

Al Baraka Group B.S.C. (c)
UNIFIED SHARI'A SUPERVISORY BOARD REPORT,
REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

20 .Shaaban .1447
8 February 2026

In the name of Allah, The Beneficent, The Merciful, Ever Merciful

**Unified Shari'a Supervisory Board Report
AlBaraka Group B.S.C.(c)
For the year ended 31 December 2025**

Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions

To: Al Baraka Group Shareholders

May peace and Allah's Mercy and Blessings Be upon You

Unified Shari'a Board Report of Al Baraka Group for the year 2025

In accordance with Article (58) of the Articles of Association of Al Baraka Group, and in recognition of its responsibility towards the shareholders of the Group and its subsidiaries, the Unified Shari'a Board submits its annual report on the activities of the financial year ending on 31 December 2025:

First: The activities of the Unified Shari'a Board and its Executive Committee

The Unified Shari'a Board and its Executive Committee continued their oversight duties during the past fiscal year by holding a series of periodic meetings, amounting to six meetings for the Board and five for the Executive Committee, from which twenty-three resolutions and twenty recommendations were issued.

Second: Shari'a Supervision and Auditing

The Authority conducted a comprehensive review of eight detailed reports prepared by both the Internal Shari'a Audit Department and the Shari'a Coordination and Implementation Unit (Shari'a Supervisor) at the Head Office. These reports focused on:

- Reviewing the Treasury operations and financial transactions of the group and its units.
- Verifying that the units comply with the Islamic Shari'a rules and the approved standards.

The review and Shari'a audit processes resulted in the identification of several Shari'a-related observations. The Unified Shari'a Board has begun addressing and rectifying these observations in accordance with the approved regulations, through direct communication channels with the relevant units and in direct coordination with their local Shari'a boards, ensuring the highest levels of compliance with the decisions of the Unified Shari'a Authority and achieving adherence in all transactions.



Third: Review of the financial statements for the year ended 31/12/2025

The Unified Shari'a Board studied the financial statements of the units and reviewed the Shari'a reports related to these statements issued by the Shari'a boards of the Group's units for the year 2025. The Unified Shari'a Board also studied the Group's financial position, income statement and the related notes for the year ended 31 December 2025.

Fourth: Zakah Calculation

The Unified Shari'a Board reviewed the Zakah calculation process using the Zakah statement, which includes assets, liabilities, and what falls within the Zakah base and what is deductible from it, in accordance with Shari'a Standard number (35) and Accounting Standard number (39) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the resolutions of the AlBaraka Symposium 31/1, and as approved by the Unified Shari'a Board. The total Zakah due for the year ending 31 December 2025, after excluding Zakah on units whose Zakah is paid directly, amounted to \$1,131,664 (9 cents per 100 shares). Zakah payment requires authorization from the shareholders. If they do not authorize it, the shareholders must pay the Zakah on their shares themselves.

In our opinion:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31 December 2025 did not appear to us to violate the rules and principles of Islamic Shari'a in general.
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that have been approved by the Units' Shari'a Supervisory Boards in accordance with Shari'a Rules and Principles.
3. All earnings realized from sources or by means prohibited by Islamic Shari'a Rules and Principles have been disposed by the Group and its units on Charitable Causes.
4. The attached Zakah calculation was prepared in accordance with the rules and principles of Islamic Shari'a according to the Net Invested Fund Method in accordance to the Shari'a Standard number (35) and the Financial Accounting Standard number (39) issued by the Accounting and Auditing Organization for Islamic financial Institutions, and the resolutions of the AlBaraka Symposium 31/1, and according to what was approved by the Unified Shari'a Supervisory Board.



Fifth: Responsibilities of the Unified Shari'a

The Group and Units' management are responsible for the execution and implementation of the Unified Shari'a Supervisory Board resolutions and enabling the Shariah Boards to review the operations and developments that require the issuance of decisions by the Sharia Boards in their judgment. The Unified Shari'a Supervisory Board is responsible for supervising the soundness of the implementation of the resolution from a Shari'a point of view and issue opinion based on the Group and Units' Shari'a reports and financial statements.

The Units' Shari'a Supervisory Boards, as is clear from their reports, planned and performed reviews so as to obtain all the information and explanations they considered necessary in order to provide them with sufficient evidence to provide reasonable assurance that the Group and its Units have not violated Shari'a Rules and Principles.

In conclusion, the Unified Sharia Board extends its thanks to the members of the Board of Directors and the Group's Executive Management for their efforts in achieving the good results, which we hope God will bless, and we ask Allah, the Almighty, for more of His grace.

Praise be to Allah.

Chairman

Shaikh Dr. Saad Al Shithry

Members

Shaikh Dr. Abdullatif Al Mahmood

Shaikh Dr. Abdulla Al Mannea

Shaikh Yousif Hassan Khilawy

Shaikh Dr. Layachi Feddad



Zakah Calculation for the year ended 31 December 2025

	<i>US\$ '000</i>
Equity Attributable to Shareholders	1,373,063
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Al Baraka Islamic Bank	(385,100)
Perpetual tier 1 capital	<u>(400,000)</u>
Net Zakatable Equity Attributable to Shareholders	587,963
<u>Less:</u>	
Musharaka underlined by unzakatable assets	(27,549)
Investment in Islamic Sukuk underlined by unzakatable assets	(103,469)
Ijarah Muntahia Bittamleek	(192,200)
long-term investment in real estate	(10,268)
Properties and equipment	(131,241)
Intangible assets	(39,739)
Unzakatable Assets in Associates	(99)
Prepayments	(20,073)
Deferred tax asset	(34,237)
<u>Add:</u>	
Sale of long-term investment in real estate during the year	661
Deferred tax liability	9,211
Employees' end of services benefit	<u>4,954</u>
Zakatable amount	43,914
Zakah Percentage	<u>2.577%</u>
Total Zakah due	<u><u>1,132</u></u>
Number of Shares (thousands)	<u>1,211,500</u>
Zakah per share (US\$ cents)	<u><u>0.09</u></u>

Directors' Report

Al Baraka Group B.S.C. (c) delivered outstanding results in 2025, achieving an all-time high net income of US\$ 357 million. This exceptional performance reflects the strength of our business model, the discipline of our execution, and the strategic advantage of our diversified geographic footprint.

The year demanded focus and decisive action, with higher funding costs, currency devaluations, and elevated inflation placing pressure on operating conditions across several markets. The Group responded by sharpening its focus on expanding low-cost CASA deposits, enforcing strict budgetary control, optimizing the use of resources, and implementing targeted operational restructuring where needed. Combined with continued volume growth, these measures enabled the Group to maintain momentum and deliver our strongest year on record.

Financial Performance

Al Baraka Group's total operating income reached US\$ 1.3 billion in 2025, compared to US\$ 1.1 billion in 2024. Net income for the year amounted to US\$ 357 million, versus US\$ 309 million in 2024, demonstrating the Group's ability to sustain strong profitability despite a more complex operating environment. Net income attributable to the equity holders of the parent reached US\$ 191 million in 2025, compared to US\$ 157 million the previous year. Basic and diluted earnings per share stood at US\$ cents 12.85 in 2025, compared to US\$ cents 10.09 in 2024.

The Group's performance was driven by sustained growth in financing and investment income, continued improvements in asset quality, and disciplined cost management. Supported by diversified income streams and prudent risk management, the Group delivered balanced contributions across its network while maintaining strong financial fundamentals.

Building on this momentum, the Group further strengthened its financial position by optimizing its funding mix, with a sustained focus on expanding low-cost CASA deposits and deploying resources more efficiently. This disciplined approach supported effective cost control and enabled the Group to continue delivering consistent value for customers and shareholders.

Operational growth remained robust across key markets in 2025, with Egypt emerging as a major contributor and Turkey together with Jordan leading in overall business volumes. These drivers helped deliver the Group's remarkable results, surpassing the record performance achieved in 2024, underpinned by balance sheet growth and prudent cost management.

Governance and Oversight

Throughout the year, the Board maintained close oversight of the Group's strategic priorities, with a clear focus on risk management, digital transformation, and operational efficiency. Regular engagement with management on key risk indicators, progress against digital initiatives, and performance against Group-wide KPIs ensured alignment with our long-term objectives and supported effective decision-making across the Group.

This oversight directly informed several structural and governance initiatives aimed at strengthening execution and collaboration across the Group. These included cross-border account opening initiatives at the Unit level, expansion of inter-Group trade finance activities, enhancements to subsidiary governance frameworks, and continued automation and digitalization across operations. Strong Sharia governance remained a central pillar of the Group's operating model, supporting stability, confidence, and trust across all markets.

Maintaining a robust capital and liquidity position remained a key priority, with capital adequacy ratios maintained well above regulatory requirements, supported by diversified funding sources and sound liquidity management practices. During the year, the Group also continued to strengthen governance, compliance, leadership development and succession planning, with closer oversight of subsidiaries and more structured succession planning for senior management roles.

Outlook

Building on the progress achieved in 2025, the Board's focus in 2026 will be on scaling up end-to-end digital products and services, enhancing customer experience, and improving operational efficiency. By harnessing advanced technologies, including artificial intelligence, the Group aims to drive smarter operations, accelerate automation, and lift productivity, while strengthening non-financing revenue streams to support more resilient growth.

As the Group undertakes this next phase of transformation, sustainability and social responsibility remain integral to our long-term vision. Continued progress across our ESG agenda and related initiatives reflects our continued commitment to ethical practices and nurturing the communities we serve.

In concluding, I would like to express my sincere gratitude to our shareholders, customers, and employees for their ongoing support; I would also like to thank the Unified Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Industry and Commerce and all the regulatory authorities of our subsidiaries for their wise guidance over the past year. We remain committed to upholding the values set by our founding father, Shaikh Saleh Abdullah Kamel, May Allah Almighty have mercy on him. Together, we will continue our journey of excellence in Islamic finance.

May the peace, mercy, and blessings of Allah be upon you.

On behalf of the Board of Directors,

A handwritten signature in blue ink, appearing to be 'Abdullah Saleh Kamel', written over a horizontal line.

Abdullah Saleh Kamel
Chairman



a) Board of directors' remuneration details :

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance *****
	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			
1. Shaikh Abdullah Saleh Kamel	49,383.703	5,655.000	-	-	55,038.703	-	-	-	-	-	-	55,038.703	377.000
2. Mr. Mohammed Al Shroogi	57,132.537	9,048.000	-	-	66,180.537	-	-	-	-	-	-	66,180.537	2,284.331
3. Mr. Tawfig Shaker Mufti	57,132.537	14,703.000	-	-	71,835.537	-	-	-	-	-	-	71,835.537	-
4. Mr. Housseem Ben Haj Amor	41,634.870	6,786.000	-	-	48,420.870	-	-	-	-	-	-	48,420.870	2,381.323
5. Dr. Khaled Abdulla Ateeq	69,530.672	14,703.000	-	-	84,233.672	-	-	-	-	-	-	84,233.672	3,075.025
6. Mrs. Dalia Hazem Khorshid	46,284.169	9,048.000	-	-	55,332.169	-	-	-	-	-	-	55,332.169	2,705.727
7. Dr. Ziad Ahmed Bahaaeldin	48,608.819	10,179.000	-	-	58,787.819	-	-	-	-	-	-	58,787.819	689.866
8. Mr. Saud Saleh Al Saleh	45,509.287	7,917.000	-	-	53,426.287	-	-	-	-	-	-	53,426.287	-
9. Mr. Abdul Elah Abdul Rahim Sabbahi	46,284.169	7,917.000	-	-	54,201.169	-	-	-	-	-	-	54,201.169	-
10. Mr. Fahd bin Ibrahim Al Mufarrij	54,033.005	10,179.000	-	-	64,212.005	-	-	-	-	-	-	64,212.005	1,481.034
11. Mr. Masood Ahmed Al Bastaki	57,132.537	14,703.000	-	-	71,835.537	-	-	-	-	-	-	71,835.537	2,807.972
12. Mr. Naser Mohamed Ali Al Nuwais	49,383.701	10,179.000	-	-	59,562.701	-	-	-	-	-	-	59,562.701	1,799.088
Total	622,050.000	121,017.000	-	-	743,067.000	-	-	-	-	-	-	743,067.000	17,601.366

Notes:

All amounts stated in Bahraini Dinars.

Remunerations of the chairman and BOD:

* Includes fixed remunerations and remunerations calculated by points system. The remuneration is the proposed amounts and are subject to approval by the minister of industry and commerce and the Shareholders in the AGM.

Salaries:

** Mr. Housseem Ben Haj Amor's salary is included in the Executive Management remuneration disclosure.

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 (if any).

Expenses Allowance:

***** It includes Per-diem, Ticket and Hotel Fees.



b) 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**	BHD 1,327,204.763	BHD 1,397,719.460	BHD 271,713.953	BHD 2,996,638.176

Note: All amounts stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).

** The company's highest financial officer (CFO, Finance Director, ...etc)

Abdullah Saleh Kamel
Chairman

Mohamed Al Shroogi
Vice Chairman



Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (c)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Baraka Group B.S.C. (c) (the "Firm") and its subsidiaries (together the "Group") as at 31 December 2025, its consolidated financial performance, its consolidated cash flows and consolidated statement of changes in off-balance sheet assets under management for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of income for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of income and attribution related to quasi-equity for the year then ended;
- the consolidated statement of changes in owners' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in off-balance sheet assets under management for the year then ended; and
- the notes to the consolidated financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions ("AAOIFI Code") as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI Code.



*Independent auditor’s report to the shareholders of Al Baraka Group
B.S.C. (c) (continued)*

Report on the audit of the consolidated financial statements (continued)

Our audit approach

Overview

Key audit matter	Allowance for expected credit losses against financing facilities
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



*Independent auditor’s report to the shareholders of Al Baraka Group
B.S.C. (c) (continued)*

Report on the audit of the consolidated financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
<p>Allowance for expected credit losses against financing facilities</p> <p>Allowance for expected credit losses represents the Board of Directors’ best estimate of the credit losses arising from financing facilities. As described in the significant accounting policies to the Group’s consolidated financial statements, the allowance for expected credit losses has been determined in accordance with FAS 30.</p> <p>The Group’s financing facilities i.e. receivables, due from banks, participatory investments, and ijarah muntahia bittamleek totaling to USD 18,440 million and the related ECL amounting to USD 735 million as at 31 December 2025 are material to the Group.</p> <p>We focused on this area because of the materiality of the amounts involved and the fact that the Board of Directors makes complex and subjective judgements over the amount and timing of recognition of allowance for expected credit losses to reflect the following factors:</p> <ul style="list-style-type: none"> ● Updating macroeconomic data including GDP and oil prices; ● Determining criteria for significant increase in credit risk; ● Choosing appropriate models and assumptions for the measurement of Expected Credit Losses (ECL) including Probability of default (PD), Loss Given Default (LGD), and Exposure at Default (EAD); ● Adjustments to models based on weightings assigned to base case, upside and downside scenarios; ● Establishing groups of similar assets for the purpose of measuring the ECL; and ● Determining disclosure requirement in accordance with FAS 30. <p>Information on credit risk including Group’s credit risk management is provided in note 30 to the Group’s consolidated financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ● We assessed and tested a sample of key controls around origination and approval of financing facilities and monitoring of credit exposures and calculation of allowance for expected credit losses. ● We evaluated the appropriateness of the Group’s accounting policy for allowance for expected credit losses in accordance with the requirements of FAS 30. ● We engaged our internal experts to independently assess, on a sample basis, the reasonableness of the ECL methodology developed and applied by the Board of Directors including model risk parameters (PD, LGD, and EAD), forward-looking information, associated weightings, and staging analysis. ● We tested, on a sample basis, the completeness and accuracy of the data sets used for the ECL calculation. ● We tested a sample of financing facilities to determine the appropriateness and application of staging criteria. ● We obtained samples of the latest available credit reviews and checked that they include appropriate assessment and documentation of borrowers’ ability to meet repayment obligations (principal, profit, and fees). ● We independently assessed the appropriateness of provisioning assumptions on a sample of Stage 3 exposures. An independent view was formed on the levels of provisions recognised, based on the detailed loan and counterparty information available in the credit files. ● We evaluated the adequacy of the consolidated financial statements disclosures to determine if they were in accordance with the requirements of FAS 30.



Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the Unified Shari'a Supervisory Board Report and the Report of the Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the annual report which is 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of those charged with governance for the consolidated financial statements

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the FAS and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), the Central Bank of Bahrain ("CBB") Rulebook (Volume 4) and for such internal control as the Board of Directors determines is necessary to enable the preparation of the 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.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.



Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

As part of an audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.



Independent auditor's report to the shareholders of Al Baraka Group B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory and Sharia' requirements

As required by the Commercial Companies Law and the CBB Rulebook (Volume 4), we report the following:

- I. The Firm has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- II. The financial information contained in the Unified Shari'a Supervisory Board Report and the Report of the Board of Directors is consistent with the consolidated financial statements;
- III. Nothing has come to our attention which causes us to believe that the Firm has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 4), the Central Bank of Bahrain and Financial Institutions Law, and CBB directives or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2025 or its financial position as at that date; and
- IV. Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

Further, we report that the Firm has complied with the Islamic Sharia' Principles and Rules as determined by the Sharia' Supervisory Board of the Group during the year under audit.

The engagement partner on the audit resulting in this independent report is Elias Abi Nakhoul.

Partner's registration number: 196
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
24 February 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
ASSETS			
Cash and balances with banks	3	6,375,625	5,673,872
Due from Banks	4	1,028,898	742,371
Receivables	5	12,507,527	10,263,735
Participatory investments	6	1,122,515	763,338
Investments	7	5,467,296	5,036,541
Ijarah Muntahia Bittamleek	8	3,047,234	2,449,568
Property and equipment	9	535,420	484,443
Other assets	10	929,238	772,963
TOTAL ASSETS		31,013,753	26,186,831
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
LIABILITIES			
Customers' current and other accounts		8,170,877	6,792,690
Due to banks		2,330,360	1,502,386
Long term financing	11	975,888	775,635
Other liabilities	12	1,351,122	1,140,569
TOTAL LIABILITIES		12,828,247	10,211,280
QUASI-EQUITY			
Financial institutions		1,126,433	640,320
Non-financial institutions and individuals		14,871,540	13,338,157
Total quasi-equity	13	15,997,973	13,978,477
OWNERS' EQUITY			
Share capital	14	1,242,880	1,242,880
Treasury shares	14	(15,658)	(15,658)
Share premium		16,861	16,861
Statutory reserve		257,530	238,446
Cumulative changes in fair values		99,200	80,482
Foreign currency translations reserve	14	(1,415,408)	(1,375,913)
Retained earnings		787,656	657,695
Equity attributable to parent's shareholders		973,061	844,793
Sukuk (Tier 1 Capital)	15	400,000	400,000
Equity attributable to parent's shareholders and Sukuk (Tier 1 Capital) holders		1,373,061	1,244,793
Non-controlling interest		814,472	752,281
TOTAL OWNERS' EQUITY		2,187,533	1,997,074
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		31,013,753	26,186,831



Abdullah Saleh Kamel
Chairman



Housseem Ben-Haj Amor
Board member and Group Chief Executive Officer

Al Baraka Group B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
INCOME			
Income from financing contracts	16	2,354,545	1,946,329
Income from investments	17	679,583	736,985
Mudarib share for managing off-balance sheet assets under management		16,231	12,695
Fees and commission income	19	326,559	257,704
Other income	20	94,838	100,339
		3,471,756	3,054,052
Profit paid on financing	21	(417,999)	(448,349)
TOTAL OPERATING INCOME BEFORE NET INCOME ATTRIBUTABLE TO QUASI- EQUITY		3,053,757	2,605,703
Net income attributable to quasi-equity		(1,737,280)	(1,515,365)
TOTAL OPERATING INCOME		1,316,477	1,090,338
OPERATING EXPENSES			
Staff expenses		396,349	337,168
Depreciation and amortisation	22	62,971	48,724
Other operating expenses	23	252,745	218,334
TOTAL OPERATING EXPENSES		712,065	604,226
NET INCOME BEFORE NET ALLOWANCE FOR EXPECTED CREDIT LOSSES / IMPAIRMENT AND TAXATION			
Net allowance for expected credit losses / impairment	24	(143,766)	(90,384)
NET INCOME BEFORE TAXATION		460,646	395,728
Taxation		(103,822)	(87,211)
NET INCOME FOR THE YEAR		356,824	308,517
Attributable to:			
Equity holders of the Parent		190,837	157,324
Non-controlling interest		165,987	151,193
		356,824	308,517
Basic and diluted earnings per share - US cents	25	12.85	10.09



Abdullah Saleh Kamel
Chairman



Housseem Ben Haj Amor
Board member and Group Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Baraka Group B.S.C. (c)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 US\$ '000	<i>2024</i> <i>US\$ '000</i>
Net income for the year		356,824	308,517
Other comprehensive income / (loss)			
Items that may not be subsequently classified to consolidated statement of income			
Net change in fair value of property and equipment		20,834	22,253
Items that may subsequently classified to consolidated statement of income			
Foreign currency translations		(95,909)	(198,146)
Net change in fair value of equity investments measured at fair value through other comprehensive income		10,891	15,636
Net change in fair value of debt instruments measured at fair value through other comprehensive income		922	(824)
Net change in fair value of investment in real estate		(8)	-
Related income tax		(490)	(393)
Total other comprehensive (loss) / income for the year		(63,760)	(161,474)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		293,064	147,043
Attributable to:			
Equity holders of the Parent		170,060	46,683
Non-controlling interest		123,004	100,360
		293,064	147,043

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Baraka Group B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME AND
ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended 31 December 2025

	Notes	2025 US\$ '000	2024 US\$ '000
Total operating income before net income attributable to quasi-equity		3,053,757	2,605,703
Adjustments for:			
Less: Income from self-financed assets		(761,914)	(644,206)
Less: Group's share of the profit of jointly financed income		(189,273)	(164,003)
Less: Expenses attributable to quasi-equity		(12,093)	(12,344)
Less: Net allowance for impairment and credit losses - attributable to quasi-equity		(35,171)	(18,011)
Total income available for quasi-equity holders		2,055,306	1,767,139
<i>Profit equalization reserve - net movement</i>			
Appropriation during the year		(37,171)	(47,411)
Total income attributable to quasi-equity holders (adjusted for reserves)		2,018,135	1,719,728
Less: Group's share as Mudarib	18	(334,531)	(271,336)
Add: Hiba by Mudarib to the quasi-equity holders		16,505	19,562
Net income attributable to quasi-equity holders		1,700,109	1,467,954
<i>Investment risk reserve - net movement</i>			
Appropriation during the year		(38,159)	(42,640)
Amount used during the year		-	53,224
Profit distributable to quasi-equity		1,661,950	1,478,538
Net movement in profit equalization reserve		37,171	47,411
Net movement in investment risk reserve		38,159	(10,584)
Net income attributable to quasi-equity		1,737,280	1,515,365

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Baraka Group B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2025

	<i>Equity attributable to parent's shareholders and Sukuk holders</i>											
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Cumulative changes in fair value of investments</i>	<i>Cumulative changes in fair value of property and equipment</i>	<i>Foreign currency translations reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Perpetual tier 1 capital</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2025	1,242,880	(15,658)	16,861	238,446	25,189	55,293	(1,375,913)	657,695	844,793	400,000	752,281	1,997,074
Comprehensive income / (loss) for the year:												
Net income for the year	-	-	-	-	-	-	-	190,837	190,837	-	165,987	356,824
Other comprehensive income / (loss)	-	-	-	-	9,324	9,394	(39,495)	-	(20,777)	-	(42,983)	(63,760)
Total comprehensive income / (loss) for the year	-	-	-	-	9,324	9,394	(39,495)	190,837	170,060	-	123,004	293,064
Transfer to statutory reserve (note 14)	-	-	-	19,084	-	-	-	(19,084)	-	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(42,187)	(42,187)
Zakah paid on behalf of shareholders (note 14)	-	-	-	-	-	-	-	(1,404)	(1,404)	-	-	(1,404)
Zakah of subsidiaries	-	-	-	-	-	-	-	(1,130)	(1,130)	-	(361)	(1,491)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	(35,100)	(35,100)	-	-	(35,100)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	(4,158)	(4,158)	-	(13,263)	(17,421)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(5,002)	(5,002)
Balance at 31 December 2025	1,242,880	(15,658)	16,861	257,530	34,513	64,687	(1,415,408)	787,656	973,061	400,000	814,472	2,187,533

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Baraka Group B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2025

	<i>Equity attributable to parent's shareholders and Sukuk holders</i>												
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Cumulative changes in fair value of investments</i>	<i>Cumulative changes in fair value of property and equipment</i>	<i>Foreign currency translations reserve</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Total</i>	<i>Perpetual tier 1 capital</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2024	1,242,880	(15,658)	16,873	222,714	16,899	45,261	(1,246,905)	558,527	12,357	852,948	400,000	715,632	1,968,580
Movement in treasury shares	-	-	(12)	-	-	-	-	-	-	(12)	-	-	(12)
Comprehensive income / (loss) for the year:													
Net income for the year	-	-	-	-	-	-	-	157,324	-	157,324	-	151,193	308,517
Other comprehensive income / (loss)	-	-	-	-	8,290	10,032	(129,008)	45	-	(110,641)	-	(50,833)	(161,474)
Total comprehensive income / (loss) for the year	-	-	-	-	8,290	10,032	(129,008)	157,369	-	46,683	-	100,360	147,043
Transfer to statutory reserve (note 14)	-	-	-	15,732	-	-	-	(15,732)	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(12,357)	(12,357)	-	-	(12,357)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(30,078)	(30,078)
Zakah paid on behalf of shareholders (note 14)	-	-	-	-	-	-	-	(576)	-	(576)	-	-	(576)
Zakah of subsidiaries	-	-	-	-	-	-	-	(1,025)	-	(1,025)	-	(319)	(1,344)
Profit distributed on perpetual tier 1 capital	-	-	-	-	-	-	-	(35,100)	-	(35,100)	-	-	(35,100)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	(5,768)	-	(5,768)	-	(13,266)	(19,034)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(20,048)	(20,048)
Balance at 31 December 2024	1,242,880	(15,658)	16,861	238,446	25,189	55,293	(1,375,913)	657,695	-	844,793	400,000	752,281	1,997,074

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

		2025	2024
	<i>Notes</i>	US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Net income before taxation		460,646	395,728
Adjustments for:			
Depreciation and amortisation	22	62,971	48,724
Depreciation on Ijarah Muntahia Bittamleek	16.3	330,739	180,739
Unrealised gain on equity and debt-type instruments at fair value through statement of income	17	(145,193)	(225,987)
Loss / (Gain) on sale of property and equipment	20	1,045	(6,825)
Gain on sale of other assets	20	(24,227)	-
Gain on sale of investment in real estate	17	(2,332)	(1,491)
Gain on sale of equity type instruments at fair value through OCI	17	(1,396)	(923)
Gain on sale of equity and debt-type instruments at fair value through statement of income	17	(96)	(17)
Income from associates and joint venture	17	(15,377)	(11,894)
Net allowance for expected credit losses / impairment	24	143,766	90,384
Operating profit before changes in operating assets and liabilities		810,546	468,438
Net changes in operating assets and liabilities:			
Mandatory reserves with central banks		(660,670)	(162,341)
Receivables		(2,416,939)	(541,603)
Participatory investments		(556,826)	(255,074)
Ijarah Muntahia Bittamleek		(933,088)	(150,681)
Other assets		(178,220)	(143,541)
Customers' current and other accounts		1,378,188	388,859
Due to banks		827,974	373,231
Other liabilities		157,781	(5,567)
Quasi-equity		2,018,716	169,364
Taxation paid		(77,183)	(123,139)
Net cash generated from operating activities		370,279	17,946
INVESTING ACTIVITIES			
Net (purchase) / proceeds from sale of investments		(271,397)	655,797
Net purchase of property and equipment		(69,083)	(47,482)
Dividends received from associates and joint venture		844	773
Net movement of investment in associates and joint venture		19,684	15,921
Net cash (used in) / generated from investing activities		(319,952)	625,009
FINANCING ACTIVITIES			
Long term financing		200,253	(1,371)
Dividends paid to equity holders of the parent		-	(12,357)
Net movement in treasury shares		-	(12)
Profit distributed on perpetual tier 1 capital		(35,100)	(35,100)
Movement related to subsidiaries' tier 1 capital		(4,158)	(5,768)
Net changes in non-controlling interest		(49,013)	(45,407)
Net cash generated from / (used in) financing activities		111,982	(100,015)
Foreign currency translation adjustments		(95,909)	(198,146)
NET CHANGES IN CASH AND CASH EQUIVALENTS		66,400	344,794
Cash and cash equivalents at 1 January		2,946,238	2,601,444
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	3,012,638	2,946,238

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Baraka Group B.S.C. (c)

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

For the year ended 31 December 2025

	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivables</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>in real estate</i> <i>US\$ '000</i>	<i>Ijarah Muntahia</i> <i>Bittamleek</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Balance at 1 January 2025	92,706	556,403	158,515	56,288	427,869	274,830	1,566,611
Deposits	73,650	187,978	63,283	-	80,823	76,463	482,197
Withdrawals	(56,584)	(109,196)	(124,791)	(6,084)	(35,155)	(79,771)	(411,581)
Income net of expenses	-	39,693	1,755	3,051	28,418	20,256	93,173
Mudarib's share	-	(10,118)	-	(684)	(5,053)	(376)	(16,231)
Foreign exchange translations / others	355	(59,128)	-	(248)	(27,057)	(1,690)	(87,768)
Balance at 31 December 2025	110,127	605,632	98,762	52,323	469,845	289,712	1,626,401
Balance at 1 January 2024	91,780	618,926	402,931	51,275	355,282	166,612	1,686,806
Deposits	246,007	234,354	25,120	4,824	132,568	143,181	786,054
Withdrawals	(245,017)	(315,499)	(273,066)	(163)	(70,811)	(55,263)	(959,819)
Income net of expenses	-	33,840	3,530	636	14,373	20,786	73,165
Mudarib's share	-	(8,382)	-	(284)	(3,543)	(486)	(12,695)
Foreign exchange translations / others	(64)	(6,836)	-	-	-	-	(6,900)
Balance at 31 December 2024	92,706	556,403	158,515	56,288	427,869	274,830	1,566,611

The attached notes 1 to 34 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 CORPORATE INFORMATION AND ACTIVITIES

Al Baraka Group B.S.C. (c), (the "Firm" or "ABG") is a Bahrain closed shareholding company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration ("CR") number 48915. The Firm is engaged in investment firm activities in the Middle East, Europe, and African region. The address of the Firm's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

The principal activities of the ABG and its subsidiaries (the "Group") comprise of international and commercial banking, financing, treasury and investment activities. The Firm is supervised and regulated by the CBB under its Rule Book Volume 4 - Investment Business.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 February 2026.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type and debt-type instruments through other comprehensive income and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ("US\$") being the functional currency of ABG. All values are rounded to the nearest US\$ thousand ("US\$ '000") unless otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 ACCOUNTING POLICIES (continued)**Statement of compliance**

The consolidated financial statements of the Group are prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"). In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI".

Regulatory compliance

The CBB, sets and monitors ABG's capital requirements at Head Office level, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based Investment company under Category 1 of Volume 4 to maintain a minimum capital of BHD 1.0 million and minimum capital adequacy ratio not lower than 110%.

There were no financial penalties imposed by the CBB during the year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Firm and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Firm, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Statement of income and each component of other comprehensive income "OCI" are attributed to the equity holders of the parent of the Firm and to the non-controlling interests "NCIs", even if this results in the NCIs having a deficit balance.

The following are the principal subsidiaries of the Firm, which form part of these consolidated financial statements:

	Ownership for 2025	Ownership for 2024	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2025
Held directly by the Firm					
Banque Al Baraka D'Algerie (BAA)	55.67%	55.67%	1991	Algeria	34
Al Baraka Islamic Bank - Bahrain (AIB)	92.82%	92.82%	1984	Bahrain	200
Al Baraka Bank Tunis (ABT)	78.40%	78.40%	1983	Tunisia	44
Al Baraka Bank Egypt (ABE)	73.47%	73.47%	1980	Egypt	43
Jordan Islamic Bank (JIB)	65.82%	65.82%	1978	Jordan	105
Al Baraka Turk Participation Bank (ATPB)	45.09%	45.09%	1985	Turkey	225
Al Baraka Bank Limited (ABL)	64.51%	64.51%	1989	South Africa	9
Al Baraka Bank Sudan (ABS)	75.73%	75.73%	1984	Sudan	30

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the subsidiaries held indirectly through the principal subsidiaries of the Firm:

	<i>Subsidiary held through</i>	Effective Ownership for 2025	<i>Effective Ownership for 2024</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
Held indirectly by the Firm					
Al Baraka Bank (Pakistan) Limited	AIB	54.89%	54.89%	2010	Pakistan
Al-Omariya School Company	JIB	65.69%	65.69%	1987	Jordan
Al-Samaha Real Estate Company	JIB	65.82%	65.82%	1998	Jordan
Future Applied Computer Technology Company	JIB	65.82%	65.82%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	65.82%	65.82%	2006	Jordan
Al Baraka Capital for Financial Investment	ABE	72.00%	72.00%	2018	Egypt
Tanfeez for Real Estate Investment	ABE	72.00%	72.00%	2022	Egypt
Al Baraka Sicar	ABT	78.39%	78.39%	2021	Tunisia
El Amana Takaful	ABT	64.88%	64.88%	2023	Tunisia
Al Baraka Properties (Pty) Ltd.	ABL	64.51%	64.51%	1991	South Africa
Albaraka Financial Services (Pty) Ltd	ABL	64.51%	N/A	2025	South Africa
Albaraka Portfoy Yonetimi A.S.	ATPB	45.09%	45.09%	2018	Turkey
Insha GMBH	ATPB	45.09%	45.09%	2018	Germany

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 January 2025:

2.1 Adoption of new and amended standards and interpretations

These consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2024 except for the new standards, interpretations and amendments issued and effective as of 1 January 2025 which are as follows:

FAS 42 - Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies”. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari’a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement, provided that FAS 1 (Revised 2021) has already been adopted or is simultaneously adopted.

The adoption of this standard did not have significant impact on the Group’s presentation and disclosures in consolidated financial statements.

2 ACCOUNTING POLICIES (continued)

2.1 Adoption of new and amended standards and interpretations (continued)

FAS 43 - Accounting for Takaful: Recognition and Measurement

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions.

The adoption of this standard did not have significant impact on the Group's recognition and measurement.

2.2 New standards, amendments and interpretations issued but not yet effective

FAS 45 - Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for onbalance-sheet accounting and are reported as quasi-equity. This standard also provides the overall criteria for onbalance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues. This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026. The Group shall address the requirements of FAS 45 – Quasi-Equity (Including Investment Accounts) as of the effective date of the standard.

The Group does not expect significant impact on the adoption of this standard.

FAS 46 - Off-Balance Sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterisation of off-balance-sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance-sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements, particularly aligning the same with the requirements of the revised FAS 1 "General Presentation and Disclosures in the Financial Statements" in respect of the statement of changes in off-balance-sheet assets under management. This standard, along with, FAS 45 "Quasi-Equity (Including Investment Accounts)", supersedes the earlier FAS 27 "Investment Accounts". This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS 45 – Quasi-Equity (Including Investment Accounts). The Group shall address the requirements of FAS 46 – Off-Balance Sheet Assets Under Management in the Group's "Statement of Changes in Off-balance Sheet Assets under Management" as of the effective date of the standard.

The Group does not expect significant impact on the adoption of this standard.

2 ACCOUNTING POLICIES (continued)

2.2 New standards, amendments and interpretations issued but not yet effective (continued)

FAS 48 – Promotional Gifts and Prizes

AAOIFI has issued FAS 48 on 9 December 2024. This standard prescribes the accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment accountholders. This standard shall be effective for the financial periods beginning or after 1 January 2026.

The Group does not expect significant impact on the adoption of this standard.

FAS 49 - Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 on 19 December 2024. This standard outlines the principles governing financial reporting for the institutions applying AAOIFI FASs operating in hyperinflationary economies, duly considering the relevant Shari'a principles and rules and their unique business models. This standard shall be effective for the financial periods beginning or after 1 January 2026 with early adoption encouraged.

The Group has performed an early impact assessment of the requirement of this standard. Please refer note 30 for further details.

FAS 50 – Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 on 24 December 2024. This standard supersedes the earlier FAS 14 "Investment Funds." This standard sets out the principles of financial reporting for Islamic Investment Institutions ("IIs") particularly prescribing overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilitates truthful and fair presentation in line with Shari'a principles and rules. This standard shall be effective on the annual financial statements on or after 1 January 2027.

The Group does not expect significant impact on the adoption of this standard.

FAS 51 – Participatory Ventures

AAOIFI issued Financial Accounting Standard (FAS) 51 – "Participatory Ventures" on 10 November 2025. The standard prescribes accounting and financial reporting principles for participatory ventures, including structures based on Mudaraba and Musharaka, and supersedes earlier FAS 3 (Mudaraba Financing) and FAS 4 (Musharaka Financing). It also covers arrangements involving gradual transfer of ownership, including diminishing Musharaka and restricted Mudaraba. This standard shall be effective on the consolidated financial statements for financial periods beginning on or after 1 January 2027 with early adoption encouraged.

The Group does not expect significant impact on the adoption of this standard.

FAS 52 – Deferred Delivery Sales: Salam and Istisna

AAOIFI issued Financial Accounting Standard (FAS) 52 – "Deferred Delivery Sales: Salam and Istisna" on 31 December 2025. The standard provides accounting principles for buyers/customers and sellers/developers involved in Salam and Istisna based deferred delivery sales transactions. FAS 52 supersedes FAS 7 (Salam and Parallel Salam) and FAS 10 (Istisna'a and Parallel Istisna'a) and aligns related accounting requirements with AAOIFI's broader revision strategy and global best practices. This standard shall be effective on the consolidated financial statements for financial periods beginning on or after 1 January 2027 with early adoption encouraged.

The Group does not expect significant impact on the adoption of this standard.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies

a. Financial contracts

Financial contracts consist of cash and balances with banks, receivables, Mudaraba (net of deferred profit) and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

b. Impairment assessment

Impairment of financial assets

The Group applies three-stage approach to measure expected credit losses ("ECL") on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months) of the lifetime ECL associated with the probability of default events occurring within next twelve months after the reporting date is recognised.

Stage 2: lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In cases where there are no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days or any material credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default

Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generate estimates of 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 changes in key macro-economic factors, across various geographies in which the Group operates.

Each component (subsidiary) of the Group uses combination of key macro-economic indicators including, fiscal surplus/deficit as a percentage of GDP, gross domestic product (GDP) growth, oil prices, government spending, stock market volatility, cost of funding, lending rates credit growth, inflation rate and unemployment.

Types of PDs used for ECL computation

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information

The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy, the methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default

LGD is a percentage that determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available units can estimate LGDs using the historical default information and corresponding recovery data.

Basel LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Exposure At Default

EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs

EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs

Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following methods to work out CCF for off- balance sheet EADs.

CCF based on internal data - The Group performs off-balance sheet product based analysis to study the average percentage utilization/conversion over a period of 3- 5 years. Based on the analysis product wide conversion/utilization factors are estimated. For Letters of Credit (LCs) and Letters of Guarantees (LGs) issued, units determines CCF by estimating total amount of LCs/LGs devolved/converted over last 3-5 years as a percentage of total LC/LG issued to arrive at the expected exposure over the future for these off-balance sheet items.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Collective ECL computation and staging

ECL on individually large exposures and credit-impaired loans are generally measured individually. For retail exposures and other exposures to small and medium-sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates borrower-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The assessment is carried out for specific instrument rather than a counterparty. As each instrument may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances faced by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

Backward transition

FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1

- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts; and
- A minimum cool-off/cure period of 12 months for restructured accounts.

From stage 3 to stage 2

- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present.
- Up to date payment with no arrears.
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

b. Impairment assessment (continued)

Write-offs

Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments/off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

c. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandatory reserves and balances with other banks with an original maturity of three months or less.

d. Receivables

Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables

Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in sales (murabaha) receivables to the purchase orderer as obligatory.

Ijarah receivables

Ijarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables

Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables

Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

e. Participatory investments

Participatory investments comprise Mudaraba and Musharaka financing. These are partnerships in which the Group contributes capital. These are stated at the fair value of consideration given less impairment.

f. Investments

Investments comprise equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through OCI, debt-type instruments at amortised cost, investment in real estate and investment in associates and joint venture .

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

f. Investments (continued)

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 at fair value and changes in fair value (only gains) are recognised as property and equipment fair value reserve in the consolidated statement of other comprehensive income.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property and equipment 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 the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property and equipment fair value reserve, is transferred to the consolidated statement of income.

Investment in associates and joint venture

The Group's investment in associates and joint venture is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or the joint venture.

The reporting dates of the associates and joint venture and the Group are identical including the accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

Equity and debt-type instruments at fair value through statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

All other investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Equity-type instruments at fair value through OCI

This includes all instruments that are not covered above. Subsequent to acquisition, investments designated at fair value through OCI are re-measured at fair value with unrealised gains or losses recognised proportionately in OCI and quasi-equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in OCI or quasi-equity is recognised in consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

f. Investments (continued)

Debt-type instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

g. Ijarah Muntahia Bittamleek

Ijara income is recognised on a time apportioned basis over the Ijara term and is stated net of depreciation. Income related to non-performing Ijara muntahia bittamleek accounts that are non-performing is excluded from the consolidated statement of income.

h. Property and equipment

Property and equipment are initially recognised at cost. Subsequent to initial recognition property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value, except for land which is carried at fair value. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

The calculation of depreciation is on the following basis:

Buildings	30 - 50 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

Any subsequent change in fair value of land (only gains) are recognised as property and equipment fair value reserve in the consolidated statement of comprehensive income. Losses arising from changes in the fair value of land is first adjusted against the property and equipment 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 the 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 land is disposed of, the cumulative gain previously transferred to the property and equipment fair value reserve, is transferred to the consolidated statement of income.

i. Fair values

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

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

(i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the reporting date.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

i. Fair values (continued)

(ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

(iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

(iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

j. Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

k. Intangible assets

Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

l. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

m. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

n. Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

o. Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

p. Quasi-equity

All quasi-equity are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Firm or subsidiary level.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

q. 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 against future losses for quasi-equity.

r. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for participating stakeholders.

s. Sukuk

Sukuk issued by the Group are treated based on the underlying contracts and structure.

t. Off-balance sheet assets under management

Off-balance sheet assets under management represent funds received by the Group from third parties for investment in specified products as directed by them. These products are managed in a fiduciary capacity and the Group has no entitlement to these products. Third parties bear all of the risks and earn all of the rewards on these products. Off-balance sheet assets under management are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these products except within the conditions of the contract between the Group and third parties.

u. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments are recognised directly in equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

v. Revenue recognition

Sales (Murabaha) receivables

Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Mudaraba and Musharaka financing

Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Ijarah Muntahia Bittamleek

Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Fee and commission income

Fee and commission income is recognised when earned.

Other income

Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib

The Group's share of profit as a Mudarib for managing quasi-equity is based on the terms and conditions of the related mudarib agreements.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

v. Revenue recognition (continued)

Mudarib's share of off-balance sheet assets under management

The Group shares profit for managing off-balance sheet assets under management based on the terms and conditions of related contracts.

w. Return on quasi-equity

Quasi-equity' share of income is calculated based on the applicable local laws and based on the underlining individual Mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

x. Joint and self financed

Investments, financing and receivables that are jointly owned by the Group and the quasi-equity are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

y. Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

z. Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

aa. Zakah

The article of association of Al Baraka Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on the behalf of the shareholders.

ab. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

ac. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ac. Impairment of financial assets (continued)

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

ad. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ae. Assets classified as Held for sale

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

af. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to income statement at the entity level.

Foreign currency translations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the financial position date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken to a separate component of owners' equity through the statement of other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in owners' equity relating to that particular foreign entity is recognised in the consolidated statement of income.

ag. 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 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

ah. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which affects the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity-type instrument at fair value through statement of income, equity-type instrument at fair value through OCI, debt-type instrument at fair value through statement of income, debt-type instrument at fair value through OCI or debt-type instrument at amortised cost.

The Group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cash flows, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and 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 case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements.

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.

ai. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of goodwill impairment, the fair value of unquoted investments, and provisions for sales (Murabaha) receivable, mudaraba financing, musharaka financing, equity-type instrument at fair value through OCI, debt-type instrument at amortised cost, ijarah receivable and other assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2 ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

aj. Derecognition

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3 CASH AND BALANCES WITH BANKS

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Balances with central banks*	2,672,529	2,195,998	4,868,527	2,554,721	1,654,088	4,208,809
Balances with other banks	949,125	39,412	988,537	864,977	49,499	914,476
Cash and cash in transit	520,922	68,017	588,939	527,594	67,097	594,691
Allowance for credit losses (note 24)	(66,628)	(3,750)	(70,378)	(43,503)	(601)	(44,104)
	4,075,948	2,299,677	6,375,625	3,903,789	1,770,083	5,673,872

* Balances with central banks include mandatory reserves amounting to US\$ 3,433,365 thousand (2024: US\$ 2,771,738 thousand). These amounts are not available for use in the Group's day-to-day operations.

4 DUE FROM BANKS

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Commodity murabaha	319	366,901	367,220	5,225	273,891	279,116
Mudaraba financing	71,839	314,930	386,769	26,000	175,628	201,628
Wakala financing	44,460	238,351	282,811	24,098	247,814	271,912
Allowance for credit losses (note 24)	(7,177)	(725)	(7,902)	(8,018)	(2,267)	(10,285)
	109,441	919,457	1,028,898	47,305	695,066	742,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4 DUE FROM BANKS (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Good (1-4)	397,111	13,000	-	410,111
Satisfactory (5-7)	517,292	102,397	-	619,689
Default (8-10)	-	-	7,000	7,000
Allowance for credit losses	(234)	(668)	(7,000)	(7,902)
	914,169	114,729	-	1,028,898
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Good (1-4)	347,540	13,000	-	360,540
Satisfactory (5-7)	294,049	91,067	-	385,116
Default (8-10)	-	-	7,000	7,000
Allowance for credit losses	(1,730)	(1,555)	(7,000)	(10,285)
	639,859	102,512	-	742,371

The below table shows the movement in allowance for credit losses by stage:

	31 December 2025			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	1,730	1,555	7,000	10,285
Net remeasurement of loss allowance	(1,579)	(946)	-	(2,525)
Allocation to investment risk reserve	(22)	-	-	(22)
FX translation / others	105	59	-	164
	234	668	7,000	7,902
	31 December 2024			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	697	1,943	16,415	19,055
Net remeasurement of loss allowance	1,579	(347)	-	1,232
Allocation to investment risk reserve	(544)	-	-	(544)
FX translation / others	(2)	(41)	(9,415)	(9,458)
	1,730	1,555	7,000	10,285

5 RECEIVABLES

	2025	2024
	US\$ '000	US\$ '000
Sales (Murabaha) receivables (note 5.1)	12,296,078	10,281,504
Ijarah receivables (note 5.2)	169,713	173,322
Salam receivables (note 5.3)	537,682	301,040
Istisna'a receivables (note 5.4)	184,636	177,540
Allowance for credit losses (note 24)	(680,582)	(669,671)
	12,507,527	10,263,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 RECEIVABLES (continued)

5.1 Sales (Murabaha) receivables

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Gross sales (murabaha) receivables	1,911,774	11,353,695	13,265,469	1,385,057	9,702,697	11,087,754
Deferred profits (note 5.1(a))	(79)	(969,312)	(969,391)	-	(806,250)	(806,250)
	1,911,695	10,384,383	12,296,078	1,385,057	8,896,447	10,281,504
Allowance for credit losses	(191,096)	(384,635)	(575,731)	(218,093)	(358,909)	(577,002)
Net sales (murabaha) receivables	1,720,599	9,999,748	11,720,347	1,166,964	8,537,538	9,704,502

2025
US\$ '000

2024
US\$ '000

Non-performing **400,454** **374,847**

5.1(a) Murabaha deferred profit movement

	2025 US\$ '000	2024 US\$ '000
Deferred profit at the beginning of the year	806,250	1,113,218
Murabaha sales during the year	3,658,273	902,359
Murabaha cost of sales	(3,198,985)	(864,807)
	1,265,538	1,150,770
Deferred profit collected during the year	(283,450)	(264,967)
Deferred profit settled during the year	(5,023)	(907)
Deferred profit waived during the year	683	544
FX translation	(8,357)	(79,190)
Deferred profit at the end of the year	969,391	806,250

5.2 Ijarah receivables

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Gross ijarah receivables	2,621	167,092	169,713	2,507	170,815	173,322
Allowance for credit losses	(71)	(67,715)	(67,786)	(108)	(56,666)	(56,774)
Net ijarah receivables	2,550	99,377	101,927	2,399	114,149	116,548

2025
US\$ '000

2024
US\$ '000

Non-performing **133,591** **138,057**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 RECEIVABLES (continued)

5.3 Salam receivables

	2025			2024		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000
Gross salam receivables	-	537,682	537,682	-	301,040	301,040
Allowance for credit losses	-	(18,796)	(18,796)	-	(16,838)	(16,838)
Net salam receivables	-	518,886	518,886	-	284,202	284,202
					2025 US\$ '000	2024 US\$ '000
Non-performing					26,180	25,407

5.4 Istisna'a receivables

	2025			2024		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000
Gross istisna'a receivables	-	184,636	184,636	-	177,540	177,540
Allowance for credit losses	-	(18,269)	(18,269)	-	(19,057)	(19,057)
Net istisna'a receivables	-	166,367	166,367	-	158,483	158,483
					2025 US\$ '000	2024 US\$ '000
Non-performing					18,571	20,271

The table below shows the receivables credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2025			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
Good (1-4)	2,790,167	177,986	-	2,968,153
Satisfactory (5-7)	8,311,942	1,329,218	-	9,641,160
Default (8-10)	-	-	578,796	578,796
Allowance for credit losses	(52,738)	(242,848)	(384,996)	(680,582)
	11,049,371	1,264,356	193,800	12,507,527
	31 December 2024			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
Good (1-4)	2,254,064	98,628	-	2,352,692
Satisfactory (5-7)	6,753,599	1,268,533	-	8,022,132
Default (8-10)	-	-	558,582	558,582
Allowance for credit losses	(67,186)	(245,050)	(357,435)	(669,671)
	8,940,477	1,122,111	201,147	10,263,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5 RECEIVABLES (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2025			Total US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balance at 1 January	67,186	245,050	357,435	669,671
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	5,917	(4,059)	(1,858)	-
- transferred to Stage 2	(1,563)	15,018	(13,455)	-
- transferred to Stage 3	(428)	(3,746)	4,174	-
Net remeasurement of loss allowance	(10,979)	(3,199)	118,056	103,878
Recoveries / write-backs	-	-	(17,799)	(17,799)
Allocation (to) / from investment risk reserve	(1,169)	1,340	3,894	4,065
Amounts written off	-	-	(64,689)	(64,689)
FX translation / others	(6,226)	(7,556)	(762)	(14,544)
	52,738	242,848	384,996	680,582
	31 December 2024			
	Stage 1: 12- month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000
Balance at 1 January	93,021	262,411	347,021	702,453
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1	4,809	(3,293)	(1,516)	-
- transferred to Stage 2	(2,667)	6,150	(3,483)	-
- transferred to Stage 3	(142)	(14,943)	15,085	-
Net remeasurement of loss allowance	15,125	25,427	65,938	106,490
Recoveries / write-backs	-	-	(28,566)	(28,566)
Allocation (to) / from investment risk reserve	(4,095)	(14,370)	7,426	(11,039)
Amounts written off	-	-	(21,595)	(21,595)
FX translation / others	(38,865)	(16,332)	(22,875)	(78,072)
	67,186	245,050	357,435	669,671

6 PARTICIPATORY INVESTMENTS

	2025 US\$ '000	2024 US\$ '000
Mudaraba financing (note 6.1)	251,424	124,167
Musharaka financing (note 6.2)	900,992	669,591
Allowance for credit losses (note 24)	(29,901)	(30,420)
	1,122,515	763,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6 PARTICIPATORY INVESTMENTS (continued)

6.1 Mudaraba financing

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Gross mudaraba financing	420	251,004	251,424	420	123,747	124,167
Allowance for credit losses	(420)	(15,987)	(16,407)	(420)	(14,377)	(14,797)
Net mudaraba financing	-	235,017	235,017	-	109,370	109,370
					2025 US\$ '000	2024 US\$ '000
Non-performing					12,206	12,665

6.2 Musharaka financing

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Gross musharaka financing	109,261	791,731	900,992	136,958	532,633	669,591
Allowance for credit losses	(43)	(13,451)	(13,494)	(993)	(14,630)	(15,623)
Net musharaka financing	109,218	778,280	887,498	135,965	518,003	653,968
					2025 US\$ '000	2024 US\$ '000
Non-performing					19,071	20,083

The table below shows the mudaraba and musharaka credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2025			
	<i>Stage 1 US\$ '000</i>	<i>Stage 2 US\$ '000</i>	<i>Stage 3 US\$ '000</i>	<i>Total US\$ '000</i>
Good (1-4)	647,217	28,813	-	676,030
Satisfactory (5-7)	323,099	122,010	-	445,109
Default (8-10)	-	-	31,277	31,277
Allowance for credit losses	(1,739)	(8,744)	(19,418)	(29,901)
	968,577	142,079	11,859	1,122,515
	31 December 2024			
	<i>Stage 1 US\$ '000</i>	<i>Stage 2 US\$ '000</i>	<i>Stage 3 US\$ '000</i>	<i>Total US\$ '000</i>
Good (1-4)	403,648	11,647	-	415,295
Satisfactory (5-7)	241,219	104,496	-	345,715
Default (8-10)	-	-	32,748	32,748
Allowance for credit losses	(2,496)	(8,044)	(19,880)	(30,420)
	642,371	108,099	12,868	763,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6 PARTICIPATORY INVESTMENTS (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 December 2025			
	Stage 1:	Stage 2:	Stage 3:	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL not	ECL credit-	
US\$ '000	credit-	impaired		
	impaired	impaired	US\$ '000	US\$ '000
Balance at 1 January	2,496	8,044	19,880	30,420
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	35	(11)	(24)	-
- transferred to Stage 2	(204)	221	(17)	-
- transferred to Stage 3	(196)	(106)	302	-
Net remeasurement of loss allowance	600	209	1,466	2,275
Recoveries / write-backs	-	-	(1,561)	(1,561)
Allocation (to) / from investment risk reserve	(35)	(21)	65	9
Amounts written off	-	-	(771)	(771)
FX translation / others	(957)	408	78	(471)
	1,739	8,744	19,418	29,901
	31 December 2024			
	Stage 1: 12-	Stage 2:	Stage 3:	Total
	month ECL	Lifetime ECL	Lifetime ECL	
	US\$ '000	not credit-	credit-	
	US\$ '000	impaired	impaired	
				US\$ '000
Balance at 1 January	3,601	8,269	24,545	36,415
Changes due to financing recognised in opening balance that have:				
- transferred to Stage 1	16	(13)	(3)	-
- transferred to Stage 2	(53)	58	(5)	-
- transferred to Stage 3	(522)	(427)	949	-
Net remeasurement of loss allowance	113	2,301	(916)	1,498
Recoveries / write-backs	-	-	(2)	(2)
Allocation from / (to) investment risk reserve	10	2	(44)	(32)
Amounts written off	-	-	(5,981)	(5,981)
FX translation / others	(669)	(2,146)	1,337	(1,478)
	2,496	8,044	19,880	30,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7 INVESTMENTS

	2025	2024
	US\$ '000	US\$ '000
Equity and debt-type instruments at fair value through statement of income (note 7.1)	631,754	479,743
Equity and debt-type instruments at fair value through OCI (note 7.2)	782,120	746,375
Debt-type instruments at amortised cost (note 7.3)	3,856,764	3,600,105
	5,270,638	4,826,223
Investment in real estate (note 7.4)	149,678	158,497
Investment in associates and joint venture (note 7.5)	46,980	51,821
	5,467,296	5,036,541

7.1 Equity and debt-type instruments at fair value through statement of income

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Quoted investments						
Debt instruments	-	35,181	35,181	18	176	194
Equity securities	545,591	3,548	549,139	472,735	2,358	475,093
	545,591	38,729	584,320	472,753	2,534	475,287
Unquoted investments						
Debt Instruments	-	361	361	-	365	365
Equity securities	47,073	-	47,073	4,091	-	4,091
	47,073	361	47,434	4,091	365	4,456
	592,664	39,090	631,754	476,844	2,899	479,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7 INVESTMENTS (continued)

7.2 Equity and debt-type instruments at fair value through OCI

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Quoted investments						
Equity securities	20,000	26,833	46,833	255,669	309,723	565,392
Managed funds	7,053	102	7,155	494	-	494
Sukuk	209,006	376,897	585,903	-	-	-
	<u>236,059</u>	<u>403,832</u>	<u>639,891</u>	<u>256,163</u>	<u>309,723</u>	<u>565,886</u>
Unquoted investments						
Equity securities	51,204	55,413	106,617	11,268	93,412	104,680
Managed funds	21,795	20,415	42,210	48,778	33,328	82,106
Sukuk	-	2,097	2,097	-	-	-
	<u>72,999</u>	<u>77,925</u>	<u>150,924</u>	<u>60,046</u>	<u>126,740</u>	<u>186,786</u>
Provisions for impairment	(6,176)	(2,519)	(8,695)	(5,621)	(676)	(6,297)
	<u>302,882</u>	<u>479,238</u>	<u>782,120</u>	<u>310,588</u>	<u>435,787</u>	<u>746,375</u>

7.3 Debt-type instruments at amortised cost

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Quoted investments						
Sukuk and similar items	1,750,814	1,295,487	3,046,301	1,806,233	1,517,136	3,323,369
	<u>1,750,814</u>	<u>1,295,487</u>	<u>3,046,301</u>	<u>1,806,233</u>	<u>1,517,136</u>	<u>3,323,369</u>
Unquoted investments						
Sukuk and similar items	20,107	796,551	816,658	-	287,453	287,453
Allowance for credit losses	(622)	(5,573)	(6,195)	(1,318)	(9,399)	(10,717)
	<u>1,770,299</u>	<u>2,086,465</u>	<u>3,856,764</u>	<u>1,804,915</u>	<u>1,795,190</u>	<u>3,600,105</u>

The table below shows the debt type instruments credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2025			
	<i>Stage 1 US\$ '000</i>	<i>Stage 2 US\$ '000</i>	<i>Stage 3 US\$ '000</i>	<i>Total US\$ '000</i>
Good (1-4)	3,132,568	4,857	-	3,137,425
Satisfactory (5-7)	679,054	43,915	-	722,969
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(2,676)	(954)	(2,565)	(6,195)
	<u>3,808,946</u>	<u>47,818</u>	<u>-</u>	<u>3,856,764</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost (continued)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Good (1-4)	3,026,081	8,396	-	3,034,477
Satisfactory (5-7)	544,971	28,809	-	573,780
Default (8-10)	-	-	2,565	2,565
Allowance for credit losses	(7,725)	(427)	(2,565)	(10,717)
	<u>3,563,327</u>	<u>36,778</u>	<u>-</u>	<u>3,600,105</u>

The below table shows the movement in allowance for credit losses by stage:

	31 December 2025			
	Stage 1: 12-month ECL US\$ '000	Stage 2:	Stage 3:	Total US\$ '000
		Lifetime	Lifetime	
		ECL not credit- impaired US\$ '000	ECL credit- impaired US\$ '000	
Balance at 1 January	7,725	427	2,565	10,717
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(5,267)	315	489	(4,463)
Allocation to investment risk reserve	-	28	-	28
FX translation / others	218	184	(489)	(87)
	<u>2,676</u>	<u>954</u>	<u>2,565</u>	<u>6,195</u>

	31 December 2024			
	Stage 1: 12- month ECL US\$ '000	Stage 2:	Stage 3:	Total US\$ '000
		Lifetime	Lifetime	
		ECL not credit- impaired US\$ '000	ECL credit- impaired US\$ '000	
Balance at 1 January	10,868	392	2,565	13,825
Changes due to instruments recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	421	40	-	461
Allocation to investment risk reserve	(77)	-	-	(77)
FX translation / others	(3,487)	(5)	-	(3,492)
	<u>7,725</u>	<u>427</u>	<u>2,565</u>	<u>10,717</u>

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For the year ended 31 December 2025

7 INVESTMENTS (continued)

7.4 Investment in real estate

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
At cost	13,985	137,588	151,573	13,985	146,976	160,961
At fair value	9,485	140,193	149,678	8,270	150,227	158,497

Investment in real estate at fair value at 31 December consist of the following:

	2025			2024		
	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>	<i>Self financed US\$ '000</i>	<i>Jointly financed US\$ '000</i>	<i>Total US\$ '000</i>
Land	867	77,138	78,005	544	85,814	86,358
Buildings	8,618	63,055	71,673	7,726	64,413	72,139
	9,485	140,193	149,678	8,270	150,227	158,497

The following is a reconciliation between carrying amounts of investment in real estate at the beginning and end of the year:

	2025 US\$ '000	2024 US\$ '000
Beginning balance of the year	158,497	167,376
Acquisitions	743	-
Net gain / (loss) from fair value adjustments	1,173	(1,752)
Disposals	(10,066)	(6,211)
Impairment	-	(899)
Foreign exchange translation / others - net	(669)	(17)
	(8,819)	(8,879)
Ending balance of the year	149,678	158,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7 INVESTMENTS (continued)

7.5 Investment in associates and joint venture

Investment in associates and joint venture comprise of the following:

	2025			Market value US\$ '000
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	
Quoted associates and joint venture	-	22,337	22,337	25,104
Unquoted associates and joint venture	24,643	-	24,643	
	24,643	22,337	46,980	
	2024			Market value US\$ '000
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	
Quoted associates and joint venture	-	17,734	17,734	12,999
Unquoted associates and joint venture	34,087	-	34,087	
	34,087	17,734	51,821	

The investment in associates and joint venture are net of impairment of US\$ 23,000 thousand (2024: US\$ 23,000 thousand).

Summarised financial information of associates and joint venture that have been equity accounted for in these consolidated financial statements, not adjusted for percentage of ownership held by the Group:

	2025 US\$ '000	2024 US\$ '000
Total assets	1,129,849	938,803
Total liabilities	965,534	722,824
Total revenues	128,849	69,044
Total net profit	9,522	23,777

Investment in associates and joint venture comprise of:

Name of associate	Ownership % 2025	Ownership % 2024	Country of incorporation	Nature of business
The Islamic Insurance Company	33.5%	33.5%	Jordan	Insurance activities
Jordan International Trading Centre	28.4%	28.4%	Jordan	Trading activities
katilim finans kefalet a.ş	15.0%	15.0%	Turkey	Financial services
Takaful for Pension and Life Insurance	50.0%	50.0%	Turkey	Insurance activities
Danaat AlBaraka*	51.0%	51.0%	Bahrain	Real estate development
Al Baraka Bank Syria	29.0%	29.0%	Syria	Banking
Best Lease	23.6%	23.6%	Tunis	Islamic leasing
Sunnah Al-Tamayuz**	49.0%	49.0%	Saudi Arabia	Banking

*On 10 July 2024, the shareholders of "Danat-ul-Barakat SPC", in an extraordinary general meeting, resolved to liquidate the company after the completion of all legal formalities. The liquidation process was finalized during the year and the entity has been de-recognized.

**Dallah Al-Baraka Holding Company (DBHC), a related party to the Firm's Parent Company that is based in Jeddah, Saudi Arabia, incorporated a company "Sunnah Al-Tamayuz" in the Kingdom of Saudi Arabia with an objective to expand its banking activities in the Kingdom of Saudi Arabia. The share capital of Sunnah Al-Tamayuz is owned 51% by DBHC and 49% by the Firm. The Firm has made an assessment to determine if it controls Sunnah Al-Tamayuz and concluded that it does not control Sunnah Al-Tamayuz and has, accordingly, classified the investment as "investment in associate".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8 IJARAH MUNTAHIA BITTAMLEEK

	2025			2024		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000
Land and building						
Cost	-	3,027,485	3,027,485	-	2,775,975	2,775,975
Accumulated depreciation	-	(767,011)	(767,011)	-	(623,761)	(623,761)
Allowance for credit losses	-	(5,017)	(5,017)	-	(5,950)	(5,950)
Net book value	-	2,255,457	2,255,457	-	2,146,264	2,146,264
Equipment						
Cost	270,529	697,629	968,158	35,670	352,175	387,845
Accumulated depreciation	(64,978)	(129,887)	(194,865)	(10,230)	(80,783)	(91,013)
Allowance for credit losses	(1,769)	(8,770)	(10,539)	(41)	(5,152)	(5,193)
Net book value	203,782	558,972	762,754	25,399	266,240	291,639
Others						
Cost	-	36,363	36,363	-	15,275	15,275
Accumulated depreciation	-	(6,632)	(6,632)	-	(3,358)	(3,358)
Allowance for credit losses	-	(708)	(708)	-	(252)	(252)
Net book value	-	29,023	29,023	-	11,665	11,665
TOTAL						
Cost	270,529	3,761,477	4,032,006	35,670	3,143,425	3,179,095
Accumulated depreciation	(64,978)	(903,530)	(968,508)	(10,230)	(707,902)	(718,132)
Less: allowance for credit losses (note 24)	(1,769)	(14,495)	(16,264)	(41)	(11,354)	(11,395)
Net book value	203,782	2,843,452	3,047,234	25,399	2,424,169	2,449,568

The table below shows the ijarah muntahia bittamleek credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 December 2025			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
Good (1-4)	687,365	4,120	-	691,485
Satisfactory (5-7)	2,108,824	263,155	-	2,371,979
Default (8-10)	-	-	34	34
Allowance for credit losses	(6,960)	(9,298)	(6)	(16,264)
	2,789,229	257,977	28	3,047,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8 IJARAH MUNTAHIA BITTAMLEEK (continued)

	31 December 2024			
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000
Good (1-4)	659,215	4,204	-	663,419
Satisfactory (5-7)	1,591,934	205,610	-	1,797,544
Default (8-10)	-	-	-	-
Allowance for credit losses	(2,677)	(8,718)	-	(11,395)
	<u>2,248,472</u>	<u>201,096</u>	<u>-</u>	<u>2,449,568</u>

The below table shows the movement in allowance for credit losses by stage:

	31 December 2025			
	Stage 1: 12- month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000
Balance at 1 January	2,677	8,718	-	11,395
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	(2)	2	-	-
- transferred to Stage 3	(6)	-	6	-
Net remeasurement of loss allowance	4,462	221	-	4,683
Allocation from investment risk reserve	71	-	-	71
FX translation / others	(242)	357	-	115
	<u>6,960</u>	<u>9,298</u>	<u>6</u>	<u>16,264</u>

	31 December 2024			
	Stage 1: 12- month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000
Balance at 1 January	2,187	11,766	-	13,953
Changes due to ijarah muntahia bittamleek recognised in opening balance that have:				
- transferred to Stage 1	-	-	-	-
- transferred to Stage 2	-	-	-	-
- transferred to Stage 3	-	-	-	-
Net remeasurement of loss allowance	585	(2,950)	-	(2,365)
FX translation / others	(95)	(98)	-	(193)
	<u>2,677</u>	<u>8,718</u>	<u>-</u>	<u>11,395</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9 PROPERTY AND EQUIPMENT

	<i>Buildings</i>	<i>Lands</i>	<i>Office furniture and equipment</i>	<i>Vehicles</i>	<i>Others</i>	<i>Right of use asset</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Cost:							
At 1 January 2024	237,919	170,401	215,818	25,078	5,676	77,780	732,672
Additions	30,693	273	11,424	1,892	6,829	29,472	80,583
Disposals	(298)	(653)	(1,946)	(972)	(163)	(1,159)	(5,191)
Foreign exchange translations	(16,099)	(8,388)	(16,813)	(3,573)	14,428	(8,288)	(38,733)
At 31 December 2024	252,215	161,633	208,483	22,425	26,770	97,805	769,331
Additions	76,196	9,353	34,194	1,129	9,823	29,282	159,977
Disposals	(669)	-	(2,638)	(222)	-	(2,502)	(6,031)
Foreign exchange translations	(39,468)	(18,950)	161	(3,409)	(1,873)	(10,522)	(74,061)
At 31 December 2025	288,274	152,036	240,200	19,923	34,720	114,063	849,216
Accumulated Depreciation:							
At 1 January 2024	55,094	-	179,501	5,726	917	26,723	267,961
Charged during the year (note 22)	8,012	-	10,306	4,000	1,388	10,869	34,575
Relating to disposals	(195)	-	(1,308)	(831)	(97)	(907)	(3,338)
Foreign exchange translations	(3,834)	-	(11,952)	(731)	4,699	(2,492)	(14,310)
At 31 December 2024	59,077	-	176,547	8,164	6,907	34,193	284,888
Charged during the year (note 22)	9,080	-	11,581	3,255	1,732	15,641	41,289
Relating to disposals	(588)	-	(1,697)	(219)	-	(2,410)	(4,914)
Foreign exchange translations	342	-	1,560	(1,091)	169	(8,447)	(7,467)
At 31 December 2025	67,911	-	187,991	10,109	8,808	38,977	313,796
Net book values:							
At 31 December 2025	220,363	152,036	52,209	9,814	25,912	75,086	535,420
At 31 December 2024	193,138	161,633	31,936	14,261	19,863	63,612	484,443

* The total property and equipment is self-financed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10 OTHER ASSETS

	2025	2024
	US\$ '000	US\$ '000
Bills receivables	213,250	158,711
Goodwill and intangible assets (note 10.2)	93,426	82,554
Collateral pending sale*	375,365	299,768
Good faith qard (10.1)	37,700	37,778
Deferred taxation	138,712	121,390
Prepayments	57,802	45,516
Others	65,156	62,045
	981,411	807,762
Impairment / allowance for credit losses	(52,173)	(34,799)
	929,238	772,963

* The nature of the collateral pending sale are mainly residential and commercial real estates.

** The jointly financed portion of other assets amounts to US\$ 126,990 thousand (2024: US\$ 129,209 thousand).

10.1 Good faith qard

The following shows the movement in Good faith qard:

	Qard fund	Qard	Total
	receivable	fund	
	US\$ '000	available	US\$ '000
	US\$ '000	US\$ '000	US\$ '000
2025			
Opening balance	37,778	37,677	75,455
Sources of qard fund			
Advances settled	(35,232)	35,232	-
Contribution / (withdrawal) by the Group	-	(4,166)	(4,166)
Others	-	1,919	1,919
Total Sources during the year	(35,232)	32,985	(2,247)
Uses of qard fund			
Marriage	408	(408)	-
Medical Treatment	375	(375)	-
Education	398	(398)	-
Settlement of current accounts	29,670	(29,670)	-
Others	4,303	(4,303)	-
Total uses during the year	35,154	(35,154)	-
Ending balance	37,700	35,508	73,208
2024			
Opening balance	39,916	48,599	88,515
Sources of qard fund			
Advances settled	(37,350)	37,350	-
Contribution / (withdrawal) by the Group	-	(2,796)	(2,796)
Others	-	(10,264)	(10,264)
Total Sources during the year	(37,350)	24,290	(13,060)
Uses of qard fund			
Marriage	438	(438)	-
Medical Treatment	344	(344)	-
Education	561	(561)	-
Settlement of current accounts	29,585	(29,585)	-
Others	4,284	(4,284)	-
Total uses during the year	35,212	(35,212)	-
Ending balance	37,778	37,677	75,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 OTHER ASSETS (continued)

10.2 Goodwill and intangible assets

	2025			2024		
	Goodwill US\$ '000	Intangible assets US\$ '000	Total US\$ '000	Goodwill US\$ '000	Intangible assets US\$ '000	Total US\$ '000
At 1 January	35,540	47,014	82,554	36,195	36,260	72,455
Additions	-	37,589	37,589	-	27,975	27,975
Amortisation charge for the year (note 22)	-	(21,682)	(21,682)	-	(14,149)	(14,149)
Impairment loss for the year (note 24)	-	-	-	-	-	-
Foreign exchange translations	(222)	(4,813)	(5,035)	(655)	(3,072)	(3,727)
At 31 December	35,318	58,108	93,426	35,540	47,014	82,554

Goodwill acquired through business combinations with indefinite lives have been allocated to four individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2025 US\$ '000	2024 US\$ '000
Al Baraka Turk Participation Bank	571	768
Al Baraka Bank Egypt	331	311
Jordan Islamic Bank	26,646	26,646
Al Baraka Bank (Pakistan) Limited	7,770	7,815
	35,318	35,540

The recoverable amount of the Group's significant cash-generating unit was determined based on fair value less costs of disposal, measured using quoted market prices in an active market as the cash-generating unit is a listed entity.

Based on the impairment assessment performed as at the reporting date, no impairment of goodwill was identified during the year.

11 LONG TERM FINANCING

	2025 US\$ '000	2024 US\$ '000
Murabaha financing	717,658	361,960
Subordinated financing obtained by a subsidiaries	258,230	413,675
	975,888	775,635

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12 OTHER LIABILITIES

	2025	2024
	US\$ '000	US\$ '000
Payables	422,278	348,818
Cash margins	221,119	237,769
Accrued expenses	133,389	125,745
Managers' cheques	149,596	98,531
Current taxation *	125,220	92,860
Net Ijarah liability	80,328	63,632
Deferred taxation *	23,941	12,340
Charity fund (12.1)	4,424	8,283
Zakah fund (12.2)	3,144	2,130
Others	140,159	110,402
Allowance for credit losses (note 24)	47,524	40,059
	1,351,122	1,140,569

*In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with details of effective tax rates.

12.1 Charity fund

The following shows the movement in Charity fund:

	2025	2024
	US\$ '000	US\$ '000
Sources of Charity fund		
Balance as at beginning of year	8,283	9,689
Non-Islamic income	2,120	4,807
Others	4,744	5,529
Total charity fund available for distribution	15,147	20,025
Uses of Charity fund		
Charity for the poor and needy	739	632
Charity for medical	85	226
School sponsorship	363	453
Others	10,196	9,731
Total uses of Charity fund	11,383	11,042
Foreign exchange translation	660	(700)
Undistributed charity fund as at end of the year	4,424	8,283

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For the year ended 31 December 2025

12 OTHER LIABILITIES (continued)

12.2 Zakah fund

The following shows the movement in Zakah fund:

	2025	2024
	US\$ '000	US\$ '000
Sources of Zakah		
Balance as at beginning of year	2,130	1,947
Zakah due from the Group	2,986	2,796
Zakah due from account holders	2	-
Others	113	-
Total Zakah available for distribution	5,231	4,743
Uses of Zakah fund		
Zakah for the poor and needy	1,420	1,343
Zakah for medical	140	68
Zakah for education	50	171
Zakah for the cause of Allah	-	27
Others	228	431
Total uses of Zakah fund	1,838	2,040
Foreign exchange translation	(249)	(573)
Undistributed Zakah fund as at end of the year	3,144	2,130

13 QUASI-EQUITY

	2025	2024
	US\$ '000	US\$ '000
Equity of investment accountholders*	15,603,450	13,688,867
Profit equalisation reserve (note 13.1)	251,492	198,913
Investment risk reserve (note 13.2)	132,455	80,901
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 13.3)	10,576	9,796
	15,997,973	13,978,477

**Subordinated Mudaraba*

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US\$ 6,226 thousand (2024: US\$ 6,261 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2021 and will mature in 2031. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The principal repayment, started after six months of the drawdown date and is being made semi-annually on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13 QUASI-EQUITY (continued)

The following table summarises the breakdown of investment account-holders "IAH" as of:

	2025	2024
	US\$ '000	US\$ '000
IAH - Financial institutions	1,126,433	640,320
IAH - Non-financial institutions and individuals	14,871,540	13,338,157
	15,997,973	13,978,477

The following table summarises the breakdown of equity of investment accountholders by type:

	2025	2024
	US\$ '000	US\$ '000
Accounts on demand	2,250,454	1,852,700
Accounts on a contractual basis	13,352,996	11,836,167
	15,603,450	13,688,867

13.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2025	2024
	US\$ '000	US\$ '000
Balance at 1 January	198,913	183,760
Amount apportioned from income allocable to equity of investment accountholders	37,171	47,411
Amount used during the year	-	-
Foreign exchange translations / others	15,408	(32,258)
Balance at 31 December	251,492	198,913

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13 QUASI-EQUITY (continued)

13.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2025	2024
	US\$ '000	US\$ '000
Balance at 1 January	80,901	80,474
Amount appropriated from provision (note 24)	(4,151)	11,692
Amount apportioned from / (to) income allocable to equity of investment accountholders	38,159	(10,584)
Foreign exchange translations / others	17,546	(681)
Balance at 31 December	132,455	80,901

13.3 Cumulative changes in fair value attributable to equity of investment accountholders - net

	2025	2024
	US\$ '000	US\$ '000
Balance at 1 January	9,796	(1,154)
Change in fair values during the year	-	(612)
Deferred taxation effect	776	11,563
Transfer to shareholders' equity	4	(1)
Balance at 31 December	10,576	9,796
Attributable to investment in real estate	(808)	(150)
Attributable to equity-type instruments at fair value through OCI	11,384	9,946
	10,576	9,796

14 EQUITY

	2025	2024
	US\$ '000	US\$ '000
Share capital		
Authorised: 2,500,000,000 (2024: 2,500,000,000) ordinary shares of US\$ 1 each	2,500,000	2,500,000
<i>Issued and fully paid up:</i>		
At beginning of the year 1,242,879,755 (2024: 1,242,879,755) shares of US\$1 each	1,242,880	1,242,880
At end of the year 1,242,879,755 (2024: 1,242,879,755) shares of US\$1 each	1,242,880	1,242,880

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For the year ended 31 December 2025

14 EQUITY (continued)

Treasury shares

	<i>Number of shares ('000)</i>	<i>2025 US\$ '000</i>	<i>2024 US\$ '000</i>
At 1 January	31,380	15,658	15,658
At 31 December	31,380	15,658	15,658

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:

At 31 December 2025

<i>Names</i>	<i>Nationality / Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Dallah AlBaraka Holding Company B.S.C. (c)	Bahrain	784,882,224	63.15%
Altawfeek Company For Investment Funds	Cayman Islands	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

At 31 December 2024

<i>Names</i>	<i>Nationality / Incorporation</i>	<i>Number of shares</i>	<i>% holding</i>
Dallah AlBaraka Holding Company B.S.C. (c)	Bahrain	784,882,224	63.15%
Altawfeek Company For Investment Funds	Cayman Islands	240,173,054	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	87,313,197	7.03%

- ii) The Firm 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:

At 31 December 2025

	<i>Number of shares</i>	<i>Number of shareholders</i>	<i>% of total outstanding shares</i>
Less than 1%	75,775,063	980	6.10%
1% up to less than 5%	54,736,217	3	4.40%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	-	-	0.00%
More than 50%	784,882,224	1	63.15%
	1,242,879,755	986	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14 EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2024

Categories:	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	75,775,063	980	6.10%
1% up to less than 5%	54,736,217	3	4.40%
5% up to less than 10%	87,313,197	1	7.03%
10% up to less than 20%	240,173,054	1	19.32%
20% up to less than 50%	-	-	0.00%
More than 50%	784,882,224	1	63.15%
	1,242,879,755	986	100.00%

a. Share premium / Equity transaction cost

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law (BCCL).

Equity transaction cost, represent costs incurred by the Firm that are directly related to raising capital and have been incurred in cash.

b. Statutory reserve

In accordance with the BCCL and the Firm's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year US\$ 19,084 thousand (2024: US\$ 15,732 thousand) was transferred to statutory reserve.

c. Cumulative changes in fair values

This represents the net unrealised fair value gains and losses relating to the equity of the parent on equity-type instruments at fair value through OCI, investment in real estate and land occupied by the Group (classified as property and equipment).

d. Foreign currency translations

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary / associate wise foreign currency translation reserve as at 31 December:

Subsidiary / Associate	Currency	2025 US\$ '000	2024 US\$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	64,686	71,145
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	57,440	57,209
Al Baraka Bank Egypt (ABE)	Egyptian Pound	369,771	382,716
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	650,833	596,846
Al Baraka Bank Limited (ABL)	South African Rand	22,522	28,557
Al Baraka Bank Sudan (ABS)	Sudanese Pound	153,983	134,944
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	31,276	39,599
Al Baraka Bank Syria (ABBS)	Syrian Pound	64,897	64,897
		1,415,408	1,375,913

14 EQUITY (continued)

Additional information on shareholding pattern (continued)

e. Other reserves

Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

f. Zakah paid on behalf of shareholders

The General Assembly in its annual meeting conducted on 19 March 2025 empowered the Executive Management of Al Baraka Group to pay an amount of US\$ 1,404 thousand as Zakah on behalf of the shareholders deducted from the retained earnings for the financial year of 2024. The Group has paid and distributed to those who are entitled to receive Zakah as per Shari'a boundaries and as approved by the Unified Shari'a Board.

	2025	2024
	US\$ '000	US\$ '000
Zakah to be paid on behalf of shareholders for the year	1,404	576
Uses of Zakah:		
Zakah for the poor and needy	315	412
Zakah for medical	140	18
Scholarships	50	100
Total uses	505	530
Remaining Zakah to be paid	899	46

g. Net movement in non-controlling interest

This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controlling interest from (to) the Group.

Non-controlling interest

Non-controlling interest constitutes equity in a subsidiary not attributable, directly or indirectly, to a parent. This includes the portion of the Tier 1 Mudaraba Sukuk amounted to US\$ 140 million (31 December 2024: US\$ 145 million) issued by the Group's subsidiary in February 2018 which is not subscribed by the parent.

15 SUKUK (TIER 1 CAPITAL)

On 31 May 2017, the Firm completed an issuance of US\$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 8.775% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default. The Sukuk can be redeemed only at the option of ABG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16 INCOME FROM FINANCING CONTRACTS

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Receivables (note 16.1)	1,973,651	1,586,077
Participatory investments (note 16.2)	158,988	162,934
Ijarah Muntahia Bittamleek (note 16.3)	221,906	197,318
	<u>2,354,545</u>	<u>1,946,329</u>

16.1 Receivables

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Sales (Murabaha) receivables	1,932,776	1,548,744
Salam receivables	24,956	20,101
Istisna'a receivables	15,919	17,232
	<u>1,973,651</u>	<u>1,586,077</u>

16.2 Participatory investments

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Mudaraba financing	98,399	95,410
Musharaka financing	60,589	67,524
	<u>158,988</u>	<u>162,934</u>

16.3 Ijarah Muntahia Bittamleek

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Income from Ijarah Muntahia Bittamleek	552,645	378,057
Depreciation on Ijarah Muntahia Bittamleek	(330,739)	(180,739)
	<u>221,906</u>	<u>197,318</u>

17 INCOME FROM INVESTMENTS

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Equity-type instruments at fair value through OCI	97,000	98,688
Debt-type instruments at amortised cost	415,909	396,464
Unrealised gain on equity and debt-type instruments at fair value through statement of income	145,193	225,987
Gain on sale of equity-type instruments at fair value through OCI	1,396	923
Gain on sale of equity and debt-type instruments at fair value through statement of income	96	17
Income from investment in real estate	2,280	1,521
Income from associates and joint venture	15,377	11,894
Gain on sale of investment in real estate	2,332	1,491
	<u>679,583</u>	<u>736,985</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18 GROUP'S SHARE AS A MUDARIB

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

19 FEES AND COMMISSION INCOME

	2025	2024
	US\$ '000	US\$ '000
Banking fees and commissions	286,853	223,996
Letters of credit	14,033	12,250
Guarantees	24,270	20,124
Acceptances	1,403	1,334
	326,559	257,704

20 OTHER INCOME

	2025	2024
	US\$ '000	US\$ '000
Foreign exchange gain	71,656	93,514
(Loss) / gain on sale of property and equipment	(1,045)	6,825
Gain on sale of other assets	24,227	-
	94,838	100,339

21 PROFIT PAID ON FINANCING

	2025	2024
	US\$ '000	US\$ '000
Profit paid on long term financing (note 21.1)	102,506	102,431
Profit paid on short term financing	315,493	345,918
	417,999	448,349

21.1 Profit paid on long term financing

	2025	2024
	US\$ '000	US\$ '000
Murabaha financing	19,950	17,970
Subordinated financing obtained by a subsidiary	82,556	84,461
	102,506	102,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22 DEPRECIATION AND AMORTISATION

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Property and equipment depreciation (note 9)	41,289	34,575
Intangible assets amortisation (note 10.2)	21,682	14,149
	62,971	48,724

23 OTHER OPERATING EXPENSES

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
General and administration expenses	168,847	148,437
Professional and business expenses	44,278	33,919
Premises related expenses	39,620	35,978
	252,745	218,334

The audit and non-audit fees for the year ended 31 December to the PwC and its network firms are as follows:

	<i>2025</i> <i>US\$ '000</i>	<i>2024</i> <i>US\$ '000</i>
Audit fees	1,760	1,801
Non - Audit fees	493	604
	2,253	2,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24 NET ALLOWANCE FOR EXPECTED CREDIT LOSSES / IMPAIRMENT

2025	<i>Cash and</i>	<i>Due</i>	<i>Participatory</i>	<i>ljarah Muntahia</i>	<i>Other</i>	<i>Other</i>	<i>Total</i>		
	<i>balances with</i>	<i>from Banks</i>	<i>Receivables</i>	<i>Investments</i>	<i>assets</i>	<i>liabilities</i>			
	<i>banks</i>	<i>from Banks</i>	<i>Receivables</i>	<i>Investments</i>	<i>Bittamleek</i>	<i>assets</i>	<i>liabilities</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
	<i>(note 3)</i>	<i>(note 4)</i>	<i>(note 5)</i>	<i>(note 6)</i>	<i>(note 7.2 & 7.3)</i>	<i>(note 8)</i>	<i>(note 10)</i>	<i>(note 12)</i>	
Allowance at 1 January	44,104	10,285	669,671	30,420	17,014	11,395	34,799	40,059	857,747
Net charge during the year	25,318	(2,525)	103,878	2,275	(2,485)	4,683	14,909	19,307	165,360
Written back / recovered during the year	-	-	(17,799)	(1,561)	(387)	-	(221)	(1,626)	(21,594)
	25,318	(2,525)	86,079	714	(2,872)	4,683	14,688	17,681	143,766
	69,422	7,760	755,750	31,134	14,142	16,078	49,487	57,740	1,001,513
Written off during the year	-	-	(64,689)	(771)	-	-	(1,684)	-	(67,144)
Amount appropriated (to) / from investment risk reserve (note 13.2)	-	(22)	4,065	9	28	71	-	-	4,151
Foreign exchange translations/others - net	956	164	(14,544)	(471)	720	115	4,370	(10,216)	(18,906)
Allowance at 31 December	70,378	7,902	680,582	29,901	14,890	16,264	52,173	47,524	919,614

During the year, an impairment loss of US\$ Nil (2024: US\$ 893 thousand) was charged against investments.

An amount of US\$ 8,695 thousand (2024: US\$ 6,297 thousand) is related to provision of equity type instruments at fair value through OCI.

2024	<i>Cash and</i>	<i>Due</i>	<i>Participatory</i>	<i>ljarah Muntahia</i>	<i>Other</i>	<i>Other</i>	<i>Total</i>		
	<i>balances with</i>	<i>from Banks</i>	<i>Receivables</i>	<i>Investments</i>	<i>assets</i>	<i>liabilities</i>			
	<i>banks</i>	<i>from Banks</i>	<i>Receivables</i>	<i>Investments</i>	<i>Bittamleek</i>	<i>assets</i>	<i>liabilities</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
	<i>(note 3)</i>	<i>(note 4)</i>	<i>(note 5)</i>	<i>(note 6)</i>	<i>(note 7.2 & 7.3)</i>	<i>(note 8)</i>	<i>(note 10)</i>	<i>(note 12)</i>	
Allowance at 1 January	36,319	19,055	702,453	36,415	19,321	13,953	31,321	58,763	917,600
Net charge during the year	852	1,232	106,490	1,498	1,551	(2,365)	4,117	6,397	119,772
Written back/recovered during the year	-	-	(28,566)	(2)	(317)	-	(104)	(1,292)	(30,281)
	852	1,232	77,924	1,496	1,234	(2,365)	4,013	5,105	89,491
	37,171	20,287	780,377	37,911	20,555	11,588	35,334	63,868	1,007,091
Written off during the year	-	-	(21,595)	(5,981)	-	-	-	-	(27,576)
Amount appropriated to investment risk reserve	-	(544)	(11,039)	(32)	(77)	-	-	-	(11,692)
Foreign exchange translations / others - net	6,933	(9,458)	(78,072)	(1,478)	(3,464)	(193)	(535)	(23,809)	(110,076)
Allowance at 31 December	44,104	10,285	669,671	30,420	17,014	11,395	34,799	40,059	857,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

	<i>Cash and balances with banks</i>	<i>Due from Banks</i>	<i>Participatory Receivables</i>	<i>Participatory investments</i>	<i>Investments</i>	<i>Ijarah Muntahia Bittamleek</i>	<i>Other assets</i>	<i>Other liabilities</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
	<i>(note 3)</i>	<i>(note 4)</i>	<i>(note 5)</i>	<i>(note 6)</i>	<i>(note 7.2 & 7.3)</i>	<i>(note 8)</i>	<i>(note 10)</i>	<i>(note 12)</i>	
2025									
Middle East	28,275	7,214	290,620	16,785	8,891	176	41,538	31,073	424,572
North Africa	10,583	660	114,578	48	4,233	10,937	8,581	1,427	151,047
Europe	5,560	-	224,096	-	13	5,139	1,290	10,786	246,884
Others	25,960	28	51,288	13,068	1,753	12	764	4,238	97,111
Total	70,378	7,902	680,582	29,901	14,890	16,264	52,173	47,524	919,614
2024									
Middle East	26,345	8,084	291,818	15,126	12,684	106	29,136	31,258	414,557
North Africa	9,483	2,182	90,996	77	3,024	10,946	4,587	1,682	122,977
Europe	8,275	-	211,541	989	265	341	303	2,619	224,333
Others	1	19	75,316	14,228	1,041	2	773	4,500	95,880
Total	44,104	10,285	669,671	30,420	17,014	11,395	34,799	40,059	857,747

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2025 amounts to US\$ 420 million (2024: US\$ 373 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2025	2024
	US\$ '000	US\$ '000
Net income attributable to the equity shareholders of the parent for the year - US\$ '000	190,837	157,324
Profit distributed on perpetual tier 1 capital - US\$ '000	(35,100)	(35,100)
	155,737	122,224
Number of shares outstanding at the beginning of the year (in thousands)	1,242,880	1,242,880
Treasury shares effect (in thousands)	(31,380)	(31,380)
Weighted average number of shares outstanding at the end of the year (in thousands)	1,211,500	1,211,500
Basic and diluted earnings per share - US cents	12.85	10.09

26 CASH AND CASH EQUIVALENTS

	2025	2024
	US\$ '000	US\$ '000
Balances with central banks excluding mandatory reserve	1,435,162	1,437,071
Balances with other banks	988,537	914,476
Cash and cash in transit	588,939	594,691
	3,012,638	2,946,238

Non-cash transactions:

Additions to the right-of-use assets and lease liabilities during the current year were USD 29 million (2024: USD 29 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group and Shari'a supervisory board members.

The income and expenses in respect of related parties were as follows:

	<i>Associated companies US\$ '000</i>	<i>Major shareholders US\$ '000</i>	<i>Directors and key management personnel US\$ '000</i>	<i>Other related parties US\$ '000</i>	<i>Total 2025 US\$ '000</i>	<i>Total 2024 US\$ '000</i>
Net income from financing contracts and investments	1,279	-	-	-	1,279	2,253
Net income attributable to quasi-equity	519	583	404	-	1,506	965
Fees and commission income	42	-	-	-	42	66

Impairment allowance related to associated companies for the year ended 31 December 2025 amounted to US\$ 9.1 million (31 December 2024: US\$ 3.0 million).

Compensation of key management personnel of the Firm, included in consolidated statement of income, is as follows:

	<i>2025 US\$ '000</i>	<i>2024 US\$ '000</i>
Short term benefits	9,271	7,009
Long term benefits	828	589

Short term benefits includes basic salaries, bonuses, allowances and other benefits paid during the year and long term benefits includes indemnity, social insurance benefits and investment scheme.

Director's remuneration accrued for the year ended 31 December 2025 amounted to US\$ 1.5 million (2024: US\$ 1.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RELATED PARTY TRANSACTIONS (continued)

The balances with related parties at 31 December were as follows:

	<i>Associated companies US\$ '000</i>	<i>Major shareholders US\$ '000</i>	<i>Directors and key management personnel US\$ '000</i>	<i>Other related parties US\$ '000</i>	<i>Total 2025 US\$ '000</i>	<i>Total 2024 US\$ '000</i>
Assets:						
Cash and balances with banks	18	-	-	-	18	-
Receivables	1,978	-	-	-	1,978	1,865
Investments	91,726	-	-	-	91,726	98,613
Other assets	12,021	1	292	-	12,314	9,514
Liabilities:						
Customer current and other accounts	49,158	712	1,183	8	51,061	81,674
Other liabilities	17,540	-	-	-	17,540	-
Quasi-Equity	30,823	9,655	10,364	7	50,849	39,914
Off-Balance sheet assets under management	89,112	8,849	-	-	97,961	126,220

All related party exposures are performing and are free of any specific provision for credit losses.

Details of Directors' and Executive Management's direct and indirect interests in the Firm's shares as at the end of the year were:

<i>Name of directors</i>	<i>Position</i>	<i>Nationality</i>	<u>2025</u>	<u>Transaction</u>
			<i>Number of shares</i>	<i>Number of shares</i>
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
Abdul Elah Sabbahi	Board Member	Saudi	225,899	-
<i>Name of directors</i>	<i>Position</i>	<i>Nationality</i>	<u>2024</u>	<u>Transaction</u>
			<i>Number of shares</i>	<i>Number of shares</i>
Abdulla Saleh Kamel	Chairman	Saudi	338,598	-
Abdul Elah Sabbahi	Board Member	Saudi	225,899	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28 COMMITMENTS AND CONTINGENCIES

	2025	2024
	US\$ '000	US\$ '000
Letters of credit	990,713	626,604
Guarantees	1,858,756	1,534,004
Acceptances	66,731	43,914
Commitments	1,785,879	1,060,874
Sharia'a compliant promise contracts	1,435,944	992,605
	6,138,023	4,258,001

29 SEGMENTAL ANALYSIS

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by the Group's management and the Board of Directors.

For financial reporting purposes, the Group is divided into the following geographic segments:

Middle East
North Africa
Europe
Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in Note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment is presented as that is not applicable to the Group.

Segment assets, liabilities and equity of investment accountholders were as follows:

	2025			2024		
	Assets	Liabilities	Quasi-equity	Assets	Liabilities	Quasi-equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Segment						
Middle East	14,548,095	2,848,740	10,238,268	12,840,863	2,939,362	8,617,136
North Africa	4,043,456	2,391,087	1,349,716	3,088,749	1,635,718	1,159,657
Europe	10,667,703	7,077,725	3,287,391	8,611,934	5,143,967	3,178,554
Others	1,754,499	510,695	1,122,598	1,645,285	492,233	1,023,130
	31,013,753	12,828,247	15,997,973	26,186,831	10,211,280	13,978,477

Segment operating income, net operating income and net income were as follows:

	2025			2024		
	Total	Net	Net	Total	Net	Net
	operating	operating	income	operating	operating	income
	income	income	income	income	income	income
	US\$ '000					
Segment						
Middle East	529,049	278,656	138,191	441,506	203,496	100,715
North Africa	140,810	76,514	40,302	111,907	51,049	34,213
Europe	543,888	214,902	160,385	435,434	183,793	151,671
Others	102,730	34,340	17,946	101,491	47,774	21,918
	1,316,477	604,412	356,824	1,090,338	486,112	308,517

30 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. Various Committees including Assets & Liability Management Committee (ALCO) guide and assist with overall management of the Group's balance sheet risks. In addition, on a holistic basis, all risks that the Group is exposed to are reviewed and assessed by the Group's Board Risk Committee (BRC). The Group manages exposures by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, concentration risk, market risk and other operational risk. Market risk includes profit rate risk, equity price risk and foreign exchange risk.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a liquidity policy and framework appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the 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 investment account holders and the availability of bank lines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The maturity profile at 31 December 2025 was as follows:

	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 to 10 years</i>	<i>10 to 20 years</i>	<i>20 years and above</i>	<i>Undated</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Assets											
Cash and balances with banks	2,964,488	-	12,079	-	-	309,315	-	-	-	3,089,743	6,375,625
Due from Banks	794,512	134,098	56,234	7,000	30,946	3,373	2,735	-	-	-	1,028,898
Receivables	1,694,137	1,805,780	1,448,163	2,739,773	2,287,647	1,884,801	567,907	35,413	8,801	35,105	12,507,527
Participatory investments	52,653	36,340	32,117	104,568	197,866	365,790	241,893	84,324	6,964	-	1,122,515
Investments	697,091	112,713	457,112	799,920	1,257,066	773,518	373,277	70,172	98,015	828,412	5,467,296
Ijarah Muntahia Bittamleek	51,979	88,398	241,311	135,796	823,783	445,270	602,147	611,973	46,577	-	3,047,234
Property and equipment	-	-	-	-	-	-	-	-	-	535,420	535,420
Other assets	222,980	23,955	37,650	89,599	42,900	32,364	-	-	-	479,790	929,238
Total assets	6,477,840	2,201,284	2,284,666	3,876,656	4,640,208	3,814,431	1,787,959	801,882	160,357	4,968,470	31,013,753
Liabilities											
Customer current and other accounts	8,170,877	-	-	-	-	-	-	-	-	-	8,170,877
Due to banks	1,709,666	452,732	64,352	35,177	-	-	-	68,433	-	-	2,330,360
Long term financing	-	51,329	84,040	423,476	271,636	145,407	-	-	-	-	975,888
Other liabilities	266,111	100,795	83,859	113,978	46,855	71,310	4,069	620,010	-	44,135	1,351,122
Total liabilities	10,146,654	604,856	232,251	572,631	318,491	216,717	4,069	688,443	-	44,135	12,828,247
Quasi-Equity	5,359,659	1,399,289	959,072	1,371,318	3,001,953	943,808	2,255,494	707,282	98	-	15,997,973
Total liabilities and Quasi-Equity	15,506,313	2,004,145	1,191,323	1,943,949	3,320,444	1,160,525	2,259,563	1,395,725	98	44,135	28,826,220
Net liquidity gap	(9,028,473)	197,139	1,093,343	1,932,707	1,319,764	2,653,906	(471,604)	(593,843)	160,259	4,924,335	2,187,533
Cumulative net liquidity gap	(9,028,473)	(8,831,334)	(7,737,991)	(5,805,284)	(4,485,520)	(1,831,614)	(2,303,218)	(2,897,061)	(2,736,802)	2,187,533	
Off-balance sheet											
assets under management	213,292	513	4,051	1,402,752	1,397	2,344	1,387	665	-	-	1,626,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The maturity profile at 31 December 2024 was as follows:

	<i>Up to 1 month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 3 years US\$ '000</i>	<i>3 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>10 to 20 years US\$ '000</i>	<i>20 years and above US\$ '000</i>	<i>Undated US\$ '000</i>	<i>Total US\$ '000</i>
Cash and balances with banks	2,646,371	-	10,297	-	-	340,430	-	-	-	2,676,774	5,673,872
Due from Banks	400,686	227,488	74,496	4,220	29,659	1,817	4,005	-	-	-	742,371
Receivables	1,284,870	1,635,417	1,470,322	1,720,477	2,372,262	1,378,462	342,633	35,207	7,801	16,284	10,263,735
Participatory investments	285,437	3,579	6,206	59,398	134,059	132,723	92,646	46,656	2,634	-	763,338
Investments	765,764	128,705	114,240	374,078	1,781,852	756,314	267,471	157,791	229	690,097	5,036,541
Ijarah Muntahia Bittamleek	36,242	44,397	62,446	136,425	517,721	414,424	572,861	602,289	62,763	-	2,449,568
Property and equipment	-	-	-	-	-	-	-	-	-	484,443	484,443
Other assets	250,274	20,386	28,574	85,312	38,077	21,422	224	-	-	328,694	772,963
Total assets	5,669,644	2,059,972	1,766,581	2,379,910	4,873,630	3,045,592	1,279,840	841,943	73,427	4,196,292	26,186,831
Liabilities											
Customer current and other accounts	6,792,690	-	-	-	-	-	-	-	-	-	6,792,690
Due to banks	1,001,132	358,656	8,788	17,965	2,769	-	-	113,076	-	-	1,502,386
Long term financing	10,633	51,767	17,324	303,519	178,539	213,853	-	-	-	-	775,635
Other liabilities	307,085	99,590	66,546	70,073	19,297	68,872	1,954	476,073	-	31,079	1,140,569
Total liabilities	8,111,540	510,013	92,658	391,557	200,605	282,725	1,954	589,149	-	31,079	10,211,280
Quasi-Equity	4,473,644	1,275,233	858,783	1,155,083	2,474,626	844,723	2,018,371	877,900	114	-	13,978,477
Total liabilities and Quasi-Equity	12,585,184	1,785,246	951,441	1,546,640	2,675,231	1,127,448	2,020,325	1,467,049	114	31,079	24,189,757
Net liquidity gap	(6,915,540)	274,726	815,140	833,270	2,198,399	1,918,144	(740,485)	(625,106)	73,313	4,165,213	1,997,074
Cumulative net liquidity gap	(6,915,540)	(6,640,814)	(5,825,674)	(4,992,404)	(2,794,005)	(875,861)	(1,616,346)	(2,241,452)	(2,168,139)	1,997,074	
Off-balance sheet assets under management	7,369	995	1,997	1,359,969	689	1,293	1,292	193,007	-	-	1,566,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

The Group continues to assess the impact of economic developments on individual customers, segments or portfolios. As credit conditions change, the Group takes mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, continues to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

Sales (Murabaha) receivables

The Group finances these transactions through buying a commodity which represents the object of the Murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. The transactions are secured at times by the object of the Murabaha (in case of real estate finance) and other times by a total collateral package securing all the facilities given to the client.

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Mudaraba financing

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

Musharaka financing

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Maximum exposure to credit risk before collateral held or other credit enhancements

	<i>Maximum exposure</i>	
	2025	2024
	US\$ '000	US\$ '000
Balances with central banks	4,868,527	4,208,809
Balances with other banks	988,537	914,476
Due from Banks	1,028,898	742,371
Receivables	12,507,527	10,263,735
Participatory investments	1,122,515	763,338
Investments	5,467,296	5,036,541
Ijarah Muntahia Bittamleek	3,047,234	2,449,568
Other assets	263,933	223,735
Total	29,294,467	24,602,573
Commitments and contingencies	6,138,023	4,258,001
	35,432,490	28,860,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit quality by type of Islamic financing contracts

The table below shows the credit quality by type of Islamic financing contracts, based on the Group's credit rating system as of:

Type of Islamic financing contracts	31 December 2025			Total US\$ '000
	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing islamic financing contracts US\$ '000	
Receivables	12,092,671	516,642	578,796	13,188,109
Due from Banks	1,029,800	-	7,000	1,036,800
Participatory investments	1,101,824	19,315	31,277	1,152,416
Ijarah Muntahia Bittamleek	3,038,447	25,017	34	3,063,498
Other assets	298,063	4,940	13,103	316,106
	17,560,805	565,914	630,210	18,756,929

Type of Islamic financing contracts	31 December 2024			Total US\$ '000
	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing islamic financing contracts US\$ '000	
Receivables	9,093,574	1,281,250	558,582	10,933,406
Due from Banks	745,656	-	7,000	752,656
Participatory investments	743,489	17,521	32,748	793,758
Ijarah Muntahia Bittamleek	2,423,339	37,624	-	2,460,963
Other assets	247,797	2,352	8,385	258,534
	13,253,855	1,338,747	606,715	15,199,317

Ageing analysis of past due but performing Islamic financing contracts

The following table summarises the ageing of past due but performing Islamic financing contracts as of:

Type of Islamic Financing Contracts	31 December 2025			Total US\$ '000
	Less than 30 days US\$ '000	31 to 60 days US\$ '000	61 to 90 days US\$ '000	
Receivables	324,279	98,316	94,047	516,642
Participatory investments	9,054	3,584	6,677	19,315
Ijarah Muntahia Bittamleek	18,252	4,855	1,910	25,017
Other assets	3,765	603	572	4,940
	355,350	107,358	103,206	565,914

Type of Islamic Financing Contracts	31 December 2024			Total US\$ '000
	Less than 30 days US\$ '000	31 to 60 days US\$ '000	61 to 90 days US\$ '000	
Receivables	752,704	245,314	283,232	1,281,250
Participatory investments	6,711	1,134	9,676	17,521
Ijarah Muntahia Bittamleek	23,439	4,559	9,626	37,624
Other assets	1,099	945	308	2,352
	783,953	251,952	302,842	1,338,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

b) Credit risk (continued)

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2025:

	Total US\$ '000	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing Islamic financing contracts US\$ '000	Aging of non performing Islamic financing contracts		
					90 days to 1 year US\$ '000	1 year to 3 years US\$ '000	Over 3 years US\$ '000
Sovereign	2,446,225	2,413,545	-	32,680	3,699	-	28,981
Bank	6,137,783	6,089,564	-	48,219	10,214	30,659	7,346
Investment Firms	50	50	-	-	-	-	-
Corporates	4,269,531	3,466,932	474,954	327,645	163,419	79,294	84,932
Retail	5,903,340	5,590,714	90,960	221,666	76,860	106,994	37,812
	18,756,929	17,560,805	565,914	630,210	254,192	216,947	159,071

The following table summarises the total expected credit loss (ECL) on stage 3 exposures disclosed by counterparty type as of 31 December 2025:

	Opening Balance US\$ '000	Charged during the year US\$ '000	Write-back during the year US\$ '000	Write-offs during the year US\$ '000	Foreign Exchange translation/ Others-net US\$ '000	Balance at the end of the year US\$ '000
Bank	7,156	-	-	-	17	7,173
Corporates	314,350	99,567	(15,742)	(47,063)	(8,683)	342,429
Retail	54,080	19,955	(3,618)	(2,560)	(6,045)	61,812
	375,586	119,522	(19,360)	(49,623)	(14,711)	411,414

30 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit risk mitigation

To mitigate credit risks on financing, the Group uses collateral where possible. The collateral is of various types such as cash, securities, guarantees, real estate, receivables, inventories and other non-financial assets as needed.

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral inspection and valuation. This collateral inspection and valuation are conducted by an independent qualified assessor or collateral analyst at the subsidiary. The frequency of such collateral valuation is determined as a part of the credit policy and as per approval process.

Subsidiaries do not accept any assets as collateral if the assets are susceptible to obsolescence or in case the collateral is perishable. Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

- 1) Hamish Jiddiyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honor his promise to perform, the subsidiary has recourse to the deposit.
- 2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable, of investment grade rating.
- 3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.
- 4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

- 5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of quasi-equity or off-balance sheet assets under management.
- 6) Rated and unrated senior Sukuk issued by first class financial institutions or by GCC sovereigns.

Credit quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the AlBaraka Group Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

c) Concentration risk

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

The Group uses a number of controls and measures to minimize undue concentration of exposure in the portfolios. These include portfolio limits, approval and review controls, and stress testing as necessary.

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2025			2024		
	Assets US\$ '000	Liabilities US\$ '000	Quasi-equity US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Quasi-equity US\$ '000
Manufacturing	4,141,127	157,271	149,022	2,995,360	163,608	171,652
Mining and quarrying	131,695	3,547	81,349	66,333	1,689	124,942
Agriculture	282,209	47,208	15,531	294,013	16,698	13,836
Construction and real estate	2,289,990	35,365	26,090	2,260,532	62,993	52,191
Financial	5,135,260	1,896,411	2,297,031	4,585,986	1,297,615	1,675,993
Trade	2,167,366	162,995	68,691	1,671,505	133,918	55,961
Personal and consumer finance	4,636,119	6,791,672	9,301,933	3,946,222	5,468,930	8,263,415
Government	8,458,821	164,080	451,231	7,467,385	78,439	305,048
Other Sectors	3,771,166	3,569,698	3,607,095	2,899,495	2,987,390	3,315,439
	31,013,753	12,828,247	15,997,973	26,186,831	10,211,280	13,978,477

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group, have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on quasi-equity. 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.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the 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. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US\$ 749,662 thousand (2024: US\$ 1,149,256 thousand) comprising of equity-type instruments at fair value through OCI amounting to US\$ 153,450 thousand (2024: US\$ 670,072 thousand) and equity-type instruments at fair value through statement of income amounting to US\$ 596,212 thousand (2024: US\$ 479,184 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign exchange risk

Foreign exchange risk arises from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2025		
	<i>Operational</i>	<i>Strategic</i>	<i>Total</i>
	<i>equivalent</i>	<i>equivalent</i>	<i>equivalent</i>
	<i>Long</i>	<i>Long</i>	<i>Long</i>
	<i>(Short)</i>	<i>(Short)</i>	<i>(Short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Currency			
Turkish Lira	296,037	153,813	449,850
Jordanian Dinar	329,328	565,186	894,514
Egyptian Pound	191,548	235,576	427,124
Sudanese Pound	11,884	(22,667)	(10,783)
Algerian Dinar	169,448	137,710	307,158
Pound Sterling	982	-	982
Tunisian Dinar	5,739	91,706	97,445
Euro	433,102	-	433,102
South African Rand	65,965	48,614	114,579
Pakistani Rupees	69,447	94,475	163,922
Others	(426,056)	-	(426,056)
	2024		
	<i>Operational</i>	<i>Strategic</i>	<i>Total</i>
	<i>equivalent</i>	<i>equivalent</i>	<i>equivalent</i>
	<i>Long</i>	<i>Long</i>	<i>Long</i>
	<i>(Short)</i>	<i>(Short)</i>	<i>(Short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Currency			
Turkish Lira	533,230	133,564	666,794
Jordanian Dinar	326,212	544,548	870,760
Egyptian Pound	85,385	180,554	265,939
Sudanese Pound	54,139	(6,683)	47,456
Algerian Dinar	156,206	120,984	277,190
Pound Sterling	1,505	-	1,505
Tunisia Dinar	47,389	73,840	121,229
Euro	210,252	-	210,252
South African Rand	60,136	38,257	98,393
Pakistani Rupees	94,799	94,475	189,274
Syrian Pound	6,846	-	6,846
Others	(91,714)	-	(91,714)

The strategic currency risk represents the amount of equity of the subsidiaries.

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

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For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk sensitivity analysis (continued)

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2025

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and	Maximum expected increase %	Change in net income and owners' equity
				owners' equity US\$ '000		US\$ '000
Algerian Dinar	Net income	31,571	-15%	(4,118)	5%	1,662
	Total owners' equity	247,957	-15%	(32,342)	5%	13,050
Egyptian Pound	Net income	69,167	-20%	(11,528)	5%	3,640
	Total owners' equity	317,422	-20%	(52,904)	5%	16,706
Turkish Lira	Net income	160,385	-20%	(26,731)	5%	8,441
	Total owners' equity	307,314	-20%	(51,219)	5%	16,174
S.African Rand	Net income	10,545	-15%	(1,375)	5%	555
	Total owners' equity	82,096	-15%	(10,708)	5%	4,321
Pakistani Rupees	Net income	5,358	-10%	(487)	5%	282
	Total owners' equity	69,201	-10%	(6,291)	5%	3,642
Tunisian Dinar	Net income	8,731	-10%	(794)	5%	460
	Total owners' equity	58,176	-10%	(5,289)	5%	3,062

At 31 December 2024

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and	Maximum expected increase %	Change in net income and owners' equity
				owners' equity US\$ '000		US\$ '000
Algerian Dinar	Net income	21,268	-15%	(2,774)	5%	1,119
	Total owners' equity	218,255	-15%	(28,468)	5%	11,487
Egyptian Pound	Net income	62,627	-20%	(10,438)	5%	3,296
	Total owners' equity	244,302	-20%	(40,717)	5%	12,858
Turkish Lira	Net income	151,671	-20%	(25,279)	5%	7,983
	Total owners' equity	289,413	-20%	(48,236)	5%	15,232
S.African Rand	Net income	10,940	-15%	(1,427)	5%	576
	Total owners' equity	66,056	-15%	(8,616)	5%	3,477
Pakistani Rupees	Net income	13,595	-10%	(1,236)	5%	716
	Total owners' equity	69,381	-10%	(6,307)	5%	3,652
Tunisian Dinar	Net income	12,945	-10%	(1,177)	5%	681
	Total owners' equity	75,119	-10%	(6,829)	5%	3,954

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

e) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Group categorizes operational risk loss events into the following categories:

Processing Risk

Process risk arise from inadequate or weak processes within an organization. There are well defined policies and processes in the Group which are reviewed on an ongoing basis.

Human Resource Risk

Human Resource risk arise from result of incompetence, motivational issues or capacity-related considerations. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds.

Systems Risk

Systems Risk arise from the required technology, software or equipment infrastructure not performing adequately. The risk is mitigated by adequate business continuity procedures as well as an ongoing review of the technology requirements of the Group.

External Event Risk

The external environment can impact the Group's operational performance. The external events and operating environment are evaluated on an ongoing basis with key risks being escalated and discussed at various committees.

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Firm is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the MOICT.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

For the year ended 31 December 2025

30 RISK MANAGEMENT (continued)

g) Hyperinflationary Economies

The Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) issued Financial Accounting Standard 49 “Financial Reporting for Institutions Operating in Hyperinflationary Economies” (“FAS 49”), on 22 December 2024. The standard is effective for financial periods beginning on or after 1 January 2026.

The parent institution operates in a non-hyperinflationary economy. However, the Group includes subsidiaries whose functional currencies are those of hyperinflationary economies. In accordance with AAOIFI guidance, the existence of subsidiaries operating in hyperinflationary economies may give rise to considerations under FAS 49 at the consolidated financial statement level, even where the parent institution does not operate in a hyperinflationary economy.

During the year ended 31 December 2025, management assessed the potential impact of FAS 49 on the Group. The Group intends to adopt FAS 49 from 1 January 2026, in line with its mandatory effective date.

As per FAS 49, an institution operating in a hyperinflationary economy shall either:

- Redetermine its functional currency.
- Follow the fair value based financial reporting requirements.

Group management has elected to follow the fair value based financial reporting.

The main requirements for fair value based financial reporting, are as follows:

Remeasure items constituting the elements of its statement of financial position at fair value with the exception of the items mentioned in the FAS i.e. monetary assets and liabilities, held to maturity investments in sukuks and similar instruments etc.

The exceptions to the fair value accounting model include items (mentioned above that are not required to be adjusted to fair value. For the items that do not meet the exception criteria, they will be accounted as follows:

- A. Non-monetary assets carried at fair value will be continued to be carried at fair value.
- B. Non-monetary assets carried at cost (cost less depreciation/amortization) will be reported at fair value.
- C. Non-monetary assets carried at lower of cost or net realisable value will be reported at net realizable value i.e. being the fair value.
- D. Non-monetary assets carried at revaluation model will be reported at the revalued value
- E. All other non-monetary assets/liabilities will be reported at deemed fair values estimated through the application of indexation.

The resultant gain/loss will be booked through other comprehensive income, presented separately as “hyperinflationary fair value reserve”, representing owners’ equity and quasi-equity respectively.

Upon adoption, the standard will be applied on a modified retrospective basis. Corresponding figures will continue to be presented as previously reported, and the Group expects to present indexed comparative figures as an additional column in the consolidated financial statements for the year ending 31 December 2026, with such indexed comparatives derived from the 2025 corresponding figures.

Management has performed an initial assessment as of 31 December 2025 and the estimated resulting fair value gain is expected to be US\$ 126 million with an impact on increase in assets by US\$ 133 million, liabilities by US\$ 6.6 million and equity by US\$ 126 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US\$ 4,124 million (2024: US\$ 3,863 million).

Also included under investments are unquoted equity-type instruments at fair value through OCI amounting to US\$ 150,924 thousand (2024:US\$ 162,580 thousand) which are carried at net asset value or cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December:

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
2025				
Equity and debt-type instruments at fair value through statement of income	584,320	-	47,434	631,754
Equity-type instruments at fair value through OCI	639,891	-	142,229	782,120
Investment in real estate	-	149,678	-	149,678
	1,224,211	149,678	189,663	1,563,552
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
2024				
Equity and debt-type instruments at fair value through statement of income	475,287	-	4,456	479,743
Equity-type instruments at fair value through OCI	565,886	-	180,489	746,375
Investment in real estate	-	158,497	-	158,497
	1,041,173	158,497	184,945	1,384,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32 EARNINGS PROHIBITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US\$ 7 million (2024: US\$ 10 million). This amount has been taken to charity.

33 CAPITAL ADEQUACY RATIO

The CBB, sets and monitors ABG's capital requirements at Head Office level, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based Investment company under Category 1 to maintain a minimum capital of BHD 1.0 million and minimum capital adequacy ratio not lower than 110%.

The Regulatory capital must be calculated for all Bahrain based Investment firm based on the shareholders' Equity, the investment firm also must maintain adequate human, financial and other resources sufficient to run the business in ordinary manner.

The following table summarizes the calculation of capital adequacy ratio (CBB Volume 4 - Investment Business, Module Capital Adequacy) based on ABG Solo level:

	2025	2024
	US\$ '000	US\$ '000
1- Regulatory Capital (A)	185,569	172,074
2- Regulatory Requirement (B)	14,687	20,241
3- Risk Based Capital Requirement (C)	14,687	20,241
4- Minimum Capital Requirement (D)	2,653	2,653
5- Ratio of (A) to (B)	1263%	850%

34 OECD PILLAR TWO MODEL RULES

The Group falls within the scope of the OECD Pillar Two Model Rules ("Model Rules") by virtue of being consolidated by Dallah AlBaraka Holding Company B.S.C. (c), who is the Ultimate Parent Entity ("UPE") under the Model Rules. Accordingly, the Group forms part of the Dallah AlBaraka Holding Company B.S.C. (c) Pillar Two Multinational Enterprise ("MNE") Group.

The Group currently has operations in Bahrain, Turkey, and South Africa, each of which has implemented aspects of the Model Rules, as follows:

- Turkey has enacted Pillar Two legislation effective from 1 January 2024, including the Income Inclusion Rule (IIR) and a Domestic Minimum Top-up Tax (DMTT); as well as the Undertaxed Profits Rule (UTPR) effective from 1 January 2025.
- South Africa has implemented the IIR and a DMTT, effective from 1 January 2024.
- Bahrain has introduced a DMTT, effective from 1 January 2025.

As such, the MNE Group that falls within the scope of OECD Pillar Two may be liable to pay a top-up tax for the difference between its GloBE effective tax rate ('ETR') and the 15% minimum rate as calculated for each jurisdiction, including all entities within the MNE Group.

The Group, together with the UPE, has assessed the impact of these requirements by considering several factors, including transitional safe-harbour rules, recently filed tax returns, country-by-country reporting, and the financial information of its constituent entities. For jurisdictions that have enacted either a global minimum top-up tax, a domestic minimum top-up tax, or both, the resulting impacts have been recognised within the Group's income tax expense. Income tax expense recognised in the consolidated statement of income in 2025 includes US\$ 1.5 million (2024: not applicable) related to Pillar Two income taxes.

The Group applies IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.