible Portion for the purpose of the calculation			**15%**
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (BD'000)			**123,128**

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 31 December 2025. 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.

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 2025:

	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	34,107	35,023	-	34,107	70,006	**8,751**
Funds	436	436	-	436	654	**82**
Total	**34,543**	**35,459**	**-**	**34,543**	**70,660**	**8,833**

[1] Balances are gross of impairment allowance of BD 14,693 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 2025:

	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	**1,362**
Unrealised gains included in Tier 2 Capital	**1,246**

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 the quasi-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).

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

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 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 year, the Group waived 46% 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.

4. RISK MANAGEMENT (CONTINUED)

4.9 Quasi-equity (continued)

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 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 2025:

	BD'000
Banks and financial institutions	**73,261**
Individuals and non-financial institutions	**752,066**
Total	**825,327**

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 2025:

Profit Paid on Average Quasi-equity Assets *	**2.46%**
Mudarib Fee to Net finance income	**34.66%**

*Average assets funded by Quasi-equity have been calculated using month end balances.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025:

	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)	**0.02%**	**0.15%**	**19.56%**
Defined accounts - 1 month	**1.00%**	**0.09%**	**0.20%**
Defined accounts - 3 months	**1.00%**	**0.04%**	**0.09%**
Defined accounts - 6 months	**1.05%**	**0.05%**	**0.11%**
Defined accounts - 9 months	**1.15%**	**0.00%**	**0.00%**
Defined accounts - 1 year	**1.45%**	**0.51%**	**0.80%**
IQRA	**2.00%**	**0.54%**	**0.61%**
Tejoori	**1.84%**	**2.10%**	**25.65%**
Customer special deposits	**3.52%**	**85.14%**	**45.60%**
Wakala - Financial institutions	**4.54%**	**11.23%**	**7.29%**
Wakala - Non-financial institutions and individuals	**3.63%**	**0.15%**	**0.09%**
		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 2025:

	Percentage of Counterparty Type to Total Financing Contracts					
	Self Financed BD'000	%	Quasi-equity BD'000	%	Total BD'000	%
Gross financing assets*						
Murabaha	267,369	43.23%	351,068	56.77%	618,437	**100.00%**
Corporate	138,436	43.23%	181,773	56.77%	320,209	**100.00%**
Retail	128,933	43.23%	169,295	56.77%	298,228	**100.00%**
Musharakah	38,624	43.23%	50,714	56.77%	89,338	**100.00%**
Corporate	43	43.23%	57	56.77%	100	**100.00%**
Retail	38,581	43.23%	50,657	56.77%	89,238	**100.00%**
Total	**305,993**	**43.23%**	**401,782**	**56.77%**	**707,775**	**100.00%**
Gross Ijarah Muntahia Bittamleek**						
Corporate	18,208	43.23%	23,908	56.77%	42,116	**100.00%**
Retail	111,412	43.23%	146,288	56.77%	257,700	**100.00%**
Total	**129,620**	**43.23%**	**170,196**	**56.77%**	**299,816**	**100.00%**
ECL Stage 1 and 2	**(3,920)**	**43.23%**	**(5,148)**	**56.77%**	**(9,068)**	**100.00%**
Total	**431,693**	**43.23%**	**566,830**	**56.77%**	**998,523**	**100.00%**

*Net of expected credit loss (Stage 3) of BD 34,690 thousands.

**Net of expected credit loss (Stage 3) of BD 1,538 thousands.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 %	Mudarib fees BD'000 C	Release from IRR BD'000 D	Profit paid to Quasi-equity BD'000 (A-B-C+D)	Ratio of PER to Quasi-equity %
Tejoori	8,501	154	98%	8,329	-	18	0.40%
Tejoori Premium	633	-	49%	312	-	321	5.40%
Saving	5,900	99	98%	5,781	-	20	0.58%
Vevo	955	16	98%	935	-	4	3.58%
IQRA Deposits	238	-	64%	152	-	86	14.33%
Defined deposit	1,244	-	32%	395	-	849	2.75%
Wakala	17,006	-	13%	2,148	-	14,858	0.20%
	34,477	269		18,052	-	16,156	

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 2025:

Share of profit allocated to Quasi-equity before transfer to/from reserves - BD'000	34,477
Percentage share of profit earned by Quasi-equity before transfer to/from reserves	4.18%
Net return on equity of Quasi-equity - BD'000	16,425
Release of IRR - BD'000	-
Transfer to equalization reserve - BD'000	269
Share of profit paid to Quasi-equity after transfer to/from reserves - BD'000	16,156
Percentage share of profit paid to Quasi-equity after transfer to/from reserves	1.96%
Share of profit paid to Bank as mudarib - BD'000	18,052

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 2025:

	3 months	6 months	12 months	36 months
Percentage of average distributed rate of return to Quasi-equity	5.76%	4.65%	4.31%	0.00%

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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 2025:

	As of 31-Dec-24 BD'000	Movement during the year BD'000	As of 31-Dec-25 BD'000
Cash and balances with banks and Central Bank	**44,156**	**1,595**	**45,751**
Murabaha and Wakala receivables - interbank	**5,505**	**(3,078)**	**2,427**
Gross financing assets*	**203,668**	**198,114**	**401,782**
Gross Ijarah Muntahia Bittamleek*	**92,284**	**77,912**	**170,196**
Investment securities	**73,728**	**136,655**	**210,383**
Expected credit loss	**(2,955)**	**(2,257)**	**(5,212)**
Total	**416,386**	**408,941**	**825,327**

* 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	%
2025*	**80,676**	**4.85%**	**16,156**	**1.96%**
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%

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	45,751	-	-	-
Murabaha and Wakala receivables - interbank	2,427	157	47	6
Financing assets [1]	401,782	265,213	79,564	9,946
Investment in Sukuk [2]	210,383	-	-	-
Ijarah Muntahia Bittamleek [1]	170,196	73,190	21,957	2,745
	830,539	**338,560**	**101,568**	**12,697**

[1] The exposure is gross of ECL stage 1 and 2 of BD 5,148 thousand.

[2] The exposure is gross of ECL stage 1 and 2 of BD 64 thousand.

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

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:

a. Funding risk is the risk of not being able to fund net outflows due to unanticipated withdrawal of capital or deposits;

b. Call risk is the risk of crystallisation of a contingent liability; and

c. 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 financings 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.

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk (continued)

4.10.4 Liquidity risk strategy (continued)

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.

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 2025

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:

	2025	2024	2023	2022	2021
Due from banks and financial institutions / Total Assets	**16.25%**	10.16%	3.81%	5.12%	6.56%
Islamic Financing / Customer Deposits [1]	**82.98%**	91.95%	101.42%	89.06%	82.63%
Customer Deposits [1] / Total Assets	**66.69%**	70.45%	67.11%	75.02%	79.19%
Short term assets [2] / Short term liabilities [3]	**23.18%**	17.02%	9.54%	11.78%	11.44%
Liquid Assets [4] / Total Assets	**17.79%**	11.51%	5.60%	7.46%	8.08%
Growth in Customer Deposits	**10.67%**	17.59%	(10.89%)	(2.58%)	1.47%
Leverage ratio	**12.75%**	11.72%	13.87%	13.88%	13.88%

[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 2025. 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	**28,143**	**-**	**-**	**-**	**-**	**45,521**	**73,664**
Placements with financial institutions	**293,129**	**-**	**-**	**-**	**-**	**-**	**293,129**
Financing contracts	**65,227**	**56,297**	**84,415**	**232,500**	**560,084**	**-**	**998,523**
Investment in Sukuk	**-**	**-**	**30,644**	**56,008**	**283,845**	**-**	**370,497**
Investment in equity and funds	**-**	**-**	**-**	**-**	**-**	**19,850**	**19,850**
Investment in associates	**-**	**-**	**-**	**-**	**-**	**7,691**	**7,691**
Investment real estate	**-**	**-**	**-**	**-**	**-**	**13,721**	**13,721**
Property and equipment	**-**	**-**	**-**	**-**	**-**	**15,948**	**15,948**
Other assets	**1,255**	**6,670**	**330**	**460**	**1,585**	**953**	**11,253**
Total Assets	**387,754**	**62,967**	**115,389**	**288,968**	**845,514**	**103,684**	**1,804,276**

4. RISK MANAGEMENT (CONTINUED)

4.10 Liquidity Risk (continued)

Table – 33. Maturity Analysis (PD-1.3.37, PD-1.3.38) (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	**81,104**	**-**	**-**	**9,491**	**-**	**-**	**90,595**
Placements from non-financial institutions and individuals	**137,514**	**23,957**	**5,583**	**-**	**-**	**-**	**167,054**
Financing from financial institutions	**172,133**	**27,479**	**22,654**	**37,859**	**-**	**-**	**260,125**
Customers' current accounts	**254,596**	**-**	**-**	**-**	**-**	**-**	**254,596**
Other liabilities	**43,296**	**-**	**-**	**-**	**-**	**-**	**43,296**
Quasi-equity	**650,946**	**91,349**	**71,633**	**10,788**	**611**	**-**	**825,327**
Total Liabilities And Quasi-equity	**1,339,589**	**142,785**	**99,870**	**58,138**	**611**	**-**	**1,640,993**

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 year.

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.

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 2025

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 2025:

	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	293,129	-	-	-	-	293,129
Financing contracts	65,227	56,297	84,415	232,500	560,084	998,523
Investment in Sukuk	-	-	30,644	56,008	283,845	370,497
Other assets*	-	3,952	-	-	-	3,952
Total profit rate sensitive assets	358,356	60,249	115,059	288,508	843,929	1,666,101
Liabilities And Quasi-equity						
Placements from financial institutions**	81,104	-	-	9,491	-	90,595
Placements from non-financial institutions and individuals	137,514	23,957	5,583	-	-	167,054
Financing from financial institutions	172,133	27,479	22,654	37,859	-	260,125
Quasi-equity***	650,946	91,349	71,633	10,788	611	825,327
Other liabilities****	6,072	-	-	-	-	6,072
Total profit rate sensitive liabilities and Quasi-equity	1,047,769	142,785	99,870	58,138	611	1,349,173
On-balance sheet profit rate gap	(689,413)	(82,536)	15,189	230,370	843,318	316,928
Off-balance sheet exposures	61,529	10,510	9,996	28,524	1,690	112,249
Total profit rate gap	(627,884)	(72,026)	25,185	258,894	845,008	429,177

* 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 9,367 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.

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 2025:

	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:	**14,231**	**(17,029)**	**(2,799)**
Downward rate shocks:	**(14,231)**	**17,029**	**2,799**

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:

	2025	2024	2023	2022	2021
Return on average equity	**11.93%**	3.47%*	7.94%*	9.61%*	5.53%*
Return on average assets	**1.11%**	0.35%	0.82%	0.94%	0.48%
Cost to Income Ratio	**51.03%**	70.41%	60.80%	52.29%	47.10%

* 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:

	2025	2024	2023	2022	2021
Allocated income to Quasi-equity	**34,746**	20,725	20,613	23,362	23,979
Distributed profit	**16,156**	3,841	3,903	3,970	3,501
Mudarib fees	**18,052**	16,655	18,083	19,306	20,388

RISK AND CAPITAL MANAGEMENT DISCLOSURE

For the year ended 31 December 2025

4. RISK MANAGEMENT (CONTINUED)

4.11 Profit Rate Risk (continued)

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) (continued):

	2025	2024	2023	2022	2021
Balances (BD'000s):					
Profit Equalization Reserve (PER)	**611**	342	113	1,486	1,400
Investment Risk Reserve (IRR)	**-**	-	-	-	-
PER Movement	**269**	229	(1,373)	86	90
IRR Movement	**-**	-	-	-	-
Ratios (%):					
Income allocated to Quasi-equity / Mudarabah assets %	**2.09%**	1.47%	1.67%	1.92%	1.99%
Mudarabah fees / Mudarabah assets %	**1.09%**	1.18%	1.47%	1.58%	1.69%
Distributed profit / Mudarabah assets %	**0.97%**	0.27%	0.32%	0.33%	0.29%
Rate of Return on average Quasi-equity %	**2.65%**	1.13%	0.66%	0.97%	0.86%
Profit Equalization Reserve / Quasi-equity %	**0.07%**	0.10%	0.03%	0.37%	0.33%
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 13,915 regarding CBB Directives on EFTS timeouts.

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 2025, an amount of BD 356 thousand was earned from non-shari'a sources, out of which BD 356 was earned from late payment penalties from customers. This income was transferred to Zakah and Charity fund.

As at 31 December 2025, 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 2025

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 2025 to 31 December 2025.		
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	

GRI, CBB AND BAHRAIN BOURSE INDEX

Governance		
2-9	Governance structure and composition	• Safeguarding Values – Robust Governance Structure • Our Approach to ESG – ESG Governance • Corporate Governance Report
2-10	Nomination and selection of the highest governance body	• Safeguarding Values – Robust Governance Structure • Corporate Governance Report
2-11	Chair of the highest governance body	• Board of Directors • Safeguarding Values – Robust Governance Structure • Corporate Governance Report
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 Report
2-13	Delegation of responsibility for managing impacts	• Our Approach to ESG – ESG Governance • Safeguarding Values – Robust Governance Structure • Corporate Governance Report
2-14	Role of the highest governance body in sustainability reporting	• About This Report • Our Approach to ESG – ESG Governance • Safeguarding Values – Robust Governance Structure
2-15	Conflicts of interest	• Safeguarding Values – Compliance and Ethical Behaviour • Corporate Governance Report
2-16	Communication of critical concerns	• Safeguarding Values • Corporate Governance Report

GRI, CBB AND BAHRAIN BOURSE INDEX

2-17	Collective knowledge of the highest governance body	• Our Approach to ESG – ESG Governance • Human Capital – Employee Training and Development • Safeguarding Values – Robust Governance Structure • Corporate Governance Report	
2-18	Evaluation of the performance of the highest governance body	• Corporate Governance Report • 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 Report	
2-27	Compliance with laws and regulations	• Safeguarding Values - Compliance and Ethical Behavior • Natural Capital	
2-28	Membership associations		BisB is part of various membership associations mentioned throughout the report where applicable.

GRI, CBB AND BAHRAIN BOURSE INDEX

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			
GRI DISCLOSURE	CONTENT	REFERENCE SECTION	NOTES
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 102: Climate Change 2025			
GRI 102 Topic Specific			
3-3	Management Approach	Natural Capital	
102-1	Transition plan for climate change mitigation	Natural Capital	
102-2	Climate change adaptation plan	Natural Capital	
102-4	GHG emissions reduction targets and progress	Natural Capital	
102-5	Scope 1 GHG emissions	Natural Capital	
102-6	Scope 2 GHG emissions	Natural Capital	
102-7	Scope 3 GHG emissions	Natural Capital	
102-8	GHG emissions intensity	Natural Capital	
GRI 103: Energy 2025			
GRI 103 Topic Specific			
3-3	Management Approach	Natural Capital	
103-1	Energy policies and commitments	Natural Capital	

GRI, CBB AND BAHRAIN BOURSE INDEX

103-2	Energy consumption and self-generation within the organization	Natural Capital
103-3	Upstream and downstream energy consumption	Natural Capital
103-4	Energy intensity	Natural Capital
103-5	Reduction in energy consumption	Natural Capital
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
GRI 202: Market Presence 2016		
GRI 202 Topic Specific		
3-3	Management Approach	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
202-2	Proportion of senior management hired from the local community	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
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
203-1	Infrastructure investments and services supported	Financial Capital – Sustainable Growth through Responsible Banking
203-2	Significant indirect economic impacts	• Our Approach to ESG • Financial Capital • Intellectual Capital – Digital Transformation • Social and Relationship Capital – Community Investment

GRI, CBB AND BAHRAIN BOURSE INDEX

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 and Ethical Behavior
205-1	Operations assessed for risks related to corruption	Safeguarding Values – Compliance and Ethical Behavior
205-2	Communication and training about anti-corruption policies and procedures	Safeguarding Values – Compliance and Ethical Behavior
205-3	Confirmed incidents of corruption and actions taken	Safeguarding Values – Compliance and Ethical Behavior
GRI 206: Anti-competitive Behavior 2016		
GRI 206 Topic Specific		
3-3	Management Approach	Safeguarding Values – Compliance and Ethical Behavior
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Safeguarding Values – Compliance and Ethical Behavior
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
303-3	Water withdrawal	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

GRI, CBB AND BAHRAIN BOURSE INDEX

306-2	Management of significant waste-related impacts	Natural Capital
306-3	Waste generated	Natural Capital
306-4	Waste diverted from disposal	Natural Capital
GRI 401: Employment 2016		
GRI 401 Topic Specific		
3-3	Management Approach	Human Capital
401-1	New employee hires and employee turnover	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
401-2	Benefits provided to full-time employees that are not provided to part-time employees	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
401-3	Parental Leave	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
GRI 403: Occupational Health & Safety 2018		
GRI 403 Topic Management Disclosures		
3-3	Management Approach	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-1	Occupational health and safety management system	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-2	Hazard identification, risk assessment, and incident investigation	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-3	Occupational health services	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-4	Worker participation, consultation, and communication on Occupational health and safety	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-5	Worker training on occupational health and safety	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing

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403-6	Promotion of worker health	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-8	Workers covered by an occupational health and safety management system	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-9	Work-related injuries	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
403-10	Work-related ill health	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
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 – Inclusion, Equal Opportunity and Workforce Wellbeing
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 – Inclusion, Equal Opportunity and Workforce Wellbeing
405-1	Diversity of governance bodies and employees	• Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing • Safeguarding Values – Robust Governance Structure

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405-2	Ratio of basic salary and remuneration of women to men	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
GRI 406: Non-Discrimination 2016		
GRI 406 Topic Specific		
3-3	Management Approach	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
406-1	Incidents of discrimination and corrective actions taken	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
GRI 410: Security Practices		
GRI 406 Topic Specific		
3-3	Management Approach	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
410-1	Security personnel trained in human rights policies or procedures	Human Capital – Inclusion, Equal Opportunity and Workforce Wellbeing
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
416-1	Assessment of the health and safety impacts of product and service categories	Social and Relationship Capital – Responsible Customer Relationship
416-2	Non-compliance with health and safety requirements	Social and Relationship Capital – Responsible Customer Relationship

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GRI 417: Marketing and Labelling		
GRI 417 Topic Specific		
3-3	Management Approach	Social and Relationship Capital – Responsible Customer Relationship
417-1	Requirements for product and service information and labelling	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 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

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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 292 ESG metrics updated December 2022.

CBB ESG Rulebook and Requirements Module				
KPI	**DESCRIPTION**	**MAIN REPORTING COMPONENTS**	**REFERENCE PAGE OR SECTION**	**Bahrain Bourse ESG Metric Reference**
ENVIRONMENTAL				
E.1: Environmental Oversight	The company should describe its management and board oversight on climate-related risks and opportunities.	1. 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.) 2. A statement of purpose and approach of the board/ management towards sustainability matters. A description of the following(whereapplicable): • 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(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.	Our Approach to ESG Natural Capital	E7. Environmental Operations E8. Environmental Oversight (Management) E.9. Environmental Oversight (Board)

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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.	1. 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. 2. State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital	E3. Energy Usage
E.3: Energy Intensity	The company should report total annual energy usage per output scaling factor (such as sales or revenue).	1. Report total energy consumed during the year divided by the selected scaling factor (e.g., sales, revenue etc.). 2. State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital	E4. Energy Intensity
E.4: Energy Mix	The company should provide a breakdown of its energy consumption by source.	1. Report the percentage of energy used by source, as part of total energy consumption. 2. Report the percentage of renewable and non-renewable energy used, as part of total energy consumption.	Natural Capital	E5. Energy Mix

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E.5: Green House Gas (GHG) Emissions	The company should report its total Green House Gas Emissions.	1. 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). 2. State the standards, techniques, assumptions, and/or calculation tools utilised. Note: GHG emissions should be calculated in line with the GHG Protocol[4] 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 • Scope 3 – All other indirect emissions that occur outside the company, including both upstream and downstream emissions (if applicable).	Natural Capital	E1. GHG Emissions
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)).	1. Report total annual GHG emission during the year divided by the selected scaling factor. 2. State the standards, techniques, assumptions, and/or calculation tools utilised.	Natural Capital	E2. Emissions Intensity

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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.	1. Describe how your company identifies, assesses, and manages climate-related risks (including physical risks and transition risks). 2. 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	E10. Climate Risk Mitigation
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 Only water withdrawal is Applicable for BisB	E6. Water Usage
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	

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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): • 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

GRI, CBB AND BAHRAIN BOURSE INDEX

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 – Inclusion, Equal Opportunity and Workforce Wellbeing	S4. Gender Diversity S5. Temporary Worker Ratio
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 – Inclusion, Equal Opportunity and Workforce Wellbeing Safeguarding Values – Human Rights	S9. Child & Forced Labor

GRI, CBB AND BAHRAIN BOURSE INDEX

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 – Inclusion, Equal Opportunity and Workforce Wellbeing	S3. Employee Turnover S3.3 This information hasn't been disclosed
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 – Inclusion, Equal Opportunity and Workforce Wellbeing	S2. Gender Pay Ratio
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 – Inclusion, Equal Opportunity and Workforce Wellbeing	S7. Injury Rate S8. Global Health & Safety
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 – Inclusion, Equal Opportunity and Workforce Wellbeing	S6. Non-Discrimination

GRI, CBB AND BAHRAIN BOURSE INDEX

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 – Inclusion, Equal Opportunity and Workforce Wellbeing	
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 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	Safeguarding Values – Human Rights	S.10 Human Rights

GRI, CBB AND BAHRAIN BOURSE INDEX

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 – Inclusion, Equal Opportunity and Workforce Wellbeing	
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	
-	-	-	This information hasn't been disclosed due to confidentiality.	S1. CEO Pay Ratio
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 Report	G1. Board Diversity G2. Board Independence

GRI, CBB AND BAHRAIN BOURSE INDEX

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.)	Due to the company size, BisB does not have a standalone committee on this matter.	
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.	Safeguarding Values – Compliance and Ethical Behaviour 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	G6. Data Privacy

GRI, CBB AND BAHRAIN BOURSE INDEX

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	G7. Sustainability Reporting G8. Disclosure Practices
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.	Safeguarding Values – Compliance and Ethical Behaviour 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	G4. Supplier Code of Conduct

GRI, CBB AND BAHRAIN BOURSE INDEX

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	G3. Incentivized Pay
G.9: Ethics & Anticorruption	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). 2. Provide a statement of company's commitment towards its ethics and/ or anti-Corruption policy/ position.	Safeguarding Values – Compliance and Ethical Behaviour	G5. Ethics & Anti-Corruption
G.10: Assurance	The company shall describe the processes by which its sustainability disclosures are assured or validated.	1. 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	G9. External Assurance

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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 2025. 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) 2025 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 2025 Annual Report activities and performance data related to the year 2025 that ended December 31, 2025.

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 2025 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 2025 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 2025.
- 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 2025 and the way they are presented in the 2025 Annual Report is accurate.
- BisB adheres to the principles of inclusivity, materiality, responsiveness, and impact as per the AA1000 Accountability Principles Standard.

Any errors or misstatements identified during the engagement were corrected prior to the publication of the 2025 Sustainability Report.

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.:

- Updated Materiality Assessment, Sustainability Strategy and three-year Sustainability Roadmap.
- Launch of Sustainability Management Committee.
- Updated GHG inventory and development of decarbonisation plan.
- Introduction of CEO Recognition Program – Future Forward.
- Approval of a standalone Human Rights Policy.
- Improvement on Relationship and Human Capital: Female Employee Rate further improved to 38%, 100% of employees completed sustainability awareness training programs, Average training hours per employee increased at 63h/employee, Community Investment reached 4% of BisB's net profit income.

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 structured and comprehensive engagement and communication process with its key stakeholders.
- With respect to the principle of materiality, BisB made significant improvement by conducting its first double materiality assessment, aligned with global sustainability standards and frameworks to identify and assess material topics both from an Impact (actual or potential impact of BisB's activities on people or the environment) and Financial Materiality (financial risks and opportunities associated generating a material effect on BisB's financials (e.g. liquidity, net income, and asset valuation) perspective.

CSE INDEPENDENT ASSURANCE STATEMENT (CONTINUED)

- With respect to the principle of responsiveness, BisB has undertaken substantial actions to integrate the concerns and expectations of its key stakeholder groups into its operations and decision-making processes.
- With respect to the principle of impact, BisB demonstrates effective monitoring, measurement, and accountability regarding its actions and their impact on the wider natural and human ecosystems.
- With respect to performance indicators, it is recommended to continue presenting performance data from prior years across most indicators to clearly demonstrate the progress achieved in addressing and 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 offers a balanced and comprehensive representation of the material issues related to its sustainability performance and overall 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 2025 Annual Report. BisB has applied the principle of responsiveness both in selecting the issues to be included in the Report and in determining how these issues are presented.

Impact – how the company monitors, measures, and is accountable for how its actions affect their broader ecosystems. BisB provides sufficient information in its 2025 Annual Report on how it monitors its impact on natural and human ecosystems. The performance indicators applied align with widely recognized standards and leading local and international 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 2025 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 2025 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:
    - GHG Emissions and Decarbonisation Plan
    - Waste management
    - Direct Environmental Footprint
    - Community Investment
    - Workforce
    - Training hours and Internal rotation / recognition programs
    - Internal processes and monitoring mechanisms: Human Rights Policy, Sustainability Management Committee, ESG Scorecard, Sustainability Strategy and three-year Sustainability Roadmap
    - Local suppliers
    - Awards
    - ISO 27001, ISO 27701, ISO 45001, ISO 22301 and ISO 14001 certifications and PCI DSS 4.0.1, SWIFT Customer Security Control Framework and AAISM Certification from ISACA for BISB's CISO.
    - Verification that there were no legal actions against BisB for anticompetitive behavior, anti-trust, or monopoly practices.
    - 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.

CSE INDEPENDENT ASSURANCE STATEMENT (CONTINUED)

Overall, the report is in accordance with the GRI STANDARDS and follows the Bahrain Bourse Index standards.

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 2025 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 2025 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 third 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.

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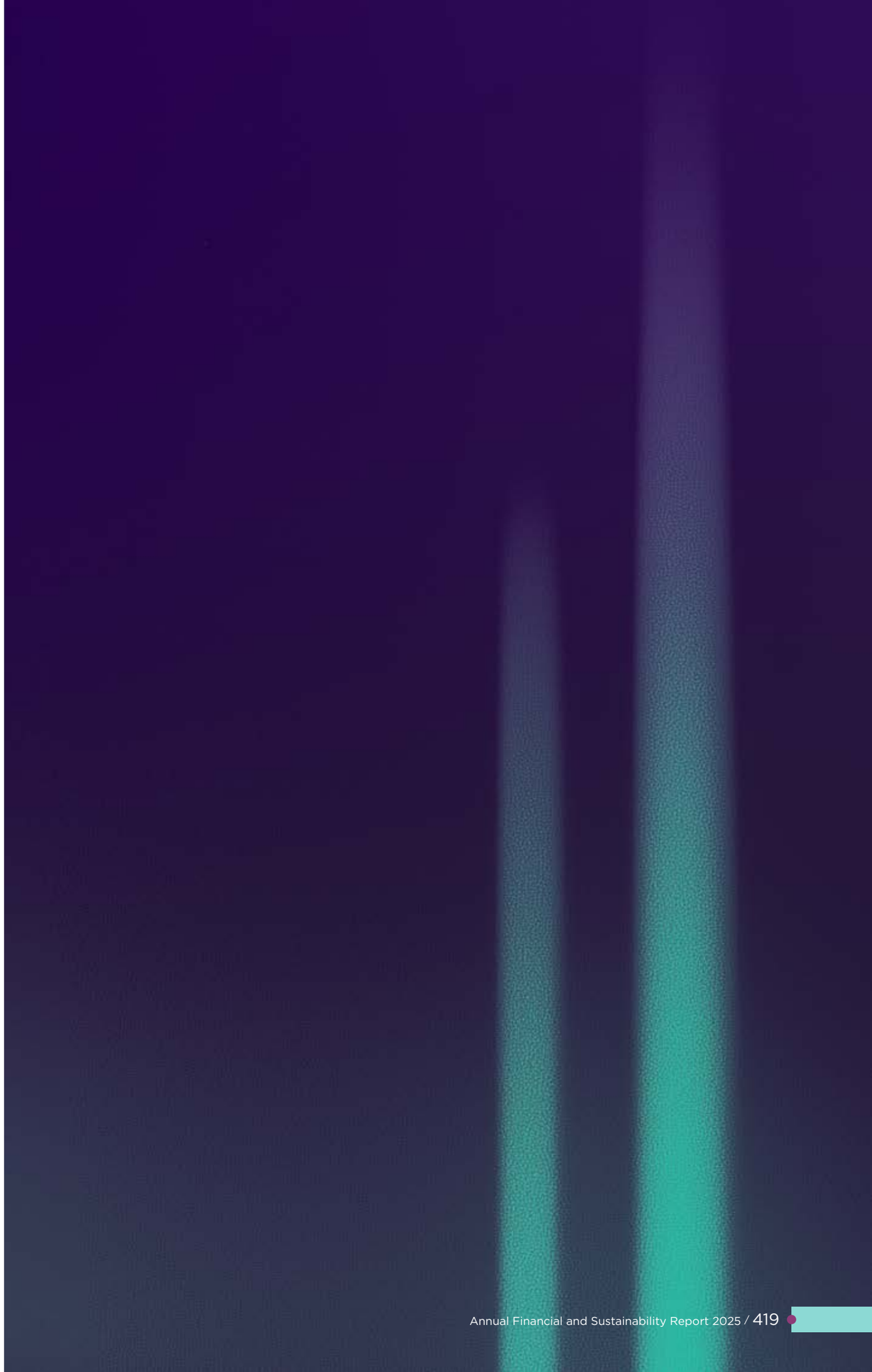
On behalf of the Assurance Team

Marina Alonistioti

Head of Assurance Services

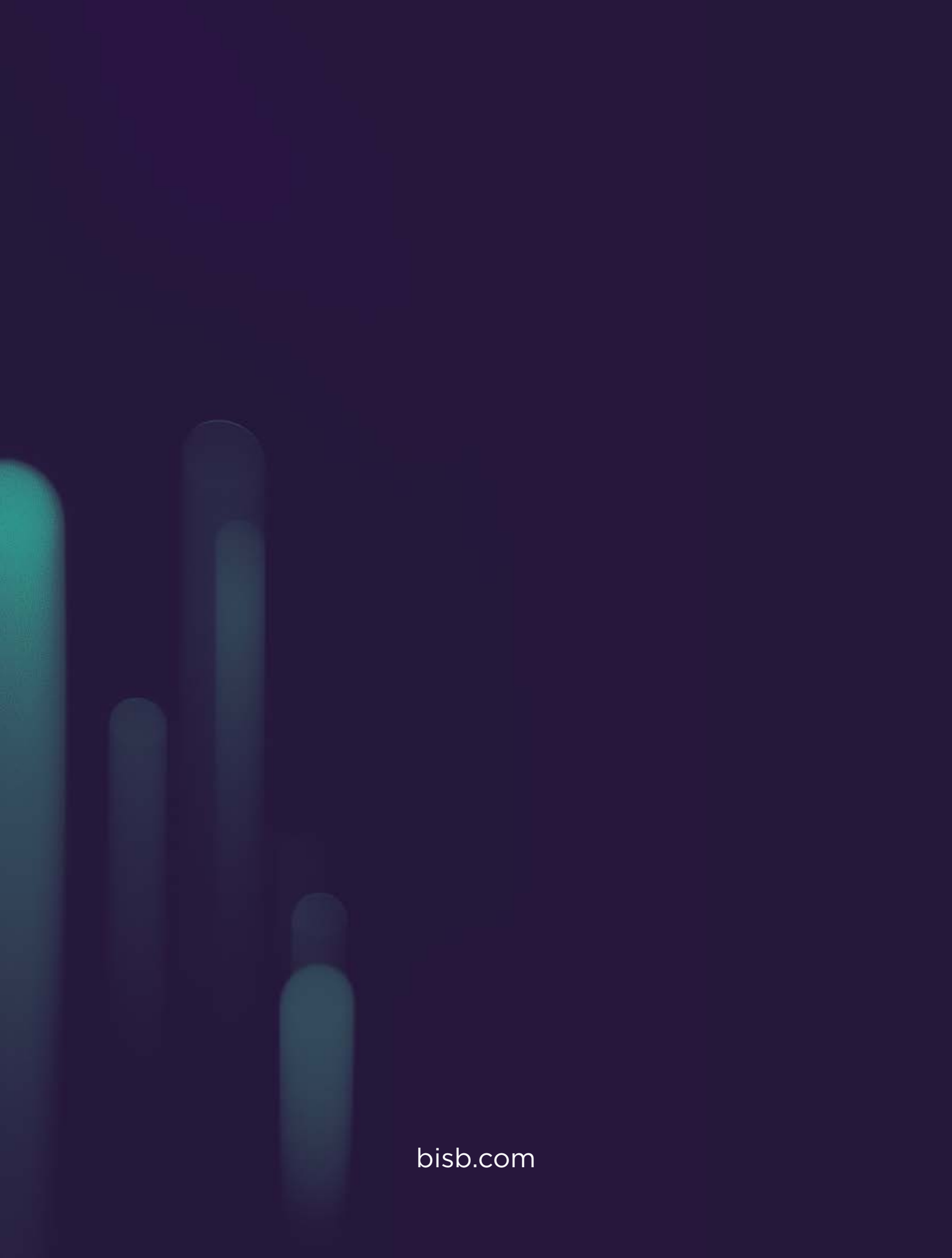
Centre For Sustainability and Excellence (CSE)

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ESG Net-Zero Climate Resilience








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