INNOVATIVE BANKING CONNECTING THE WORLD

Bank ABC

BANK ABC GROUP
ANNUAL REPORT 2025

Bank ABC's performance in 2025, reflects the resilience of our strategy, the quality of our franchise and the disciplined execution of our long-term priorities.

Our diversified model has delivered record levels of revenue, operating profit and total assets, sustaining the Group's growth momentum and balance sheet strength. Driven by our purpose and confident of our capabilities, we continue to navigate the challenging geopolitical environment with prudence, effectively serving the Group's customers and shareholders.

H.E. Mr. Naji Belgasem
Chairman

TABLE OF CONTENTS

01

BANK ABC GROUP SNAPSHOT

BANK ABC AT A GLANCE

5,000+ DIVERSE WORKFORCE

Renowned as one of MENA's leading international banks, Bank ABC (incorporated as Arab Banking Corporation BSC) was founded in 1980 and is headquartered in Manama, Kingdom of Bahrain. Our vast global network spans 15 countries across the Middle East, North Africa, Europe, the Americas, and Asia, and actively covers more than 25 markets.

A LEADING UNIVERSAL BANKING PROPOSITION

Wholesale Banking	- Transaction Banking - Specialised Finance - Financial Markets - Capital Markets - Real Estate Finance
Islamic Finance	- Full range of Shari'a-compliant wholesale banking products offered across our global network - Retail Islamic banking products offered in Bahrain and Algeria
Retail Banking	- Full suite of retail products & services offered in Bahrain, Egypt, Jordan, Algeria & Tunisia
Payments	- Processing - Merchant Acquiring - Fintech services

OWNERSHIP STRUCTURE OF BANK ABC (Controlling Shareholders)

59.37%

Central Bank of Libya

29.69%

Kuwait Investment Authority (KIA)

10.94%

Others, including Free Float

GLOBAL FOOTPRINT

Your business partner across
5 continents & 15 countries

1980
Incorporated in **Bahrain** pursuant to **Amiri Decree** Law No.2 as "Arab Banking Corporation B.S.C." with US$ 1 billion capital

1981
Bank ABC's founding shareholders (**KIA, ADIA and CBL)** inject US$750 million equity

1982
Started operations in **New York, London and Singapore**

1983
Started operations in **Egypt, Milan and Frankfurt**

1985
Bank ABC Islamic was established and **Bank ABC Paris** office opened

KEY MILESTONES

2022
ila Bank expands to **Jordan**

2023
Launch of ila alburaq (exclusively digital Islamic banking proposition)

Completed the **final integration of ABC-BLOM Bank** in Egypt

2024
A year of historic **net profit & ROE** and remarkable **28 industry awards.**

2025
Strengthened market leadership with **record revenue and 35 industry awards.**

2021
Acquisition of 99.5% stake in **BLOM Bank Egypt.**

Launched **alburaq** (Islamic retail banking window) **in Algeria**

2019
Launch of Bank ABC's **digital mobile-only bank, ila Bank**, in Bahrain

2017
Opened **DIFC branch and Singapore** office upgraded to branch

2015
Rebranded to **"Bank ABC"**

2010
Central Bank of Libya **increases its investment share to 59.4%** by acquiring ADIA's 17.7% share

2009
Bank ABC acquires majority stake in **AFS**

2008
Bank ABC **increased its authorised and paid-up capital** to US$2.5 bn & US$2.0 bn respectively

2005
Started operation in **Istanbul**

1989
Started its operations in **Brazil, Tripoli and Tunisia**

1990
The authorised **share capital increased to US$1.5 billion**

Bank **ABC Jordan** launched

1991
Establishment of **ABC International Bank PLC**

1998
Bank ABC Algeria launched

FINANCIAL HIGHLIGHTS

As at 31 December 2025

Net Profit

257 (US$ million)

2024	2023	2022	2021
285 (US$ mn)	235 (US$ mn)	154 (US$ mn)	100 (US$ mn)

Total Operating Income

1,410

(US$ million)

Shareholders' Funds

4,128

(US$ million)

ROE

6%

Risk Asset Ratio (Tier 1)

16.0%

FINANCIAL HIGHLIGHTS

As at 31 December 2025

	2025	2024	2023	2022	2021
Earnings (US$ million)					
Net interest income	**970**	902	935	786	592
Other operating income	**440**	437	344	315	262
Total operating income	**1,410**	1,339	1,279	1,101	854
Profit before credit loss expense, taxation and non-controlling interests	**596**	566	515	411	285
Credit loss expense	**(164)**	(143)	(145)	(119)	(106)
Profit before taxation and non-controlling interests	**432**	423	370	292	179
Net profit for the year from continuing operations	**257**	285	235	154	100
Financial Position (US$ million)					
Total assets	**49,912**	46,265	43,892	36,639	34,901
Loans and advances	**20,661**	18,649	19,096	18,190	16,716
Placements with banks and other financial institutions	**2,240**	2,071	2,231	2,226	3,031
Trading securities	**1,205**	838	1,070	590	902
Non-trading investments	**17,445**	16,117	11,368	8,080	8,390
Shareholders' funds	**4,128**	3,817	3,910	3,705	3,872
Additional / perpetual tier-1 capital	**590**	390	390	390	-
Ratios (%)					
Profitability					
Net interest margin	**2.6**	2.4	2.8	2.5	2.0
Cost: Income ratio (costs as % of gross operating income)	**58**	58	60	63	67
Net profit (loss) as % of average shareholders' funds	**6.0**	7.0	5.8	3.7	2.6
Net profit (Before NCI) as % of average assets	**0.69**	0.79	0.75	0.60	0.40
Net profit as % of average assets	**0.54**	0.64	0.60	0.44	0.31
Dividend cover (times)	**3.00**	3.33	3.36	3.30	3.22
Capital					
Risk weighted assets (US$ million)	**30,785**	28,556	30,226	27,546	25,595
Capital base (US$ million)	**5,228**	4,748	4,869	4,626	4,324
Risk asset ratio - Tier 1	**16.0**	15.5	15.0	15.7	15.9
Risk asset ratio – Total	**17.0**	16.6	16.1	16.8	16.9
Average shareholders' funds as % of average total assets	**9.2**	9.5	10.5	11.6	11.9
Loans and advances as a multiple of shareholders' funds (times)	**5.0**	4.9	4.9	4.9	4.3
Total debt (including non-controlling interests) as a multiple of shareholders' funds (times)	**10.9**	11.0	10.1	8.8	8.0
Borrowings as multiple of shareholders' funds (times)	**0.35**	0.36	0.33	0.35	0.31
Assets					
Loans and advances as % of total assets	**41.4**	40.3	43.5	49.6	47.9
Securities as % of total assets	**37.4**	36.6	28.3	23.7	26.6
Impaired loans as % of gross loans	**3.7**	3.6	3.6	3.5	3.4
Aggregate provisions as % of impaired exposures	**90.4**	87.1	93.5	101.1	112.2
Loans provisions as % of gross loans	**3.4**	3.2	3.3	3.6	4.0
Impaired securities as a % of gross non-trading debt securities	**0.4**	0.4	0.6	0.9	1.1
Securities provisions as a % of gross non-trading debt instruments	**0.43**	0.46	0.77	1.07	1.24
Liquidity					
Liquid assets ratio	**32.3**	29.5	32.1	33.3	37.8
Deposits to loans cover (times)	**1.5**	1.5	1.5	1.4	1.5
Share Information					
Basic earnings per share - Profit for the year	**$0.077**	$0.086	$0.070	$0.047	$0.032
Dividends per share - Cash	**$0.0275**	$0.0275	$0.0225	$0.015	$0.010
Net asset value per share	**$1.33**	$1.23	$1.26	$1.20	$1.25
Capitalisation (US$ million)					
Authorised	**4,500**	4,500	4,500	4,500	3,500
Issued, Subscribed and fully paid-up	**3,110**	3,110	3,110	3,110	3,110
Treasury shares	**(6)**	(6)	(6)	(6)	(6)

THE YEAR IN REVIEW

FEBRUARY

- Bank ABC announces its financial results for the year ended 31 December 2024. Net profit attributable to the shareholders of the parent surged **21% year-on-year to a record high of US$285 million.**
- Bank ABC announced its **Sustainable Finance Framework**, advancing its Sustainability Strategy.

MARCH

- Bank ABC named **Best Trade Finance Provider in Bahrain in 2025** by **Global Finance.**
- Bank **ABC 2025 AGM approved USD 85.1 million dividend distribution** and **elected new members to the group board** for the 15th term.

APRIL

- **Bank ABC's 2025 Master's Scholarship** Winners announced.

MAY

- ila Bank named **'MENA Retail Bank of the Year'** at the 2025 **MEED MENA Banking Excellence Awards.**
- Bank ABC Islamic named **'Best Sukuk House in Bahrain'** at **Euromoney Islamic Finance Awards 2025.**
- The Group introduced its **new Value Drivers.**
- Bank ABC secured **upgrade from Fitch to investment grade rating BBB-** reflecting continued strategic momentum.

JUNE

- Bank ABC is named **Best Digital Bank'** and **'Best Bank for Sustainable Finance'** in Bahrain at **Euromoney Awards for Excellence 2025.**
- ila Bank won **Best Digital Bank for Consumers** in Bahrain.

AUGUST

- The Bank released **Group Sustainability Disclosures Report**, announcing a new benchmark in sustainable finance, having mobilised **US$2.8 billion in 2024**, with 86% channelled to emerging markets across **Brazil, North Africa, the Middle East, and Asia.**

SEPTEMBER

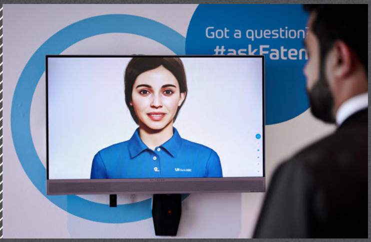
- Bank ABC launched inaugural **ABC Innovation Week** at its Head Office in Bahrain
- **Subsequent Innovation Weeks held in London and Milan** for colleagues in Europe.

OCTOBER

- Proud partner of **Fintech Forward 2025**, organised by Bahrain EDB and Bahrain FinTech Bay, showcasing the future of banking and the transformative potential of FinAI.
- ila Bank earns a record haul of **11 awards across Bahrain and the Middle Eas**t including being named the **'Best Mobile Banking App in the Middle East'** at Global Finance's Best Digital Bank Awards 2025.
- Proud sponsor of the **annual reception**, organised by the Bahrain Association of Banks (BAB), held alongside the International Monetary Fund (IMF) and World Bank meetings in Washington, D.C.

NOVEMBER

- Bank ABC's **AI Fatema** named **'Best AI Virtual Assistant in the Middle East'** in 2025 at the **AI World Series Awards 2025.**



DECEMBER

- Bank ABC named **"Transaction Bank of the Year in the Middle East"** for the third time by The Banker, Financial Times.
- Group CEO Sael Al Waary announces retirement; Board appoints **Brendon Hopkins as Acting Group CEO.**
- The Banker (FT) named Bank ABC, **Middle East's Best Bank for Innovation in Digital Banking** for the second time.

GROUP PERFORMANCE

31 December 2025 (US$ Million)

Bank ABC Group

2025 Highlights	ABC Parent (ABC B.S.C.)	ABC Group
Total Assets	29,770	49,912
Total Non-trading investments	13,311	17,445
Total Loans and advances	4,886	20,661
Total Deposits	14,466	30,939
Shareholders' Funds and Perpetual Instrument Holders	4,718	4,718

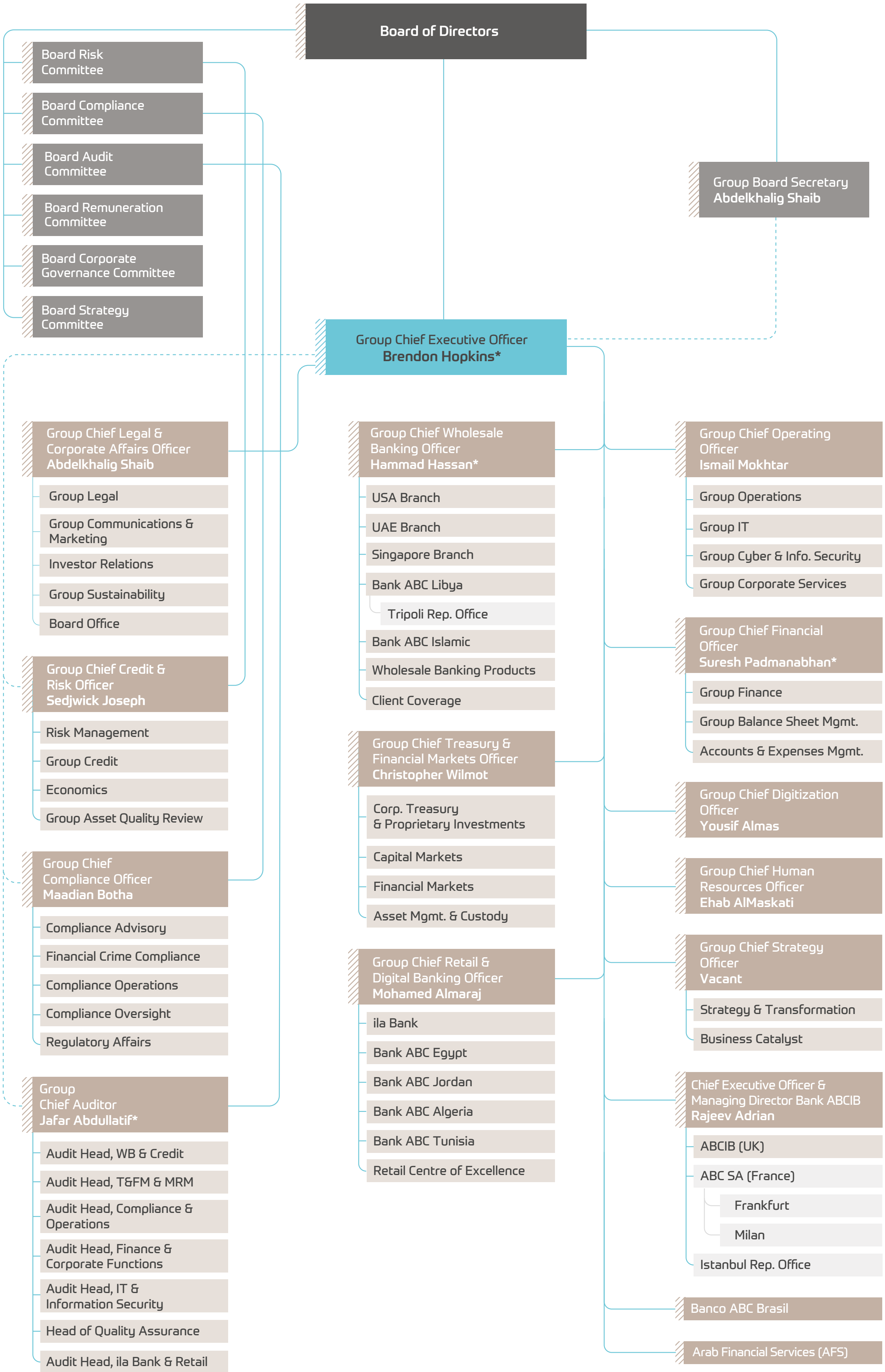
MENA Subsidiaries

2025 Highlights	ABC Algeria	ABC Jordan	ABC Egypt	ABC Tunisia
Total Assets	875	2,145	1,892	677
Total Non-trading investments	59	397	551	74
Total Loans and advances	642	1,161	800	195
Total Deposits	592	1,820	1,567	572
Shareholders' Funds	236	236	263	55
Number of Branches	24	19	52	17

Wholesale Banking and Other Subsidiaries

2025 Highlights	ABCIB (London)	ABC SA	Banco ABC Brasil	ABC Islamic Bank	AFS
Total Assets	5,210	1,631	11,681	3,284	135
Total Non-trading investments	757	53	743	1,510	-
Total Loans and advances	3,443	1,178	6,981	1,363	-
Total Deposits	3,500	1,030	8,331	2,837	53
Shareholders' Funds	809	229	1,252	381	21
Number of Branches	1	2	11	-	-

BANK ABC GROUP ORGANISATIONAL CHART



The organisation structure above reflects the Group's operating model as at the date of this report, as approved by the Board of Directors aligned with evolving business and governance requirements.

* In acting capacity

VALUES THAT DRIVE US

At Bank ABC, our purpose and values are the bedrock of our business and the driving force behind our mission to foster growth and innovation. As we reflect on our achievements and pave the way for a sustainable future growth, we recognise the importance of staying true to the principles that guide us - the core values that shape our approach, ensuring we remain committed to our clients, employees, and communities.

STRATEGIC INTENT

MENA's International Bank of the Future

OUR VALUES

The Shared Compass for Our Future

While performance and accolades are significant, it is our values that truly define us. They serve as our collective compass, guiding our decisions, navigating uncertainty, and shaping our culture as we work towards a successful future together.

Our Value Drivers

As we continue our journey, our new value drivers will build & expand on our 3-Cs framework of client- centricity, collaboration and consistency, guiding us as we strive to create positive impact for all stakeholders involved.

Put Clients First	We prioritise building deep relationships with our clients to understand their needs and deliver exceptional service. By listening intently, promising excellence, and fostering trust, we ensure that every decision centres around our clients' best interests.
Innovate for the Future	In a rapidly evolving world, innovation is essential. We stay ahead of the curve by anticipating change, embracing new ideas, and creating solutions that propel both our clients and ourselves, forward. Continuous learning and adaptation are integral to meeting and exceeding expectations.
Collaborate to Grow	Together, we achieve more. We foster a culture of collaboration—within our teams and across the industry. By breaking down silos, sharing knowledge, and celebrating collective successes, we enhance our performance and drive growth for everyone involved.
Act with Integrity	Trust is fundamental to our relationships. We act ethically and with complete accountability, choosing to do what is right rather than what is easy. Our commitment to honesty, transparency, and responsibility lays the foundation for our reputation and enables us to serve our clients and communities effectively.
Empower our People	We believe in the power of our people. Through inspiring initiatives that mentor talent and nurture growth, we create an environment where everyone can thrive. Our commitment extends beyond our employees to the communities we serve, promoting skill development and financial literacy.

02

PERFORMANCE REVIEW

CHAIRMAN'S STATEMENT

BUILDING MOMENTUM THROUGH RESILIENCE AND RENEWAL

H.E. Mr. Naji Belgasem
Chairman

Bank ABC demonstrated strong resilience in 2025, delivering record revenue and assets while maintaining a robust balance sheet despite external pressures.

Building Momentum through Resilience and Renewal

On behalf of the Board of Directors, we are pleased to present the Directors' Report for the year ended 31 December 2025 to our valued shareholders.

The year was marked with heightened geopolitical uncertainty, shifting monetary conditions and evolving trade dynamics across Bank ABC's global franchise.

Against this complex external environment, the Group demonstrated strong operational resilience, delivering record levels of top line revenue and total assets. While net profit was affected by combination of new taxes and elevated provision charges, the Group maintained a strong balance sheet and continued to execute our strategic roadmap with discipline and focus. It was also a pivotal year for institutional renewal, with the reconstitution of the Board, a refreshed management structure and senior leadership changes, bringing fresh perspectives and positioning the Group for its next strategy cycle.

Global and Regional Economic Landscape

The global economic environment in 2025 remained uncertain, with heightened geopolitical tensions and US protectionist policies weighing on trade flows and business confidence. Yet, the global economy proved relatively robust, buoyed by gradual monetary easing and rising investment in Artificial Intelligence (AI) and digital infrastructure. Global growth is estimated to have moderated to just over 3%, down from 3.3% in 2024.

In the United States, labour market conditions softened, prompting the Federal Reserve to resume monetary easing to mitigate downside risks, even as inflation remained above the 2% target due to tariff pressures and supply-side constraints.

Contrasting the global trend, the MENA region outperformed expectations with an estimated GDP growth of 3.8% in 2025, up from 2.2% the previous year. This was driven by both oil-exporting and oil-importing markets: exporters increased production to maintain market share despite downward pressure on oil prices from softer global demand, while non-oil growth came from economic diversification and infrastructure investment.

Resilient Financial Performance

Bank ABC's deep regional presence, diversified footprint, and disciplined execution allowed us to navigate volatile conditions effectively, continuing to support our clients and drive our business growth forward. This resulted in a resilient financial performance, underscoring the strength of our diversified business model and disciplined balance sheet management.

The Group had a strong year of overall top line growth across the franchise, despite declining interest rates and foreign exchange headwinds. Total Operating Income reached another record level at US$1,410 million, increasing by 5% year-on-year on a headline basis, with underlying growth of 7% on a constant-currency basis. One particular highlight was our Global Transaction Banking business, which leveraged investment in our ABC Cash solution to expand the Group's CASA portfolio to over US$1 billion, reflecting strong client acquisition and deepening primary operating relationships.

This revenue momentum, combined with disciplined management of operating expenses, drove a record net operating profit before credit loss expense and taxation of US$596 million, +5% year-on-year headline, and 8% on a constant currency basis.

However, in Q4, our results were affected by an elevated loan loss provision charge, largely due to a credit event in the United States, which affected an otherwise benign credit experience for the year.

6% ROE

achieved in 2025 - driven by **strategic growth and strong balance sheet performance.**

The matter is being actively managed with no broader systematic implications identified. This impacted the otherwise strong operating profit performance, and in combination with higher taxation from Domestic Minimum Top Up Taxes in Bahrain and Brazil, headline net profit attributable to Bank ABC was US$257 million, a headline reduction of 10% year-on-year and 7% on a constant currency basis. This equated to a Return on Equity at 6% on a headline basis and 6.2% on an underlying basis, also reflecting our disciplined approach to capital deployment.

On the balance sheet, the emphasis remained on growth while maintaining strength in capital and liquidity ratios to support continuing growth. Total assets reached a record US$50 billion, propelled by a combination of loan growth and treasury activities. Tier 1 capital ratio stood at 16.0%, well above the regulatory minimum of 10.5%, strengthened by a new US$200 million AT1 issuance during Q4. Liquidity remained strong, with a Net Stable Funding Ratio of 127% and the NSFR for the domestic liquidity group at 118%, comfortably exceeding regulatory requirements.

Total assets reached a record

US$50 bn

propelled by a combination of loan growth and treasury activities.

CHAIRMAN'S STATEMENT (continued)

Strategic Acceleration

Throughout 2025, the Group maintained strong momentum on executing its strategic roadmap, anchored in the vision to be MENA's International Bank of the Future. Notable progress was made across our three clearly defined strategic pillars:

Pillar 1: Accelerating Our Core Businesses

Our Wholesale Banking & Treasury, Retail Banking and Brazil's businesses continued to show robust growth. The completion of our Wholesale Banking digital transformation programme yielded a boost in transaction banking performance, which was supported by further sharpening of WB corporate coverage sectoral focus and refinements to credit risk capabilities and risk appetite. In Financial Markets, the Bank diversified revenue streams and successfully launched a new Securities Secured Lending Programme (SSLP). Retail Banking maintained its focus on digital and unveiled its new mobile banking app in Egypt. Banco ABC Brasil continued to be a vital contributor to the Group's profitability, continuing its focus on expanding its middle-market corporate client franchise.

Pillar 2: Maximising the Value of Our Digital Units

The Group's Digital Units continued to fulfil strategic expectations: ila expanded its customer base, won multiple awards and established landmark partnerships, including completing the launch of co-branded credit card with Gulf Air in Bahrain. The mobile-only bank is expected to gain further operational agility with its carve-out process to create a separately licensed bank now underway. Arab Financial Services (AFS) solidified its leadership position through progressing on the successful rollout of Merchant Acquiring in the UAE, alongside the launch of tailored solutions for merchants and the hospitality sector.

Pillar 3: Strengthening Our Operating Model

We continued to invest in futureproofing the Group's operating model to create our Bank of the Future. The redesign of our Digital & IT operating model, coupled with a newly launched Data Management function, will significantly improve the Bank's data analytics capabilities over coming years. Strategic KPIs have been established across all functions to enhance performance and management framework, while the launch of a refreshed values framework is further solidifying a culture of client-centricity, collaboration, innovation, integrity and empowerment. Additionally, the establishment of our AI Centre of Excellence has led to the automation of complex processes, while we advanced our Digital Assets strategy through innovative partnerships and proof-of-concepts.

Our Commitment to a Better Tomorrow

The Group remains firmly committed to driving sustainable development and supporting economic transitions across our franchise markets. Our Sustainability strategy is now well embedded in our business and operations. For example, Sustainability-linked assessments are included into our credit approval processes, integrating environmental, social, and governance principles into core decision-making.

On sustainable and infrastructure finance, Bank ABC supported projects across roads, power, water, and renewable energy in key markets like Egypt, Libya, Tunisia, and Bahrain, reinforcing our role in fostering long-term economic resilience, especially in emerging markets.

We also played a critical role in supporting economies under stress. In Bangladesh, we extended trade finance lines to local banks to facilitate essential imports during periods of political uncertainty. In Tunisia, we assumed cross-border risk to support imports of food and essential materials, participating in multilateral syndications to finance critical hydrocarbon supplies. Additionally, we expanded our presence in the non-bank financial sector in Egypt and Tunisia, extending credit to microfinance companies that empower women and promote small business growth.

Record Recognition Across Markets

2025 was a notable year for Bank ABC, with 35 prestigious awards recognising our excellence in wholesale banking, retail banking, innovation, digital transformation, and customer experience. Key recognitions included Transaction Bank of the Year for the Middle East from The Banker- FT. We also received the Euromoney Awards for Excellence for Best Bank for Sustainable Finance and Best Consumer Digital Bank for ila Bank in Bahrain. Additionally, the Bank won MENA Cash Management Bank of the Year by the Middle East Economic Digest (MEED) and Best Corporate Cross-Border Payments Solution in the Middle East from Global Finance.

> 2025 was a notable year for Bank ABC, with **35 prestigious awards** recognising our excellence in **wholesale banking, retail banking, innovation, digital transformation, and customer experience.**

ila Bank was also named Best Mobile Banking App in the Middle East among a record 11 awards by Global Finance across Bahrain and the region, winning in every national category. Furthermore, it was recognised as MENA Retail Bank of the Year by MEED.

Bank ABC also received a rating upgrade from Fitch to investment-grade BBB-, harmonising the rating with S&P. Both major rating agencies are now fully reflecting our strengthened risk profile, capital position and diversified international footprint.

Outlook for 2026

As the Group enters 2026, Bank ABC remains vigilant amid ongoing geopolitical and economic uncertainty. In this evolving landscape, the Group continues to pursue its clear strategic direction, grounded in its mission and purpose to connect people and businesses through innovative banking. By prioritising operational resilience, maintaining a strong balance sheet and continuing to invest in digital capabilities, the Bank is well positioned to deliver enhanced client experience, operational efficiency, and improving financial performance.

Acknowledgements

On behalf of the Board of Directors, we extend our sincere appreciation to our home regulator, the Central Bank of Bahrain, and to our principal shareholders, the Central Bank of Libya and the Kuwait Investment Authority, for their continued trust, guidance, and steadfast support.

We also thank our regulators across our network for their ongoing engagement and constructive oversight, which continue to support the strength and resilience of the Group. Our gratitude extends to our shareholders, clients, and business partners for their confidence in Bank ABC and their continued collaboration.

We further acknowledge the dedication and professionalism of our employees across the Group, whose commitment and resilience enabled the Bank to deliver strong performance in a complex operating environment.

The Board extends it congratulations to Sael Al Waary, Group Chief Executive Officer, on his retirement and expresses appreciation for his 44 years of service with the Bank, recognising his lasting contribution to the Group's success.

Moving ahead, we look forward to building on the strong foundations laid in 2025, as Bank ABC continues its journey as MENA's International Bank of the Future.

> Bank ABC reinforced its market leadership through **innovation, sustainability initiatives and global recognition**, positioning itself for continued growth in 2026.

CHAIRMAN'S STATEMENT (continued)

Board of Directors' Remuneration Details

The aggregate remuneration paid to Board members in 2025 amounted to US$3,183,872 (2024: US$2,148,303), which was divided between the three elements as follows:

Name	Fixed remunerations					Variable remunerations					End-of-service award	**Aggregate amount** (Does not include expenses 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			
First: Independent Directors:													
Mr. Abdullah Al Humaidhi[1]	40,339	3,000	-	11,444	54,783	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour[3]	174,150	36,000	-	223,902	434,052	-	-	-	-	-	-	-	-
Dr. Khaled Kawan[1]	40,339	4,500	-	-	44,839	-	-	-	-	-	-	-	-
Mr. Manaf Al Hajiri[2]	115,970	31,500	-	100,312	247,782	-	-	-	-	-	-	-	-
Dr. Marouane El Abassi[2]	121,415	34,500	-	147,171	303,086	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin[3]	169,711	30,000	-	55,235	254,946	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
H.E. Mr. Naji Belgasem[2]	160,574	13,500	-	92,914	266,988	-	-	-	-	-	-	-	-
Mr. Abdulaziz Alhudaib[2]	133,811	19,500	-	113,302	266,613	-	-	-	-	-	-	-	-
Mr. Amer Karkar[2]	102,589	18,000	-	98,314	218,903	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar[1]	32,869	3,000	-	22,545	58,414	-	-	-	-	-	-	-	-
Mr. Edrees Ahmad[2]	111,509	21,000	-	105,486	237,995	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa[1]	37,351	4,500	-	5,722	47,573	-	-	-	-	-	-	-	-
Mr. Mohamed Hassadi[2]	120,430	30,000	-	167,444	317,874	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem[1]	44,821	3,000	-	11,444	59,265	-	-	-	-	-	-	-	-
Mr. Saddek Omar El Kaber[1]	53,785	3,000	-	22,545	79,330	-	-	-	-	-	200,000	-	-
Dr. Tarik Yousef[1]	40,339	6,000	-	45,091	91,429	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,500,000**	**261,000**	**-**	**1,222,872**	**2,983,872**	**-**	**-**	**-**	**-**	**-**	**200,000**	**-**	**-**

* *Travel and accommodation expenses*
[1] *Retired in March 2025.*
[2] *Appointed in March 2025*
[3] *Re-appointed in March 2025*

Note: The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2025 was US$29,528, which sum is included in the Retainer fee (2024: US$20,000). No Director owned or traded Bank ABC shares in 2025.

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
Remunerations of top 6 executives, including CEO and Head of Finance & Administration	6,252,665	5,838,209	450,384	12,541,258

Note: All amounts stated are in US Dollars.

Naji Belgasem
Chairman
8 February 2026

Abdulaziz Alhudaib
Deputy Chairman

ACTING GROUP CEO'S STATEMENT

DISCIPLINED EXECUTION IN A CHANGING WORLD

Mr. Brendon Hopkins
Acting Group CEO

Reflecting on the external environment during 2025, we experienced a period of profound global change. The geopolitical and industry landscape, particularly in our region, became increasingly volatile and unpredictable, presenting both challenges and opportunities for banking institutions to navigate.

Escalating geopolitical tensions, disruptive AI innovations and climate-change related risks, continue to reshape the banking industry and redefine stakeholder expectations. The ability to remain financially strong and operationally agile while executing a defined strategic plan is arguably more critical than ever.

Against this backdrop, Bank ABC delivered resilient performance and continued to advance its strategic transformation, demonstrating the strength of disciplined strategy execution, prudent risk management, and a culture that embraces adaptability. Our journey reflects a focus on both short-term performance and long-term value creation, ensuring that we remain a steady, responsive, and forward-looking institution for our clients and shareholders.

The year 2025 saw renewal at our Board level, while preserving a strong culture of governance and a clear focus on the Group's long-term strategic priorities. We acknowledge the leadership of Mr. Sael Al Waary, who retired as Group CEO in January 2026, and whose stewardship over many years has strengthened the Bank's organisational foundations. I also thank the Board for entrusting me with the interim responsibility as Acting Group CEO, while they complete the Bank's permanent leadership succession plans. In alignment with the Chairman's statement, I'll expand on the following themes that have been highly relevant to Bank ABC during the past year.

Resilient Financial Performance and Balance Sheet Strength

Bank ABC delivered resilient financial performance while maintaining its strong balance sheet, despite the geopolitical volatility and shifting monetary conditions.

Total operating income increased by 5% year-on-year (YOY) to a record US$1,410 million, reflecting the strength of our diversified business model and disciplined execution across markets, with net profit attributable to shareholders amounting to US$257 million. Total assets reached a historic US$49.9 billion, up 8%, while equity increased by 12% to US$4.7 billion. Capital and liquidity metrics remained robust, including a Tier 1 capital ratio of 16.0%, an LCR of 237% and an NSFR of 127%, underscoring a well-capitalised institution with prudent liquidity profile positioned to navigate uncertainty while continuing to invest in sustainable growth.

> Record operating income of
> **US$1,410 mn**
> (+5% YoY), driven by disciplined execution and a diversified business model.

> Solid capital and liquidity position with **Tier 1 capital ratio at 16% and NSFR at 127%.**

To further enhance shareholder returns and capital allocation discipline, our newly established Portfolio Management function gained traction to optimise risk adjusted returns on capital (RAROC) performance across businesses. We continued to reinforce our business and operating model across the organisation, embedding performance accountability and sharpening execution standards. This includes the introduction of a refreshed system of Key Performance Indicators (KPIs) that translates strategic objectives into measurable targets across business lines and support functions and integrates performance outcomes with the Group's rewards framework.

Strengthening and Scaling Our Core Franchises

In 2025, we reinforced our core franchises across **Wholesale Banking (WB) & Treasury, Retail Banking and Banco ABC Brasil.**

Wholesale Banking completed the multi-year digital transformation programme of its **Global Transaction Banking** capabilities, marking a significant milestone for the Bank. Over the past 18 months, we have onboarded customers from multiple geographies onto our supply chain finance, documentary credit, and cash management platforms. These new digital platforms have enabled us to handle greater transaction volumes, enhance business origination, reduce operating costs and significantly improve our customer value proposition.

Additionally, corporate coverage specialisation by industry was implemented across all Wholesale Banking units, strengthening sector expertise and deepening client relationships.

Treasury enhanced its **Financial Markets Sales and Trading** capabilities, continuing to diversify revenues across FX and hedging products, while the successful rollout of the Securities Secured Lending Programme expanded our product offering and improved capital efficiency. Notable growth in **Syndications and Debt Capital Markets** leveraged our regional network and sukuk credentials. Combined with these and the marketable securities book, Treasury navigated the volatile interest rate environment and continued to deliver substantive revenues for the Group.

ACTING GROUP CEO'S STATEMENT (continued)

A combination of all the above efforts and some exceptional transactions helped Wholesale Banking & Treasury revenues absorb the declining interest rate environment while still delivering continuing growth year on year.

Retail Banking continued its transformation journey with further digitisation of its services and operational processes. The launch of a new mobile banking Bank ABC "Blue App" in Egypt marked a significant milestone in strengthening digital engagement and enhancing customer experience (98% usage by ABC Egypt active customers of digital channels). Overall, our digital-focused efforts, including rollout of the mobile banking apps, are resulting in increased digital customer onboarding with enhanced customer experience as well as reduced cost-to-serve. This is also supporting the strategic streamlining of the retail branch network, which has reduced by 15% over the last two years.

Banco ABC Brasil (BAB) also continued to contribute meaningfully to Group profitability, focusing on middle-market corporate clients and capital-efficient balance sheet growth. The BAB corporate client franchise maintained strong section specialisation and prudent risk management, across its broad wholesale and investment banking product range, using its deep knowledge and experience across the commodity-based Brazilian economy to reinforce its brand and deliver another year of high-return performance driven by a strong 7% growth in TOI.

Unlocking Long-Term Value Through Digital Leadership

Our digital units continued to advance their strategic growth plans, creating long-term value for the Group.

ila Bank delivered strong growth across customers, deposit expansion and revenue, reinforcing its position as one of the region's most innovative digital banking platforms. Product innovation remained a key focus, including the launch of the Gulf Air co-branded credit card and enhancements to payments and prize-linked savings offerings. A major milestone was the successful go-live of ila's next-generation core banking system, seamlessly delivered with minimal operational disruption. In parallel, a project to "carve-out" ila Bank into a separate subsidiary was initiated, paving the way for its evolution as a stand-alone bank, with enhanced strategic flexibility to pursue its regional growth strategy.

Arab Financial Services (AFS), our digital payments and fintech subsidiary, further expanded its regional footprint across four acquiring markets, successfully rolling out Merchant Acquiring in the UAE to build its presence in this strategically important market. In 2025, it processed around 200 million transactions, reaching volumes of circa US$6bn. New mobile-first merchant solutions and hospitality-focused offerings enhanced product diversification. Additionally, AFS began migrating clients to its new card management platform, strengthening scalability and technological resilience.

A Resilient Operating Model fit for the future

Throughout 2025, we continued investing in future-proofing the Bank's operating model to support sustainable growth. We advanced plans to implement a new Digital & IT operating model, and a new Data Management function was launched to enhance data quality and enable advanced analytics capabilities.

The Bank accelerated its digital and AI agenda in 2025, delivering over 30 AI and automation use cases creating significant operating efficiencies across the Group. Adoption of GenAI tools expanded to over 1,000 users, supported by training, co-creation sessions, and hackathons to embed AI innovation across the organisation.

Our Commitment to Sustainability

The year was also marked by excellent progress on execution of Bank ABC's Sustainability strategy, as we reduce the environmental impact of our operations and expand our capability to support our clients' decarbonisation journeys. During the year, we mobilised over US$2.9 billion of sustainable finance across our global network, increased the percentage of energy sourced from renewables to 29% and continued actions to reduce the energy consumption and GHG emission of our operations.

With solid foundations now in place, and key initiatives underway in 2026, we are building the platform for the next phase of sustainable value creation and positive environmental impact in the years ahead.

Performance Underpinned by New Value Drivers

Another milestone was the refresh of our values framework, which has been an important anchor in these uncertain times – guiding how Bank ABC teams support one another, serve our clients and make the right decisions. In outline, we have built on our '3C' values (customer centricity, collaboration and consistency), to define five new Value Drivers, which expand and add definition to the culture and behaviours that Bank ABC aspires to role model:

Putting clients first has shaped initiatives such as the digital transformation programme, digital onboarding enhancements and product innovation across Retail and Wholesale Banking. By deepening our understanding of client needs and simplifying how they engage with us, we continue to strengthen long-term relationships built on trust and service excellence.

Collaborating to grow has underpinned teams working across the Group's franchise on areas such as syndications, DCM, trade finance and other structured cross-border transactions, ensuring integrated delivery across markets. This culture of collaboration enables Bank ABC to leverage its international network more effectively, unlocking opportunities that no single unit could achieve alone.

Empowering our people emphasises a focus on clear role descriptions and accountabilities, with measurable performance objectives and KPIs. Teams are also equipped with training, leadership development and AI adoption so that they have the right tools and skills to ensure that performance is both sustainable and anchored in professional excellence.

Innovating for the future is evident in our new-tech adoption, digital unit expansion and operating model redesign. Through disciplined innovation, we are modernising our capabilities while maintaining the operational resilience expected of a leading international bank.

Acting with integrity continues to define our code of conduct, disciplined risk management, compliance vigilance and governance standards. In an increasingly complex regulatory environment, this unwavering commitment safeguards our reputation and reinforces stakeholder confidence.

Our progress will therefore not be solely measured by financial indicators, but also by the robust demonstration of the value drivers that guide our decisions and sustain trust with stakeholders.

Looking ahead during 2026

Looking ahead, our strategic direction remains steady, and our key priorities are of course adapting to the uncertain geopolitical and economic environment resulting from the ongoing regional crisis. We are maintaining the Group's operational effectiveness and resilience with a deep focus on securing our infrastructure, technology, cyber security systems and staff safety and wellbeing. At the same time, we are continuing to serve and deepen our key client relationships across core businesses, while remaining vigilant and disciplined on emerging credit and market risks. Moreover, we are also scaling up our digital banking and cash management platforms to strengthen our funding base, while streamlining our operating costs.

On behalf of the Group Executive Management team, I extend my sincere appreciation to our shareholders for their confidence and support, to the Central Bank of Bahrain and our regulators for their continued trust, to our Board members for their leadership and guidance, and to our employees across the Group for their hard-work and loyalty to the Group in these particularly challenging times.

In a changing world, Bank ABC's path forward is defined by strategic clarity, disciplined execution and financial strength. Guided by our values and supported by the strength of our international network, we will remain firmly focused on delivering sustainable performance as **MENA's International Bank of the Future.**

BANK ABC
THE INVESTMENT CASE

Bank ABC presents an attractive, **future-ready investment opportunity**, offering exposure to **high-growth emerging markets**, underpinned by a **resilient and well-capitalised balance sheet**, and driven by a **clear, well-executed strategy.**

Bank ABC Group combines **consistent financial performance** with a deliberate transformation into a **scalable, digital-first and sustainability-led banking franchise**, positioning it to deliver **superior, risk-adjusted shareholder returns over the long term.**

With over 45 years of resilience across economic and geopolitical cycles, a diversified international footprint, and accelerating momentum across its strategic roadmap, Bank ABC is uniquely placed to **capture structural shifts in banking**—including digitisation, AI-led transformation, and sustainable finance—while strengthening its role as **MENA's International Bank of the Future.**

Proven Resilience with Structural Strength

Bank ABC's long-standing presence in emerging markets reflects an institution built to endure and perform through volatility:

- **45-year legacy** of navigating complex and dynamic markets
- **International footprint** spanning key established and emerging economies
- **Diversified business model** across wholesale, treasury, retail and digital banking
- **Future-proof digital infrastructure** enabling scalability and adaptability

Strong Financial Performance with Positive Momentum

The Group continues to demonstrate **consistent financial delivery, that underscores a high-quality earnings profile, supported by sustainable business fundamentals:**

- **Revenue of US$1.41bn in 2025 (+5% YoY)** driven by core business growth
- Positive performance across nearly all business units
- **Stable funding base**, supporting liquidity resilience
- **Disciplined cost of risk**, reflecting robust underwriting standards

Robust Balance Sheet and Risk Discipline

A cornerstone of the investment case is Bank ABC's **financial strength and prudent risk management**, which enables the Group to **grow responsibly while safeguarding capital**.

- Strong capital position ensuring **balance sheet resilience**
- Enhanced frameworks across **credit, operational, and market risk**
- Continuous focus on **risk culture and governance maturity**

Clear Strategic Vision Driving Future Growth

Bank ABC's strategy is clearly defined and actively executed, positioning the Group as an industry leader in a rapidly evolving banking landscape:

- Advancing its vision as **MENA's International Bank of the Future**
- **Accelerating digital transformation** across all business lines
- Leveraging **AI and advanced analytics** to enhance efficiency and customer experience
- Scaling **digital banking platforms like ila Bank and AFS** to unlock new growth avenues

Leadership in Sustainable Finance and Purpose-Led Growth

Sustainability is embedded as a **core driver of growth** and differentiation for the Bank, aligning it with global capital flows and regulatory trends, while reinforcing long-term value creation:

- **Over US$2.9bn in sustainable finance mobilised in 2025**
- Over **70% directed towards emerging markets,** amplifying impact
- Integration of ESG considerations into **strategy, risk, and operations**

Strengthening Brand and Market Recognition

- **35 awards in 2025**, validating performance and innovation excellence
- Growing recognition as a **digitally progressive, sustainability-focused bank**
- Strengthened brand equity across regional and international markets

BOARD OF DIRECTORS

H.E. Mr. Naji Belgasem
Chairman

SC ‡ >|<

Master's degree in International Banking and Finance from the University of Bedfordshire, UK.

H.E. Mr. Naji Mohammed Issa brings over 27 years of leadership in central banking, monetary policy, and financial regulation. Appointed Governor of the Central Bank of Libya in October 2024, he has previously served as Director of both the Research and Statistics Department and the Banking and Monetary Supervision Department at the Central Bank of Libya, where he led key reforms in macroeconomic policy and financial oversight. He chaired the Central Bank of Libya's Exchange Rate Review Committee and Budget Committee. He has also served for many years on the Monetary Policy, Financial Stability, and Risk & Investment Committees. Internationally, Mr. Naji represents Libya as Governor to the IMF and has held board roles with the Arab Monetary Fund, Moamalat Financial Services, and National Commercial Bank. In addition to his role as Governor, Mr. Naji is a member of the Board of Trustees of the Libyan Investment Authority as well as the Chairman of Libya's National AML/CFT Committee.

BAC	Member of the Board Audit Committee
BRC	Member of the Board Risk Committee
BCC	Member of the Board Compliance Committee
RemCo	Member of the Remuneration Committee
CGC	Member of the Corporate Governance Committee
SC	Strategy Committee
‡	Non-Executive
§	Independent
>|<	Non-independent

Mr. Abdulaziz Alhudaib
Deputy Chairman

BRC SC ‡ >|<

Bachelor of Business Administration in International Business and is fluent in Arabic and English, with advanced proficiency in French.

Mr. Abdulaziz Alhudaib is a senior investment and governance professional with over 18 years of experience across sovereign wealth fund management and global financial markets. He currently serves as Acting Executive Director for the Planning and Senior Management Support Sector at the Kuwait Investment Authority (KIA), where he oversees the development and execution of strategic initiatives across both the institutional and investment dimensions of one of the world's largest sovereign wealth funds. During his tenure at KIA, he has held several senior leadership roles, including Director of the Strategy and Planning Department and Head of the Risk Management and Performance Measurement Unit (RPU). In this capacity, he played a key role in establishing the RPU and developing it into a core function supporting performance evaluation, risk governance, and executive decision-making. His expertise spans strategic asset allocation, portfolio performance analysis, sustainability integration, enterprise-wide planning, and institutional governance.
Mr. Alhudaib has also contributed to advancing global governance and sustainable investment practices. He was part of the team involved in the establishment of the International Forum of Sovereign Wealth Funds (IFSWF) in 2009 and the One Planet Sovereign Wealth Funds initiative in 2017. In addition to his executive responsibilities, he serves in several board and governance roles, including Chairman of Kuwait Flour Mills & Bakeries Company, Chairman of the Steering Committee of the IMF Middle East Center for Economics and Finance (IMF-CEF), and a member of the Board of Directors of Banco ABC Brasil.

Mr. Amer Karkar
Director

RemCo ‡ >|<

Postgraduate degree in Strategic Accounting and Finance from Nottingham Trent University.

He has over 25 years of experience in accounting, financial analysis, and internal auditing. He began his career at Jumhouria Bank in 1996 and later moved to the Ministry of Finance and Planning in 2004, where he held several senior roles, including Head of the Internal Audit Department, A Budget Analyst, and Deputy Head of the Macroeconomic and Financial Analysis Department. He joined Al-Waha Bank as a Board Member in October 2023, where he was assigned to the Governance and Internal Audit Committees until October 2024, when he was appointed as a Board Member of the Central Bank of Libya.

Mr. Edrees Ahmad
Director

BAC BCC ‡ >|<

Master's degree in Economics from Kuwait University and a bachelor's degree in economics from Virginia Polytechnic Institute and State University.

Mr. Edrees Ahmad is an experienced investment professional with over 18 years of expertise in global equity markets and institutional asset management. He is currently a Manager at the Kuwait Investment Authority (KIA), serving within the European Equity Division of the Equity Department, Marketable Securities Sector, where he is responsible for portfolio management, investment analysis, and monitoring of developed market equities. Mr. Edrees joined KIA in 2005 through its Graduate Development Program and has since held progressive roles across multiple equity divisions, including the Asian Equity Section and Emerging Market Equity Division. His professional experience covers equity research, portfolio construction, company valuation, and active engagement with international investment managers. Earlier in his career, he completed professional training and internships with leading global institutions, including State Street Global Advisors in London, where he gained hands-on experience in index portfolio management and trading operations. In addition to his executive responsibilities, Mr. Edrees has extensive board experience. He currently serves as a Board Member of Jordan Phosphate Mines Company and China WOFE Company and previously served as a Board Member of Bank of Bahrain and Kuwait, where he was a member of key committees including Audit, Risk, Governance, Nomination, and Remuneration. He has also held board and committee roles at Asiya Capital Investment Company. He is fluent in Arabic and English.

Mr. Khalil Nooruddin
Director

BAC BRC BCC SC §

Bachelor of Science in Systems Engineering from King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia; Master of Science in Quantitative Methods and Finance from Leonard N. Stern School of Business, New York University, New York, U.S.A; Chartered Financial Analyst from CFA Institute, Charlottesville, Virginia, U.S.A.

Mr. Nooruddin is a senior banker, with over 40 years' experience gained through serving local and international financial firms both at executive and board levels. Currently, he is the Managing Partner of Capital Knowledge, a management and financial consulting firm. Over the past twelve years, Mr. Nooruddin concluded several consulting and restructuring assignments for financial institutions, working on strategy formulation and implementation. Prior to this, Mr. Nooruddin was a member of the Management Committee of Investcorp Bank, Bahrain; Vice President UBS Asset Management in London and Zurich; Vice President Chase Manhattan Bank in Bahrain; and Operations Research Analyst, Bahrain Petroleum Company, Bahrain. He currently serves on the board of RA Holdings, formed under authorisation of a US bankruptcy court to oversee the liquidation of Arcapita Investment Bank, Bahrain. Previously he served on the boards of Gulf International Bank, Bank Al Khair, Ithmaar Investment Bank, Bahrain Islamic Bank, Takaful Insurance Company and Bahrain Financing Company.

Dr. Marouane El Abassi
Director

BAC BRC CGC RemCo SC §

Doctorate in Economics from the University of Paris 1, Panthéon Sorbonne.

He has expertise in political economy, fiscal, and monetary policy, contributing to macroeconomic stability. As Governor of the Central Bank of Tunisia and World Bank Representative to Libya, he led key reforms and fostered strong stakeholder relationships. His academic career includes lecturing globally and publishing extensively on economics. His insights into financial systems and global trends are widely recognised. In 2019, he was awarded "Best Governor of a Central Bank in MENA" for his leadership.

Mr. Manaf Alhajeri
Director

BRC CGC RemCo §

Master's and Bachelor's degree in Civil Engineering from Kuwait University and is a Certified Finance Manager with the Institute of Management Accountants, New Jersey.

Mr. Manaf AlHajeri was appointed as an Independent Director of Bank ABC in March 2025. He is an experienced business and investment leader with over 35 years of regional and international expertise. Mr. Manaf previously served as the State of Kuwait's Minister of Finance and Minister of State for Economic Affairs and Investments, following his appointment by Amiri Decree 43/2023. Prior to his ministerial role, he spent 16 years as Chief Executive Officer of the Kuwait Financial Centre K.P.S.C. ("Markaz"), a leading Middle East investment institution, and earlier held the position of Deputy Director of Investments at the Kuwait Fund for Arab Economic Development. His broader experience includes serving as a visiting lecturer at Sciences Po and holding board and advisory roles across multiple sectors, including the Kuwait Petroleum Corporation and the Kuwait Direct Investment Promotion Authority. He is proficient in English, French and Turkish, and in 2014 was awarded the Chevalier de l'Ordre National du Mérite by the French Republic.

Mr. Mohamed Hassadi
Director

BAC BCC CGC SC ‡ >|<

Bachelor's Degree from Queen Mary University, University of London.

Mr. Mohamed Hassadi is a seasoned professional with extensive experience in financial governance, international relations, and anti-money laundering (AML) and counter-financing of terrorism (CFT). Currently serving as the Governor's Advisor on Foreign Relations and Cooperation at the Central Bank of Libya, Mohamed has a proven track record of leadership and expertise in the banking and financial sectors. He has held various significant roles, including Governor's Advisor on AML, CFT, and International Relations at the Central Bank of Libya, Financial Crime Governance SME at ABC International Bank, and Director of the Libyan FIU. Mohamed has also served as the Foreign Relations Section Head at the Central Bank of Libya, Director of Retail Banking at United Bank for Commerce and Investment (Part of AUB Group) and held multiple positions at Libyan Qatari Bank and Sahara Bank BNP Paribas. His experience at the Central Bank of Libya extends to various strategic committees and international high-level delegations. Mohamed was the Deputy Chairman at Arab Turkish Bank in Türkiye. He has also served as the Deputy Chairman of the Board of Directors at Andalus Bank and as a Board Member at the same institution. His diverse background and extensive experience make him a valuable asset in the fields of Banking, financial governance and international relations.

Dr. Ibrahim El Danfour
Director

BAC BRC RemCo BCC §

PhD in Accounting, Glasgow Caledonian University, Glasgow, The United Kingdom.

Chief Executive Officer of the Libyan African Investment Company (LAICO), Chairman of BSIC Gambian Bank Gambia, Chairman of North Africa Bank Lebanon, Director of Arab Bank Corporation Egypt, Member of European Accounting Association (No. 95844), founding member of the Libyan Accountants Association, collaborator at Academic of Postgraduate Studies, Misurata, Libya. Previously Dr. Eldanfour was the Chairman of Ensemble Hotel Holdings South Africa, Director of Arab Bank Corporation Algeria, Director of Arab Bank Corporation Tunis, Director of Libya for Investment Company Egypt, Chairman of LAICO Hotels & Resorts Management Company Liechtenstein, Director of Waha Bank Libya. Dr. Eldanfour held various key positions in academia as well as the public and private sectors, mainly in accounting, financial management, digital transformation and ERP systems, strategic planning, giving him more than 22 years of hands on experience in these domains, for which he has a number of publications and is an active participant in related high profile events and conferences. 10 years of banking experience.

EXECUTIVE MANAGEMENT

Mr. Brendon Hopkins
Acting Group Chief Executive Officer

Chartered Accountant, (ICAEW), Chartered Tax Advisor (CIOT), MBA, Henley Management College, B.Sc. (Hons) Industrial Mathematics, University of Birmingham.

Mr. Hopkins is the Acting Group Chief Executive Officer of Bank ABC, bringing over three decades of international experience in the financial services sector. He joined Bank ABC in 2014 as Group CFO, where he has been instrumental in shaping the Group's financial strategy, strengthening its balance sheet, and enhancing its strategic positioning across key markets. He has overseen core functions including Finance, Strategy, Mergers & Acquisitions, Taxation, Corporate Communications, and Investor Relations, contributing to the Bank's growth, resilience, and stakeholder engagement. During his tenure with Bank ABC, he has also served as a Director on the Board of Banco ABC Brasil, and as Chair of the Board of Governors of St Christopher's School, Bahrain. Before joining Bank ABC, he held senior leadership roles at Standard Chartered Bank, including CEO of Europe and Group Head of Strategy for the Western Hemisphere. His earlier career includes roles with Deloitte and Guardian Royal Exchange.

Mr. Christopher Wilmot
Group Chief Treasury & Financial Markets Officer

MBA, University of Strathclyde Business School.

Mr. Wilmot joined Bank ABC in June 2016 with global responsibility for the Bank's Corporate Treasury, Financial Markets, Capital Markets and Asset Management businesses. He is a senior banker with over nearly 40 years of treasury, investment and financial markets experience, covering both conventional and Islamic banking disciplines, of which the last 30 years have been within the MENA region. He is also a Board Member of ABC Islamic and a Member of the Audit, Risk and Corporate Governance Committees. Prior to joining Bank ABC Group he worked with First Gulf Bank, Abu Dhabi and previously held Group Treasurer positions with Ahli United Bank, Bahrain, and Saudi Hollandi Bank, Riyadh (ABN Amro Group).

Mr. Hammad Hassan
Acting Group Chief Wholesale Banking Officer & MD of Bank ABC Islamic

MBA, Lahore University of Management Sciences, Pakistan; BSc Electrical Engineering, University of Engineering & Technology, Pakistan.

Mr. Hassan has over 30 years of banking experience, spread across Corporate and Consumer Banking, Global Transaction Services, and Islamic Finance. He joined Bank ABC Islamic in 2005 as the Head of Coverage, and became the CEO of ABC Islamic and Group Head of Islamic Banking in 2017. Earlier in 2026, Mr. Hassan has been appointed as the Acting Group Chief Wholesale Banking Officer of Bank ABC, In his current role, he is also serving as the CEO of Bank ABC Islamic, Bahrain. Mr. Hassan represents Bank ABC Islamic on the Board of IIFM. Prior to joining Bank ABC, Mr. Hassan worked for over 11 years with Citigroup and its affiliate in Saudi Arabia, Samba Financial Group.

Mr. Mohamed Almaraj
Group Chief Retail & Digital Banking Officer and ila Bank CEO

B.S., Finance and Accounting, Wharton School of Business.

Mr. Almaraj joined Bank ABC in 2015 and is the Group Chief Retail & Digital Banking Officer and the Chief Executive Officer of the digital mobile-only 'ila Bank' in Bahrain. His previous roles at the Bank include COO of ila Bank, and he played a key role in several Group-level initiatives, including establishing Bank ABC's DIFC office and launching the Debt Capital Markets practice. He serves as a director on the Board of Bank ABC Jordan and has 15 years of experience in corporate finance, investments, restructurings, and digital transformations across the GCC and the US. Before joining Bank ABC, he was a Senior Associate with Perella Weinberg Partners in New York, focusing on mergers & acquisitions transactions and corporate restructurings in the technology, media, telecom, and financial services sectors.

Mr. Suresh Padmanabhan
Acting Group Chief Financial Officer

Chartered Accountant (ICAI), CFA Charterholder.

Mr. Padmanabhan has over 30 years of banking and financial services experience. He joined Bank ABC in 2001, and is responsible for overseeing the Group's finance functions, including financial planning, performance management, regulatory reporting, balance sheet management, and taxation. He also serves as the Chairman of the Board of Arab Financial Services Company, Bahrain, and as a Director on the Board of Arab Financial Services, UAE. Prior to joining Bank ABC, he worked with Ernst & Young, gaining extensive experience in financial services.

Mr. Sedjwick Joseph
Group Chief Credit & Risk Officer

MBA, Cochin University of Science and Technology, B. Tech (Engineering) – National Institute of Technology, Calicut.

Mr. Joseph joined ABC International Bank plc in December 2015 as the Chief Risk Officer. He was subsequently appointed the Group Chief Credit and Risk Officer in July 2020. He has over 25 years of banking experience across credit, risk management, portfolio management and analytics. His experience spans across wholesale, retail, private and business (SME) banking products. Previously, he was the Chief Risk Officer for Habib Bank AG Zurich (HBZ). Prior to HBZ, Mr. Joseph was with Barclays and Standard Chartered Bank holding both country and regional roles across multiple geographies in Europe, US, Asia, Middle East and Africa.

Mr. Ismail Mokhtar
Group Chief Operating Officer

Master's degree in Management. Economics, Sciences and Management University - Tunisia.

Mr. Mokhtar brings over 25 years of leadership experience at Bank ABC. He has held several senior roles with Bank ABC for over two decades. He served Bank ABC in Tunisia as the Deputy General Manager and Chief Operating Officer before transitioning to the Head Office in Bahrain in 2015. In 2018, he was appointed Regional COO for the MENA region and subsequently became the Group Chief Operating Officer in August 2019. He is tasked with facilitating the execution of essential support functions across the Group and oversees the functional and country COOs. Mr. Mokhtar serves as a Director on the Boards of Bank ABC in Jordan and has previously been a member of the Board of Bank ABC in Algeria. Prior to joining Bank ABC, Mr. Mokhtar held various positions within the Treasury Department of Banque Nationale Agricole in Tunisia.

Mr. Abdelkhalig Shaib
Group Chief Legal & Corporate Affairs Officer & Group Board Secretary

LL.M. from Harvard Law School, Pursuing an MBA at the University of Oxford (class of 2025).

Mr. Shaib has served Bank ABC Group in senior legal and governance roles since 2018 and was appointed as the Group Chief Legal & Corporate Affairs Officer in 2026. He oversees Group Legal, Compliance, Communications & Marketing, Investor Relations, and Sustainability, and also serves as Group Board Secretary. He brings extensive experience across legal, regulatory engagement, corporate governance, and international financial transactions. Before joining Bank ABC, he was part of ASAR Al Ruwayeh and Partners in Kuwait, focusing on corporate and commercial law, M&A, and banking and finance. He also worked at Crowell & Moring in Saudi Arabia and has had a notable tenure at the Islamic Development Bank (IsDB) in Jeddah, Saudi Arabia. Mr. Shaib is also admitted to practice law in New York and Sudan.

Mr. Maadian Botha
Group Chief Compliance Officer

Fellow Member (CISA), Admitted Attorney (RSA), LLM and MBA, University of Pretoria.

Mr. Botha is a Fellow Member of the Compliance Institute of Southern Africa and has more than 30 years of experience in the financial services sector. He joined Bank ABC Group in April 2020 as Group Head of Compliance, overseeing the functional and country Compliance Officers and MLROs across the Group. His previous senior roles include Group Chief Compliance Officer at Barclays (Absa) and leading the Compliance Practice at PWC for Southern Africa. He has also served as Chairman of the Compliance Institute of Southern Africa.

Mr. Jafar Abdullatif
Acting Group Chief Auditor

CMA, CIA, CISA and BSc in Accounting.

Mr. Abdullatif is a seasoned audit leader with 32 years of professional experience and broad international exposure across Bank ABC's global network. Over his 28-year audit career, including 18+ years with Bank ABC Group Audit, he has led and overseen disciplined execution across high-stake engagements, with deep domain expertise in Wholesale Banking and Credit Risk. He offers valuable expertise in liaising with international and regional regulators and leverages first-hand knowledge of diverse business and regulatory environments. Prior to his current role he served as Audit Head - Wholesale Banking, Islamic Banking & Credit Risk, and engaged closely with the Board Audit Committee and Executive Management, directing audit teams across network for conventional and Shari'a compliant business lines. Earlier in his career, he trained with the Big Four public accounting firms and completed extensive Moody's credit due diligence training.

GROUP FINANCIAL REVIEW

Delivering Resilient Performance and Record Operating Income

Bank ABC Group delivered a resilient and strategically grounded performance in 2025 despite heightened geopolitical uncertainty, shifting monetary conditions, and evolving global trade dynamics. The Group achieved record levels of total operating income and total assets, reflecting the strength of its diversified business model, disciplined cost management, and a robust balance sheet.

US$1,410 mn

Total Operating Income, **representing a 5% rise year-on-year.**

Total operating income increased by 5% year on year to a record US$1,410 million (2024: US$1,339 million), or 7% on an underlying constant currency basis, with growth well diversified across business lines and geographies. This performance underscores the continued execution of the Group's strategic priorities and the resilience of its core franchises.

Net profit attributable to the shareholders of the parent amounted to US$257 million. While this represented a 10% year-on-year decline, performance remained resilient, reflecting solid underlying operating momentum across the Group. Underlying net profit, adjusted for foreign exchange on a constant currency basis, would have been US$266 million, with the variance primarily attributable to elevated impairment provisions related to a US client credit event and the introduction of domestic minimum top-up taxes in Bahrain and Brazil.

Total comprehensive income attributable to the shareholders of the parent improved markedly to a positive US$415 million, compared to a negative US$12 million in the prior year, reflecting more favourable foreign exchange movements following the depreciation of the EGP and BRL against the US Dollar in 2024.

Earnings per share for the year amounted to US$0.077, compared to US$0.086 in 2024.

Reflecting confidence in the Group's capital strength, earnings resilience, and forward outlook, the Board of Directors is pleased to recommend a cash dividend of US$0.0275 per share, totalling US$85.5 million, equivalent to 2.75% of equity capital and representing a 33% payout of profit attributable to the shareholders of the parent. The dividend is maintained at the same level as last year and remains subject to regulatory approvals and approval at the Bank's Annual General Meeting.

Disciplined Cost Management Balanced With Growth

Cost discipline remained a key focus for Bank ABC Group throughout the year. Operating expenses for the year amounted to US$814 million (2024: US$773 million), reflecting continued investment in technology and transformation while maintaining tight cost controls. The cost-to-income ratio stood at 57.7%, same levels as in 2024.

Credit loss expenses increased to US$164 million (2024: US$143 million), largely reflecting the impact of a US client credit event provisioning. Taxation for the year amounted to US$105 million (2024: US$72 million), resulting in net profit attributable to shareholders of US$257 million (2024: US$285 million).

The Group continued to invest in strategic digital initiatives aligned with its 'Bank of the Future' vision.

Digital and innovation-led platforms, including ila Bank and Arab Financial Services, maintained strong revenue trajectories, while progress continued integrating and optimising regional operations to enhance scale and efficiency.

Sources and Uses of Funds

The Group's balance sheet expanded further in 2025, reflecting strong core business growth and treasury activity. Total assets reached a historical US$49,912 million at year-end, an increase of 8% compared to US$46,265 million at the end of 2024. This was driven by core business growth and positive FX movements in BRL. Average assets for the year stood at US$47,683 million (2024: US$44,366 million).

Equity attributable to the shareholders of the parent and perpetual instrument holders increased to US$4,718 million, up 12% from US$4,207 million at the end of 2024. This increases reflected profits generated during the year, an AT1 issuance, and favourable foreign exchange movements in EGP and BRL, partially offset by dividends paid.

The Group's asset mix continued to be dominated by loans, securities, and placements. Loans and advances stood at US$20,661 million (2024: US$18,649 million). Non-trading investments amounted to US$17,445 million (2024: US$16,117 million), while money market placements and liquid funds totalled US$6,677 million (2024: US$6,995 million).

On the funding side, customer deposits stood at US$26,491 million (2024: US$22,431 million). Deposits from banks, certificates of deposit, and repos amounted to US$13,522 million (2024: US$14,958 million), while borrowings totalled US$1,426 million (2024: US$1,381 million).

Credit Commitments, Contingent Items, and Derivatives

The notional value of the Group's consolidated off-balance sheet items stood at US$79,671 million at year-end 2025 (2024: US$61,089 million). These comprised credit commitments and contingencies of US$10,777 million (2024: US$10,069 million) and derivative exposures of US$68,894 million (2024: US$51,020 million). The credit risk-weighted asset equivalent of off-balance sheet items amounted to US$4,501 million (2024: US$4,300 million).

The Group continued to utilise derivative products primarily for hedging purposes and to meet customer-related requirements, alongside limited short-term trading activities. Total market risk-weighted equivalent exposures stood at US$1,776 million at the end of the year, compared to US$1,175 million at the end of 2024. No significant credit derivative trading activities were undertaken during the year.

GROUP FINANCIAL REVIEW (continued)

Geographical and Maturity Distribution of the Balance Sheet

Bank ABC Group maintained a well-diversified balance sheet across its core regions, including MENAT, the Americas, Western Europe, Asia, and other markets. The regional distribution of financial assets, liabilities and equity, and loans and advances remained broadly consistent with the prior year, with variations reflecting business growth and market dynamics.

	Financial assets		Liabilities & equity		Loans & advances	
(%)	**2025**	2024	**2025**	2024	**2025**	2024
Arab world	**29**	27	**56**	52	**31**	33
Western Europe	**11**	11	**16**	17	**17**	15
Asia	**2**	2	**4**	3	**2**	2
North America	**27**	30	**5**	9	**7**	10
Latin America	**22**	21	**17**	18	**32**	31
Others	**9**	9	**2**	1	**11**	9
	100	100	**100**	100	**100**	100

An analysis of the maturity profile of financial assets indicates that approximately 60% (2024: 69%) of assets had a maturity of one year or less at the end of 2025. Loans and advances maturing within one year accounted for 60% (2024: 66%) of the portfolio, while 68% of liabilities matured within one year (2024: 48%).

Distribution of Credit Exposure

The Group's gross credit exposure as at 31 December 2025 amounted to US$58,408 million (2024: US$54,014 million), representing the gross credit risk to which the Group is potentially exposed. This comprised funded exposure of US$45,987 million, credit commitments and contingent items of US$10,777 million, and derivative exposures of US$1,644 million.

Credit exposure by customer type and internal risk rating remained well diversified, with the majority of exposures classified within investment-grade and satisfactory risk categories, reflecting the Group's prudent underwriting standards and risk management framework.

	Funded exposure		Credit commitments & contingent items		Derivatives*	
(US$ Million)	2025	2024	2025	2024	2025	2024
Customer type						
Banks	**5,948**	5,645	**2,059**	1,601	**319**	207
Non-banks	**21,421**	19,798	**7,762**	7,337	**1,318**	1,014
Sovereign	**18,618**	17,276	**956**	1,132	**7**	4
	45,987	42,719	**10,777**	10,070	**1,644**	1,225
Risk rating						
1 = Exceptional	**885**	712	**1**	2	**-**	-
2 = Excellent	**13,787**	13,302	**676**	216	**34**	25
3 = Superior	**4,618**	3,696	**703**	812	**382**	86
4 = Good	**2,646**	2,652	**1,560**	1,522	**14**	12
5 = Satisfactory	**13,974**	11,526	**5,037**	5,252	**936**	940
6 = Adequate	**8,037**	8,870	**2,195**	1,769	**237**	146
7 = Marginal	**1,765**	1,404	**531**	294	**38**	13
8 = Special Mention	**40**	270	**26**	145	**-**	3
9 = Substandard	**174**	160	**37**	46	**3**	-
10 = Doubtful	**49**	53	**5**	6	**-**	-
11 = Loss	**12**	74	**6**	6	**-**	-
	45,987	42,719	**10,777**	10,070	**1,644**	1,225

* Derivative exposures are computed as the cost of replacing derivative contracts represented by mark-to-market values where they are positive, and an estimate of the potential change in market values reflecting the volatilities that affect them.

GROUP FINANCIAL REVIEW (continued)

Classified Exposures and Impairment Provisions

Total impaired loans at the end of 2025 stood at US$782 million (2024: US$699 million). Expected credit loss allowances, including stage 3 provisions, amounted to US$718 million (2024: US$617 million). Impaired securities totalled US$64 million (2024: US$64 million), with corresponding ECL allowances of US$75 million (2024: US$75 million).

The ageing profile of impaired loans and securities remained broadly stable, reflecting ongoing recovery efforts and disciplined credit monitoring across the portfolio.

(US$ Million)	Principal	Provisions	Net book value
Less than 3 months	130	69	61
3 months to 1 year	233	165	68
1 to 3 years	336	234	102
Over 3 years	83	80	3
Total	**782**	**548**	**234**

Impaired Securities

(US$ Million)	Principal	Provisions	Net book value
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	-	-	-
Over 3 years	64	64	-
Total	**64**	**64**	**-**

Note: Impaired loans and off-balance sheet credits are formally defined as those in default on contractual repayments of principal or on payment of interest in excess of 90 days. In practice, however, all credits that give rise to reasonable doubt as to timely collection, whether or not they are in default as so defined, are treated as non-performing and specific provisions made, if required. Such credits are immediately placed on non-accrual status and related interest income reversed. Any release of the accumulated unpaid interest thereafter is made only as permitted by International Financial Reporting Standards.

Group Capital Structure and Capital Adequacy

The Group maintained strong capital and liquidity positions throughout 2025, comfortably exceeding the regulatory requirements of the Central Bank of Bahrain. The consolidated capital adequacy ratio stood at 17.0% at year-end, compared to 16.6% in 2024, supported by a Tier 1 capital ratio of 16.0%, of which CET1 represented 13.7%.

The Group's capital base amounted to US$5,228 million, comprising Tier 1 capital of US$4,935 million (2024: US$4,421 million) and Tier 2 capital of US$293 million (2024: US$327 million).

Liquidity metrics remained robust, with the liquidity coverage ratio (LCR) at 237% and the net stable funding ratio (NSFR) at 127%, while the liquid assets to deposits ratio stood at 52%.

All subsidiaries continued to meet the capital adequacy requirements of their respective regulators.

Operating environment and outlook

Resilient performance in an uncertain economic environment

In 2025, our core and network markets encountered notable uncertainty and volatility, shaped by geopolitical and macroeconomic dynamics. The Russo-Ukrainian Conflict continued into its third year, and the conflict in Middle East raised concerns of potential regional instability during the summer months. While a ceasefire was achieved towards the end of the year, regional tensions have remained a point of focus. These geopolitical developments influenced global activity in several ways, including fluctuations in commodity prices, maritime traffic patterns, insurance costs, and tourism levels, as well as impacting private investment flows and overall market sentiment.

While inflation gradually eased, interest rates have continued their slow decline. In this environment, global growth was estimated to moderate to just over 3% in 2025, down from 3.3% in 2024. In contrast, the MENA region has demonstrated resilience, with growth accelerating to estimated 3.8% in 2025, up from 2.2% in 2024. This positive trend is largely driven by increased oil production, ongoing diversification efforts, and reconstruction initiatives in several countries.

Egypt's exchange rate has stabilised due to effective reforms and robust external support. Meanwhile, the Brazilian Real has shown significant appreciation since the beginning of 2025, despite some volatility, supported by elevated real interest rates. However, high policy interest rates, relative to the past decade, continue to exert pressure on credit quality, particularly within the US commercial real estate market. On a positive note, market sentiment has stabilised following monetary easing from major central banks.

Looking Ahead to 2026

As we look forward to this year, there has been a significant escalation in geopolitical conflict in the Middle East. We are still in early stages, and the full impact of this escalation is yet to be ascertained. At the end of 2025 global growth was anticipated to remain steady at approximately 3% in 2026. While US protectionism may pose challenges, relaxed monetary policies could provide supportive tailwinds. In the MENA region, growth is projected to rise to 4.1%, bolstered by increased oil production and ongoing monetary easing.

2026 promises both challenges and opportunities for the banking industry. Geopolitical tensions could create economic stress for more vulnerable economies in the region. However, reduction in hostilities may facilitate restoration efforts and enhance economic activity and confidence, even as there are concerns about lower energy prices due to potential oversupply.

In many markets, inflation continues to decline, prompting central banks to lower policy rates, which presents both repricing challenges and refinancing opportunities. Additionally, emerging technologies such as artificial intelligence, alongside innovations in asset tokenisation and cryptocurrencies, will introduce new dynamics that the industry must prepare to navigate.

Positioned for Sustainable Growth

Bank ABC enters this next phase of its strategic journey with confidence, bolstered by a strong balance sheet, a diversified business model, and advanced digital capabilities. The Group remains committed to operational resilience, capital efficiency, prudent risk management, and disciplined growth, while leveraging investments in technology, data, and artificial intelligence to enhance business continuity, efficiency, agility, and client value.

Through the ongoing execution of its strategic objectives, Bank ABC is well-positioned to generate sustainable, long-term value for both shareholders and stakeholders alike. As we move ahead as MENA's international Bank of the Future, we are excited and optimistic about the opportunities that lie ahead.

STRATEGY IN MOTION

Led by ambition, driven by purpose, we accelerate towards our strategic goals.

The refreshed three-year strategy launched in 2023 has been a catalyst for the Group's growth and transformation agenda. With a clear roadmap of priorities and initiatives, we have made remarkable strides by the end of two years, achieving over 90% of our strategic key performance indicators (KPIs). This impressive performance reflects strong value realisation across all business segments.

To ensure disciplined execution, the Group Transformation Office continues to monitor progress, driving accountability and results. The new Group-wide KPI framework has been instrumental in providing a Board-level perspective that aligns performance management with our long-term strategic priorities. Our commitment to innovation and leveraging emerging technologies continues to position us ahead of the competition.

STRATEGIC INTENT

MENA's International Bank of the Future

Realised through three clearly defined strategic pillars.

01 Accelerate our Core Performance

- Accelerate Wholesale & Treasury
- Boost Group Retail
- Capitalise on Brazil's Success

Creating near-term value for the Bank

02 Maximise value of our Digital Units

- ila
- afs

Creating longer-term value for the Bank

03 Strengthen our Operating Model

- Improve Organisational Effectiveness
- Enhance Steering Ability
- Strengthen Process Efficiency
- Develop Agile Infrastructure

Driving execution and future-proofing the Bank

Accelerating Our Core Performance

- The multi-year digital transformation of Wholesale Banking has been successfully executed across most units, onboarding over 350 clients within the franchise.
- Wholesale Banking business experienced exceptional momentum, with significant increases in trade and transaction volumes and revenue growth.
- Syndication volumes surged from US$2.5 billion in 2024 to US$4 billion in 2025.
- Retail Business thrived, bolstered by the successful launch of our digital app in Egypt.
- Remarkable advancements were made in corporate and middle-market segments by Banco ABC Brasil with a 7% headline growth year-over-year and 12% growth on a constant currency basis.

Maximising the Value of Our Digital Units: ila & AFS

- ila Bank Expansion
  - Continued to grow its customer base, driven by innovative products and enhanced features.
  - Successfully completed its core banking migration to Temenos, marking a significant milestone in ila's digital transformation.
  - Carve-out process progressing well, positioning it as a standalone digital bank ready for further expansion.
- AFS successfully launched merchant acquiring services in the UAE, unlocking new revenue streams and growth opportunities.

Strengthening Our Operating Model

- Established a Group-wide Portfolio Management function to enhance RAROC across the Wholesale Banking business.
- Introduced refreshed core values to reinforce a purpose-driven culture within the Group.
- Launched a new strategic KPIs framework to sharpen focus and accountability across all operations.
- Enhanced our digital operating model and data management capabilities, laying a strong foundation for scalable, data-driven growth.
- Strengthened stronger sustainability agenda with the initiation of a 3-year environmental reduction plan for our global operations, integrating sustainability-linked assessments into our credit approval processes, and a comprehensive action plan to strengthen Diversity, Equity, and Inclusion (D, E & I) efforts.

BUSINESS & OPERATIONS REVIEW

In 2025, Bank ABC continued to execute its strategy with discipline, delivering sustained momentum across its core businesses and markets. Despite a complex external environment, the Group remained focused on strengthening its franchise, deepening client relationships, and enhancing its digital capabilities to support long-term growth.

Progress during the year was underpinned by a diversified business model, with growth across Global Wholesale Banking, Treasury and Financial Markets, Retail and Digital Banking, and the Group's network subsidiaries. Continued investment in digital platforms, operational efficiency, and transformation initiatives enabled the Bank to scale its capabilities, improve client experience, and drive productivity across the organisation.

At the same time, the Group maintained a strong focus on capital efficiency, risk discipline, and cost control, ensuring resilience while positioning the business for future opportunities. The following sections provide an overview of the Group's financial performance, business line execution, and progress across its key markets and support functions.

2025 AT A GLANCE:

Financial Performance

Bank ABC Group delivered a resilient financial performance in 2025 despite a complex global operating environment marked by geopolitical uncertainty, shifting monetary conditions, and evolving global trade dynamics. The Group achieved record levels of total operating income and continued balance sheet expansion, reflecting the strength of its diversified business model and disciplined execution across its core franchises.

Total operating income increased by 5% year-on-year to a record US$1,410 million (2024: US$1,339 million), or 7% on an underlying constant currency basis

Growth was well diversified across business lines and geographies, underlining the resilience of the Group's wholesale banking franchise and the continued momentum across its digital and regional platforms.

Net profit attributable to shareholders of the parent amounted to US$257 million compared with US$285 million in 2024. While this represented a year-on-year decline, performance remained supported by solid underlying operating momentum. Underlying net profit, adjusted for foreign exchange movements, stood at US$266 million, with the variance primarily reflecting elevated impairment provisions related to a US client fraud event and the introduction of domestic minimum top-up taxes in Bahrain and Brazil.

The Group's balance sheet continued to expand during the year, with total assets reaching a record US$49.9 billion at year-end, an increase of 8% compared to 2024. The growth was driven by core business expansion and treasury activity, alongside favourable foreign exchange movements.

Overall, the Group maintained strong capital and liquidity positions while continuing to invest in digital capabilities and strategic initiatives aligned with its long-term growth strategy.

Total operating income

US$1,410 mn

increased by 5% year-on-year.

Total assets reached a record

US$49.9 bn

up 8% year-on-year.

Net Profit

US$257 mn

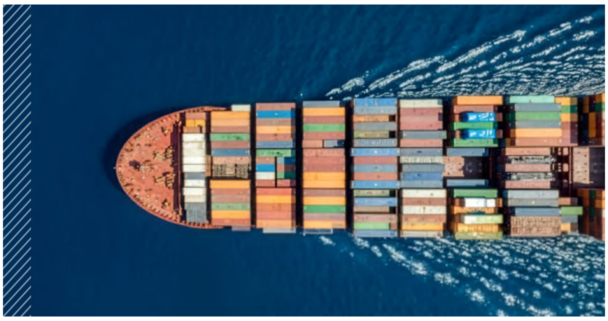
for the year 2025.

Global footprint

MENA | Americas

Europe | Asia

BUSINESS & OPERATIONS REVIEW (continued)



Record performance, double-digit growth, strong client expansion, disciplined portfolio management, successful digital transformation with high adoption.

Global Business Lines

Wholesale Banking

Wholesale Banking (WB) delivered another record performance in 2025, exceeding previous benchmarks and surpassing most key financial and strategic performance indicators. The business maintained its double-digit compounded average growth rate over the three-year period, reflecting the strength of its diversified global franchise and disciplined execution across markets. Most coverage markets outperformed both the previous year and budget expectations, although some were affected by geopolitical developments and broader macroeconomic headwinds.

Revenue growth was supported by an active customer acquisition strategy across all markets. WB maintained a strategic focus on expanding and diversifying its client base, particularly within investment-grade economies, while entering new customer segments. At the same time, disciplined portfolio management, enhanced cross-selling through multi-product penetration, and a continued focus on capital-light activities supported stronger returns. These efforts were reflected in improved performance metrics, including total operating income to risk-weighted assets and risk-adjusted return on capital.

A major milestone during the year was the successful completion of the end-to-end transaction banking digital transformation programme. The initiative transitioned from the Build phase to the Run phase on schedule, marking a significant step forward in digital capabilities. The transformation enhanced Bank ABC's customer value proposition and strengthened its competitive positioning through the deployment of advanced digital solutions. Early adoption rates among clients exceeded expectations, with strong customer engagement and positive feedback on the enhanced digital experience.

Corporate Banking

Group Corporate Banking (GCB) delivered a strong performance in 2025, achieving record double-digit growth supported by disciplined franchise execution and focused balance sheet expansion. The business recorded a significant increase in liabilities, driven primarily by growth in cash management balances. This reflected the successful execution of the Group's strategy to deepen primary banking relationships and enhance funding stability across key markets.

Growth was further supported by sustained momentum in new-to-bank client acquisition, reinforcing the strength of Bank ABC's international network and value proposition. During the year, GCB also accelerated the development of strategic trade corridors, leveraging the Group's global footprint to capture cross-border flows and support clients' international trade and expansion activities. These initiatives strengthened the quality of the franchise, increased wallet share with core clients, and positioned GCB for sustainable, relationship-led growth across its core markets.

Financial Institutions & Sovereigns

The Group Financial Institutions and Sovereigns (GFIS) business delivered performance broadly in line with budget during a challenging operating environment characterised by shrinking transaction volumes and tighter margins across the industry.

In line with its strategic focus on returns rather than volumes, the business adopted a disciplined approach to portfolio management. This included reducing exposures to selected deals previously held on the balance sheet to optimise risk-adjusted returns.

During the year, GFIS selectively expanded into new markets, establishing limits in four new jurisdictions across Africa and the CIS region. The strategy reflects a measured growth approach aimed at diversifying the Group's geographic exposure while maintaining strong credit discipline.

Within the non-bank financial institutions segment, Bank ABC maintained existing exposures while selectively participating in new transactions. Activity levels remained measured in response to continued margin compression across the sector, with a focus on preserving returns while maintaining strong relationships with key counterparties.

> Top honours in 2025 with multiple prestigious awards, including **"Transaction Bank of the Year in the Middle East" by The Banker**, alongside several recognitions from Global Finance and MEED.

Transaction Banking

Group Transaction Banking (GTB) continued to play a central role within Wholesale Banking and delivered solid progress against its strategic objectives. During the year, the business achieved year-on-year growth in both average funded assets and contingent exposures across its global footprint.

A key driver of revenue performance was the continued expansion of Cash Management liabilities. In parallel, growth in documentary trade flows, particularly import transactions, contributed to the overall increase in activity levels. Utilisation of Supply Chain Finance solutions also continued to grow among key corporate clients.

Interest income from Cash Management liabilities remained resilient despite the decline in interest rate levels compared with the previous year, as higher liabilities volumes offset the impact of lower rates.

A major milestone for the business in 2025 was the successful transition of the GTB digital transformation programme from the Build phase to the Run phase across all core product segments, including Documentary Trade, Supply Chain Finance, and Payments & Cash Management. Digital penetration continued to increase as more clients were onboarded onto the newly integrated GTB ecosystem. GTB continues to leverage its core competencies and advanced digital channels across Bank ABC's global network to enhance client experience and improve operational efficiency.

The business line also received significant industry recognition during the year. GTB was named "Transaction Bank of the Year in the Middle East" by The Banker (Financial Times). Global Finance recognised the business with multiple awards including "Best Trade Finance Provider in Bahrain," "Best Cash Management Provider in Bahrain and Tunisia," and "Best Corporate Cross-Border Payments Solutions in Africa and the Middle East." MEED also named GTB the "MENA Cash Management Bank of the Year."

Transaction Bank of the Year in the Middle East
The Banker

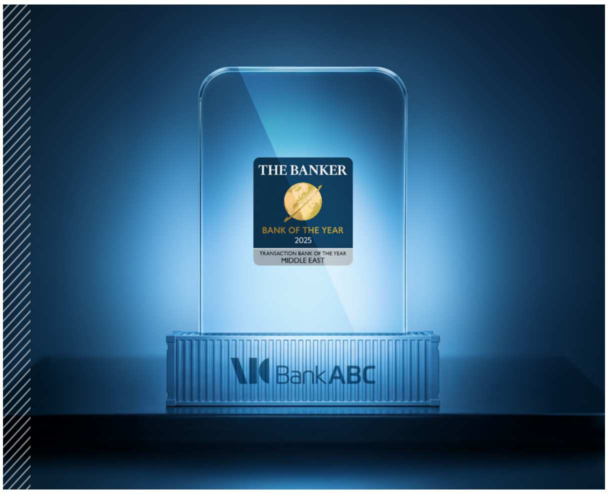
Best Trade Finance Provider in Bahrain
Global Finance

Best Cash Management Provider in Bahrain
Global Finance

Best Cash Management Provider in Tunisia
Global Finance

Best Corporate Cross-Border Payments Solutions in Africa and the Middle East - Global Finance

MENA Cash Management Bank of the Year
MEED



BUSINESS & OPERATIONS REVIEW (continued)

Specialised Finance

The operating environment for Group Specialised Finance (GSF) remained complex in 2025, influenced by subdued capital expenditure activity amid geopolitical uncertainty and tighter lending margins driven by increased market liquidity. Despite these challenges, GSF successfully executed new transactions exceeding US$1 billion during the year, demonstrating its ability to originate and structure opportunities within a shifting financial landscape.

Fund finance continued to represent a core strength for the business, particularly in subscription line financing. The Group originated high-quality, low-risk assets at competitive pricing levels. Securing external ratings for several of these facilities further enhanced returns on capital and strengthened the Bank's positioning with leading fund managers. These capabilities have reinforced Bank ABC's reputation as a preferred financing partner for investment funds across its core markets and established a solid platform for continued growth in the coming years.

Throughout the year, GSF maintained a diversified and resilient portfolio, carefully managing sectoral exposure and geographic concentration. The team remained active in originating and leading mandates across sectors including metals, oil and gas, transport and logistics, telecommunications, technology, and fund finance.

Islamic Finance

Bank ABC Islamic delivered a strong and resilient financial performance in 2025, supported by consistent earnings generation, balance sheet growth, and a disciplined risk management framework. The Bank continued to build on the momentum achieved in the previous year, reflecting the strength of its diversified wholesale Islamic banking model.

Performance was supported by a stable corporate financing portfolio alongside a strong contribution from wholesale capital markets activities. Sukuk origination and distribution remained a key driver of performance, with the Bank closing a record 24 Sukuk mandates during the year and raising more than US$15 billion for clients across the GCC and international markets.

Bank ABC Islamic continued to make steady progress in executing its 2023-2026 strategic plan, with a focus on strengthening alburaq as a leading Islamic banking brand serving both wholesale and retail clients across the MENAT region. The Bank's strategic priorities remain centred on acquiring new corporate and Islamic financial institution clients, expanding Islamic liabilities, scaling capital-light businesses, and deepening cross-selling across its product suite.

Strong 2025 performance, record **24 Sukuk deals, US$15bn raised, strategic growth, alburaq expansion** across MENAT region.

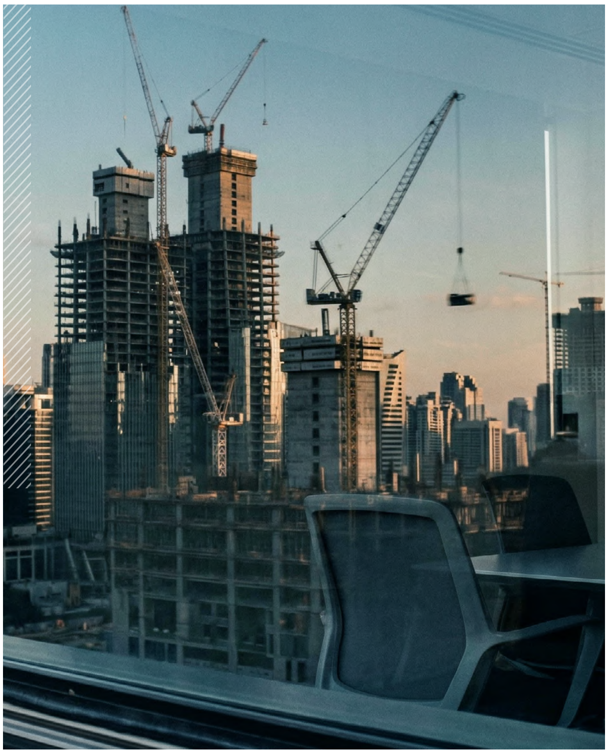
Real Estate Finance

Real Estate Finance delivered strong growth in 2025, outperforming expectations despite continued market headwinds, including the lingering effects of remote working trends and elevated interest rates.

In the United Kingdom, the residential real estate finance business demonstrated resilience, maintaining strong origination levels despite evolving market conditions. The team continued to support high-quality developments and maintain strong relationships with key sponsors and investors.

In the United States, the Bank adopted a more selective approach, focusing on high-quality asset classes to ensure prudent portfolio growth and effective risk management.

This disciplined strategy enabled Bank ABC to navigate a complex real estate environment while capitalising on opportunities in its core markets. The team also continued to enhance its client offering by providing tailored financing solutions aligned with changing market dynamics, reinforcing Bank ABC's position as a trusted partner across its focus markets.



Group Treasury and Financial Markets

Group Treasury and Financial Markets delivered a strong performance in 2025, supporting the Group's growth trajectory and balance sheet expansion while maintaining disciplined capital and cost management. This performance was achieved against a backdrop of heightened macroeconomic uncertainty and elevated geopolitical tensions, demonstrating the resilience and adaptability of the franchise. Revenue outperformance was driven by efficient capital utilisation and proactive balance sheet management, with strong income generation achieved on lower-than-budgeted risk-weighted assets. Proactive cost management measures further supported positive operating leverage, reinforcing the Division's overall contribution to the Group's financial performance.

Corporate Treasury

Corporate Treasury played a central role in strengthening the Group's financial position, contributing to record balance sheet growth and supporting the Bank's investment grade rating. Total operating income exceeded US$50 million from AFS portfolio management activities across Bahrain, New York, Singapore, and DIFC.

The function was instrumental in driving balance sheet expansion, with total assets surpassing US$48 billion in June and reaching almost US$50 billion by year-end. Key funding initiatives included the successful issuance of US$200 million Additional Tier 1 (AT1) capital and the Bank's inaugural US$50 million three-year certificate of deposit. Treasury also advanced its strategic agenda by establishing a well-defined roadmap for digital assets and tokenisation.

Additional Tier 1 (AT1)

US$200 mn

Capital Issuance

Inaugural 3-year
Certificate of Deposit

US$50 mn

BUSINESS & OPERATIONS REVIEW (continued)

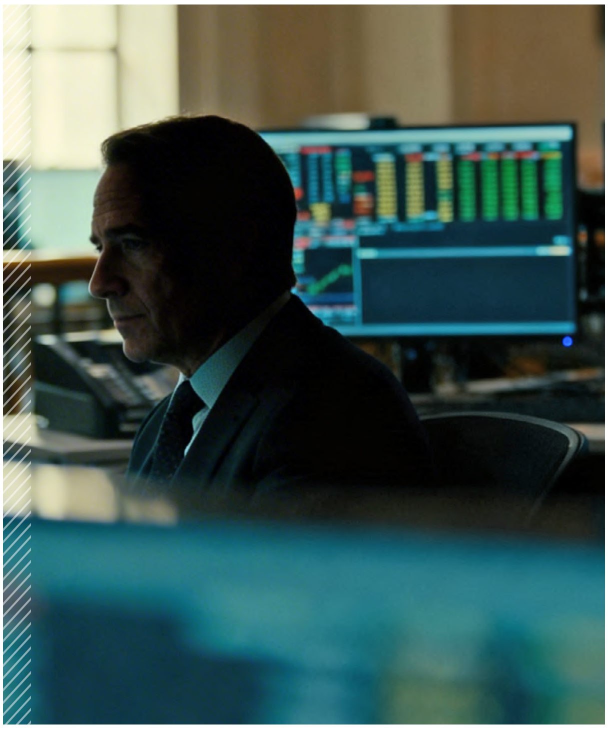
Financial Markets Sales & Trading

Financial Markets Sales and Trading maintained a focus on strengthening core flow businesses, expanding regional capabilities, and advancing digital execution. Foreign exchange trading volumes reached elevated levels, delivering strong returns across both Bank ABC and ila Bank. The platform was further enhanced through the rollout of precious metals capabilities and the onboarding of new clients onto electronic FX channels, supporting increased recurring volumes.

The team also secured its first hedge coordinator mandate for interest rate risk management from Omani government-related entities, reinforcing its position in structured risk solutions. In parallel, expansion of the interbank credit trading network contributed to higher trading activity and revenue generation.

Capital Markets – Syndications

The Syndications business delivered a record year, with total underwriting close to US$4.0 billion, significantly exceeding prior year levels. This performance was driven by a disciplined originate-to-distribute model in a competitive environment characterised by tightening spreads. With primary markets remaining subdued, the team actively leveraged secondary loan markets to capture attractive trading opportunities on both the buy and sell sides. This dynamic approach reinforced Bank ABC's strong positioning in the syndicated lending space while supporting sustained growth and profitability.



Capital Markets – Debt Capital Markets (DCM)

Debt Capital Markets also delivered its strongest performance to date, closing a record number of transactions. This was driven by an expanded geographic footprint, repeat mandates, and a broader product offering aligned with the Bank's global platform. The business continued to demonstrate leadership in the sukuk market, successfully bringing new issuers to market and strengthening its position as a trusted partner for clients across the region and beyond.

Group Retail and Digital Banking

Group Retail and Digital Banking (GRDB) delivered strong performance in 2025, reflecting the continued success of its digital transformation strategy, robust customer acquisition, and disciplined execution. The business recorded double-digit growth in both loans and deposits, supported by contributions across all markets and a sustained increase in customer numbers driven by digital acquisition.

Digitisation remained central to GRDB's strategy. A key milestone was the public launch of the Bank ABC Egypt Blue App in May 2025, leveraging ila's technology and introducing semi-digital onboarding to accelerate customer acquisition. The App met all key performance indicators in its first year, with subsequent releases enhancing customer acquisition and experience, including digital loan applications and card management features. Preparations for similar launches in Algeria and Tunisia are well advanced, with rollouts planned for 2026, reinforcing the Group's commitment to delivering consistent digital banking capabilities across its footprint.

Customer acquisition and sales growth remained key drivers of performance. Algeria continued to deliver record levels of new customers and sales bookings, while Jordan achieved strong deposit growth supported by ila Bank and enhanced lending products. In Egypt, growth in CASA deposits was strong, and targeted asset campaigns were launched to support increased market share across personal loans, auto loans, and cards. Tunisia also advanced lending growth through tailored programmes targeting the employees of flagship corporates.

GRDB continued to strengthen its digital-first positioning by leveraging further elements of the ila operating model across MENA markets. Enhanced digital sales and marketing capabilities drove increased social media engagement, customer interaction, acquisition and sales, contributing to stronger brand visibility and customer loyalty.

At the same time, the Group advanced its hybrid banking strategy by integrating digital services with branch network optimisation. This included refreshing in-branch experiences, improving operational efficiency, and executing a network rationalisation plan to streamline operations.

With continued momentum in customer growth, digitisation, and innovation, GRDB remains a key engine of growth for the Group, driving retail banking performance across its core markets.

BUSINESS & OPERATIONS REVIEW (continued)

Network Subsidiaries

ABC International Bank

ABC International Bank (ABCIB), covering UK, EU and Türkiye, delivered a resilient performance in 2025 against a challenging macroeconomic and geopolitical backdrop. Revenue reached US$177 million, up 2% year-on-year, while profit after tax stood at US$57 million, reflecting a 16% decline due to higher impairment provisions, particularly on legacy assets, compared to net releases in the prior year. Client exposures increased to US$8.8 billion from US$7.3 billion in 2024, supported by targeted asset growth and disciplined balance sheet management.

ABCIB also supported several landmark transactions during the year. In Libya, the Bank structured facilities for a major power project in Tripoli including the issuance of a EUR 127.5 million letter of credit to support turbine procurement. In the UK, the Real Estate team delivered a number of new facilities, including, in partnership with a major UK bank, a £48 million development loan to finance a 360 unit build to rent development in East London. These transactions highlight ABCIB's ability to deliver tailored financing solutions for strategic projects across its core markets.

Operationally, ABCIB made significant progress in digital transformation, including the rollout of ABC Trade, Frontline CRM, and enhancements to Supply Chain Finance. The initial launch of the ABC Cash Management platform in Europe marked a key milestone ahead of the full deployment of the ABC Cash platform in 2026, alongside the introduction of a unified digital corporate banking portal enabling seamless client access across products. The Bank also deployed its first AI Assistant to employees, enhancing productivity and supporting its broader AI strategy.

Banco ABC Brasil

Banco ABC Brasil (BAB) remained a key contributor to Group earnings, supported by its diversified business model and disciplined execution. The Bank continued to advance its diversification strategy, reducing portfolio concentration and increasing revenues from low or no capital-intensive products, which exceeded 40% of total revenues.

Operating in a higher interest rate environment, BAB adopted a prudent approach to credit growth, prioritising margin expansion, asset quality, and efficient capital allocation. The expanded credit portfolio grew 4.6%, while non-performing loans declined as a percentage of the portfolio. Net interest income reached record levels, and structural profitability strengthened, with return on average equity reaching approximately 15.5%.

Strategically, BAB enhanced its client segmentation model and introduced dedicated industry verticals, including agribusiness and real estate, to improve service delivery and deepen sector expertise. The Bank also received multiple industry recognitions, including top rankings in the Extel Latin America Executive Team survey and awards for ESG performance and trade finance.

Bank ABC Algeria

Bank ABC Algeria made significant progress in 2025, advancing its digital transformation and strengthening its market positioning through client-centric and innovation-driven initiatives. Key developments included preparations for the launch of BlueApp and Avanti, alongside the rollout of Sharia-compliant financing solutions such as alburaq Soukna Aménagement Ijara.

The Bank expanded its presence through Islamic windows, strengthened customer engagement, and enhanced its brand through targeted marketing and partnerships. Operational improvements included the launch of new digital solutions such as ClearBox transfers, centralisation of processes, and continued investment in infrastructure, including branch upgrades and a new training centre.

The subsidiary also reinforced its human capital strategy through recruitment, training programmes, and enhanced employee benefits, supporting a stronger organisational culture and performance.

Bank ABC Egypt

Bank ABC Egypt delivered strong financial performance in 2025 despite a challenging macroeconomic environment, contributing approximately 11% of Group profit with net income of US$30 million as of September. The year marked the first full period following the integration of the former Blom Bank, with significant synergies realised through cost optimisation and revenue growth.

Key achievements included branch network optimisation, reducing the footprint from 67 to 51 branches, workforce realignment, and the monetisation of non-core assets. These initiatives, alongside disciplined cost management, improved operational efficiency and supported profitability.

The Bank also advanced its digital transformation through the launch of a new mobile banking application, featuring semi-digital onboarding, instant account opening, and enhanced customer capabilities. Business Banking saw strong growth, with client numbers increasing more than threefold and portfolio expansion exceeding 400%.

BUSINESS & OPERATIONS REVIEW (continued)

Bank ABC Jordan

Bank ABC Jordan made strong progress in executing its 2025–2027 strategy, with a focus on digital transformation, customer engagement, and operational efficiency. The year was marked by significant growth in digital adoption, driven by the success of the ila app and enhanced customer journeys across acquisition and servicing channels.

The Bank strengthened its premium offering through the launch of the "Ultimate" segment and improved customer retention through data-driven engagement and loyalty initiatives. Organisationally, the integration of digital, data, and business teams enabled more agile delivery and improved customer experience.

Wholesale Banking continued to grow through capital-light products and cross-border opportunities, supported by the rollout of digital platforms including ABC Trade and ABC Cash. Treasury activities focused on strengthening liquidity and managing interest rate risk, while ABC Investments delivered strong profitability and expanded its regional presence.

Bank ABC Tunisia

Bank ABC Tunisia continued to strengthen its market position in 2025 through digital innovation, portfolio and products diversification, and a strong focus on sustainability. The launch of a new digital platform for documentary trade transactions marked a key milestone in its transformation journey.

The Bank expanded its support for environmental and infrastructure projects, while deepening its presence in microfinance and financial inclusion. A recent capital increase enabled further lending growth and enhanced its ability to capture new business opportunities, including non-resident multinational clients.

Performance remained strong, supported by portfolio diversification and increased market share, with net profit growing significantly over the past three years.

The Bank also enhanced its digital capabilities through the deployment of ABC Cash and ABC CLIC. The latter offering full digital client onboarding through a mobile application leaping accordingly the Retail Banking activity.

The subsidiary received multiple industry recognitions, including awards for cash management, diversity and inclusion, and strong local credit ratings (AAA (Tun) from Fitch).

ila Bank

ila Bank delivered a year of strong strategic and digital progress in 2025, further strengthening its position as a leading digital-first bank in the region. A key milestone was the successful completion of its core banking migration, enhancing scalability, processing performance, and operational resilience, while enabling the launch of a broader suite of products.

The Bank continued to deepen its premium offering with the launch of the ila Gulf Air co-branded Mastercard credit card, marking a significant step in expanding its presence in the affluent segment. The product reinforced ila's ability to deliver fully integrated, digital lifestyle banking solutions, supporting increased customer engagement and share of wallet.

In parallel, ila Bank advanced its carve-out initiative to establish itself as an independent legal entity within the Group, enhancing strategic flexibility, governance, and readiness for future expansion. The Bank also strengthened its market position in Bahrain through targeted customer engagement campaigns and innovative rewards propositions.

ila Bank remains a key contributor to Bank ABC Group's transformation agenda, driving digital-led growth, expanding high-margin retail products, and enhancing operational efficiency through its agile, technology-driven model. It also received significant industry recognition in 2025, securing 13 awards across regional and national categories. These included multiple honours from Global Finance for its mobile banking, open banking APIs, and overall digital capabilities, as well as recognition from Euromoney and MEED for its leadership in digital and retail banking.

BUSINESS & OPERATIONS REVIEW (continued)

Arab Financial Services (AFS)

AFS achieved remarkable growth in 2025, with total income rising 20%, primarily driven by a 61% revenue increase in the Acquiring business line, bolstered by a 50% increase in acquired volume. Notably, AFS entered the UAE merchant acquiring market, which, within its first year, contributed 14% to total Acquiring revenues, highlighting the market's significant potential.

Key accomplishments aligned with the company's strategic priorities and included the launch of the AFS Next processing platform, AI-assisted digital onboarding for merchants, and the expansion into the UAE. The ongoing development of a microservices-architected card management layer will enhance online transaction authorisation, ensuring faster innovation, easier integration, and greater client flexibility while maintaining a reliable core processing system.

Additionally, the migration of all acquiring business to the strategic acquiring platform is nearing completion, with legacy technology set for decommissioning in 2026. AFS also remains committed to leveraging automation and AI to improve efficiency and customer experience, having already eliminated manual tasks in critical operational areas through automation solutions.

The AFS Pro merchant super app was significantly upgraded for both Bahrain and the UAE markets in 2025. Additionally, AFS secured a Retail Payment Services Card Scheme license from the Central Bank of the UAE, enabling comprehensive merchant acquiring services across all emirates. The UAE's acquiring volumes are one of the highest in the region, positioning this market as a vital growth driver.

AFS also established partnerships with new Processing clients in the UAE and Africa, including a collaboration with Visa to support established African banks. Recognition for AFS in 2025 included multiple industry awards, underscoring its commitment to innovation. As AFS approaches the conclusion of its 2021 strategic plan, it is well-positioned for sustained growth and shareholder value in 2026.

Support Functions

Group Finance

In 2025, Group Finance continued to support the delivery of Group's strategic objectives through strong financial stewardship with steady focus on balance sheet health and capital efficiency. The function provided timely and reliable financial information to support decision-making across capital allocation, balance sheet management and performance monitoring. A disciplined approach to planning, forecasting and financial control enabled the Group to operate with resilience in a complex environment with evolving external constraints. Group Finance also maintained a robust governance and control framework, consistent with regulatory requirements, accounting standards and evolving tax regulations across the Group's operations. This included ongoing management of international tax matters and preparation for structural changes in the global tax landscape. The function also contributed to key transformation initiatives, including the implementation of core banking and finance systems to strengthen data quality, reporting capabilities and operational resilience.

Group Strategy & Transformation

The Group Strategy and Transformation function drove the Group-wide change agenda. It enhanced enterprise-wide performance visibility by cascading KPIs to businesses and functions, and embedding benefit tracking and value realisation reviews into periodic governance. It progressed a range of strategic projects and reviews, as well as keeping the Board updated on key strategic issues. The function also explored inorganic strategies including screening targets, conducting preliminary strategic fit and synergy assessments, broadening the Bank's pathways to shareholder value.

Group Credit & Risk

In 2025, Group Credit and Risk continued to play a key role in strengthening the effectiveness of the Bank's control operating model and overall risk management framework. Key achievements included streamlining the credit process and implementing enhanced control related tools, such as standardised credit templates, improved legal documentation processes and checklists, and strengthened Risk Acceptance Criteria. Introduction of AI driven credit reviews for Banks and FIs to enhance productivity, consistency, efficiency, and control effectiveness.

In addition, the Group Risk Appetite Statement and the credit and risk policies were updated to ensure alignment with the Bank's business strategy and regulatory requirements. Risk awareness across the Bank was further elevated through targeted training on credit, operational, and fraud risks. Key system enhancements (e.g. COGNOS upgrade, RLU workflow & ESG assessment) were also delivered to improve operational efficiency. KPIs were introduced in line with the Bank wide roll out of KPIs to support effective monitoring of deliverables and performance.

Group Operations

Group Operations continued to support the Group's growth, with transaction volumes exceeding 220 million in 2025 while maintaining tight cost control and flat headcount. The function advanced efficiency through automation, AI across Trade Finance, and straight-through processing, while also maintaining a key focus on enhancing team capabilities through both external and internal trainings.

Much of the effort in Operations during 2025 was supporting ila Bank in developing, testing and rolling out it's new core banking system. Additionally, Group Operations worked closely with Group IT and the wider ABC branches and subsidiaries in meeting the SWIFT November 2025 deadline for ensuring the bank is compliant in adhering to the new mandatory industry standard of using MX/ISO20022 messages and payment types.

Beyond these major initiatives, Group Operations is actively working on harmonising processes across geographies, enhancing business continuity and operational resilience, and embedding digital solutions to deliver scalable, secure, and customer-centric services across the Group.

BUSINESS & OPERATIONS REVIEW (continued)

Group Innovation and Digital

Group Innovation and Digital accelerated the Bank's digital and AI agenda in 2025, delivering a total sum of over 30 AI and automation use cases across the Group. Adoption of GenAI tools expanded to over 1,000 users, supported by training, co-creation sessions, and hackathons across six units to embed AI innovation across the organisation. The Frontline platform was rolled out to across 11 units, empowering frontliners with insights, holistic view and streamlined workflow. The function also advanced exploration of digital-assets-based products and organised several Innovation Weeks across the Group, which resulted in identifying new opportunities for solving challenges across different areas in the Group. The function received international recognition, including the World's Best Financial Innovation Labs award at Global Finance's 2025 Innovators Awards and Best AI Virtual Assistant in the Middle East at the AI World Series Awards 2025.

Group Cyber and Information Security

Group Cyber and Information Security (GCIS) continued to strengthen cyber security and data protection across the Group, embedding 'Security and Privacy-by-Design' across all IT-driven initiatives. In 2025, it played a pivotal role in advising on the security framework for the launch of the new cloud-based Core Banking System, supported the secure implementation of online platforms for our Group Transaction Banking business, and the new mobile banking app for Group Retail Banking.

Continuous enhancement and maturity of cyber resilience remained a key focus, with further investments to strengthen advanced threat detection capabilities, network security, incident response, and leadership awareness. GCIS also supported subsidiaries and branches overseas to adhere to increasing requirements from their regional regulatory landscapes.

Group Compliance

In 2025, Group Compliance advanced its strategic initiatives to ensure rigorous adherence to laws and regulations. Key developments included refining the Compliance Risk Management Framework and strengthening and the Group's Conduct Framework through active collaboration, enhancing guidelines and principles. Notably, the conduct framework includes Treating Customers Fairly (TCF) to ensure fair outcomes, and an emphasis on maintaining Financial Markets Integrity. A broader employee engagement initiative is also being launched to raise awareness of conduct standards throughout the Bank.

A pivotal multi-year project was launched to overhaul the Group's transaction monitoring system, reinforcing the Group's commitment to maintaining a robust and forward-looking financial crime compliance framework.

Group Sustainability

Sustainability remains a core pillar of the Group's strategy, guiding us towards more resilient, inclusive, and responsible growth across our markets. Our approach is anchored by three overarching objectives that guide how we integrate sustainability across our global value chain:

- Reduce our Environmental Impact
- Ensure We are 'Fit for Purpose'
- Source of Value Creation

In 2025, the Bank advanced execution by embedding sustainability more deeply into its credit approval processes and risk management frameworks, strengthening oversight and alignment with regulatory expectations. A key focus remained the mobilisation of sustainable finance to support our clients transition journeys. During the year, the Group provided over US$ 2.9 billion of sustainable finance. Notably, over 70% of this financing was directed towards emerging markets, reflecting the Group's commitment to supporting regions where the need is most acute and the potential for positive impact is greatest.

Client engagement on sustainability topics also increased meaningfully, supported by targeted initiatives aimed at building awareness and supporting clients in their decarbonisation journeys. This positions the Group to further scale its sustainable finance activities in the coming years.

Beyond financing, the Group continued to advance initiatives to reduce its operational environmental footprint, enhance diversity, and support communities across its footprint. With strong foundations now in place, the Group remains focused on disciplined execution, transparent reporting, and collaboration with stakeholders as it advances towards its long-term sustainability objectives.

Group Human Resources

With a continued focus on growth and capability-building, Bank ABC advanced a robust people agenda across 2025. The ABC Rise–Mentoring Programme expanded to 30 partnerships in 2025, with all ManCom members and most of their direct reports serving as mentors. Career development was accelerated through the Banking Forward Programme, combining virtual AI/Digital masterclasses with in-person interpersonal skills workshops in Bahrain and DIFC on resilience, emotional intelligence, and collaboration. Manager effectiveness was strengthened via the Manager Skills Programme, culminating in a Q3 2025 module on consistent, high-quality recruitment following earlier modules on performance, feedback, coaching, team management, leadership styles, and career development.

To embed uniformity in talent decisions, Group HR engaged with over 80 N-3 employees and introduced leadership psychometric assessments in Q3 2025 to drive consistency and targeted development. Specialist capability in credit was elevated through the CreditPro Programme, with Core and Intermediate cohorts delivered in Bahrain and multi-cohort expansions planned across units in 2026. Future talent pipelines were strengthened via ila Bank's 5th Graduate Programme, blending BIBF training, a hackathon, and two-month internships focused on FinTech, ESG, and Digitalisation.

Employee wellbeing programme continued to progress, sessions spanning wellness, ergonomics, financial wellbeing, and health awareness. To further align people strategy with business outcomes, the HR Business Partnering Model is being expanded with unit-aligned HRBPs to enable proactive, tailored interventions in talent, succession, and organisation design.

Group Corporate Services

Group Corporate Services (GCS) continued to deliver operational excellence across facilities, procurement, insurance, sustainability, and physical security in 2025. Significant progress was achieved through major refurbishment and infrastructure upgrade programmes across Bahrain, Egypt, Jordan, Tunisia, Algeria, London, DIFC, and Singapore, enhancing both customer and employee experience while supporting the Group's office standards and retail strategy.

BUSINESS & OPERATIONS REVIEW (continued)

Operational resilience was strengthened through upgrades to security systems, disaster recovery capabilities, and critical infrastructure, alongside improved power resilience measures. Energy efficiency initiatives delivered meaningful cost savings, generating approximately 1 million kWh in annual energy savings across key locations, particularly in Bahrain, Egypt, and London.

Procurement activities generated substantial value, complemented by additional efficiencies across the network through centralised sourcing and contract optimisation. A Group-wide digital procurement platform was also launched to enhance efficiency, governance, and long-term cost optimisation.

GCS further advanced the Group's sustainability agenda through decarbonisation initiatives, energy-efficient upgrades, and improved resource management. Insurance optimisation and asset disposals, particularly in Egypt, also contributed to cost efficiency and strengthened the Group's overall operational effectiveness.

Group Communications and Marketing

In 2025, Group Communications and Marketing significantly enhanced Bank ABC's positioning as MENA's International Bank of the Future. The team ensured a cohesive narrative across investor, client, media, and employee channels, integrating core messaging into leadership communications, investor materials, and award submissions. This approach reinforced alignment between strategy, performance, and external perception. The visibility and effectiveness of senior leadership communications were improved through a structured executive positioning strategy, enhancing the quality and relevance of C-suite engagement on key themes such as innovation, sustainability, and growth.

Internally, Communications spearheaded the rollout of our new Value Drivers framework, embedding it into leadership messaging, major campaigns, and engagement platforms. This framework served as a cultural enabler, fostering deeper integration and employee engagement throughout the Group. Digital communication capabilities were strengthened through enhanced planning, governance, and the use of data and AI tools. Preparatory efforts for the launch of ABC Engage and improved content management across external channels resulted in more coordinated and timely communications, setting the stage for advanced analytics and performance tracking.

The function also facilitated strategic training and events for Wholesale Banking and Credit teams. It also organised Innovation Weeks in Bahrain and London offices, and delivered an impactful participation at the Fintech Forward 2025 conference in Bahrain. Collaboration with Investor Relations, Finance, ESG, and Strategy reinforced alignment between investor communications and the Group's overarching narrative. Consistency across quarterly disclosures, annual reporting, and ESG communications improved clarity around the Bank's performance and strategic priorities, bolstering transparency and stakeholder confidence.

Despite a year of organisational transition and an expanded delivery agenda, the function maintained disciplined execution across communications, marketing, internal engagement, and reputation management. The foundations laid in 2025 position the function to further scale its impact in 2026, particularly in values activation, digital engagement, executive visibility, and integrated stakeholder communications.


BankABC
Proud to be
Middle East's
Transaction Bank
of the Year
THE BANKER

35 AWARDS, ONE VISION

The Group receives widespread industry recognition in 2025 for its continued commitment to innovation and excellence.

Transaction Bank of the Year, Middle East
The Banker, Financial times

"Bank ABC is in the middle of a multi-year strategic transformation plan, and transaction banking has emerged as one of the bank's key growth drivers as it moves forward with expansion plans and long-term client engagement."

The Banker-FT

In 2025, Bank ABC has further solidified its position as a powerhouse in the financial sector by winning an impressive **35 prestigious awards**. This milestone not only reflects the Bank's commitment to excellence but also the transformative journey it is undertaking.

As MENA's international bank of the future, we are dedicated to delivering innovative solutions that unlock new value for our stakeholders. Our accolades, from the **Transaction Bank of the Year in the Middle East**, to being recognised as the **Best Bank for Sustainable Finance**, underscore the significant impact of our strategic initiatives. These initiatives focus on accelerating core business growth, maximising digital value, and strengthening our operational model across a network that spans fifteen countries and serves over twenty-five markets.

With advancements in digital delivery, automated workflows, and a robust cloud-native infrastructure, Bank ABC is not just keeping pace with the future; we are shaping it. Join us as we celebrate these achievements and look forward to a future filled with even greater accomplishments.

Bank ABC

Global Finance

Best Bank for Trade Finance in Bahrain
World's Best Trade Finance Awards

World's Best Financial Innovation Lab Award for ABC Labs
Innovators Awards

Best Corporate Cross-Border Payments Solution in Middle East
Best Treasury & Cash Management Providers Awards

Best Bank for Long-Term Liquidity Management in Africa
Best Treasury & Cash Management Providers Awards

Best Corporate Cross-Border Payments Solution in Africa
Best Treasury & Cash Management Providers Awards

Best Cash Management Bank in Tunisia

Best Cash Management Bank in Bahrain
Best Treasury & Cash Management Providers Awards

Best Wholesale Bank of the Year
The International Banker

Global Corporate Sukuk Deal of the Year for US$500 million Aercap Sukuk
Global Banking & Markets Awards Middle East

Euromoney

Best Bank for Sustainable Finance

Best Digital Bank in Bahrain

MEED MENA Banking Excellence

MENA Best Cash Management Bank of the Year

AI World Series

Best AI Virtual Assistant in the Middle East for AI Fatema

Bank ABC Islamic

IFN

Oman Deal of the Year for Oman Telecommunications Company's US$500 million Sukuk

Bahrain Deal of the Year for Bahrain Steel's US$450 million ESG financing facility

Sukuk Deal of the Year for AerCap Holdings' US$500 million Sukuk

Ijarah Deal of the Year for Oman Telecommunications Company's US$500 million Sukuk

Most Innovative Deal of the Year for AerCap Holdings' US$500 million Sukuk

Best Islamic Corporate Bank in Bahrain

Best Digital Offering by an Islamic Bank in Bahrain

Euromoney

Best Sukuk House in Bahrain
Euromoney Islamic Finance Awards

ila Bank

Global Finance

Best Mobile Banking App in the Middle East

Best Open Banking APIs in the Middle East

Best Consumer Digital Bank in Bahrain

Best Digital-Only Bank in Bahrain

Best Online Payments Solution in Bahrain

Best Online Product Offerings in Bahrain

Best User Experience (UX) Design in Bahrain

Best Mobile Banking App in Bahrain

Best in Social Media Marketing and Services in Bahrain

Most Innovative Digital Bank in Bahrain

Best Open Banking APIs in Bahrain

MEED MENA Banking Excellence

MENA Retail Bank of the Year

Euromoney

Bahrain Best Consumer Digital Bank

RISK MANAGEMENT

This document comprises of the Group's (as defined below) capital and risk management disclosures as at 31 December 2025 and for the year then ended.

The disclosures in this section are in addition to the disclosures set out in the consolidated financial statements for the year ended 31 December 2025 presented in accordance with IFRS Accounting Standards issued by International Accounting Standards Board (IASB).

The principal purpose of these disclosures is to meet the disclosure requirements of the Central Bank of Bahrain (CBB) through their directives on public disclosures under the Basel III framework. This document describes the Group's risk management and capital adequacy policies and practices – including detailed information on the capital adequacy process and incorporates all the elements of the disclosures required under Pillar III. It is organised as follows:

- An overview of the approach taken by Bank ABC (Arab Banking Corporation (B.S.C.)) [hereinafter referred to as "the Bank" and together with its subsidiaries "the Group"] to Pillar I, including the profile of the risk-weighted assets (RWAs) according to the standard portfolio, as defined by the CBB.
- An overview of risk management practices and framework at the Bank with specific emphasis on credit, market, and operational risk. Also covered are the related monitoring processes and credit mitigation initiatives.
- Other disclosures required under the Public Disclosure Module of the CBB Rulebook Volume 1.

The CBB supervises the Bank on a consolidated basis. Individual banking subsidiaries are supervised by the respective local regulator. The Group's regulatory capital disclosures have been prepared based on the Basel III framework and Capital Adequacy Module of the CBB Rulebook Volume 1.

For regulatory reporting purposes under Pillar I, the Group has adopted the standardised approach for credit risk, market risk and operational risk.

The Group's total risk-weighted assets as at 31 December 2025 amounted to US$ 30,785 million (2024: US$ 28,556 million), comprising 86% (2024: 87%) credit risk, 7% (2024: 6%) market risk and 7% (2024: 7%) operational risk. The total capital adequacy ratio was 17.0% (2024: 16.6%), compared to the minimum regulatory requirement of 12.5%.

The Group had a total CAR of 17% in 2025, significantly higher than the regulatory minimum of 12.5%.

1. The Basel III framework

The Basel Accord is built on three pillars:

- **Pillar I** defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. The requirement of capital must be covered by a bank's eligible capital funds.
- **Pillar II** addresses a bank's internal processes for assessing overall capital adequacy in relation to material sources of risks, namely the Internal Capital Adequacy Assessment Process (ICAAP). Pillar II also introduces the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy.
- **Pillar III** complements Pillar I and Pillar II by focusing on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy.

a. Pillar I

Banks incorporated in the Kingdom of Bahrain are required to maintain a minimum capital adequacy ratio (CAR) of 12.5% and a Tier 1 ratio of 10.5%. Tier 1 capital comprises of share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the period and cumulative changes in fair value.

In case the CAR of the Group falls below 12.5%, additional prudential reporting requirements apply and a formal action plan setting out the measures to be taken to restore the ratio above the target should be submitted to the CBB. As part of its Capital Management Framework to ensure that capital levels remain above regulatory thresholds under business as usual and stressed conditions, the Group has set risk appetite thresholds and identified various early warning indicators.

The CBB allows the following approaches to calculate the RWAs (and hence the CAR).

Credit risk	Standardised approach
Market risk	Standardised, Internal models approach
Operational risk	Standardised, Basic indicator approach

The Group applies the following approaches to calculate its RWAs:

- **Credit risk – Standardised approach:** the RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.
- **Market risk – Standardised approach.**
- **Operational risk – Standardised approach:** regulatory capital is calculated by applying a range of beta coefficients from 12% - 18% on the average gross income for the preceding three years – applied on the relevant eight Basel defined business lines.

b. Pillar II

Pillar II comprises of two processes, namely:

- an Internal Capital Adequacy Assessment Process (ICAAP); and
- a Supervisory Review and Evaluation Process (SREP).

The ICAAP incorporates a review and evaluation of all material risks to which the Bank is exposed to and an assessment of capital required relative to those risks under business as usual and stressed conditions. The ICAAP compares this against available capital resources to assess adequacy of capital. The ICAAP and the internal processes that support it should be proportionate to the nature, scale, and complexity of the activities of a bank.

The Basel Pillar II guidelines require an institution specific assessment to determine each Bank's minimum capital adequacy ratio. All the banks incorporated in the Kingdom of Bahrain are required to maintain a 12.5% minimum capital adequacy ratio and a Tier 1 ratio of 10.5% for the consolidated Group. This already includes a 2.5% capital conservation buffer as part of Pillar I capital requirements.

RISK MANAGEMENT (continued)

Pillar II guidelines also encourage institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks, in addition to the credit, market and operational risks addressed in the core Pillar I framework. Other risk types, which are not covered by the minimum capital requirements in Pillar I, include liquidity risk, interest rate risk in banking book, concentration risk, compliance risk, legal risk, reputational risk. climate change risk, pension obligation risk and strategic risk. These are covered either by capital, or risk mitigation processes.

The Group's ICAAP meets the CBB's ICAAP regulatory requirements and has also been benchmarked to international practice, and adapted as appropriate, relevant, and proportionate to Bank ABC's business model.

c. Pillar III

Pillar III prescribes how, when and at what level information should be disclosed about an institution's risk management and capital adequacy assessment practices.

Pillar III complements the minimum risk-based capital requirements and other quantitative requirements (Pillar I) and the supervisory review process (Pillar II) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent basis. The disclosures comprise detailed qualitative and quantitative information.

The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite, risk exposures and capital-related information, and to encourage all banks, via market pressures, to move towards more advanced forms of risk management.

The Group's disclosures meet the minimum regulatory requirements and provide disclosure of the risks to which it is exposed, both on and off-balance sheet.

2. Group structure and overall risk

a. Group structure

The parent bank, Arab Banking Corporation (B.S.C.) (referred to as "Bank ABC" or "Bank"), was incorporated in 1980 in the Kingdom of Bahrain under an Amiri Decree and operates under a conventional wholesale banking license issued by the CBB.

The Bank's consolidated financial statements are prepared in accordance with IFRS Accounting Standards with subsidiaries consolidated on a line-by-line basis. Under the CBB's capital adequacy framework, subsidiaries operating in other regulatory jurisdictions and reporting under Basel III framework may, subject to CBB approval, be aggregated in the Group capital adequacy calculation using the regulatory framework of their respective supervisors rather than the CBB guidelines. Under this aggregation methodology, the risk weighted assets of such subsidiaries are calculated in accordance with their local regulatory requirements which is combined with those of the rest of the Group in determining the Group's total capital adequacy ratio.

During the prior year, the Bank obtained CBB approval to apply the aggregation approach. Accordingly, Banco ABC Brasil S.A., which is regulated by the Central Bank of Brazil (BACEN), calculated its risk weighted assets in accordance with BACEN's guidelines, and these were aggregated with the Group's risk weighted assets as at 31 December 2025. All subsidiaries (other than Brazil) listed below have been included in the Group's capital adequacy calculation using the consolidation approach under CBB guidelines.

The principal subsidiaries as at 31 December 2025, all of which have 31 December as their year-end, are as follows:

	Country of Incorporation	Shareholding % of Arab Banking Corporation (B.S.C.)
ABC International Bank plc	United Kingdom	100.0
ABC SA	France	100.0
ABC Islamic Bank (E.C.)	Bahrain	100.0
Arab Banking Corporation (ABC) - Jordan	Jordan	87.0
Banco ABC Brasil S.A.	Brazil	63.5
ABC Algeria	Algeria	88.9
Arab Banking Corporation - Egypt [S.A.E.]	Egypt	99.6
ABC Tunisie	Tunisia	100.0
Arab Financial Services Company B.S.C. (c)	Bahrain	98.0

b. Risk and capital management

Governance

The Governance framework within the Bank is driven by the Board of Directors ("Board") with clearly defined roles and responsibilities for Board level committees, Management committees and Executive Management within the Bank.

Board Level

The Board has five committees, amongst which the Board Risk Committee (BRC) is tasked with oversight of all key risk matters in the Bank. The Board, under advice from the BRC, sets the Group's Risk Strategy/Appetite and Policy Guidelines. Executive management is responsible for their implementation.

Within the broader governance infrastructure, the Board Committees carry the main responsibility for best practice management and risk oversight. At this level, the BRC oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards, and risk policies and standards.

Management Committees

The current committee structure provides for the Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO) reporting to the BRC and the Group Compliance Oversight Committee (GCOC) to the Board Compliance Committee.

The primary objective of the **GRC** is to define, develop and monitor the Group's overarching risk management framework considering the Group's strategy and business plans. The **GALCO** is responsible for overseeing the implementation of the Group's Asset / Liability Management Framework which includes capital, liquidity & funding, and market risk in line with the Risk Appetite Framework. The **GCOC** is responsible for strengthening the focus on compliance within the Group's risk management framework.

The Group's subsidiaries are responsible for managing their risks through local equivalents of the head office committees described above with appropriate Group oversight.

Three lines of defense model

The Bank employs the three lines of defense model to protect value of the Group. Some of the key responsibilities split by each line are presented below:

The Bank's Risk Management model is built on three lines of defence

- First line: **(Ownership & Management)**
- Second line: **(Oversight)**
- Third line: **(Assurance)**

RISK MANAGEMENT (continued)

1st Line: (Ownership & Management)

- Day to day identification, measurement, management, and control of relevant risk related to their area of responsibility;
- Designing and implementing controls to respond to any changes in the risk profile;
- Identification, evaluation and reporting their key risk exposure;
- Root cause analysis of risk events and action planning to prevent recurrence;
- Tracking of action plans and performance assurance/testing to ensure that completed actions are proved effective;
- Maintaining appropriate and adequate documentation to evidence compliance with their risk accountabilities and responsibilities.

2nd Line: (Provide oversight on the management of risks)

- Development and maintenance of the Risk Policy and Framework;
- Oversight of 1st line's compliance with the Risk Policy & Framework
- Review and challenge of actions being undertaken by the 1st Line in respect of relevant risks;
- Reporting to relevant committees on significant risks and control weaknesses and progress undertaken by the 1st Line in mitigating risks outside of the risk appetite.

3rd Line: (Assurance)

- Independent assurance of the effectiveness of Controls;
- Risk based programme of audit activity; and
- Reporting to the Audit Committee.

The **Credit & Risk Group (CRG)** operates within the Bank's second line of defense. Its function is independent from business and is tasked with managing, mitigating and overseeing credit, market, operational and other material risks arising from the Group's activities. CRG independently reviews and monitors the 1st line's compliance with the Bank's risk management framework and provides recommendations to relevant committees.

All areas of risk are overseen by the Group Chief Credit & Risk Officer, who reports to the Group CEO and the Chair of the BRC.

The **Group Balance Sheet Management (GBSM)** function is a second line function responsible for capital planning and management, coordinating Internal Capital Adequacy and Assessment Process (ICAAP), efficient capital allocation through administering risk adjusted return on capital (RAROC), liquidity planning and analysis, structural funding assessment, developing Internal Liquidity Adequacy Assessment Process (ILAAP), dynamic Balance Sheet modeling to assess potential emerging impact on capital and liquidity metrics and facilitating Balance Sheet optimisation.

Group Audit functions as a third line of defense and has a reporting line, independent of management, directly to the Board Audit Committee. The primary objective of Group Audit is to provide an independent opinion and risk-based review on the design and operating effectiveness of the control environment across the group on all aspects of risk management, including Bank's policies and procedures.

c. Risk in Pillar I

Pillar I addresses three specific types of risks, namely credit, market and operational risk. The Pillar I process describes the basis for the calculation of regulatory capital.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset, fails to meet its contractual obligations, and causes the Bank to incur a financial loss.

Credit Risk Management ensures that the 1st line complies with the Bank's policies, standards and procedures designed to manage risk.

In particular it ensures that the obligor risk rating is accurate and reviewed on a timely basis.

The Group's portfolio and credit exposures are managed in accordance with the Group Credit Policy, which applies Group-wide qualitative and quantitative guidelines, with particular emphasis on avoiding undue concentrations or aggregations of risk.

The Group's banking subsidiaries are governed by policies and standards aligned with the Group Credit

Policy and its associated standards but may be adapted to suit local regulatory and legal requirements as well as individual units' product and sectoral needs.

The Group's retail lending is managed under a framework that considers the entire credit cycle. Retail obligor facilities are offered under product programmes. The product programmes are governed by a set of policies and standards describing the product programme approval, monitoring, reporting and recovery processes.

Additionally, Credit Risk ensures that where obligors default, losses are kept to a minimum through timely remedial actions.

Refer note 26.4 to the 31 December 2025 audited consolidated financial statement for definition and policies for management of credit risk.

Market Risk

Refer note 26.6 to the 31 December 2025 audited consolidated financial statement for definition and policies for management of Market risk.

The Group is exposed to the following types of market risk:

Currency Rate Risk

The Group's trading book has exposures to foreign exchange risk arising from cash and derivatives trading. Additionally, structural balance sheet positions relating to net investment in foreign subsidiaries expose the Group to foreign exchange risk. These positions are reviewed regularly and an appropriate strategy for managing structural foreign exchange risk is established by the GALCO. Group Treasury is responsible for executing the agreed strategy.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk because of client trades & positional trading strategies which is managed by setting appropriate market risk limits.

Equity Price Risk

Equity position risk arises from the possibility that changes in the prices of equities, or equity indices, will affect the future profitability, or the fair value of financial instruments. The Group is exposed to equity risk in its trading position and investment portfolio, primarily in its core international and GCC markets.

Equity positions in the banking book	
Quoted Equities	11
Unquoted Equities	17
	28
Realised gain during the year	-
Unrealised gain at 31 December 2025	7

There were minimal sales with respect to equity positions in the banking book for the year ended 31 December 2025.

Operational Risk

Refer note 26.10 to the 31 December 2025 audited consolidated financial statement for definition and policies for management of Operational Risk.

d. Risks in Pillar II

The following section captures some of the risks considered for the Pillar II assessment. The Pillar 2A measurement framework for risks considered is detailed in "CAPITAL MANAGEMENT" section.

Liquidity Risk

Liquidity risk is the risk that maturing and cashable assets may not cover cash flow obligations (liabilities) as they fall due, without incurring unacceptable costs or losses. The Group's Liquidity Management Framework (GLMF) ensures that it proactively manages liquidity and structural funding risks to support prudent business growth while having the ability to withstand a range of liquidity stress events. The Group undertakes a detailed assessment to identify all material sources of liquidity and funding risks and have assessed appropriate levels of required Liquid Assets Buffers and contingency funding actions. The Group's liquidity risk appetite sets appropriate liquidity metrics to monitor all material

RISK MANAGEMENT (continued)

sources of liquidity risks, and the liquidity risk appetite framework extends to all entities within the Group.

The Group maintains high quality liquid assets (HQLA) at prudent levels to ensure that cash can quickly be made available to honour all its obligations, even under adverse conditions. The Group is generally in a position of surplus liquidity, its principal sources of liquidity being its high-quality liquid assets and marketable securities.

A maturity gap report, which reviews mismatches, is used to monitor medium and long-term liquidity and funding positions.

The Group's offshore subsidiaries are managed on a predominantly self funded basis with respect to liquidity and funding.

The GLMF ensures that the key risk indicators are monitored proactively, including daily monitoring of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) amongst a range of other liquidity risk indicators, and these are regularly reported to the senior management. The Group conducts daily liquidity stress testing to ensure that the Liquidity Survival Horizon (LSH) is always maintained above the established thresholds.

The Group also carries out a comprehensive Integrated Stress Testing and ILAAP (Internal Liquidity Adequacy Assessment Process) that includes, amongst other things, scenario - based liquidity stress tests to evaluate the robustness of the liquidity management framework and the effectiveness of the contingency funding plan. The Group's liquid assets and the Group's Contingency Funding Plan (GCFP) ensure that the Group can withstand potential liquidity shocks and market disruptions.

Interest Rate Risk In Banking Book (IRRBB)

Interest rate risk in the banking book refers to current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. The Group is exposed to interest rate risk because of mismatches in interest rate repricing of assets and liabilities. This risk is minimised as the Group's rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and executes interest rate swaps to hedge the price risk, where appropriate, to better manage the duration in the asset book.

Quantitative measures employed include limits, interest rate sensitive gap analysis and stress testing to measure and control the impact of interest rate volatility on the Bank's earnings and economic value of equity. These measures are applied separately for each currency and consolidated at the Group's level.

As at 31 December 2025, the adverse impact of a 200 basis points (2%) parallel shift in interest rates on earnings over 12 months and change in economic value of equity (EVE) is provided below.

In summary, the adverse impact on Group's earnings is estimated at US$ 52 million (representing ~5.4% of Net Interest Income) from parallel down shift and the adverse impact of change in economic value of equity is estimated at US$ 102 million (< 3% of Tier 1 capital) for parallel up shift. The impact on both metrics were well below the Group's risk appetite (GRAS) thresholds for IRRBB.

Currency-wise details of the impact from a parallel shift of 200bps are as follows:

US$ Million	Impact on Group's Earnings		Economic Value of Equity Impact	
Currency	Parallel Up	Parallel Down	Parallel Up	Parallel Down
United States Dollar (USD)	48.2	(48.2)	20.5	(20.6)
Pound Sterling (GBP)	(5.1)	5.1	2.7	(2.9)
Euro (EUR)	5.3	(5.2)	(6.3)	6.7
Brazilian Real (BRL)	8.4	(8.4)	(41.6)	44.1
Algerian Dinar (DZD)	(3.8)	2.7	(26.2)	30.6
Egyptian Pound (EGP)	(1.8)	1.8	(8.0)	8.6
Jordanian Dinar (JOD)	2.9	(2.9)	(7.5)	8.0
Tunisian Dinar (TND)	(1.6)	1.6	(6.3)	6.9
Other	(1.4)	1.4	(6.2)	6.4
Total	**51.0**	**(52.0)**	**(102.0)***	**(23.5)***

* For aggregation of EVE across currencies only negative values are considered as per Basel.

RISK MANAGEMENT (continued)

The repricing profile of the Group's assets and liabilities, are set out in the table below:

US$ Million	Less than 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Non Interest Bearing	TOTAL
ASSETS							
Liquid funds	2,770	-	-	-	-	357	3,127
Trading securities	955	4	5	177	37	27	1,205
Placements with banks and other financial institutions	1,645	117	3	4	13	458	2,240
Securities bought under repurchase agreements	959	255	-	96	-	-	1,310
Non-trading investments	8,662	784	467	527	6,719	286	17,445
Loans and advances	9,369	5,388	2,001	1,358	2,196	349	20,661
Other assets	-	11	-	-	-	3,913	3,924
TOTAL ASSETS	**24,360**	**6,559**	**2,476**	**2,162**	**8,965**	**5,390**	**49,912**
LIABILITIES & EQUITY							
Deposits from customers	15,583	4,183	2,075	2,387	990	1,273	26,491
Deposits from banks	1,062	1,097	544	886	326	150	4,065
Certificates of deposit	133	93	25	9	123	-	383
Securities sold under repurchase agreements	8,495	147	216	-	216	-	9,074
Other liabilities	-	-	-	-	-	3,755	3,755
Term notes, bonds & other term financing	940	175	109	19	1	182	1,426
Total equity	-	-	-	-	590	4,128	4,718
TOTAL LIABILITIES & EQUITY	**26,213**	**5,695**	**2,969**	**3,301**	**2,246**	**9,488**	**49,912**
OFF B/S ITEMS							
Foreign exchange contracts	60	2	17	(17)	10	-	82
Interest rate contracts	2,499	2,126	(42)	488	(5,153)	-	(82)
TOTAL OFF B/S ITEMS	**2,559**	**2,128**	**(25)**	**481**	**(5,143)**	**-**	**-**
Interest rate sensitivity gap	706	2,992	(518)	(658)	1,576	(4,098)	-
Cumulative interest rate sensitivity gap	706	3,698	3,180	2,522	4,098	-	-

The interest rate gap analysis set out in the table above assumes that all positions run to maturity, i.e., no assumptions on loan prepayments. Deposits without a fixed maturity have been considered in the 'less than one month' bucket.

Concentration Risk

Refer note 26.3.2 to the 31 December 2025 audited consolidated financial statements for the definition and policies for management of concentration risk.

Under the single obligor regulations of the CBB and other host regulators, the Bank must obtain prior regulatory approval for any planned exposures above specific thresholds to single counterparties, or groups of closely-related counterparties.

As at 31 December 2025, the Group's exposures in excess of the 15% obligor limit to individual counterparties were as shown below:

US$ Million	On Balance Sheet Exposure	Off Balance Sheet Exposure	Total Exposure
Counterparty A	8,534	-	8,534
Counterparty B	2,323	-	2,323
Counterparty C	1,558	-	1,558
Counterparty D	1,056	-	1056
Counterparty E	-	862	862

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer because of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Bank must by law comply with, or which it voluntarily adheres to.

Front-line functions within the units are responsible for the management of their specific compliance risks and control environment. The compliance function is responsible for assuring, on an ongoing basis, that key compliance related control processes within the first line of defense are in place and operating effectively.

Legal Risk

Examples of legal risk include inadequate documentation, loss of power and/or authority arising from legal or regulatory action, insufficient authority of a counterparty and contract invalidity/unenforceability. Group Chief Legal and Corporate Affairs Officer bears responsibility for identification and management of this risk. The Group Legal department consults with internal and external legal counsels. All major Group subsidiaries have their own in-house legal departments.

The Group is currently engaged in various legal and/or regulatory matters which have arisen in the ordinary course of business. Bank ABC does not currently expect to incur any liability with respect to any actual or pending legal and/or regulatory matter which would be materially prejudicial to the financial condition or operations of the Group.

Reputational Risk

Reputational risk is multidimensional and reflects the perception of market participants. It exists throughout the organisation and exposure to reputational risk is essentially a function of the adequacy of the entity's internal risk management processes, as well as the manner and efficiency with which management responds to external influences.

The Bank implements a robust governance and management framework, which has a significant involvement of senior management to proactively address any risk(s) to the Bank's reputation.

Furthermore, the management believes that reputation risk requires active administration and involvement of senior members of the Bank. The Group Reputational Risk Committee, reporting to the GCOC, oversees the reputational risk framework.

Climate Change Risk

Climate change risk is the financial risk that arises from the impact of adverse changes in climate and specifically global warming. As the world transitions to a low-carbon economy, financial institutions, such as Bank ABC, may face significant and rapid developments which could impact their lending activities, as well as the risks associated with its other activities. Refer to the Group Sustainability Disclosures Report 2024 for the Bank's ESG Strategy. The Group has developed Policies and Standards detailing how ESG risk is incorporated into the Bank's overall risk management framework.

RISK MANAGEMENT (continued)

3. Regulatory capital requirements and the capital base

The Group manages its capital structure and maintains capital based on its strategic business plans considering anticipated economic conditions and the risk characteristics of its activities. The objective is to maintain a strong capital base to support the risks inherent in the Group's businesses and markets, meeting both local and consolidated regulatory capital requirements at all times.

The Group manages the capital position through various measures that include administering a dividend policy that balances financial stability and growth objectives with shareholders returns; raising capital via equity, additional tier 1 capital (AT1) and subordinated debt instruments based on a set of defined capital triggers; risk distribution or risk participation to reduce capital demand; and deleveraging to create capital capacity.

The determination of dividend payout will depend upon, amongst other things, the Group's earnings, its dividend policy, the requirement to set aside minimum statutory reserves, capital requirements to support growth (organic and inorganic), regulatory capital requirements, approval from the CBB and applicable requirements under Bahrain Commercial Companies Law, as well as other factors that the Board of Directors and the shareholders may deem relevant.

While the capital management objectives remain unchanged, the policies are reviewed regularly to ensure that they support the principal objective of maintaining financial strength and stability.

The Group's total capital adequacy ratio as at 31 December 2025 was 17% compared with the minimum regulatory requirement of 12.5%. The Tier 1 ratio was 16% for the Group. The composition of the total regulatory capital requirement was as follows:

US$ Million Risk-Weighted Assets (RWA)	Group excluding Banco ABC Brasil	Banco ABC Brasil under aggregation approach	Total
Credit risk	17,964	8,645	**26,609**
Market risk	1,203	851	**2,054**
Operational risk	1,516	606	**2,122**
Total	**20,683**	**10,102**	**30,785**
CET 1 Ratio			**13.7%**
Tier 1 Ratio			**16.0%**
Capital Adequacy Ratio			**17.0%**

The Group ensures adherence to the CBB's requirements by monitoring its capital adequacy against higher internal limits detailed in the Bank's Board-approved risk appetite statement.

Each banking subsidiary in the Group is directly regulated by its local banking supervisor, which sets and monitors local capital adequacy requirements. The Group ensures that each subsidiary maintains sufficient levels of capital.

The Tier 1 and total capital adequacy ratio of the significant banking subsidiaries (those whose regulatory capital amounts to over 5% of the Group's consolidated regulatory capital) under the local regulations were as follows:

Subsidiaries (over 5% of Group's regulatory capital)	Tier 1 ratio	CAR (total)
ABC Islamic Bank (E.C.)	39.6%	40.1%
ABC International Bank Plc*	14.7%	15.9%
Banco ABC Brasil S.A.*	13.8%	16.3%
Arab Banking Corporation - Egypt [S.A.E.]	19.4%	19.8%

* CAR has been computed after mandatory deductions from the total of Tier 1 and Tier 2 capital.

a. Capital requirement for credit risk

For regulatory reporting purposes, the Group calculates the capital requirements for credit risk based on the standardised approach. Under the standardised approach, on- and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel III capital adequacy framework as standard portfolios. The primary standard portfolios are claims on sovereigns, claims on banks and claims on corporates. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed risk weightings. Under the standardised approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external credit rating agencies approved by the CBB. The Group uses ratings assigned by Standard & Poor's, Moody's, Fitch Ratings and Capital Intelligence.

Provided below is a counterparty asset class-wise breakdown of the Credit RWA and associated capital charge. The definition of these asset classes (as per the standard portfolio approach under the CBB's Basel III Capital Adequacy Framework) is set out in section 5.

Credit exposure and risk-weighted assets

US$ Million	Gross Credit Exposure [1+2]	Funded Exposure [1]	Unfunded Exposure [2]	Cash Collateral	Eligible Guarantees	Risk-weighted Assets*	Capital Charge
Cash	58	58	-	-	-	-	-
Claims on sovereigns	17,946	17,734	212	189	86	1,080	135
Claims on public sector entities	2,187	2,044	143	58	1	1,421	178
Claims on multilateral development banks	509	503	6	1	-	127	16
Claims on banks	12,575	11,578	997	7,386	357	2,994	374
Claims on corporate portfolio	25,567	20,783	4,784	4,286	1,254	17,416	2,177
Regulatory retail exposures	1,300	1,298	2	-	-	1,295	162
Past due loans	234	234	-	-	-	234	29
Residential retail portfolio	-	-	-	-	-	-	-
Commercial mortgage	294	294	-	-	-	660	83
Equity portfolios	61	61	-	-	-	134	17
Other exposures	1,322	1,033	289	-	-	1,248	156
	62,053	**55,620**	**6,433**	**11,920**	**1,698**	**26,609**	**3,327**

*RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

Monthly average gross credit exposures and the risk-weighted assets for 12-month ended 31 December 2025 were US$52,858 million and US$27,845 million respectively.

b. Capital requirement for market risk

In line with the standardised approach to calculating market risk, the capital charge for market risk is as follows:

US$ Million	RWA	Year-end Capital Charge	Capital Charge - Minimum*	Capital Charge - Maximum*
Interest rate risk	1,014	127	98	131
- Specific interest rate risk	-	-	-	4
- General interest rate risk	1,014	127	98	127
Equity position risk	20	2	2	2
Foreign exchange risk	169	21	14	28
Options risk	-	-	-	-
BAB aggregation	851	-	-	-
Total	**2,054**	**150**	**114**	**161**

* The information in these columns shows the minimum and maximum capital charge for each of the market risk categories during the year ended 31 December 2025.

** Market RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

c. Capital requirement for operational risk

The Group applies the "Standardised Approach" for calculating its Pillar I operational risk capital. As at 31 December 2025, the total capital charge in respect of operational risk was US$ 266* million. A breakdown of the operational risk capital charge is provided below:

US$ Million Basel Business Line	Average 3 Years Gross Income	Beta Factors	Capital charge	RWA
Corporate finance	22	18%	6	50
Trading and sales	192	18%	54	431
Payment and settlement	43	18%	12	98
Commercial banking	395	15%	93	740
Agency services	-	15%	-	-
Retail banking	94	12%	18	141
Asset management	27	12%	5	41
Retail brokerage	10	12%	2	15
Total	**783**		**190 ***	**1,516**
RWA of subsidiary under aggregation approach *	444		76*	606

* Operational RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

d. Capital base

The Group's capital base primarily comprises of:

i) **Core Equity Tier 1 capital:** Share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the year and cumulative changes in fair value;

ii) **Additional Tier 1 capital:** Eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the Bank;

iii) **Tier 2 capital:** eligible subordinated term debt and expected credit losses.

The portion of Tier 1 and Tier 2 instruments attributable to non-controlling interests are added to the respective capital tiers in accordance with the regulatory definitions and are subject to regulatory limits for inclusion.

The issued and paid-up share capital of the Bank is US$ 3,110 million at 31 December 2025, comprising 3,110 million shares of US$ 1 each.

The Additional Tier 1 (AT1) capital includes the eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the bank. The outstanding total AT1 issue amounted to US$ 724 million at 31 December 2025. This includes US$590 million issued by the Bank and US$134 million issued by the Bank's subsidiary in Brazil. These instruments have been approved for inclusion in AT1 by the CBB. The details of these issues are described in appendix PD 3 of this document. The AT1 instrument issued by the Bank has a conversion feature into equity with the trigger being a non-viability event as determined by the CBB. AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the local regulations and Basel Standards and has been approved by its local regulator for inclusion in regulatory Tier 1 capital.

During the year, the Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US$200 million to its ultimate parent (included in US$590 million shown above). These securities are perpetual, subordinated and unsecured and carry an interest of 8.00% per annum payable semi-annually. The holders of these securities do not have a right to claim interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest to be paid to investors will be accounted for as an appropriation of profits.

Both instruments have features that enable coupon suspension (without cumulating) upon insufficiency of profits.

The Group's capital base and risk weighted assets is summarised below:

Capital base and Risk weighted assets (RWA)	US$ million
Capital base	
CET 1	4,211
AT 1	724
Total Tier 1 capital	**4,935**
Tier 2	293
Total capital base	**5,228**
Risk-weighted assets	
Credit risk	26,609
Market risk	2,054
Operational risk	2,122
Total Risk weighted assets	**30,785**
CET 1 ratio	13.7%
Tier 1 ratio	16.0%
Capital adequacy ratio	**17.0%**

The details about the composition of capital are provided in appendices PD 2 and PD 4.

RISK MANAGEMENT (continued)

e. Leverage ratio

The leverage ratio serves as a supplementary measure to the capital requirements mentioned above. The leverage ratio is computed on a consolidated basis and Bahraini conventional bank licensees must meet a 3.0% leverage ratio minimum requirement at all times.

Leverage ratio components	US$ Million
Total Tier 1 capital	**4,935**
Total exposures	**56,038**
Leverage ratio	**8.8%**

4. Credit risk - Pillar III disclosures

a. Definition of exposure classes

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the standard portfolio approach under the CBB's Basel III Capital Adequacy Framework, covering the standardised approach for credit risk.

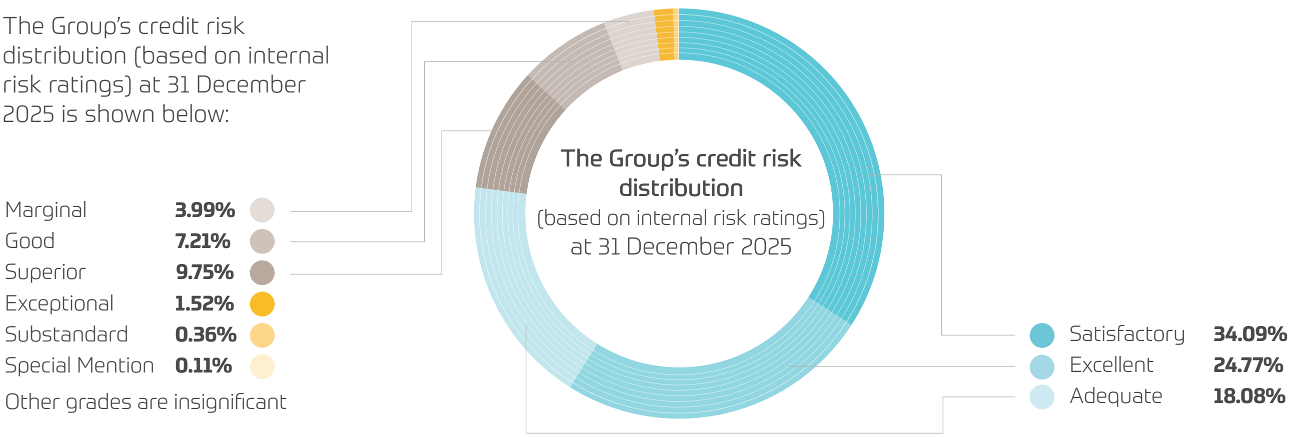
b. External credit rating agencies

The Group uses external credit ratings from Standard & Poor's, Moody's, Fitch Ratings and Capital Intelligence (accredited external credit assessment institutions). The breakdown of the Group's exposure into rated and unrated categories is as follows:

US$ Million	Net Credit Exposure (after credit risk mitigation)	Rated Exposure	Unrated Exposure
Cash	58	-	58
Claims on sovereigns	17,757	17,623	134
Claims on public sector entities	2,129	1,130	999
Claims on multilateral development banks	508	508	-
Claims on banks	5,189	4,240	949
Claims on corporate portfolio	21,281	4,297	16,984
Regulatory retail exposure	1,300	-	1,300
Past due loans	234	2	232
Commercial mortgage	294	-	294
Equity portfolios	61	-	61
Other exposures	1,322	298	1,024
	50,133	**28,098**	**22,035**

The Group has a policy of maintaining accurate and consistent risk methodologies. It uses a variety of financial analytics, combined with market information, to support risk ratings that form the main inputs for the measurement of counterparty credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group's credit policy. They are assessed and updated regularly. Each internal risk rating class is mapped to external rating grades set by Standard & Poor's, Moody's, Fitch, and Capital Intelligence rating agencies. The Credit Risk Management framework ensures that the credit portfolio is managed in line with the Group Risk Appetite Standards.

The Group's credit risk distribution (based on internal risk ratings) at 31 December 2025 is shown below:



c. Credit risk presentation under Basel III

The credit risk exposures detailed here differ from the credit risk exposures reported in the consolidated financial statements, due to different methodologies applied respectively under Basel III and IFRS Accounting Standards. These differences are as follows:

- As per the CBB Basel III framework, off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). The CCF varies between 20%, 50% or 100% depending on the type of contingent item.
- The consolidated financial statements categorise financial assets based on asset class (i.e. securities, loans and advances, etc.). This document categorises financial assets into credit exposures as per the "Standard Portfolio" approach set out in the CBB's Capital Adequacy Module. In the case of exposures with eligible guarantees, it is reported based on the category of guarantor.
- Eligible collateral is taken into consideration in arriving at the net exposure under the Basel III framework, whereas collateral is not netted in the consolidated financial statements.
- Under the Basel III framework, certain items are considered as a part of the regulatory capital base, whereas these items are netted off against assets in the consolidated financial statements.

d. Credit exposure

Geographical distribution of exposures

The geographical distribution of exposures, impaired loans and the related specific provisions (Stage 3) can be analysed as follows:

US$ Million	Gross Credit Exposure	Cash Collateral	Impaired Loans	Specific/ Stage 3 ECL Impaired Loans	Impaired Debt Securities	Specific/ Stage 3 ECL Impaired Debt Securities
North America	13,944	8,243	165	117	63	63
Western Europe	15,604	1,045	54	24	-	-
Other Europe	2,586	824	-	-	-	-
Arab World	7,767	467	147	125	1	1
Other Africa	174	-	2	-	-	-
Asia	998	44	2	1	-	-
Australia/New Zealand	94	-	-	-	-	-
Latin America	11,824	678	261	155	-	-
GCC	9,061	619	152	127	-	-
	62,053	**11,920**	**783**	**549**	**64**	**64**

In addition to the above specific provisions the Group has ECL under Stage 1 and 2 aggregating to US$ 196 million for all credit exposures.

RISK MANAGEMENT (continued)

The geographical distribution of gross credit exposures, by major type of credit exposure, can be analysed as follows:

US$ Million	North America	Western Europe	Other Europe	Arab World	Other Africa	Asia	Australia /New Zealand	Latin America	GCC	Total
Cash	-	-	-	58	-	-	-	-	-	58
Claims on sovereigns	11,243	577	335	2,096	59	193	2	957	2,484	17,946
Claims on public sector entities	31	112	-	861	-	104	2	88	989	2,187
Claims on multilateral development banks	-	161	-	200	51	-	-	-	97	509
Claims on banks	455	6,632	1,617	1,094	-	194	3	909	1,671	12,575
Claims on corporate portfolio	2,099	7,699	631	2,336	62	504	87	9,004	3,145	25,567
Regulatory retail exposures	-	-	-	959	-	-	-	311	30	1,300
Past due loans	48	30	-	22	2	1	-	106	25	234
Residential retail portfolio	-	-	-	-	-	-	-	-	-	-
Commercial mortgage	3	291	-	-	-	-	-	-	-	294
Equity portfolios	-	1	-	35	-	1	-	-	24	61
Other exposures	65	101	3	106	-	1	-	450	596	1,322
Gross credit exposure	**13,944**	**15,604**	**2,586**	**7,767**	**174**	**998**	**94**	**11,825**	**9,061**	**62,053**
Collateral	**9,243**	**1,045**	**824**	**467**	**-**	**44**	**-**	**678**	**619**	**11,920**

The Bank uses different credit mitigation techniques such as collaterals, guarantees and netting agreements to reduce credit risk. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur. The Bank holds collateral against its credit facilities in the form of physical assets, cash deposits, securities and guarantees. Only guarantees provided by eligible Corporate and Financial Institutions of acceptable credit quality are accepted by the Bank.

The ageing analysis of past due loans by geographical distribution can be analysed as follows:

US$ Million	Less than 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
North America	-	17	31	-	48
Western Europe	-	-	30	-	30
Arab World	11	5	3	3	22
Other Africa	-	-	2	-	2
Latin America	36	45	25	-	106
GCC	14	-	11	-	25
Asia	-	-	-	1	1
	61	**67**	**102**	**4**	**234**

Industrial sector analysis of exposures

The industrial sector analysis of exposures, impaired assets and the related specific provisions (Stage 3) can be analysed as follows:

US$ Million	Gross Exposure [1+2]	Funded Exposure [1]	Unfunded Exposure [2]	Cash Collateral	Impaired Loans	Specific/ Stage 3 ECL Impaired Loans	Impaired Debt Securities	Specific/ Stage 3 ECL Impaired Debt Securities
Manufacturing	4,090	3,255	835	216	76	61	-	-
Mining and quarrying	206	94	112	4	23	14	-	-
Agriculture, fishing, and forestry	1,791	1,587	204	3	46	25	-	-
Construction	657	501	156	-	112	69	-	-
Financial services	20,636	18,502	2,134	11,096	2	1	64	64
Trade	481	372	109	62	18	15	-	-
Personal / Consumer finance	1,542	1,511	31	-	78	56	-	-
Commercial real estate financing	1,183	1,152	31	161	54	24	-	-
Government	16,430	16,134	296	237	2	2	-	-
Central banks	3,550	3,550	-	-	-	-	-	-
Technology, media, and telecommunications	491	416	75	4	1	1	-	-
Transport	880	594	286	10	36	34	-	-
Energy	973	792	181	1	-	-	-	-
Utilities	2,057	1,415	642	11	-	-	-	-
Distribution	1,068	973	95	10	-	-	-	-
Retailers	477	401	76	22	-	-	-	-
Other services	4,393	3,645	748	67	335	247	-	-
Infrastructure	587	559	28	5	-	-	-	-
Contracting	561	167	394	11	-	-	-	-
	62,053	**55,620**	**6,433**	**11,920**	**783**	**549**	**64**	**64**

RISK MANAGEMENT (continued)

The industrial sector analysis of gross credit exposures, by major types of credit exposure, can be analysed as follows:

US$ Million	Manufacturing	Mining and Quarrying	Agriculture, Fishing and Forestry	Construction	Financial Services	Trade	Personal / Consumer Finance	Commercial Real Estate Financing	Government	Central Banks	Technology, Media and Telecommunications	Transport	Energy	Utilities	Distribution	Retailers	Other Services	Infrastructure	Contracting	Total
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58	-	-	**58**
Claims on sovereigns	47	-	-	-	90	-	-	-	14,245	3,550	-	-	14	-	-	-	-	-	-	**17,946**
Claims on public sector entities	206	-	-	-	103	-	-	-	1,077	-	-	226	278	290	-	-	3	-	4	**2,187**
Claims on multilateral development banks	-	-	-	-	65	-	-	-	444	-	-	-	-	-	-	-	-	-	-	**509**
Claims on banks	-	-	-	-	12,409	-	-	-	166	-	-	-	-	-	-	-	-	-	-	**12,575**
Claims on corporate portfolio	3,769	183	1,730	571	7,853	478	184	905	493	-	491	649	678	1,719	1,064	476	3,180	587	557	**25,567**
Regulatory retail exposures	-	-	-	-	-	-	1,283	-	-	-	-	-	-	-	-	-	17	-	-	**1,300**
Past due loans	15	9	21	43	1	3	22	30	-	-	-	2	-	-	-	-	88	-	-	**234**
Residential retail portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Commercial mortgage	-	-	-	43	-	-	-	248	-	-	-	-	-	-	3	-	-	-	-	**294**
Equity portfolios	1	-	-	-	34	-	4	-	-	-	-	-	-	-	-	-	22	-	-	**61**
Other exposures	52	14	40	-	81	-	49	-	5	-	-	3	3	48	1	1	1,025	-	-	**1,322**
	4,090	**206**	**1,791**	**657**	**20,636**	**481**	**1,542**	**1,183**	**16,430**	**3,550**	**491**	**880**	**973**	**2,057**	**1,068**	**477**	**4,393**	**587**	**561**	**62,053**

The ageing analysis of past due loans, by industrial sector can be analysed as follows:

US$ Million	Less Than 3 Months	3 months to 1 Year	1 to 3 Years	Over 3 Years	Total
Manufacturing	7	8	-	-	**15**
Mining and quarrying	2	2	5	-	**9**
Agriculture, fishing and forestry	3	18	-	-	**21**
Construction	4	2	37	-	**43**
Financial services	1	-	-	-	**1**
Trade	3	-	-	-	**3**
Personal / Consumer finance	4	6	12	-	**22**
Commercial Real Estate Financing	-	-	30	-	**30**
Technology, media & telecommunications	-	-	-	-	**-**
Transport	-	2	-	-	**2**
Other sectors	37	29	18	4	**88**
	61	**67**	**102**	**4**	**234**

Maturity analysis of funded exposures

Residual contractual maturity of the Group's major types of funded credit exposures is as follows:

US$ Million	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total within 12 Months	1 - 5 Years	5 - 10 Years	10 - 20 Years	Over 20 Years	Undated	Total over 12 Months	Total
Cash	58	-	-	-	**58**	-	-	-	-	-	**-**	**58**
Claims on sovereigns	11,615	904	375	510	**13,404**	2,623	1,498	149	-	60	**4,330**	**17,734**
Claims on public sector entities	413	139	87	81	**720**	669	429	4	-	222	**1,324**	**2,044**
Claims on multilateral development banks	20	25	62	-	**107**	340	56	-	-	-	**396**	**503**
Claims on banks	7,139	1,270	825	717	**9,951**	1,559	66	-	-	2	**1,627**	**11,578**
Claims on corporate portfolio	5,397	2,965	2,053	3,224	**13,639**	5,618	800	77	-	649	**7,144**	**20,783**
Regulatory retail exposures	55	39	50	82	**226**	316	636	88	27	5	**1,072**	**1,298**
Past due loans	40	21	43	24	**128**	102	2	1	1	-	**106**	**234**
Residential retail portfolio	-	-	-	-	**-**	-	-	-	-	-	**-**	**-**
Commercial mortgage	-	48	46	34	**128**	166	-	-	-	-	**166**	**294**
Equity portfolios	-	-	-	-	**-**	-	-	-	-	61	**61**	**61**
Other exposures	-	-	-	-	**-**	-	-	-	-	1,033	**1,033**	**1,033**
	24,737	**5,411**	**3,541**	**4,672**	**38,361**	**11,393**	**3,487**	**319**	**28**	**2,032**	**17,259**	**55,620**

In accordance with the calculation of credit risk-weighted assets in the CBB's Basel III Capital Adequacy Framework, unfunded exposures are divided into the following exposure types:

(i) **Credit-related contingent items** comprising letters of credit, acceptances, guarantees and commitments.

(ii) **Derivatives** including futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

In addition to counterparty credit risk, derivatives are also exposed to market risk, which requires a separate capital charge as prescribed under the Basel III guidelines.

The residual contractual maturity analysis of unfunded exposures is as follows:

US$ Million	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	Total within 12 Months	1 - 5 Years	5 - 10 Years	10 - 20 Years	Over 20 Years	Undated	Total over 12 Months	Total
Claims on sovereigns	26	43	67	11	**147**	55	10	-	-	-	**65**	**212**
Claims on public sector entities	1	21	41	35	**98**	22	-	-	23	-	**45**	**143**
Claims on multilateral development banks	2	1	-	2	**5**	1	-	-	-	-	**1**	**6**
Claims on banks	215	261	129	140	**745**	151	55	-	46	-	**252**	**997**
Claims on corporate portfolio	254	327	738	940	**2,259**	2,244	130	30	121	-	**2,525**	**4,784**
Regulatory retail exposures	-	2	-	-	**2**	-	-	-	-	-	**-**	**2**
Other exposures	-	-	-	-	**-**	-	-	-	-	289	**289**	**289**
	498	**655**	**975**	**1,128**	**3,256**	**2,473**	**195**	**30**	**190**	**289**	**3,177**	**6,433**

e. Impaired assets and provisions for impairment

The Group manages the risk rating of obligors in accordance with the Bank's credit rating methodology. Changes in risk ratings are used to identify credit migration and significant increase in credit risk since origination of obligor facility to assess the staging of obligors in accordance with the IFRS 9 impairment policy of the Group. The amount of ECL charged per obligor facility is subject to calculations executed in line with the IFRS 9 impairment policy.

Industry sector analysis of the specific and ECL provisions charges and write-offs

US$ Million	Provision (Write-back/recovery)	Write-offs
Financial services	1	-
Distribution	9	-
Manufacturing	7	11
Construction	11	1
Mining and quarrying	2	-
Personal / consumer finance	11	10
Commercial real estate financing	5	-
Transport	13	2
Trade	(1)	-
Agriculture, fishing & forestry	19	6
Other Services	139	59
ECL	(52)	-
	164	**89**

Restructured facilities

The carrying amount of restructured facilities amounted to US$ 301 million as at 31 December 2025. Out of the total restructured facilities 62% relate to performing customers on which an ECL of US$ 16 million is being held. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash flow situations or to realign the repayment with the borrower's revised cash flow projections. These restructured facilities are individually assessed for adequacy of ECL charge. Since these restructurings did not have material concessions, there was no impact on carrying values and thereby no modification loss was recorded on these. The Group continues to record interest on performing customers as normal and interest on non-performing customers is recorded on receipt basis.

Ageing analysis of impaired loans and securities

In accordance with the guidelines issued by the CBB, credit facilities are placed on non-accrual status and interest suspended when either principal or interest is overdue by 90 days, whereupon interest credited to income is reversed. Following an assessment of impairment, specific provision is established if there is objective evidence that a credit facility is impaired, as mentioned above.

An ageing analysis of all impaired loans, and securities on non-accrual basis, together with their related provisions is as follows:

US$ Million *As at 31 December 2025*	Principal	Provisions	Net Book Value
Loans			
Less than 3 months	130	69	61
3 months to 1 year	233	166	67
1 to 3 years	336	234	102
Over 3 years	84	80	4
	783	**549**	**234**

US$ Million *As at 31 December 2025*	Principal	Provisions	Net Book Value
Securities			
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	-	-	-
Over 3 years	64	64	-
	64	**64**	**-**

Movement in expected credit losses

As at 31 December 2025	Expected Credit Losses		
US$ Million	**Stage 1**	**Stage 2**	**Stage 3**
Loans			
At beginning of the year	136	68	413
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	3	(3)	-
Transfer to stage 2	(1)	13	(11)
Transfer to stage 3	(1)	(2)	3
Net remeasurement of loss allowance	(51)	4	293
Write-backs / recoveries	-	-	(78)
Amounts written-off	-	-	(89)
Exchange adjustments and other movements	3	1	18
Balance at reporting date	**89**	**81**	**548**

US$ Million	Expected Credit Losses Stage 1	Stage 2	Stage 3
Investments			
At beginning of the year	11	-	64
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	1	-	-
Write-backs / recoveries	-	-	-
Amounts written-off	-	-	-
Exchange adjustments and other movements	-	-	-
Balance at reporting date	**12**	**-**	**64**

US$ Million	Expected Credit Losses Stage 1	Stage 2	Stage 3
Other financial assets and off-balance sheet items			
At beginning of the year	11	10	20
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	-	(5)	4
Write-backs / recoveries	-	-	(3)
Amounts written-off	-	-	-
Exchange adjustments and other movements	(2)	1	(2)
Balance at reporting date	**9**	**6**	**19**

5. Off balance sheet exposure and securitisations

a. Credit related contingent items

The nominal value of credit-related contingent items is converted to an exposure through the application of a credit conversion factor (CCF). The CCF is set at 20%, 50% or 100% depending on the type of contingent item and is used to convert off-balance sheet notional amounts into an equivalent on-balance sheet exposure.

Undrawn loans and other commitments represent commitments that have not been drawn down or utilised at the reporting date. The nominal amount is the base upon which a CCF is applied for calculating exposure. The CCF ranges between 20% and 50% for commitments with original maturities of up to one year and over one year respectively. The CCF is 0% for commitments that can be unconditionally cancelled at any time.

The table below summarises the notional principal amounts and the relative exposure before the application of credit risk mitigation:

US$ Million	Notional Principal	Credit Exposure*
Short-term self-liquidating trade and transaction-related contingent items	4,566	1,354
Direct credit substitutes, guarantees and acceptances	2,901	1,637
Undrawn loans and other commitments	3,310	1,510
	10,777	**4,501**
RWA		**3,860**

** Credit exposure is after applying CCF.*

At 31 December 2025, the Group held eligible guarantees as collateral in relation to credit-related contingent items amounting to US$ 521 million.

b. Derivatives

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Appropriate limits are approved by the Board. After approval, these limits are monitored and reported along with the Group Risk Appetite Statement.

The Group uses forward foreign exchange contracts, currency options and currency swaps to hedge against specifically identified currency risks. Additionally, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified loans and securities bearing fixed interest rates. The Group can participate in both exchange-traded and over-the-counter derivative markets.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions, and there was no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty as at 31 December 2025.

The aggregate notional amounts for interest rate and foreign exchange contracts as at 31 December 2025 were as follows:

US$ Million	Derivatives		
	Interest Rate Contracts	Foreign Exchange Contracts	Total
Notional – Trading book	26,718	34,730	61,448
Notional – Banking book	5,476	1,970	7,446
	32,194	**36,700**	**68,894**
Credit RWA (replacement cost plus potential future exposure)	438	571	1,009
Market RWA	1,580	196	1,776

c. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that a counterparty to a contract in the interest rate, foreign exchange, equity or credit markets defaults prior to the maturity of the contract.

The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures. Counterparty credit risk arises in both the trading book and the banking book.

In accordance with the credit risk framework in the CBB's Basel III Capital Adequacy Framework, the Group uses the current exposure method to calculate counterparty credit risk exposure of derivatives. Counterparty credit exposure is defined as the sum of replacement cost and potential future exposure. The potential future exposure is an estimate that reflects possible changes in the market value of the individual contract and is measured as the notional principal amount multiplied by an add-on factor.

In addition to the default risk capital charge for CCR, the Group also holds capital to cover the risk of mark-to-market losses on the expected counterparty risk arising out of over-the-counter derivative transactions, namely a Credit Valuation Adjustment (CVA). The Standardised CVA Risk Capital Charge, as prescribed under CBB's Basel III guidelines, is employed for this purpose. As of 31 December 2025, the CVA Portfolio Risk weighted assets was US$ 298 million.

6. Capital Management

Our strategy and business objectives underpin our capital management framework which is designed to maintain sufficient levels of capital to support our organic and inorganic growth strategy, and to withstand extreme but plausible stress conditions. The capital management objective aims to maintain an optimal capital structure to enhance shareholders' returns while operating within the Group's risk appetite limits and comply with regulatory requirements at all times.

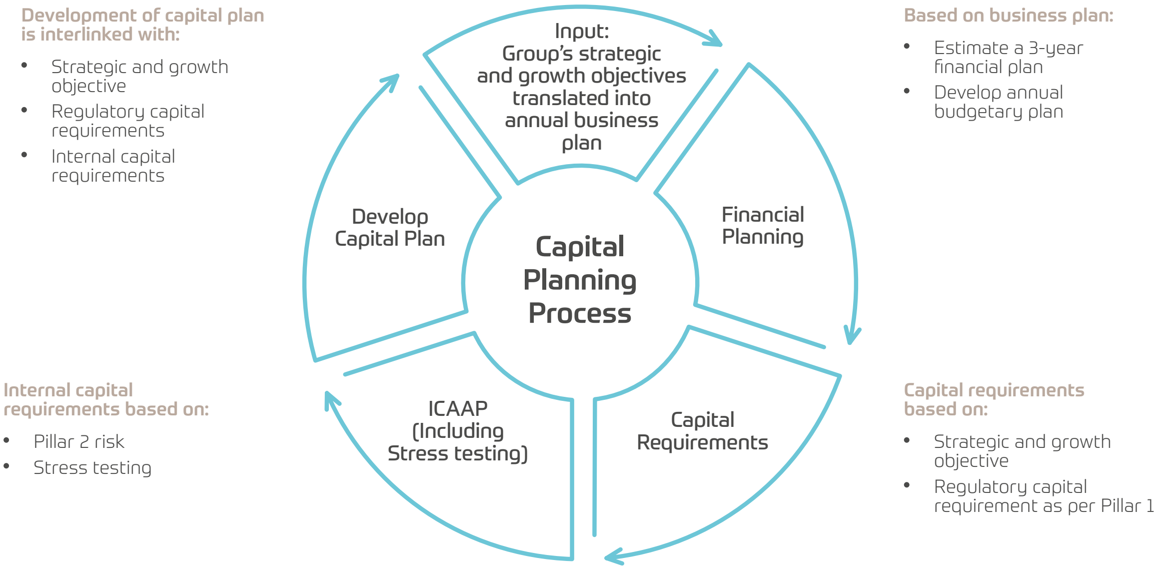
Our approach to capital management is driven by our strategic objectives, considering the regulatory, economic and business environment in our major markets. It is our objective to maintain a strong capital base to support the risks inherent in our businesses and markets, meeting both local and consolidated regulatory and internal capital requirements at all times.

> The Group's capital management approach is supported by a **Capital Management Framework that includes an ICAAP framework.**

Internal Capital Adequacy Assessment Process (ICAAP)

Our capital management approach is supported by a Capital Management Framework that includes an ICAAP framework, which enables us to manage our capital in a proactive and consistent manner. The framework incorporates a variety of approaches to assess capital requirements for different material sources of risks and is evaluated on an economic and regulatory capital basis. The Group's ICAAP is designed to:

- Inform the Board of the ongoing assessment of the Bank's risks, and how the Bank intends to mitigate those risks. It also evaluates the current and future capital requirements that is necessary, having considered other mitigating factors;
- Ensure that the Bank's capital position remains adequate in the event of an extreme but plausible global and regional economic stress conditions, and idiosyncratic stress event;
- Demonstrate that the Bank establishes and applies a strong and encompassing governance framework in addition to a robust risk and capital management, planning and forecasting process; and
- Provide a forward-looking view, in relation to solvency on the Bank's risk profile to ensure that it is in line with the Board's Risk Appetite limits.



The ICAAP assesses capital required for each of the material sources of risks and compares the overall capital requirements for Pillar 1 and Pillar 2 risks against available capital. Our assessment of capital adequacy is aligned to our assessment of risks. These include credit, market, operational, concentration risk (geographic, sectoral and obligor), liquidity risk, strategic risk, ESG, pension fund obligation, residual risks, and interest rate risk in the banking book.

In addition to the assessment of capital requirements under Pillar 1 and Pillar 2A of the regulatory capital framework, the Group assesses capital requirements for stress events under Pillar 2B.

Pillar 2A Risks

The Pillar 2A measurement framework for the key risk categories is summarised below:

Material Sources of Risk (Pillar 2A)	Methodology
Credit Risk	Additional capital required for credit risk under ICAAP based on the Foundation Internal Ratings based approach.
Concentration Risk • *Name Concentration* • *Sector Concentration* • *Geographic Concentration*	Capital requirements assessed for Name, Sector and Geographic concentration risks using the Herfindahl- Hirschman Index (HHI) approach.
Counterparty Credit Risk	No capital add-on under ICAAP as Pillar 1 is assessed to be sufficient.
Market Risk	The Bank uses SMM for market risk capital charge computation as prescribed by the local regulator the CBB. The Bank's own assessment has identified that additional capital charge maybe required for the marginal illiquidity of its market portfolio and movements in market prices. The capital charge for market risk assessed under Pillar 1 is sufficient to cover these risks.

RISK MANAGEMENT (continued)

Material Sources of Risk (Pillar 2A)	Methodology
Operational Risk • *Conduct Risk* • *Non-Conduct Risk*	Under ICAAP the Bank re-assess operational risk within two categories of realised risk factors and compares this to Pillar 1 risk. • Conduct risk • Non-conduct risk Conduct risk losses are defined as losses described in the Basel loss event type of 'Client, Products and Business Practices (CPBP)', legal losses or other losses with underlying conduct element. The CPBP loss events includes Regulatory fines, Sanctions (covering AML/ KYC), Mis-selling and product risk (defects), Client confidentiality breaches, Non-compliance with disclosures. Non-Conduct risk losses are all losses excluding the conduct risk losses mentioned above This category of loss events includes Internal fraud losses, External fraud losses, System break-down losses, Cyber security breach losses, Business disruption losses (BCP), Execution and transaction delivery loss, Documentation risk related losses.
Liquidity and Funding Risk	Liquidity and funding risk is covered under ILAAP and sufficient High Quality Liquid Asset Buffers (LAB) are held to address this risk.
Interest Rate Risk in the Banking Book (IRRBB)	Capital requirements assessed based on six stress scenarios in alignment with Basel IRRBB 2016 guidelines (BCBS 368) applying the updated recalibration of interest rate shocks issued in July 2024 (BCBS 578). Capital requirements is assessed against internal threshold for EAR and EVE.
Pension Obligation Risk (POR)	Capital requirements were assessed and held based on an actuarial assessment of pension fund obligations. Additional Pillar 2A Capital against POR is no longer required as the pension fund was subject to a buy-in during 2025 and as a result the assets match with the respective liabilities.
Strategic Risk	Regular review of strategy in view of the changing technology, regulatory and business landscape.
Reputational Risk	Robust governance and management framework with significant involvement of senior management to proactively address any risk(s) to the Group's reputation.
Climate Change Risk	Impact on capital reviewed and assessed based on stress scenario.

Pillar 2B - Stress Testing

Pillar 2B represents capital requirements to be assessed through Stress Testing and Scenario Analysis. Stress testing alerts the Bank's management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur.

The bank applies an Integrated Stress Testing (IST) framework to assess the impact of a continuum of stress scenarios including market-wide, idiosyncratic and combined scenarios on its capital, asset quality, earnings and liquidity. IST also enhances the bank's ability to integrate the feedback loop and interplay between different risks when a stress event occurs.

The market-wide scenarios generated from Moody's data on macro-economic forecasts allow the Bank to assess its vulnerabilities under mild, moderate, severe and reverse scenarios using the same macro- variables as those used to compute the Group's Expected Credit Loss. Idiosyncratic scenarios have been identified for its material and emerging risks. The Bank assesses the impact of these scenarios or new events for various risk drivers on a multi-dimensional basis, that is, at an entity, country, sector, business area, product, customer or any other applicable levels.

Finally, the Bank has considered the management mitigating actions (MMA) identified under its ICAAP, Contingency Funding Plan and ,RP processes to complete the impact analysis by assessing the adequacy of these actions to resolve the adverse impact from these scenarios. The results of the IST process are aligned with the bank's risk appetite setting at an entity and group level. The Bank incorporates the post-MMA IST results to complete its ICAAP.

Based on its ICAAP assessment, the Group maintains adequate levels of capital buffers to meet its business growth over the planning horizon as well as withstand extreme but plausible stress.

Annual Planning Cycle

Our annual budget results in an assessment of RWA and capital requirements to support the Bank's growth plans and compares this with the available Capital. The annual budget, the 3-year forecasts and the ICAAP are approved by the Board. Regular assessments of RWA, Capital resources and the capital ratios are monitored and reported to the Board.

Capital Allocation

The responsibility for Group's capital allocation principles rests with the Group's Asset & Liability Management Committee. The capital allocation disciplines are enforced through the Group Balance Sheet Management function that operates under the oversight of the Group Chief Financial Officer. Through our internal governance processes, we seek to maintain discipline over our investment and capital allocation decisions and seek to ensure that returns on capital meet the Group's management objectives. Our strategy is to allocate capital to businesses and entities to support growth objectives where above hurdle returns are identified based on their regulatory and economic capital needs.

We manage our business returns with a Risk Adjusted Return on Capital (RAROC) measure to drive higher returns while balancing risks.

7. Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's senior management and are based on arm's length rationale. Details of the transactions and balances with related parties have been disclosed in Note 29 of the consolidated financial statements for the year ended 31 December 2025.

In addition to note 29, exposures to related parties as of 31 December 2025 are as follows:

US$ Million	
Claims on shareholders*	**196**
Claims on directors & senior management	**1**
**Unfunded exposures after applying CCF.*	
Liabilities to related parties	
Connected deposits	**3,928**

The interest expense in respect of connected deposits is US$208 million.

8. Repurchase and resale agreements

Proceeds from assets sold under repurchase agreements as at 31 December 2025 amounted to US$ 9,074 million. The carrying value of securities sold under repurchase agreements at the year end amounted to US$9,230 million.

Amounts paid for assets purchased under resale agreements at the year end amounted to US$ 1,310 million and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the year end amounted to US$1,454 million.

9. Material transactions

Transactions requiring approval by the Board include large credit transactions, related party transactions and any other significant strategic, investment or major funding decisions in accordance with Board approved policies and procedures.

APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1: Post 1 January 2019 disclosure template

	Basel III Common Disclosure Template	PIR as at 31 December 2025*	Reference
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	3,104	A
2	Retained earnings	1,354	B
3	Accumulated other comprehensive income (and other reserves)	(292)	c1+c2+c3+c4+c5
4	*Not applicable*	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	286	D
6	**Common Equity Tier 1 capital before regulatory adjustments**	**4,452**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	26	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	152	E
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	25	F
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable	-	
15	Defined-benefit pension fund net assets	37	c6
16	Investments in own shares	-	
17	Reciprocal crossholdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	*of which: significant investments in the common stock of financials*	-	

** PIR: Quarterly Prudential Information Return submitted to the Central Bank of Bahrain.*

PD 1: Post 1 January 2019 disclosure template (continued)

	Basel III Common Disclosure Template	PIR as at 31 December 2025	Reference
	Common Equity Tier 1 capital: regulatory adjustments (continued)		
24	*of which: mortgage servicing rights*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**240**	
29	**Common Equity Tier 1 capital (CET1)**	**4,212**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	590	
31	*of which: classified as equity under applicable accounting standards*	590	
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	134	g
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**724**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal crossholdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	**724**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,936**	

APPENDIX I - REGULATORY CAPITAL DISCLOSURES (continued)

PD 1: Post 1 January 2019 disclosure template (continued)

	Basel III Common Disclosure Template	PIR as at 31 December 2025	Reference
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	*Directly issued capital instruments subject to phase out from Tier 2*	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	97	I
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	196	H
51	**Tier 2 capital before regulatory adjustments**	**293**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal crossholdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**293**	
59	**Total capital (TC = T1 + T2)**	**5,229**	
60	**Total risk weighted assets**	**30,785**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.7%	
62	Tier 1 (as a percentage of risk weighted assets)	16.0%	
63	Total capital (as a percentage of risk weighted assets)	**17.0%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	2.5%	
65	*of which: capital conservation buffer requirement*	2.5%	
66	*of which: bank specific countercyclical buffer requirement*	N/A	
67	*of which: G-SIB buffer requirement*	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.7%	

PD 1: Post 1 January 2019 disclosure template (continued)

Basel III Common Disclosure Template		PIR as at 31 December 2025	Reference
National minima including CBB (where different from Basel III)			
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	24	
73	Significant investments in the common stock of financials	34	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	212	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	196	H
77	Cap on inclusion of provisions in Tier 2 under standardised approach	333	
78	N/A		
79	N/A		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80	*Current cap on CET1 instruments subject to phase out arrangements*	*N/A*	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	*N/A*	
82	*Current cap on AT1 instruments subject to phase out arrangements*	*N/A*	
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	*N/A*	
84	*Current cap on T2 instruments subject to phase out arrangements*	*N/A*	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	*N/A*	

RISK MANAGEMENT (continued)

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation of Regulatory Capital

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

US$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data
Liquid funds	3,127	-
Cash and balances at central banks	-	3,275
Placements with banks and similar financial institutions	2,240	3,402
Reverse repurchase agreements and other similar secured lending	1,310	-
Financial assets at fair value through P&L	1,205	1,205
Non-trading investments	17,445	-
Investment at Amortised Cost	-	9,648
Investments at FVOCI	-	7,809
Loans and advances	20,661	20,829
Investment properties	-	-
Interest receivable	-	718
Other assets	3,687	2,757
Investments in associates and joint ventures	-	34
Goodwill and intangible assets	-	178
Property, plant and equipment	237	238
TOTAL ASSETS	**49,912**	**50,093**
Deposits from banks	4,065	7,284
Deposits from customers	26,491	23,272
Certificate of deposits issued	383	384
Repurchase agreements and other similar secured borrowing	9,074	9,074
Interest payable	-	1,180
Taxation	-	-
Other liabilities	3,239	2,043
Borrowings	1,426	1,244
Subordinated liabilities	-	-
Additional Tier 1 Instrument	590	772
TOTAL LIABILITIES	**45,268**	**45,253**
Paid-in share capital	3,110	3,110
Treasury shares	(6)	(6)
Reserves	1,024	1,024
Non - controlling interest	516	516
Expected credit losses	-	196
TOTAL SHAREHOLDERS' EQUITY	**4,644**	**4,840**

PD 2: Reconciliation of Regulatory Capital (continued)

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

US$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data	Reference
ASSETS			
Liquid funds	3,127	-	
Cash and balances at central banks	-	3,275	
Placements with banks and similar financial institutions	2,240	3,402	
Reverse repurchase agreements and other similar secured lending	1,310	-	
Financial assets at fair value through P&L	1,205	1,205	
Loans and advances	20,661	20,829	
Non-trading investments	17,445	17,456	
Of which investment NOT exceeding regulatory threshold	-	*17,456*	
Interest receivable	-	718	
Other assets	3,687	2,758	
Of which deferred tax assets arising from carryforwards of unused tax losses, unused tax credits and all other	-	*25*	*F*
Of which deferred tax assets arising from temporary differences	-	*212*	
Investments in associates and joint ventures	-	34	
Of which Significant investment exceeding regulatory threshold	-	-	
Of which Significant investment NOT exceeding regulatory threshold	-	*34*	
Goodwill and intangible assets	-	178	
Of which goodwill	-	*26*	
Of which other intangibles (excluding MSRs) phased in at 100%	-	*152*	*E*
Of which MSRs	-	-	
Property, plant and equipment	238	238	
TOTAL ASSETS	**49,912**	**50,093**	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation of Regulatory Capital (continued)

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

US$ Million	Balance Sheet as in Published Financial Statements	Consolidated PIR Data	Reference
LIABILITIES & SHAREHOLDERS' EQUITY			
Deposits from banks	4,065	7,284	
Deposits from customers	26,491	23,272	
Certificate of deposits issued	383	384	
Repurchase agreements and other similar secured borrowing	9,074	9,074	
Interest payable	-	1,180	
Taxation	-	-	
Other liabilities	3,239	2,043	
Borrowings	1,426	1,244	
Subordinated liabilities	-	-	
Of which amount eligible for TII	-	-	
Of which amount Ineligible	-	-	
Additional Tier 1 Instrument	590	772	
Of which amount eligible for AT1	-	*74*	G
Of which amount eligible for TII	-	*17*	I
Of which amount Ineligible	-	*681*	
TOTAL LIABILITIES	**45,268**	**45,253**	
Paid-in share capital	3,110	3,110	
Treasury shares	(6)	(6)	
Of which form part of CET1			
Ordinary Share Capital	3,110	3,110	A
Treasury shares	(6)	(6)	A
Reserves	1,024	1,024	
Of which form part of CET1			
Retained earnings/(losses) brought forward	*1,354*	*1,354*	*B*
Net profit for the current year	*257*	*257*	*C1*
Legal reserve	*598*	*598*	*C2*
General (disclosed) reserves	*100*	*100*	*C3*
Fx translation adjustment	*(1,326)*	*(1,326)*	*C4*
Cumulative changes in fair value	*79*	*79*	*C5*
Pension fund reserve	*(38)*	*(37)*	*C6*
Non - controlling interest	516	516	
Of which amount eligible for CETI	-	*286*	*D*
Of which amount eligible for ATI	-	*60*	*G*
Of which amount eligible for TII	-	*80*	*I*
Of which amount ineligible	-	*90*	
Expected credit losses	-	196	
Of which amount eligible for TII (Maximum 1.25% of RWA)	-	*196*	*H*
Of which amount Ineligible	-	-	
TOTAL SHAREHOLDERS' EQUITY	**4,644**	**4,840**	

PD 3: Main features of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments					
1	Issuer	Arab Banking Corporation	Arab Banking Corporation	Arab Banking Corporation	Banco ABC Brasil
2	Unique identifier	ABC	XS2426192261	XS3196129988	LFSC24000 (series with various suffixes)
3	Governing law(s) of the instrument	Laws of Bahrain	English and Bahrain Law	English and Bahrain Law	Laws of the Federative Republic of Brazil
Regulatory treatment					
4	Transitional CBB rules	Common Equity Tier 1	N/A	N/A	N/A
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Group & Solo	Group & Solo	Group & Solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Common equity shares	Perpetual NC 6 Additional Tier 1 Capital Securities	Perpetual NC 5.5 Additional Tier 1 Capital Securities	Perpetual NC 5, Sub-ordinated to all except Shareholders' Equity
8	Amount recognised in regulatory capital (Currency in million, as at most recent reporting date)	US$3,110	US$390	US$ 200	BRL 1,078 million (of which US$ 74 million equivalent eligible for AT1)
9	Par value of instrument	1	1	1	300,00
10	Accounting classification	Shareholders equity	Shareholders equity	Shareholders equity	Liability- Amortised cost
11	Original date of issuance	Various	28th March 2022	9th October 2025	Various
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	28th March 2028 and every interest payment date thereafter	9th April 2031 and every interest payment date thereafter	Yes
16	Subsequent call dates, if applicable	N/A	Every interest payment date after the first call date	Every interest payment date after the first call date	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating (Dividend as decided by the shareholders)	Fixed	Fixed	Floating
18	Coupon rate and any related index	N/A	N/A	8% Fixed	1.09 times the current Selic Rate of 14.9% p.a.
19	Existence of a dividend stopper	N/A	Yes	Yes	No

RISK MANAGEMENT (continued)

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

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

Disclosure template for main features of regulatory capital instruments					
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	Non-Viability Event	N/A	N/A
25	If convertible, fully or partially	N/A	Fully	N/A	N/A
26	If convertible, conversion rate	N/A	Conversion Price as defined	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	Mandatory	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	Ordinary Shares	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	ABC	N/A	N/A
30	Write-down feature	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	Point of Non-Viability	CET 1 at 5.125% or below*
32	If write-down, full or partial	N/A	N/A	Full or partial as determined	Fully discretionary
33	If write-down, permanent or temporary	N/A	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all depositors and creditors (including subordinated debt) of the Bank	Subordinated to all senior obligations of the bank and in priority to the Junior obligations (such as equity shares).	Subordinated to all senior obligations of the bank and in priority to the Junior obligations (such as equity shares).	AT1 capital bills
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

*AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the Brazilian local regulations and Basel Standards. The equivalent trigger under CBB rules stands at 7%.

03

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

(All figures stated in US Dollars unless otherwise indicated)

Arab Banking Corporation B.S.C. ("Bank ABC") follows internationally-recognised best practice principles and guidelines, having in place a corporate governance system that provides an effective and transparent control framework that is fair and accountable.

The Central Bank of Bahrain ("CBB") licenses Bank ABC as a conventional wholesale bank. Incorporated in 1980 as a Bahrain joint stock company, Bank ABC has an authorised capital of US$4.5 billion and a paid-up capital of US$3.11 billion as at 31 December 2025 (31 December 2024: US$3.11 billion).

Bank ABC communicates all relevant information to stakeholders punctually and clearly through a variety of channels, including a well-maintained website. In particular, it reports its profits on an annual, semi-annual and quarterly basis.

At least the last five years' consolidated financial statements are available on the Bank ABC corporate website.

Shareholders

Bank ABC's shares have been listed on the Bahrain Bourse since 1990. The Central Bank of Libya ("CBL"), one of Bank ABC's founding shareholders, owns a majority of the shares. The CBL increased its shareholding to 59.37% in 2010 by participating in that year's capital increase and acquiring the Abu Dhabi Investment Authority's 17.72% shareholding. The Kuwait Investment Authority, another of Bank ABC's founding shareholder, continues to own 29.69% of the shares. Each of the foregoing shareholders is either a governmental entity or is (directly or indirectly) owned by a governmental entity in its jurisdiction of establishment. International and regional investors hold the remaining shares of Bank ABC.

The following table shows the ownership structure of Bank ABC as at 31 December 2025:

Name of Shareholder	Percentage Shareholding	Nationality
Central Bank of Libya	59.37%	Libyan
Kuwait Investment Authority	29.69%	Kuwaiti
Other shareholders with less than 5% holdings	10.94%	Various
Total	**100%**	

The following table shows the distribution of shareholdings as at 31 December 2025 and 31 December 2024.

	2025			2024		
% of shares held	No. of shares	No. of shareholders	% of total outstanding shares	No. of shares	No. of shareholders	% of total outstanding shares
less than 1%	**128,344,432**	**1,344**	**4.1**	128,344,432	1,329	4.1
1% up to less than 5%	**211,976,668**	**3**	**6.8**	211,976,668	3	6.8
5% up to less than 10%	**-**	**-**	**-**	-	-	-
10% up to less than 20%	**-**	**-**	**-**	-	-	-
20% up to less than 50%	**923,289,191**	**1**	**29.7**	923,289,191	1	29.7
50% and above	**1,846,389,709**	**1**	**59.4**	1,846,389,709	1	59.4
Total	**3,110,000,000**	**1,339**	**100**	3,110,000,000	1,334	100

Bank ABC's Corporate Governance Charter

In 2010, the CBB substantially updated its corporate governance requirements (particularly the CBB Rulebook's High Level Controls Module) for financial institutions, which are incorporated in Bahrain (the "CBB Corporate Governance Requirements") and most recently updated via revisions to the High-Levels Control (HC) Module in April 2023, which came into effect from 1st October 2023. Such regulatory requirements largely correspond with the Corporate Governance Code of Bahrain of 2022 (the "Code"), which is issued by the Ministry of Industry and commerce. The Board of Directors adopted the Bank ABC Corporate Governance Charter in December 2010 (the "Corporate Governance Charter"), which substantially reflects the CBB Corporate Governance Requirements and the Code as they have evolved. Bank ABC reviews on a regular basis the Corporate Governance Charter and, whenever required, makes the necessary and appropriate amendments. The Corporate Governance Charter is published on the Bank ABC corporate website and deals with a number of corporate governance related matters, including:

- the role and responsibilities of the Board and its committees;
- the responsibilities of Directors to Bank ABC and the shareholders;
- the appointment, training and evaluation of the Board;
- remuneration of the Board and of Bank ABC employees;
- Bank ABC's management structure;
- communications with shareholders and the disclosure of information to relevant stakeholders; and
- the detailed mandates of each of the committees of the Board.

CORPORATE GOVERNANCE (continued)

Recent Corporate Governance Changes

During 2025, and in line with Bank ABC's ongoing commitment to maintaining alignment with evolving regulatory requirements and leading corporate governance practices, amendments were approved to the Board Audit Committee Charter ("BACC") during the Board of Directors meeting held in 17 November 2025 to formally incorporate the Committee's oversight role in relation to Environmental, Social and Governance ("ESG") reporting to ensure consistent Group-wide governance coverage across all units. Consequent to these updates, corresponding amendments were also made to the Corporate Governance Charter, which consolidates the governance charters of the Group within a single overarching framework. Furthermore, during 2025 the Board approved revisions to the Board Compliance Charter to update the independence composition requirement of the Committee.

In addition, during 2025 the Board reconstituted the Board Audit Committee through the appointment of an additional Independent Director, thereby ensuring continued compliance with the Central Bank of Bahrain ("CBB") requirements under Rule HC-3.4.2(c), which stipulate that the Committee shall comprise a majority of Independent Directors.

Compliance with CBB Corporate Governance Requirements and the Code

Bank ABC was compliant with the CBB Corporate Governance Requirements and the Code as at 31 December 2025, save that the Chairman of the Board is not an independent Director. Notwithstanding the foregoing, the Bank was compliant in all other respects relating to Board and Committee composition, meetings held during the year, and Directors' attendance.

Board of Directors

Responsibilities of the Board

Bank ABC has previously adopted both a corporate governance charter for the Board and charters for the various Board committees (the "Bank ABC Board Mandates"). The Bank ABC Board Mandates are displayed on the Bank ABC corporate website. The Board of Directors is responsible for the overall direction, supervision and control of the Bank ABC Group. In particular, the Board's responsibilities include (but are not limited to):

a. those responsibilities assigned to the Board by the Articles of Association of Bank ABC;
b. establishing Bank ABC's objectives;
c. Bank ABC's overall business performance;
d. monitoring management performance;
e. the adoption and annual review of strategy;
f. monitoring the implementation of strategy by management;
g. causing financial statements to be prepared which accurately disclose Bank ABC's financial position;
h. convening and preparing the agenda for shareholder meetings;
i. monitoring conflicts of interest and preventing abusive related-party transactions;
j. assuring equitable treatment of shareholders, including minority shareholders;
k. the adoption and review of management structure and responsibilities;
l. the adoption and review of the systems and controls framework; and
m. overseeing the design and operation of the remuneration systems of the Bank ABC Group and ensuring that such systems are not primarily controlled by the executive management of the Bank ABC Group.

The Board meets regularly to consider key aspects of the Group's affairs, strategy and operations.

The Board exercises its responsibilities for best practice management and risk oversight mainly through the Board Risk Committee, which oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards and risk policies.

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines are necessary to enable the preparation of the consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

The current Board consists of nine Directors from diverse backgrounds, **serving a three-year term commencing on 16 March 2025.**

Appointment of Directors

The shareholders appoint the Board for a term of three years, with the current term of the Board commencing on 16 March 2025 and terminating in March 2028, the date of the annual general meeting. At the 2025 year end, there were nine Directors on the Board, with diverse and relevant skills, who worked well together as a team. Collectively, they exercised independent and objective judgement in meeting their responsibilities. Currently, all Directors are male (100%).

In accordance with Bank ABC's Articles of Association, a shareholder or group of shareholders holding 25% or more of the share capital may nominate Directors proportionate to their respective shareholdings. Other Directors are elected.

In accordance with the Bank ABC Board Mandates, each proposal for the election or re-election of a Director shall be accompanied by a recommendation of the Board, and a summary of the advice of the Remuneration Committee (see the description of role of the Corporate Governance Committee in this report).

The Board also has the power under Bank ABC's Articles of Association to appoint new directors and fill any Board vacancies that may arise, subject to such appointments being subsequently ratified by shareholders.

When a new Director is inducted, the Chairman, or Bank ABC's Board Secretary or Compliance Officer, or other individual delegated by the Chairman, reviews the Board's role and duties with that person. In particular, they describe the legal and regulatory requirements of the Bank ABC Board Mandates, the Code and the CBB Corporate Governance Requirements. The Chairman of the Board (or other individual delegated by the Chairman of the Board) ensures that each new Director is provided with a comprehensive induction pack providing requisite materials to ensure his contribution to the Board from the beginning of his term.

Bank ABC has a written appointment agreement with each Director. This describes the Director's powers, duties, responsibilities and accountabilities, as well as other matters relating to his appointment including his term, the time commitment envisaged, the Board committee assignments (if any), Directors' remuneration and expense reimbursement entitlement, and Directors' access to independent professional advice when needed.

Biographies of the Board of Directors are included on Page 34.

Assessment of the Board

The Bank ABC Board Mandates require that the Board evaluates its own performance each year, as well as the performance of each Board committee and individual Director. This evaluation includes:

a. assessing how the Board operates;

b. evaluating the performance of each Board committee in light of its specific purposes and responsibilities, which shall include reviews of the self-evaluations undertaken by each Board committee;

c. reviewing each Director's work, his attendance at Board and Board committee meetings, and his constructive involvement in discussions and decision making;

d. reviewing the Board's current composition against its desired composition in order to maintain an appropriate balance of skills and experience, and to ensure planned and progressive refreshing of the Board; and

e. recommendations for new Directors to replace long-standing Directors, or those Directors whose contribution to Bank ABC or its Board committees (such as the Group Audit Committee) is not adequate.

The Board has conducted an evaluation and self-assessment of its performance, and the performance of each Board committee and each individual Director in relation to the financial year ended on 31 December 2025.

CORPORATE GOVERNANCE (continued)

Independence of Directors

The Bank ABC Board Mandates include detailed criteria to determine whether a Director should be classified as independent or not. The Bank ABC independence criteria are at least as restrictive as the formal criteria specified in the CBB Corporate Governance Requirements.

Bank ABC had four independent, non-executive Directors and five non-independent, non-executive Directors as at 31 December 2025. The CBB Corporate Governance Requirements require that at least one-third of Bank ABC's Board of Directors is independent and also require that certain Board committees (including the Group Audit Committee, the Corporate Governance Committee, the Remuneration Committee, Group Compliance Committee, and Board Risk Committee) be comprised of a certain number of Directors, a certain proportion of independent Directors and/or that such Board committees be chaired by an independent Director. Save as may otherwise be disclosed in this section, Bank ABC is now fully compliant with such requirements. The CBB Corporate Governance Requirements also state that it is preferable for the Chairman of the Board to be an independent Director, whereas the Chairman of the Board is, in fact, classified as a non-executive, non-independent Director.

As a rule, Directors do not have any direct or indirect material interest in any contract of significance with Bank ABC, or any of its subsidiaries, or any material conflicts of interest. This remained the case in 2025.

The Bank ABC Board Mandates require that any transaction that causes a Director to have a material conflict of interest must be unanimously approved by the Board (other than the relevant Director). Each Director is required to inform the entire Board of any actual, or potential, conflicts of interest in their activities with, or commitments to, other organisations as they arise, and to abstain from voting on these matters. Such disclosures shall include all material facts.

Each Director has a legal duty of loyalty to Bank ABC, and can be personally sued by Bank ABC or shareholders for any violation.

The Board has **four independent, non-executive Directors and five non-independent, non-executive Directors.**

Compensation & Interests of Directors

The remuneration structure for the Board of Directors is determined in accordance with directors' remuneration policy (the "**Remuneration Policy**") of Bank ABC. The Remuneration Policy was first adopted by the Annual General Meeting on 21 March 2021 (and renewed for three years during the Annual General Meeting held on 16 March 2025) in accordance with Article 28 (b) of the Articles of Association of Bank ABC, based on a proposal of the Board of Directors of Bank ABC. The Remuneration Policy is intended to remain in force until 2028.

The objective of the Remuneration Policy, amongst others, is for Bank ABC to be able to (at all times) to attract, retain, and motivate Directors of skills and expertise commensurate with the complexity and diversification of its global business and be able at the same time to provide value to such Directors in return of their value to Bank ABC.

The remuneration structure for the Board of Directors is composed of a flat fee (the "**Flat Fee**"), which is easy to manage, but also competitive enough to motivate Directors' behavior and attract and retain the quality needed to run Bank ABC successfully. Such Flat Fee is composed of a monthly cash retainer (the "**Retainer**[1]"); attendance fees payable to Directors attending different Board and Board Committee meetings ("**Attendance Fees**[2]"); and allowances to cover travelling, accommodation and subsistence costs incurred in connection with attending Board and Board Committee meetings ("**Allowances**").

[1]This is referred to in the following table, according to the MOIC disclosure tables as "Remunerations of the chairman and BOD".
[2]This is referred to in the following table, according to the MOIC disclosure tables as "Total allowance for attending Board and committee meetings".

The aggregate remuneration paid to Board Members in 2024 amounted to US$3,183,872 (2024: US$2,148,303), which was divided between the three elements as follows:

	Fixed remunerations					Variable remunerations							
Name	Remunerations of the Chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the Chairman and BOD	Bonus	Incentive plans	Others	Total	**End-of-service award**	**Aggregate amount** (Does not include expenses allowance)	**Expenses Allowance**
First: Independent Directors:													
Mr. Abdullah Al Humaidhi[1]	40,339	3,000	-	11,444	54,783	-	-	-	-	-	-	-	-
Dr. Ibrahim El Danfour[3]	174,150	36,000	-	223,902	434,052	-	-	-	-	-	-	-	-
Dr. Khaled Kawan[1]	40,339	4,500	-	-	44,839	-	-	-	-	-	-	-	-
Mr. Manaf Al Hajiri[2]	115,970	31,500	-	100,312	247,782	-	-	-	-	-	-	-	-
Dr. Marouane El Abassi[2]	121,415	34,500	-	147,171	303,086	-	-	-	-	-	-	-	-
Mr. Khalil Nooruddin[3]	169,711	30,000	-	55,235	254,946	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
H.E. Mr. Naji Belgasem[2]	160,574	13,500	-	92,914	266,988	-	-	-	-	-	-	-	-
Mr. Abdulaziz Alhudaib[2]	133,811	19,500	-	113,302	266,613	-	-	-	-	-	-	-	-
Mr. Amer Karkar[2]	102,589	18,000	-	98,314	218,903	-	-	-	-	-	-	-	-
Mr. Ashraf Mukhtar[1]	32,869	3,000	-	22,545	58,414	-	-	-	-	-	-	-	-
Mr. Edrees Ahmad[2]	111,509	21,000	-	105,486	237,995	-	-	-	-	-	-	-	-
Ms. Huda Al Mousa[1]	37,351	4,500	-	5,722	47,573	-	-	-	-	-	-	-	-
Mr. Mohamed Hassadi[2]	120,430	30,000	-	167,444	317,874	-	-	-	-	-	-	-	-
Mr. Mohammad Saleem[1]	44,821	3,000	-	11,444	59,265	-	-	-	-	-	-	-	-
Mr. Saddek Omar El Kaber[1]	53,785	3,000	-	22,545	79,330	-	-	-	-	-	200,000	-	-
Dr. Tarik Yousef[1]	40,339	6,000	-	45,091	91,429	-	-	-	-	-	-	-	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,500,000**	**261,000**	**-**	**1,222,872**	**2,983,872**	**-**	**-**	**-**	**-**	**-**	**200,000**	**-**	**-**

** Travel and accommodation expenses*
[1] Retired in March 2025.
[2] Appointed in March 2025
[3] Re-appointed in March 2025

Note: The aggregate remuneration paid to the members of the Remuneration Committee with respect to their membership of such committee for the year 2025 was US$29,528, which sum is included in the Retainer fee (2024: US$20,000). No Director owned or traded Bank ABC shares in 2025.

CORPORATE GOVERNANCE (continued)

Board Committees

The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its committees and all Directors have access to senior management, external consultants and advisors, as required. The Board Secretary is responsible for ensuring that the Board procedures, and applicable rules and regulations, are observed.

The Board has delegated specific responsibilities to a number of Board committees. Each such committee has its own formal written charter, which is set out in full in the Corporate Governance Charter. The main Board committees are:

- The **Board Risk Committee**, which is responsible for the review and approval of the Group's Credit and Risk Policies, including the risk appetite statement (RAS). The Committee reviews and makes recommendations to the Board regarding the annual risk strategy/appetite, within which business strategy, objectives and targets are formulated. The Committee delegates authority to senior management to conduct day-to-day business within the prescribed policy and strategy parameters, while ensuring that processes and controls are adequate to manage the Group's Risk Policies and Strategy. The Board Risk Committee meets not less than three times a year.
- The **Board Corporate Governance Committee**, which assists the Board in shaping and monitoring the Group's Corporate Governance policies and practices, reviewing and assessing the adequacy of these policies and practices, and evaluating the Group's compliance with them. The Corporate Governance Committee meets not less than once a year.
- The **Group Board Audit Committee**, which is responsible to the Board for the integrity and effectiveness of the Group's system of financial and internal controls. This Committee also recommends the appointment, compensation and oversight of the external auditors, as well as the appointment of the Group Chief Internal Auditor. The Group Audit Committee meets not less than four times a year.
- The **Board Remuneration Committee**, which is responsible for the formulation of the Group's executive and staff remuneration policy, as well as senior management appointments, ensuring that Bank ABC's remuneration levels remain competitive so it can attract, develop and retain the skilled staff needed to meet its strategic objectives. The Committee also ensures that the remuneration policy and philosophy of Bank ABC and the ABC Group are aligned with Bank ABC's long-term business strategy, business objectives, risk appetite, values and long-term interests, while recognising the interests of relevant stakeholders. The Remuneration Committee meets not less than twice per year.
- The **Group Board Compliance Committee**, which is responsible to the Board for monitoring compliance of the Group in the various countries in which the Group operates. The Committee also assists the Board in discharging its governance and oversight responsibilities for the Compliance risk management framework of Bank ABC and of Bank ABC's compliance with applicable laws and regulations on a group wide basis. The Group Compliance Committee meets not less than four times a year.
- Ad Hoc Committees, such as the **Strategy Committee**. The Board has also delegated specific responsibilities for reviewing and overseeing the implementation of the strategy for Bank ABC and the Bank ABC Group to an ad-hoc Board Strategy Committee which shall meet as required to be effective. In 2025, no Committee meeting was held, however, the Board had a dedicated session on strategy.

As at 31 December 2025, the current members of each of the Board committees were as set out in the following table:

Board Committee	Member Name	Member Position	Classification of Director
Board Risk Committee	Mr. Khalil Nooruddin	Chairman	Independent
	Mr. Manaf AlHajeri	Member	Independent
	Dr. Marouane El Abassi	Member	Independent
	Mr. Abdulaziz Alhudaib	Member	Non-Independent
	Dr. Ibrahim El Danfour	Member	Independent
Board Corporate Governance Committee	Dr. Marouane El Abassi	Chairman	Independent
	Mr. Manaf AlHajeri	Member	Independent
	Mr. Mohamed Hassadi	Member	Non-Independent
Group Board Audit Committee	Dr. Ibrahim El Danfour	Chairman	Independent
	Mr. Khalil Nooruddin	Member	Independent
	Mr. Edrees Ahmad	Member	Non-Independent
	Mr. Mohamed Hassadi	Member	Non-Independent
	Dr. Marouane El Abassi	Member	Independent
Board Remuneration Committee	Mr. Manaf AlHajeri	Chairman	Independent
	Dr. Marouane El Abassi	Member	Independent
	Dr. Ibrahim El Danfour	Member	Non-Independent
	Mr. Amer Karkar	Member	Independent
Group Board Compliance Committee	Dr. Ibrahim El Danfour	Chairman	Independent
	Mr. Khalil Nooruddin	Member	Independent
	Mr. Edrees Ahmad	Member	Non-Independent
	Mr. Mohamed Hassadi	Member	Non-Independent
Strategy Committee	Mr. Naji Belgasem	Chairman	Non-Independent
	Mr. Abdulaziz Alhudaib	Member	Non-Independent
	Dr. Marouane El Abassi	Member	Independent
	Mr. Mohamed Hassadi	Member	Non-Independent
	Mr. Khalil Nooruddin	Member	Independent

CORPORATE GOVERNANCE (continued)

Attendance of Directors

The details of Directors' 2025 attendance at Board and Board committee meetings are set out in the following table:

Board Members	Board Meetings	Board Risk Committee	Board Corporate Governance Committee	Group Board Audit Committee	Board Remuneration Committee	Group Board Compliance Committee
Mr. Saddek Omar El Kaber Chairman	2(9)[3]	N/A	N/A	N/A	N/A	N/A
Mr. Mohammad Saleem Deputy Chairman	1(9)[4]	1(6)[5]	N/A	N/A	N/A	N/A
Mr. Abdallah Al Humaidhi Director	1(9)[6]	1(6)[7]	1(11)[8]	N/A	1(4)[9]	N/A
Dr. Khaled Kawan Director	2(9)[10]	1(6)[11]	1(11)[12]	N/A	1(4)[13]	N/A
Mr. Ashraf Mukhtar Director	2(9)[14]	N/A	N/A	N/A	N/A	N/A
Ms. Huda AlMousa Director	2(9)[15]	N/A	N/A	1(2)[16]	N/A	1(6)[17]
Dr. Tarik Yousef Director	2(9)[18]	N/A	1(11)[19]	2(2)[20]	N/A	2(6)[21]
H.E. Mr. Naji Belgasem Chairman	7(9)[22]	N/A	N/A	N/A	N/A	N/A
Mr. Abdulaziz Alhudaib Deputy Chairman	6(9)[23]	5(6)[24]	N/A	N/A	N/A	N/A
Dr. Ibrahim El Danfour Director	9(9)	6(6)	N/A	6(6)	4(4)	6(6)
Mr. Khalil Nooruddin Director	9(9)	6(6)	N/A	6(6)	N/A	6(6)
Mr. Manaf Alhajeri Director	7(9)[25]	5(6)[26]	10(11)[27]	N/A	3(4)[28]	N/A

[3] The Director resigned from the Board on 16 March 2025.
[4] The Director resigned from the Board on 16 March 2025.
[5] The Director resigned from the Board Risk Committee on 16 March 2025.
[6] The Director resigned from the Board on 16 March 2025.
[7] The Director resigned from the Board Risk Committee on 16 March 2025.
[8] The Director resigned from the Corporate Governance Committee on 16 March 2025.
[9] The Director resigned from the Remuneration Committee on 16 March 2025.
[10] The Director resigned from the Board on 16 March 2025.
[11] The Director resigned from the Board Risk Committee on 16 March 2025.
[12] The Director resigned from the Corporate Governance Committee on 16 March 2025.
[13] The Director resigned from the Remuneration Committee on 16 March 2025.
[14] The Director resigned from the Board on 16 March 2025.
[15] The Director resigned from the Board on 16 March 2025.
[16] The Director resigned from the Board Audit Committee on 16 March 2025.
[17] The Director resigned from the Board Compliance Committee on 16 March 2025.
[18] The Director resigned from the Board on 16 March 2025.
[19] The Director resigned from the Corporate Governance Committee on 16 March 2025.
[20] The Director resigned from the Board Audit Committee on 16 March 2025.
[21] The Director resigned from the Board Compliance Committee on 16 March 2025.
[22] The Director was appointed on 16 March 2025.
[23] The Director was appointed on 16 March 2025.
[24] The Director was appointed to the Board Risk Committee on 18 March 2025.
[25] The Director was appointed on 16 March 2025.
[26] The Director was appointed to the Board Risk Committee on 18 March 2025.
[27] The Director was appointed to the Corporate Governance Committee on 18 March 2025.
[28] The Director was appointed to the Remuneration Committee on 18 March 2025.

Board Members	Board Meetings	Board Risk Committee	Board Corporate Governance Committee	Group Board Audit Committee	Board Remuneration Committee	Group Board Compliance Committee
Dr. Marouane El Abassi Director	7(9)[29]	5(6)[30]	10(11)[31]	1(6)[32]	3(4)[33]	N/A
Mr. Mohamed Hassadi Director	7(9)[34]	N/A	10(11)[35]	4(6)[36]	N/A	4(6)[37]
Mr. Amer Karkar Director	7(9)[38]	N/A	N/A	N/A	3(4)[39]	N/A
Mr. Edrees Ahmad Director	7(9)[40]	N/A	N/A	4(6)[41]	N/A	4(6)[42]

Figures in brackets indicate the maximum number of meetings during the period of membership. "N/A" indicates that a Director was not a member of the relevant Board committee during 2025.

Meeting Dates During 2025:

The Board and its committees meet as frequently as is necessary for them to discharge their respective responsibilities, but the Board meets no less than four times a year. The Group Audit Committee meets no less than four times a year, the Remuneration Committee meets no less than twice a year, the Board Risk Committee meets no less than three times a year, the Corporate Governance Committee meets no less than once a year, and the Group Compliance Committee meets no less than four times a year.

The Board Strategy Committee meets as required to be effective. In 2025, no Committee meeting was held, however, the Board had a dedicated session on strategy during on 13 and 14 June 2025.

[29] The Director was appointed on 16 March 2025.
[30] The Director was appointed to the Board Risk Committee on 18 March 2025.
[31] The Director was appointed to the Corporate Governance Committee on 18 March 2025.
[32] The Director was appointed to the Board Audit Committee on 18 March 2025.
[33] The Director was appointed to the Remuneration Committee on 18 March 2025.
[34] The Director was appointed on 16 March 2025.
[35] The Director was appointed to the Corporate Governance Committee on 18 March 2025.
[36] The Director was appointed to the Board Audit Committee on 18 March 2025.
[37] The Director was appointed to the Board Compliance Committee on 18 March 2025.
[38] The Director was appointed on 16 March 2025.
[39] The Director was appointed to the Remuneration Committee on 18 March 2025.
[40] The Director was appointed on 16 March 2025.
[41] The Director was appointed to the Board Audit Committee on 18 March 2025.
[42] The Director was appointed to the Board Compliance Committee on 18 March 2025.

CORPORATE GOVERNANCE (continued)

The details of the dates of the Board and Board committee meetings in 2025 are set out below:

	Dates of Meetings
The Board	09 February 2025 16 March 2025 18 March 2025 25 May 2025 13 June 2025, 14 June 2025 21 July 2025 14 September 2025 16 November 2025, 17 November 2025 14 December 2025
Board Risk Committee	05 February 2025 30 April 2025 06 May 2025 21 August 2025 29 September 2025 06 November 2025
Board Corporate Governance Committee	08 February 2025 20 July 2025 22 July 2025 29 July 2025 25 August 2025 09 September 2025 17 September 2025 09 October 2025 26 October 2025 12 November 2025 13 December 2025
Group Board Audit Committee	05 February 2025 10 March 2025 05 May 2025 07 August 2025 30 October 2025 07 December 2025
Board Remuneration Committee	08 February 2025 20 July 2025 13 November 2025 13 December 2025
Group Board Compliance Committee	05 February 2025 10 March 2025 05 May 2025 07 August 2025 30 October 2025 07 December 2025

Internal Controls

The Board of Directors is responsible for establishing and reviewing the Group's system of internal control. The Board receives minutes and reports from the Board Risk Committee ("BRC"), the Board Audit Committee and the Board Compliance Committee, identifying any significant issues relating to the adequacy of the Group's risk management policies and procedures, as well as reports and recommendations from the Corporate Governance Committee and the Remuneration Committee for any needed decision making and action(s) at their end.

Management informs the Board regularly about how the Group is performing versus budget, identifying major business issues and examining the impact of the external business, economic and regulatory environment.

Day-to-day responsibility for internal control rests with management. The key elements of the process for identifying, evaluating, and managing the significant risks faced by the Group can be summarised as:

- **well-defined management structure with clear authorities and delegation of responsibilities, documented procedures and authority levels to ensure that all material risks are properly assessed and controlled;**

- **internal control policies that require management to identify major risks, and to monitor the effectiveness of internal control procedures for adequate reporting and mitigation;**

- **robust compliance function, exercised through Group Compliance reports to the Board Compliance Committee over Compliance Risks; and**

- **Group Audit function, which reports to the Group Audit Committee on the effectiveness of key internal controls in relation to the major risks faced by the Group, and conducts reviews of the efficacy of management oversight regarding delegated responsibilities, as part of its regular risk based and regulatory audits of Group departments and business units;**

- **comprehensive planning and budgeting process that delivers detailed annual financial forecasts and targets for Board approval; and**

- **Group Risk Management function, comprising overarching Head Office risk management committees and a dedicated risk management function supporting the Group.**

Management Structure

The Group Chief Executive Officer, supported by Head Office management, is responsible for managing the day-to-day operations of Bank ABC. There is a clear segregation of duties in the management structure at Bank ABC.

Senior managers did not hold or trade any shares in Bank ABC during 2025.

The management organisation chart is included on Page 17.

Compliance

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or reputational damage the Bank may suffer as a result of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Group must by law comply with, or which it voluntarily adheres to.

Bank ABC is committed to maintaining the highest standards of ethical and professional conduct, including complying with all applicable rules and regulations. The Group Chief Compliance Officer (GCCO), together with the Heads of Compliance and Money Laundering Reporting Officers Group-wide, support the Board and Senior Management in effectively managing the Bank's compliance risks.

The Bank has a dedicated Group Board Compliance Committee (BCC). The GCCO reports directly to the BCC and administratively to the Acting Group Chief Executive Officer (AGCEO). The Group Compliance Oversight Committee (GCOC) is the Senior Management committee established by the BCC, that oversees compliance risk management Group-wide.

CORPORATE GOVERNANCE (continued)

To support the GCOC, Compliance and Financial Crime Committees (CFCCs) operate in each jurisdiction and report to their respective BCCs or equivalent local governance bodies.

As detailed in the Group's Risk Appetite Statement, the Bank has no tolerance for regulatory breaches that are intentional or due to gross negligence. In addition, the Bank has no appetite for the facilitation, aiding or abetting of any form of criminal activity.

It is recognised that operational risk, including Compliance Risk, is inherent in business operations, processes and systems and that inadvertent errors may occur. Nevertheless, the Bank is committed to conducting business in compliance with regulatory requirements and implementing appropriate risk management and risk mitigation mechanisms to ensure that a robust compliance culture is embedded within the organisation.

The Bank continues to enhance its compliance framework by investing in systems and the capabilities of the Compliance Function.

External Auditors

1. In 2025, the Bank ABC Group paid its external auditors US$3,477,000 in audit fees on a global basis.
2. Non-audit services were specifically pre-approved by the Audit Committee and provided by the external auditors including, but not limited to, anti money laundering reviews, prudential information reports reviews, quarterly reviews and tax-related services amount to US$1,106,000 on a global basis.
3. Ernst & Young have expressed their willingness to continue as the auditors of the Group for the year ending 31 December 2026. Bank ABC's management, based on evaluation of services provided by its external auditors, has recommended the appointment of Ernst & Young and a resolution proposing their reappointment will be presented at the annual general meeting to be held in March 2026.

Policy on the Employment of Relatives and Approved Persons

Bank ABC has a Board approved Policy on Employment of Relatives and Connected Persons. This Policy aims to ensure that Bank ABC has transparency in relation to the employment of relatives and Connected Persons in order to prevent actual, or perceived, conflicts of interest.

The Policy sets out that no relatives or near relatives of any Bank ABC employee, Executive or Board Member may enter into employment with Bank ABC. Exceptional approvals may be granted by an independent panel following a full and fair selection process.

Remuneration Policies of Bank ABC in Compliance with the Requirements of the CBB

Senior management and staff receive compensation based on several fixed elements, covering salary, allowances and benefits, as well as variable, performance-related elements.

In January 2014, the Central Bank of Bahrain (CBB) issued new rules relating to the remuneration of approved persons and material risk-takers and others, which were subsequently amended later during 2014 (the "CBB Sound Remuneration Practices"), with recent amendments via CBB HC Module in April 2023. Bank ABC has implemented remuneration policies and procedures to cover Bank ABC, ila Bank and Bank ABC Islamic, which are compliant with the CBB Remuneration Rules.

Bank ABC reviewed its remuneration practices and redesigned its variable compensation scheme in order to be fully compliant with the CBB's requirements. Key changes to Bank ABC's remuneration systems and governance processes were made to comply with the CBB regulations and included:

i. Ensuring the risk framework is extensive and captured in decisions around variable pay, including confirming risk-adjustments to any bonus pool.

ii. Separating control functions from the Group bonus pool and ensuring they are measured independently from the businesses they oversee.

iii. Introducing an equity-linked vehicle in which to deliver the appropriate amount of variable remuneration for covered persons.

iv. Introducing deferral arrangements that defer the appropriate amount of variable remuneration for the Acting Group Chief Executive Officer (AGCEO), deputies, top five most highly-paid business line employees, material risk takers and approved persons.

v. Introducing clawback and malus policies that apply to variable remuneration.

While maintaining the same Variable Compensation Scheme (VCS) and bonus multiples tables, further changes to the Employees' Performance Management System were introduced in early 2016 to encourage behaviours that will help fulfil the Group's strategic goals. Variable pay now depends on a more extensive matrix of factors, rather than just the income generated. These added factors facilitate measuring the quality of the income rather than just its magnitude. In addition, other non-financial factors have also been added as part of the performance matrix.

The Remuneration Committee (RemCo) reviews and approves Bank ABC's remuneration policy structure on an annual basis. Where rules on compensation exist in other jurisdictions in which Bank ABC operates, Bank ABC's Group policy is to take necessary steps to comply with local market regulations that are applicable to our foreign subsidiaries and branches. Where no rules are applicable, ABC adopts best local market practices.

A distinct and separate bonus pool has been created to reinforce the safeguarding role and independence of staff in Control Functions, and is measured by the impact and quality of their safeguarding role. These measures are based on department-specific objectives and targets, which are independent of company financial performance.

Bank ABC conducts business within a set of overarching goals and limits that, together, define its risk appetite and tolerance. This is approved by the Board Risk Committee as part of the Group Risk Strategy, which complements the budgets and strategic plans proposed by the business. The Bank's bonus pool is subject to potential adjustments based on the review of the RemCo, in the respect of the approved risk appetite, risk tolerance and risk policies during the fiscal year.

Variable compensation and performance management are linked. Performance expectations are clearly articulated for revenue-generating, support and control functions. Individual bonus payments reflect Group, business unit and individual performance.

Bank ABC has adopted a remuneration deferral policy in line with the CBB Sound Remuneration Practices. This defers a required amount of the variable remuneration for the AGCEO, deputies, top five most highly-paid business line employees, defined material risk takers and approved persons.

Bank ABC has also adopted a malus policy, which allows any form of deferred variable remuneration to be reduced or cancelled in specific and exceptional circumstances. Exceptional circumstances are defined as material events. They may include a material restatement of the Bank's financial statements, the discovery of significant failures in risk management or exposure to material financial losses at Group, business unit or individual level. In respect of unvested awards, and depending on each specific circumstance, malus may be applied to either that portion of unvested awards linked to the performance year in question or the total outstanding set of unvested awards.

A clawback policy has been introduced to allow Bank ABC to recover part, or all, of the awards already paid to an employee or former employee if a material event is discovered. Clawback provisions may be enforced upon the discovery of an employee's, or former employee's,

CORPORATE GOVERNANCE (continued)

accountability or responsibility for, or direct implication in, material events that may bring the Bank into serious disrepute. Additionally, they may be enforced in the event of individual criminal or other substantial misconduct.

The design of the Bank's reward structure aligns pay outcomes with prudent risk management and sound governance practices. The mix of an individual employee's pay, allowances and variable compensation is dictated by the nature of the role he/she holds. Variable pay for the relevant employees is delivered using a blend of cash and equity-linked instruments. It may be paid up-front in cash or deferred in accordance with the Bank's deferral policy. With Board approval, the variable pay multiples may be reviewed from time to time to ensure competitiveness with the market.

The remuneration disclosures have been reviewed and approved by the RemCo, which has confirmed they are aligned to the CBB rulebook requirements.

Bank ABC takes risk seriously. Reward practices embed and reinforce the Bank's desired risk culture, and risk behaviours directly impact variable pay, based on the following principles:

i. Financial performance is not the sole measure of performance; both quantitative and qualitative approaches are used to measure risk; bonus pools are adjusted for all types of risk, both tangible and intangible, reflecting both Group and business unit performance.

ii. Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.

iii. Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.

In addition, Bank ABC has a process for assessing the performance of senior management against a set of pre-agreed audit, risk & compliance (ARC) objectives, which are cascaded down in the organisation. Their pay is linked to long-term profitability and sustainable value.

Pay Principles

The following 'pay principles' apply at Bank ABC and govern all current and future remuneration decisions. These principles have been approved by the RemCo.

Summary

Principle	Theme
Principle 1	We pay for performance
Principle 2	We take risk seriously
Principle 3	We think long-term
Principle 4	Pay decisions are governed effectively
Principle 5	Clear and simple
Principle 6	Competitive, sustainable and affordable

Principle 1 | We pay for performance

Approach

- Performance expectations are clearly articulated for revenue-generating, support and control functions.
- Pay and performance management are linked.
- Bank ABC rewards performance that delivers its strategy, and that delivers the behaviours, cultures and ways of working that underpin doing business with the Bank.

Delivery

- Group and / or business unit underperformance can result in no bonus pool.
- Bonuses can be diminished (or nil) in light of poor Group, business unit or individual performance.
- Individual bonus payments reflect Group, business unit and individual performance.
- Group and business units are expected to meet demanding but achievable performance targets.
- Low performance ratings for any employee can result in no bonus.
- High performing business units may pay bonuses, even if the Group underperforms.

- Bank ABC differentiates high performance from average or low performance.
- Bonuses can be paid for non-profitable business units in start-up or turn-around phases.
- Bonus calculations reflect a measure of the appropriate behaviours which support doing business with Bank ABC.
- Control functions are measured on the impact and quality of their safeguarding role.
- Pay for employees engaged in control functions promotes impartiality and objectivity – it ensures that all employees at Bank ABC take risk seriously.
- Bonuses can be paid to control function employees who exercise their roles effectively, even in light of poor Group or business unit performance.

Principle 2 | We take risk seriously

Approach

- Reward practices embed and reinforce Bank ABC's desired risk culture.
- Risk behaviours directly impact variable pay.

Delivery

- Financial performance is not the sole measure of performance.
- Bonuses can be diminished (or nil) in light of excessive risk taking at Group, business or individual level.
- Bonus pools reflect the cost of capital required, and liquidity risk assumed, in the conduct of business.
- Bonus pools are adjusted for all types of risk, both tangible and intangible, which are reflected in both Group and business unit performance.
- Both quantitative and qualitative approaches are used to measure risk.
- Pay for material risk takers is significantly weighted towards variable pay.
- Material risk takers' performance is rewarded using a mix of cash and equity (or an equity-linked vehicle) to reflect their influence on the Bank's risk profile.
- Risk behaviours of material risk takers have a direct impact on variable pay outcomes.

Principle 3 | We think long-term

Approach

- Pay is linked to long-term profitability and sustainable value.

Delivery

- Deferral mechanisms are used for approved persons / material risk takers.
- Deferral mechanisms include an equity-linked vehicle.
- 60% of variable pay for AGCEO and the most highly-paid employees is deferred for three years.
- 40% of variable pay for material risk takers and approved persons (paid over BHD100,000) is deferred for three years.
- No form of guaranteed variable remuneration can be granted, except in exceptional circumstances, for a period of no more than one year following hire.
- Unvested deferred bonuses can be recovered in light of discovering past failures in risk management, or policy breaches, that led to the award originally being granted.
- Participation in deferral is reviewed on an annual basis, subject to meeting the minimum requirements under the CBB rules.

Principle 4 | Pay decisions are governed effectively

Approach

- Variable pay schemes are owned and monitored by the RemCo.
- The RemCo oversees remuneration practices across the Bank.

Delivery

- The RemCo oversees the design and delivery of variable pay across the Bank.
- The RemCo reviews and approves the Bank's remuneration policy on an annual basis.
- The AGCEO and senior management do not directly own or control remuneration systems.

CORPORATE GOVERNANCE (continued)

- The RemCo reviews and approves bonus pools and payouts across the Bank, and reviews and approves the pay proposals for material risk takers and approved persons.
- Risk and Compliance provide information to the RemCo before it determines the bonus pool and Group performance.
- HR controls remuneration policies, while line managers have suitable discretion to apply them.
- HR develops compliance and monitoring practices to actively track global compliance with Group remuneration policy.

Principle 5 | Clear and simple

Approach

- Reward communications are clear, user-friendly and written in plain language.
- The aims and objectives of the new VCS are clear and transparent.

Delivery

- Clearly communicate what is meant by malus and clawback, and the instances in which these provisions could be applied.
- Open and easy access to the variable pay policy, plan rules and relevant communications.

Principle 6 | Competitive, sustainable and affordable

Approach

- The VCS helps to attract and retain high-calibre talent.
- The VCS structure can be maintained over the long term, and its total cost is always affordable to the Bank.

Delivery

- Bonus pools vary year-on-year, based on Group performance, external market conditions, the internal climate and affordability.
- Individual pay opportunities are driven by the external market and internal positioning.

Application of Pay Principles

Bank ABC will remunerate covered employees to attract, retain and motivate sufficient talent to safeguard the interests of the Bank and its shareholders, while ensuring the Bank avoids paying more than necessary. The remuneration systems fairly reward performance delivered within the risk appetite of the Bank, over an appropriate time horizon, to align with risk.

Variable remuneration is paid according to the scheme on the below categorisation:

- **Approved persons in business lines:** For the AGCEO and the five most highly-paid business line employees, variable pay in 2019 was paid as 40% upfront cash, 10% in deferred cash and 50% in a deferred equity-linked vehicle. For the others in the same category, the pay split was 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Approved persons in control functions:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other material risk takers:** The variable pay for employees in this category was paid as 50% upfront cash, 10% upfront equity-linked vehicle, 40% deferred equity-linked vehicle.
- **Other staff of Bahrain operations:** The variable pay was paid fully in cash up front.

Remuneration arrangements are structured to promote sound risk behaviours. Their performance is measured against a range of financial and non-financial factors related to risk. Employees categorised as approved persons in control functions have their remuneration measured independently of the business that they oversee, so ensuring sufficient independence and authority. All variable pay is subject to malus and clawback.

Remuneration

a) 2025

Employee Group	Number of Employees (as at on 31/12/25)	Fixed Remuneration US$ Million	Variable Remuneration US$ Million
Approved Persons in Business Lines	7	9.7	3.9
Approved Persons in Control Functions	15	5.6	2.2
Other Material Risk Takers	84	20.8	8.7
Other staff of Bahrain operations not covered above	484	73.6	22.0
Total	**590**	**109.7**	**36.8**

Employee-related expenses such as government charges, recruitment agency fees, etc, related to the Bank's staff are excluded from the above table.

	Variable Remuneration Details*			
Employee Group	Upfront Cash US$ Million	Deferred Cash US$ Million	Upfront Equity-Linked Instrument US$ Million	Deferred Equity Linked Instrument US$ Million
Approved Persons in Business Lines	1.6	0.3	0.1	1.9
Approved Persons in Control Functions	1.2	0.0	0.2	0.9
Other Material Risk Takers	5.0	0.0	0.7	2.9
Other staff of Bahrain operations not covered above	22.0	0.0	0.0	0.0
Total	**29.8**	**0.3**	**1.0**	**5.7**

*no guaranteed bonus was awarded in 2025

	Sign on bonuses (Cash/Shares)		Severance Payments	
Employee Group	Number of employees	Amount US$ Million	Number of employees	Amount US$ Million
Approved Persons in Business Lines	-	-	-	-
Approved Persons in Control Functions	-	-	1	0.1
Other Material Risk Takers	-	-	4	0.8
Other staff of Bahrain operations not covered above	-	-	9	0.8
Total	**-**	**-**	**14**	**1.7**

		Shares		
Deferred awards	Cash US$ Million	Number	US$ Million	Total US$ Million
Opening Balance	1.5	19.1	22.5	24.0
Awarded during the period	0.4	5.0	6.6	7.0
Paid out/released through performance adjustments	(0.4)	(6.5)	(8.2)	(8.6)
Other adjustments	-	0.5	1.6	1.6
Closing Balance	**1.5**	**18.1**	**22.5**	**24.0**

CORPORATE GOVERNANCE (continued)

Remuneration (continued)

b) 2024

Employee Group	Number of Employees (as at on 31/12/24)	Fixed Remuneration US$ Million	Variable Remuneration US$ Million
Approved Persons in Business Lines	10	9.4	7.0
Approved Persons in Control Functions	32	13.3	5.3
Other Material Risk Takers	81	19.6	8.6
Other staff of Bahrain operations not covered above	458	63.1	18.3
Total	**581**	**105.4**	**39.2**

Employee-related expenses such as government charges, recruitment agency fees, etc, related to the Bank's staff are excluded from the above table.

	Variable Remuneration Details*			
Employee Group	Upfront Cash US$ Million	Deferred Cash US$ Million	Upfront Equity-Linked Instrument US$ Million	Deferred Equity Linked Instrument US$ Million
Approved Persons in Business Lines	2.9	0.6	0.1	3.4
Approved Persons in Control Functions	2.8	0.0	0.5	2.0
Other Material Risk Takers	5.1	0.0	0.7	2.9
Other staff of Bahrain operations not covered above	18.3	0.0	0.0	0.0
Total	**29.1**	**0.6**	**1.3**	**8.3**

*no guaranteed bonus was awarded in 2024

	Sign on bonuses (Cash/Shares)		Severance Payments	
Employee Group	Number of employees	Amount US$ Million	Number of employees	Amount US$ Million
Approved Persons in Business Lines	-	-	1	0.2
Approved Persons in Control Functions	-	-	-	-
Other Material Risk Takers	-	-	-	-
Other staff of Bahrain operations not covered above	-	-	2	0.3
Total	**-**	**-**	**3**	**0.5**

		Shares		
Deferred awards	Cash US$ Million	Number	US$ Million	Total US$ Million
Opening Balance	1.5	15.3	19.0	20.5
Awarded during the period	0.6	7.7	9.5	10.1
Paid out/released through performance adjustments	(0.3)	(4.4)	(5.6)	(5.9)
Other adjustments	(0.3)	0.5	(0.4)	(0.7)
Closing Balance	**1.5**	**19.1**	**22.5**	**24.0**

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04

FINANCIAL RESULTS

Independent Auditor's Report to the Shareholders of Arab Banking Corporation (B.S.C.)

Shape the future with confidence

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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Arab Banking Corporation (B.S.C.) ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

Key audit matters (continued)

Impairment provision for loans and advances

Description of key audit matter	How the key audit matter was addressed in the audit
IFRS 9 Financial Instruments (IFRS 9) requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss against loans and advances carried at amortised cost and FVOCI. The process for estimating the impairment provision on loans and advances in accordance with IFRS 9 is a significant and complex area, due to the subjective nature of ECL calculation and the level of estimation involved.	Our approach included testing the controls associated with the relevant processes for estimating ECL and performing substantive procedures on such estimates. Our procedures, among others, focused on following: • We assessed: - the compliance of Group's IFRS 9 based impairment provisioning policy including the determination of significant increase in credit risk criteria with the requirements of IFRS 9 and regulatory guidelines; - the Group's ECL modelling techniques, methodology and underlying assumptions against the requirements of IFRS 9; - the basis of determination of any management overlays applied by the Group's management to incorporate the effects of the current and future economic outlook; - the theoretical soundness and tested the mathematical integrity of the models on a sample basis.
Additional subjectivity and judgement has been introduced into measurement of ECL due to the uncertainty associated with the economic outlook and uncertain geopolitical situation in countries where the Group and its customers operate. Due to the complexity of ECL related IFRS 9 requirements, effect of the matters stated above, significance of the judgements applied in determination of ECL and the Group's exposure to loans and advances forming a major portion of the Group's assets, the audit of ECL is a key area of focus.	- We obtained an understanding of the design and tested the operating effectiveness of relevant controls over the ECL models, including approvals for any changes to the models, ongoing monitoring / validation, model governance and mathematical accuracy. We have also tested the completeness and accuracy of the data used and evaluated the reasonableness of the management assumptions - We understood and assessed the significant modelling assumptions adopted by the Group for calculating ECL against exposures as well as process and basis for arriving at ECL related management overlays.

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

Key audit matters (continued)

Impairment provision for loans and advances (continued)

Description of key audit matter	How the key audit matter was addressed in the audit
As at 31 December 2025, the Group's gross loans and advances amounted to US$ 21,379 million and the related ECL amounted to US$ 718 million, comprising US$ 170 million of ECL against Stage 1 and 2 exposures and US$ 548 million of ECL against exposures classified under Stage 3. The basis of calculation of ECL is presented in note 4 "summary of material accounting policies" and note 26 "risk management" to the consolidated financial statements. Material accounting judgements, estimates and assumptions and disclosures of loans and advances and credit risk are included in notes 4, 9 and 26 respectively to the consolidated financial statements.	• For a sample of exposures, we performed procedures to evaluate: - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL; - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and - Appropriateness of the ECL calculation. • For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook used for purposes of calculating ECL; • We considered the adequacy of the disclosures included in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS Accounting Standards. We also involved our specialists in performing the above procedures.

Independent Auditor's Report to the Shareholders of Arab Banking Corporation (B.S.C.) (continued)

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

Other information included in the Group's 2025 annual report

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Directors report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards 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.

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 ISAs 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 ISAs, we exercise professional judgement 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

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attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Directors report is consistent with the consolidated financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2025 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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

Ernst + Young

Partner's registration no: 117
8 February 2026
Manama, Kingdom of Bahrain

Year ended 31 December 2025 (All figures in US$ Million)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2025	2024
ASSETS			
Liquid funds	6	**3,127**	3,636
Trading securities	7	**1,205**	838
Placements with banks and other financial institutions		**2,240**	2,071
Securities bought under repurchase agreements	28	**1,310**	1,288
Non-trading investments	8	**17,445**	16,117
Loans and advances	9	**20,661**	18,649
Other assets	11	**3,687**	3,442
Premises and equipment		**237**	224
TOTAL ASSETS		**49,912**	46,265
LIABILITIES			
Deposits from customers		**26,491**	22,431
Deposits from banks		**4,065**	4,628
Certificates of deposit		**383**	244
Securities sold under repurchase agreements	28	**9,074**	10,086
Other liabilities	13	**3,239**	2,852
Borrowings	14	**1,426**	1,381
TOTAL LIABILITIES		**44,678**	41,622
EQUITY	15		
Share capital		**3,110**	3,110
Treasury shares		**(6)**	(6)
Statutory reserve		**624**	598
Retained earnings		**1,585**	1,458
Other reserves		**(1,185)**	(1,343)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		**4,128**	3,817
Additional / perpetual tier-1 capital	16	**590**	390
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT AND PERPETUAL INSTRUMENT HOLDERS		**4,718**	4,207
Non-controlling interests		**516**	436
Total equity		**5,234**	4,643
TOTAL LIABILITIES AND EQUITY		**49,912**	46,265

The consolidated financial statements were authorised for issue by the Board of Directors on 8 February 2026 and signed on their behalf by the Chairman, Deputy Chairman and the Acting Group Chief Executive Officer.

H.E. Naji Belgasem
Chairman

Abdulaziz Fahad Alhudaib
Deputy Chairman

Brendon Hopkins
Acting Group Chief Executive Officer

The attached notes 1 to 37 form part of these consolidated financial statements.

Year ended 31 December 2025 (All figures in US$ Million)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	2025	2024
OPERATING INCOME			
Interest and similar income	17	**3,131**	3,258
Interest and similar expense	18	**(2,161)**	(2,356)
Net interest income		**970**	902
Other operating income	19	**440**	437
Total operating income		**1,410**	1,339
OPERATING EXPENSES			
Staff		**494**	470
Premises and equipment		**60**	58
Other	20	**260**	245
Total operating expenses		**814**	773
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION		**596**	566
Credit loss expense	10	**(164)**	(143)
PROFIT BEFORE TAXATION		**432**	423
Taxation on foreign operations	12	**(105)**	(72)
PROFIT FOR THE YEAR		**327**	351
Attributable to:			
Shareholders of the parent		**257**	285
Non-controlling interests		**70**	66
		327	351
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US$)	33	**0.77**	0.086

H.E. Naji Belgasem
Chairman

Abdulaziz Fahad Alhudaib
Deputy Chairman

Brendon Hopkins
Acting Group Chief Executive Officer

The attached notes 1 to 37 form part of these consolidated financial statements.

Year ended 31 December 2025 (All figures in US$ Million)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2025	2024
PROFIT FOR THE YEAR		**327**	351
Other comprehensive (loss) income:			
Other comprehensive (loss) income that will be reclassified (or recycled) to profit or loss in subsequent periods:			
Foreign currency translation:			
Unrealised (loss) gain on exchange translation in foreign subsidiaries		**160**	(414)
Debt instruments at FVOCI:			
Net change in fair value during the year	15 (e)	**46**	11
		206	(403)
Other comprehensive income (loss) that will not be reclassified (or recycled) to profit or loss in subsequent periods:			
Net change in fair value of FVOCI equity securities during the year	15 (e)	**5**	4
Net change in pension fund reserve		**(4)**	(1)
		1	3
Other comprehensive (loss) income for the year		**207**	(400)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**534**	(49)
Attributable to:			
Shareholders of the parent		**415**	(12)
Non-controlling interests		**119**	(37)
		534	(49)

The attached notes 1 to 37 form part of these consolidated financial statements.

Year ended 31 December 2025 (All figures in US$ Million)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2025	2024
OPERATING ACTIVITIES			
Profit for the year		**327**	351
Adjustments for:			
Credit loss expense	10	**164**	143
Depreciation and amortisation		**80**	67
Gain on disposal of non-trading debt investments - net	19	**(33)**	(36)
Changes in operating assets and liabilities:			
Treasury bills and other eligible bills		**-**	-
Trading securities		**(259)**	1
Placements with banks and other financial institutions		**(54)**	(187)
Securities bought under repurchase agreements		**75**	702
Loans and advances		**(982)**	(1,692)
Other assets		**(9)**	(666)
Deposits from customers		**2,918**	1,173
Deposits from banks		**(822)**	876
Securities sold under repurchase agreements		**(1,061)**	3,241
Other liabilities		**174**	400
Exchange rate changes and non-cash movements		**(270)**	(418)
Net cash from operating activities		**248**	3,955
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(30,726)**	(26,835)
Sale and redemption of non-trading investments		**29,739**	22,032
Purchase of premises and equipment		**(34)**	(16)
Sale of premises and equipment		**9**	12
Investment in subsidiaries - net		**3**	(1)
Net cash used in investing activities		**(1,009)**	(4,808)
FINANCING ACTIVITIES			
Issue of certificates of deposit		**401**	287
Repayment of certificates of deposit		**(267)**	(185)
Issue of borrowings		**104**	161
Repayment of borrowings		**(95)**	(53)
Issue of additional / perpetual tier-1 capital		**200**	-
Interest paid on additional / perpetual tier-1 capital		**(19)**	(19)
Dividend paid to the Bank's shareholders		**(85)**	(70)
Dividend paid to non-controlling interests		**(43)**	(24)
Net cash from financing activities		**196**	97
Net change in cash and cash equivalents		**(565)**	(756)
Effect of exchange rate changes on cash and cash equivalents		**56**	(74)
Cash and cash equivalents at beginning of the year		**3,636**	4,466
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	**3,127**	3,636

The attached notes 1 to 37 form part of these consolidated financial statements.

Year ended 31 December 2025 (All figures in US$ Million)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the shareholders of the parent									Additional / perpetual tier - 1 capital	Non-controlling interests	Total equity
					Other reserves							
	Share capital	Treasury shares	Statutory reserve	Retained earnings*	General reserve	Foreign exchange translation adjustments	Cumulative changes in fair value	Pension fund reserve	Total			
At 31 December 2023	3,110	(6)	569	1,283	100	(1,126)	13	(33)	3,910	390	504	4,804
Profit for the year	-	-	-	285	-	-	-	-	285	-	66	351
Other comprehensive (loss) income for the year	-	-	-	-	-	(311)	15	(1)	(297)	-	(103)	(400)
Total comprehensive income (loss) for the year	-	-	-	285	-	(311)	15	(1)	(12)	-	(37)	(49)
Transfers during the year	-	-	29	(29)	-	-	-	-	-	-	-	-
Dividend (Note 33)	-	-	-	(70)	-	-	-	-	(70)	-	(24)	(94)
Interest paid on additional / perpetual tier-1 capital	-	-	-	(19)	-	-	-	-	(19)	-	-	(19)
Other equity movements in subsidiaries	-	-	-	8	-	-	-	-	8	-	(7)	1
At 31 December 2024	3,110	(6)	598	1,458	100	(1,437)	28	(34)	3,817	390	436	4,643
Profit for the year	-	-	-	257	-	-	-	-	257	-	70	327
Other comprehensive (loss) income for the year	-	-	-	-	-	111	51	(4)	158	-	49	207
Total comprehensive income (loss) for the year	-	-	-	257	-	111	51	(4)	415	-	119	534
Transfers during the year	-	-	26	(26)	-	-	-	-	-	-	-	-
Dividend (Note 33)	-	-	-	(85)	-	-	-	-	(85)	-	(43)	(128)
Issue of additional / perpetual tier-1 capital	-	-	-	-	-	-	-	-	-	200	-	200
Interest paid on additional / perpetual tier-1 capital	-	-	-	(19)	-	-	-	-	(19)	-	-	(19)
Other equity movements in subsidiaries	-	-	-	-	-	-	-	-	-	-	4	4
At 31 December 2025	**3,110**	**(6)**	**624**	**1,585**	**100**	**(1,326)**	**79**	**(38)**	**4,128**	**590**	**516**	**5,234**

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US$565 million (2024: US$560 million).

The attached notes 1 to 37 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Incorporation and Activities

Arab Banking Corporation (B.S.C.) ['the Bank'] is incorporated in the Kingdom of Bahrain by an Amiri decree and operates under a conventional wholesale banking licence issued by the Central Bank of Bahrain [CBB]. The Bank is a Bahraini Shareholding Company with limited liability and is listed on the Bahrain Bourse. The Central Bank of Libya is the ultimate parent of the Bank and its subsidiaries (together 'the Group').

The Bank's registered office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 10299 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The Group is a leading provider of Trade Finance, Treasury, Project & Structured Finance, Syndications, Corporate & Institutional Banking, Islamic Banking services and the digital, mobile-only banking space named "ila Bank" within retail consumer banking services. Retail banking services are only provided in the MENA region.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with IFRS Accounting Standards issued by International Accounting Standard Board ("IASB") and the relevant provisions of the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law and the CBB Rulebook (Volume 1 and applicable provisions of Volume 6) and CBB directives.

2.2 Accounting convention

The consolidated financial statements are prepared under the historical cost convention, as modified by the measurement at fair value of derivatives and certain debt and equity financial assets. In addition, as more fully discussed below, assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to the risk being hedged.

The Group's consolidated financial statements are presented in United States Dollars (US$), which is also the Bank's functional currency. All values are rounded to the nearest million (US$ million), except when otherwise indicated.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to influence those returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

2.4 Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding consolidated financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 26.11.

3 New and amended standards and interpretations

3.1 Standards effective for the year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the new and amended standards and interpretations, applicable to the Group (as listed below), and which are effective for annual periods beginning on or after 1 January 2025.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Amendments to IAS 21 - Lack of exchangeability

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability– Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment had minimal impact on the Group's consolidated financial statements.

3.2 New and amended standards and interpretations issued but not yet effective

New and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below and being assessed by the Group to determine the impact on the consolidated financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments: effective for annual reporting periods beginning on or after 1 January 2026;

IFRS 18 - Presentation and Disclosure in Financial Statements : replacing IAS 1 - Presentation of Financial Statements: effective for annual reporting periods beginning on or after 1 January 2027; and

IFRS 19 - Subsidiaries without Public Accountability : Disclosures : effective for annual reporting periods beginning on or after 1 January 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Summary of material accounting policies

4.1 Liquid funds

Liquid funds comprise of cash, nostro balances, balances with central banks and treasury bills and other eligible bills. Liquid funds are initially measured at their fair value and subsequently remeasured at amortised cost, less provision for impairment.

4.2 Cash and cash equivalents

Cash and cash equivalents referred to in the consolidated statement of cash flows comprise of cash and non-restricted balances with central banks, deposits with central banks, treasury bills and other eligible bills with original maturities of three months or less.

4.3 Trading securities

Trading securities are initially recorded at fair value. Subsequent to initial measurement, gains and losses arising from changes in fair values are included in the consolidated statement of profit or loss in the period in which they arise. Interest earned and dividends received are included in 'Interest and similar income' and 'Other operating income' respectively, in the consolidated statement of profit or loss.

4.4 Placements with banks and other financial institutions

Placements with banks and other financial institutions are initially measured at fair value and subsequently remeasured at amortised cost, net of any amounts written off and provision for impairment.

4.5 Investments in associates

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

4.6 Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment in value, if any. Freehold land is not depreciated. Depreciation on premises and equipment is provided on a straight-line basis over their estimated useful lives ranging from 3 to 50 years.

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life (ranging from 3 to 10 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

4.8 Leases - Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. The Group discloses right of use assets under other assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group discloses lease liabilities under other liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.9 Collateral repossessed

Any repossessed assets are held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

4.10 Repurchase and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. The counterparty liability for amounts received under these agreements are shown as securities sold under repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. The difference between purchase and resale price is treated as interest income using the effective yield method.

4. Summary of material accounting policies (continued)

4.11 Employee pension and other end of service benefits

Costs relating to employee pension and other end of service benefits are generally accrued in accordance with actuarial valuations based on prevailing regulations applicable in each location.

4.12 Recognition of income and expenses

4.12.1 The effective interest rate (EIR) method

Under IFRS 9 Financial instruments (IFRS 9), interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVOCI) under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial asset. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The Inter Bank Offered Rate (IBOR) reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

4.12.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using the effective interest method.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (therefore regarded as 'Stage 3'), the Group suspends the recognition of interest income of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

4.12.3 Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

Asset management fees

These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over defined periods. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Asset management fees consist of management and performance fees that are considered variable consideration.

Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees are allocated to each quarter because they relate specifically to services provided for a quarter, and are distinct from the services provided in other quarters. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

Loan commitment and other fees

These are fixed fees paid by customers for loan and other credit facilities with the Group, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Group promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis.

4.13 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

4.14 Dividends on ordinary shares

Dividend on ordinary shares is proposed by the Board of Directors and post approval by the Bank's shareholder is deducted from equity.

Proposed dividends for the year are disclosed in note 33.2 to these consolidated financial statements.

4.15 Financial instruments

4.15.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers, deposits to customers and banks, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises deposits from customers and banks when funds are received by the Group.

4.15.2 Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes 4.16 and 4.17.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Summary of material accounting policies (continued)

4.15 Financial instruments (continued)

4.15.2 Initial measurement (continued)

expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in note 4.15.3.

4.15.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination, the difference is treated as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses data only from observable markets, the difference is recognised as a day 1 gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day 1 profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or when the instrument is derecognised.

4.16 Financial assets

4.16.1 Debt type instruments - classification and subsequent measurement

The classification requirements for financial assets is as below.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset i.e. solely payments of principal and interest (SPPI) test.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of expected credit losses or writebacks, interest income and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income' as 'Gain or loss on disposal of non-trading debt investments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also designate a financial asset at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within 'Other operating income' as 'Gain from trading book' in the year in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method.

4.16.2 Business model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the

Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets, or realising cash flows through the sale of the assets.
- How the asset's and business model performance is evaluated and reported to key management personnel and Group Asset and Liability Committee (GALCO);
- How risks are assessed and managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.16.3 SPPI test

The Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set; contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

4.16.4 Reclassification

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

4.16.5 Equity type instruments - classification and subsequent measurement

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group elects to irrevocably designate certain equity investments at FVOCI which

4. Summary of material accounting policies (continued)

4.16.5 Equity type instruments - classification and subsequent measurement (continued)

are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to consolidated profit or loss, including on disposal. Equity investments at FVOCI are not subject to impairment assessment. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVOCI, are recognised at FVTPL.

Gains and losses on equity investments at FVTPL are included in the 'Other operating income' as 'Income from trading book' line in the consolidated statement of profit or loss.

Dividends are recognised in the consolidated statement of profit or loss under 'Other operating income' when the Group's right to receive payments is established.

4.16.6 Modified or forbearance of loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during most of the period when asset has been classified as forborne; and
- The customer does not have any contract that is more than 30 days past due.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in consolidated profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis or based on SICR criteria. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off or is transferred back to Stage 2.

4.16.7 Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

4.16.8 Derecognition of financial instruments in the context of IBOR reform

As explained in note 4.16.6 and 4.17.2, the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, all of the financial instruments have already been amended during 2023 and 2024 as they have transitioned from IBORs to Accounting Rate of Returns (ARRs) without any derecognition.

For financial instruments measured at amortised cost, the Group applies the practical expedient as described in note 4.12, to reflect the change in the referenced interest rate from an IBOR to an RFR. For any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

4.17 Financial liabilities

4.17.1 Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the issuer are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

4.17.2 Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and

4. Summary of material accounting policies (continued)

4.17.2 Derecognition (continued)

the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4.18 Financial instruments measured using amortised cost measurement and lease receivables

In the context of IBOR reform, the Group's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate, as described in Note 4.12.1.

4.19 Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an ECL for such losses on origination and reassess the expected losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

To calculate ECL, the Group estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan or an approximation thereof.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: estimates the expected portion of the loan commitment that are drawn down over the expected life of the loan commitment; and calculates the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and
- financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For the purposes of calculation of ECL, the Group categorises its FVOCI and amortised cost debt securities, loans and advances and loan commitments and financial guarantee contracts into Stage 1, Stage 2, Stage 3 and POCI, based on the applied impairment methodology, as described below:

- Stage 1 Performing: when financial assets are first recognised, the Group recognises an allowance based up to 12-month ECL.
- Stage 2 Significant increase in credit risk: when a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 Impaired: the Group recognises the lifetime ECL for these financial assets.
- Purchased or originated credit impaired ('POCI'): when financial assets are purchased or are originated at a deep discount or are credit-impaired on initial recognition. These are subject to lifetime ECLs. It also includes recognition of previously written off loans of the Group where the expectation of recovery has improved.

For the purposes of categorisation into above stages, the Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Group records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, ECL does not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

No impairment is recorded on equity instruments.

Stage 1

The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date, unless the new loan is deemed to be POCI. Subsequently on each reporting date the Group classifies following as Stage 1:

- debt type assets that are determined to have low credit risk at the reporting date; and
- on which credit risk has not increased significantly since their initial recognition.

The Group applies low credit risk expedient and considers following types of debts as 'low credit risk (LCR)':

- All local currency sovereign exposures funded in local currency;
- All local currency exposures to the Government of Bahrain or the CBB; and
- All exposures with external rating A- or above.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls 30 days or more past due in making its contractual payments, or if the Group expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons. Further, any facility having an internal credit risk rating of 8 are also subject to stage 2 ECL calculation.

It is the Group's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

For revolving facilities such as credit cards and overdrafts and similar other working capital facilities, the Group measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the debt type financial asset is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

4. Summary of material accounting policies (continued)

4.19 Impairment of financial assets (continued)

Measurement of ECL (continued)

Stage 3 (continued)

Evidence that a financial asset is credit-impaired includes the following observable data among others:-

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether a debt type investment is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Other than originated credit-impaired loans, loans are transferred out of Stage 3 if they no longer meet the criteria of credit-impaired after a cooling-off period of 12 months.

Purchased or originated credit impaired ('POCI')

For POCI financial assets, the Group only recognises the lifetime ECL and any cumulative changes since initial recognition are recorded in the ECL allowance. There are no migration from POCI to other Stages.

Forward looking information

The Group incorporates forward-looking information in the measurement of ECLs.

The Group considers forward-looking information such as forecasts of macroeconomic factors (e.g., GDP growth, oil prices, country's equity indices and unemployment rates). To evaluate a range of possible outcomes, the Group formulates three scenarios: a base case, an up-side and a down-side scenario. The base case scenario represents the more likely outcome from Moody's macro-economic models. For each scenario, the Group derives an ECL and apply a probability weighted approach to determine the impairment allowance.

The Group also uses published external information from International Monetary Fund (IMF).

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL 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;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- debt instruments measured at FVOCI: The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the consolidated statement of profit or loss. The accumulated loss recognised in OCI is recycled to the consolidated statement of profit and loss upon derecognition of the assets.

Limitation of estimation techniques

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

Experienced credit adjustment

The Group's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods. Refer note 26.4.1 for additional details.

4.20 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of others assets or cash generating units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of others assets in the CGU on pro-rata basis. An impairment loss on goodwill is not reversed. For, other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

4.22 Financial guarantee contracts and loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

The premium received is recognised in the consolidated statement of profit or loss in 'Other operating income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position.

An ECL is calculated and recorded for these in a similar manner as for debt type financial instruments as explained in note 4.19.

4.23 Derivatives and hedging activities

The Group applies IFRS 9 for hedge accounting.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

4. Summary of material accounting policies (continued)

4.23 Derivatives and hedging activities (continued)

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);

(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges); or

(c) Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are recycled to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the consolidated statement of profit or loss.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss. Gains and losses accumulated in equity are included in the consolidated statement of profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

4.24 Fair value measurement

The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell 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.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 valuation: Directly observable quotes for the same instrument.
- Level 2 valuation: Directly observable proxies for the same instrument accessible at valuation date.
- Level 3 valuation: Derived proxies (interpolation of proxies) for similar instruments that have not been observed.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.25 Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Summary of material accounting policies (continued)

4.25 Taxation (continued)

be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on forecasts used for its budgeting purposes and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.26 Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange ruling at the reporting date. Any gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

As at the reporting date, the assets and liabilities of foreign operations are translated into the Bank's functional currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average exchange rates for the year. Exchange differences arising on translation are recorded in the consolidated statement of comprehensive income under unrealised gain or loss on exchange translation in foreign subsidiaries. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

4.27 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset, except for loans and advances to customers, deposits to customers and banks.

4.28 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position.

4.29 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

4.30 Borrowings

Issued financial instruments (or their components) are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder.

Borrowings are initially measured at fair value plus transaction costs. After initial measurement, the borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

4.31 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. 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. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to consolidated statement of profit or loss.

4.32 Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/financial guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using internal valuation techniques as appropriate. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

4.33 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in relevant line items in the consolidated statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the business within that unit is disposed of, the goodwill associated with the disposed business operation is included in the carrying amount of the business operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next 5-7 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

4.34 Material accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Going concern

The Bank'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 consolidated financial statements continue to be prepared on the going concern basis.

Measurement of the expected credit loss allowance (ECL)

The measurement of the ECL for financial assets subject to credit risk measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by several factors, changes in which can result in different levels of allowances.

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

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, oil prices, equity indices, unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;

- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

Classification of financial assets

Classification of financial assets in the appropriate category depends upon the business model and SPPI test. Determining the appropriate business model and assessing whether the cash flows generated by the financial asset meet the SPPI test is complex and requires significant judgements by management. The Group applies judgement while carrying out SPPI test and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. Refer to note 25 for further disclosures.

4.35 Corresponding figures

Certain of the prior year's figures have been re-classified to conform to the presentation adopted in the current year. Such reclassifications do not affect previously reported net profit and total comprehensive income for the year or shareholder's equity.

5 Classification of financial instruments

As at 31 December, financial instruments have been classified as follows:

At 31 December 2025	FVTPL	FVOCI	Amortised cost	Total
ASSETS				
Liquid funds	-	-	3,127	3,127
Trading securities	1,205	-	-	1,205
Placements with banks and other financial institutions	-	-	2,240	2,240
Securities bought under repurchase agreements	-	-	1,310	1,310
Non-trading investments	-	7,798	9,647	17,445
Loans and advances	2	865	19,794	20,661
Other assets	1,059	-	2,099	3,158
	2,266	8,663	38,217	49,146
LIABILITIES				
Deposits from customers	-	-	26,491	26,491
Deposits from banks	-	-	4,065	4,065
Certificates of deposit	-	-	383	383
Securities sold under repurchase agreements	-	-	9,074	9,074
Other liabilities	789	-	2,366	3,155
Borrowings	-	-	1,426	1,426
	789	-	43,805	44,594

31 December 2025 (All figures in US$ Million)

5 Classification of financial instruments (continued)

At 31 December 2024	FVTPL	FVOCI	Amortised cost	Total
ASSETS				
Liquid funds	-	-	3,636	3,636
Trading securities	838	-	-	838
Placements with banks and other financial institutions	-	-	2,071	2,071
Securities bought under repurchase agreements	-	-	1,288	1,288
Non-trading investments	-	6,835	9,282	16,117
Loans and advances	63	484	18,102	18,649
Other assets	1,225	-	1,743	2,968
	2,126	7,319	36,122	45,567
LIABILITIES				
Deposits from customers	-	-	22,431	22,431
Deposits from banks	-	-	4,628	4,628
Certificates of deposit	-	-	244	244
Securities sold under repurchase agreements	-	-	10,086	10,086
Other liabilities	786	-	1,909	2,695
Borrowings	-	-	1,381	1,381
	786	-	40,679	41,465

6 Liquid funds

	2025	2024
Cash on hand	**76**	54
Balances with banks	**474**	485
Deposits with central banks	**2,577**	3,058
Treasury bills and other eligible bills with original maturities of three months or less	**-**	40
Cash and cash equivalents	**3,127**	3,637
ECL allowances	**-**	(1)
	3,127	3,636

7 Trading securities

	2025	2024
Debt instruments	**1,195**	828
Equity instruments	**10**	10
	1,205	838

8 Non-trading investments

	2025	2024
Debt securities		
At amortised cost	**9,648**	9,283
At FVOCI	**7,844**	6,888
	17,492	16,171
ECL allowances	**(75)**	(75)
Debt securities - net	**17,417**	16,096
Equity securities		
At FVOCI	**28**	21
	17,445	16,117

The external ratings distribution of non-trading debt investments are given below:

	2025	2024
AAA rated debt securities	**8,351**	8,960
AA to A rated debt securities	**3,430**	1,968
Other investment grade debt securities	**1,959**	1,864
Other non-investment grade debt securities	**3,442**	3,089
Unrated debt securities	**310**	290
	17,492	16,171
ECL allowances	**(75)**	(75)
	17,417	16,096

31 December 2025 (All figures in US$ Million)

8 Non-trading investments (continued)

Following are the stage wise break-up of debt securities as at 31 December 2025 and 31 December 2024:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt securities, gross	**17,428**	**-**	**64**	**17,492**
ECL allowances	**(11)**	**-**	**(64)**	**(75)**
	17,417	**-**	**-**	**17,417**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt securities, gross	16,107	-	64	16,171
ECL allowances	(11)	-	(64)	(75)
	16,096	-	-	16,096

An analysis of movement in the ECL allowances during the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**11**	**-**	**64**	**75**
Net remeasurement / additions	**-**	**-**	**-**	**-**
Recoveries / write back	**-**	**-**	**-**	**-**
Charge for the year - net	**-**	**-**	**-**	**-**
Exchange adjustments and other movements	**-**	**-**	**-**	**-**
As at 31 December	**11**	**-**	**64**	**75**

	2024			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	14	-	74	88
Net remeasurement / additions	(1)	-	-	(1)
Recoveries / write back	-	-	(1)	(1)
Charge for the year - net	(1)	-	(1)	(2)
Amounts written-off	-	-	(9)	(9)
Exchange adjustments and other movements	(2)	-	-	(2)
As at 31 December	11	-	64	75

No interest income was received during the year on impaired investments classified under Stage 3 (2024: nil).

9 Loans and advances

Below is the classification of loans and advances by measurement and stage:

	2025			
	Stage 1	Stage 2	Stage 3	Total
At FVTPL				
- Wholesale	**2**	**-**	**-**	**2**
At FVOCI				
- Wholesale	**865**	**-**	**-**	**865**
At amortised cost				
- Wholesale	**18,109**	**517**	**724**	**19,350**
- Retail	**1,053**	**51**	**58**	**1,162**
	20,029	**568**	**782**	**21,379**
ECL allowances	**(89)**	**(81)**	**(548)**	**(718)**
	19,940	**487**	**234**	**20,661**

	2024			
	Stage 1	Stage 2	Stage 3	Total
At FVTPL				
- Wholesale	63	-	-	63
At FVOCI				
- Wholesale	484	-	-	484
At amortised cost				
- Wholesale	16,549	531	640	17,720
- Retail	888	52	59	999
	17,984	583	699	19,266
ECL allowances	(136)	(68)	(413)	(617)
	17,848	515	286	18,649

Below is the classification of loans and advances by industrial sector:

	Gross loans		ECL allowances		Net loans	
	2025	2024	2025	2024	2025	2024
Financial services	**5,096**	3,902	**12**	11	**5,084**	3,891
Government	**1,210**	1,208	**4**	6	**1,206**	1,202
Other services	**2,434**	2,739	**330**	256	**2,104**	2,483
Manufacturing	**3,139**	2,549	**75**	99	**3,064**	2,450
Agriculture, fishing and forestry	**1,559**	1,334	**47**	39	**1,512**	1,295
Construction	**371**	315	**70**	61	**301**	254
Utilities	**952**	848	**4**	6	**948**	842
Energy	**526**	1,008	**1**	2	**525**	1,006
Distribution	**1,056**	819	**6**	5	**1,050**	814
Personal /consumer finance	**1,514**	1,237	**56**	56	**1,458**	1,181
Transport	**508**	542	**37**	20	**471**	522
Commercial real estate financing	**1,159**	1,236	**30**	22	**1,129**	1,214
Technology, media and telecommunications	**304**	330	**2**	2	**302**	328
Trade	**270**	227	**20**	18	**250**	209
Retailers	**374**	232	**1**	-	**373**	232
Mining and quarrying	**107**	144	**14**	13	**93**	131
Residential mortgage	**20**	3	**-**	-	**20**	3
Infrastructure	**615**	433	**4**	-	**611**	433
Contracting	**165**	160	**5**	1	**160**	159
	21,379	19,266	**718**	617	**20,661**	18,649

31 December 2025 (All figures in US$ Million)

9 Loans and advances (continued)

An analysis of movement in the ECL allowances during the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	136	68	413	617
Transfers to stage 1	3	(3)	-	-
Transfers to stage 2	(1)	12	(11)	-
Transfers to stage 3	(1)	(2)	3	-
Net transfers between stages	1	7	(8)	-
Net remeasurements / additions	(51)	5	294	248
Recoveries / write back	-	-	(78)	(78)
Charge (reversal) for the year - net	(51)	5	216	170
Amounts written-off	-	-	(89)	(89)
Exchange adjustments and other movements	3	1	16	20
As at 31 December	89	81	548	718

	2024			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	139	74	435	648
Transfers to stage 1	3	(3)	-	-
Transfers to stage 2	(1)	1	-	-
Transfers to stage 3	(1)	(10)	11	-
Net transfers between stages	1	(12)	11	-
Net remeasurements / additions	9	3	231	243
Recoveries / write back	-	-	(103)	(103)
Charge for the year - net	9	3	128	140
Amounts written-off	-	-	(116)	(116)
Exchange adjustments and other movements	(13)	3	(45)	(55)
As at 31 December	136	68	413	617

The fair value of collateral that the Group holds relating to loans and advances individually determined to be impaired and classified under Stage 3 at 31 December 2025 amounts to US$ 58 million (2024: US$ 89 million).

At 31 December 2025, interest in suspense on impaired loans under Stage 3 amounts to US$ 108 million (2024: US$ 128 million).

10 Credit loss expense

	2025			
	Stage 1	Stage 2	Stage 3	Total
Liquid funds	(1)	-	-	(1)
Non-trading debt investments (note 8)	-	-	-	-
-	(51)	5	216	170
Credit commitments and contingent items (note 23)	(1)	(6)	(1)	(8)
Other financial assets subject to credit risk	2	1	-	3
	(51)	-	215	164

	2024			
	Stage 1	Stage 2	Stage 3	Total
Liquid funds	1	-	-	1
Non-trading debt investments (note 8)	(1)	-	(1)	(2)
Loans and advances (note 9)	9	3	128	140
Credit commitments and contingent items (note 23)	1	(1)	3	3
Other financial assets subject to credit risk	1	-	-	1
	11	2	130	143

11 Other assets

	2025	2024
Interest receivable	720	535
Goodwill (note 36)	26	25
Right-of-use assets	54	56
Trade receivables	389	338
Positive fair value of derivatives (note 22)	1,059	1,225
Assets acquired on debt settlement	30	36
Deferred tax assets (note 12)	236	187
Bank owned life insurance	42	41
Margin dealing accounts	185	265
Staff loans	42	39
Advances and prepayments	119	148
Investments in associates	34	32
Unamortised IT project costs	141	129
FX contracts	330	49
Securities sold amount due	30	21
Others	250	316
	3,687	3,442

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 Other assets (continued)

The positive fair value of derivatives is net of US$ 202 million (2024: US$ 73 million) adjusted against negative fair value of derivatives. The negative fair value of derivatives amounting to US$ 789 million (2024: US$ 786 million) is included in other liabilities (note 13). Details of derivatives are given in note 22.

Allowances for ECL against other financial assets subject to credit risk amounts to US$ 9 million (2024: US$ 8 million).

Below are the carrying amounts of the Group's right-of-use assets and movements during the year:

	Right-of-use assets	
	2025	2024
As at 1 January	**56**	57
Add: New/terminated leases - net	**5**	12
Less: Amortisation	**(11)**	(10)
Others (including foreign exchange movements)	**4**	(3)
As at 31 December	**54**	56

12 Taxation

12.1 Taxation assets and liabilities

	2025	2024
Consolidated statement of financial position		
Other assets		
Deferred tax assets *	**236**	187
Taxation - net		
Current tax liability	**48**	40
Deferred tax liability - net *	**41**	29
Taxation - net	**89**	69

* This includes an offset of deferred tax asset amounting to US$ 50 million (2024: US$ 195 million) against the deferred tax liability as it met offsetting conditions.

12.2 Taxation charge and payments

	2025	2024
Consolidated statement of profit or loss		
Current tax		
Pillar Two taxes in Kingdom of Bahrain	**17**	-
on foreign operations (excluding Pillar Two tax charge)	**113**	65
Deferred tax		
on foreign operations	**(25)**	7
	105	72
Consolidated statement of cash flows		
Taxes paid during the year	**69**	60
	69	60
Analysis of tax charge		
At Bahrain	**17**	-
On profits of subsidiaries operating in other jurisdictions	**88**	72
Income tax expense reported in the consolidated statement of profit or loss	**105**	72

The effective tax rate (ETR) for operations in Kingdom of Bahrain was 13% (2024: 0%).DMTT tax rate applicable for Bahrain operations is 15% (2024: 0%). The ETR on the profit of subsidiaries in MENA was 36% (2024: 35%) and United Kingdom was 20% (2024: 21%) as against the actual tax rates of 23% to 48% (2024: 23% to 48%) in MENA and 25% (2024: 25%) in United Kingdom.

In the Bank's Brazilian subsidiary, the ETR on normalised earnings was 23% (2024: 1%) as against the actual tax rate of 45% (2024: 45%) and adjusted for tax on Interest on Capital (IOC) to parent under DMTT in Brazil, the ETR was 18% (2024: 8%).

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.

12.3 Pillar Two Rules

The Organisation for Economic Co-operation and Development (OECD)'s legislative framework for the global minimum top up tax (Globe model rules) apply to multinational enterprises (MNEs) with annual revenue in excess of EUR 750 million. The Pillar Two model rules introduce three active tax mechanisms: Income Inclusion Rule (IIR), Under Taxed Payments/Profits Rule (UTPR) and Qualified Domestic Minimum Top-up Tax (DMTT).

The new taxing mechanisms can impose a minimum tax on the income arising in each jurisdiction in which an MNE operates. The IIR, UTPR and DMTT do so by imposing a top-up tax in a jurisdiction whenever the ETR, determined on a jurisdictional basis under the Pillar Two rules, is below a 15% minimum rate. Most of the jurisdictions in which the Group operates have adopted the OECD's Pillar Two rules including the Kingdom of Bahrain.

The Group implemented Bahrain's DMTT law which became effective from 1 January 2025 and is therefore subject to an overall effective tax rate of 15%. The Group's subsidiaries may also be subject to a top-up tax in 2025, under similar regulations enacted in other countries, in relation to its operations in respective jurisdictions as explained above.

The Pillar Two ETR in most of the jurisdictions in which the Group operates, is above 15% and the Group has assessed that there is no additional taxes in year 2025 due to Pillar Two rules in any of the other jurisdictions where it operates. Since, Kingdom of Bahrain does not have any corporate taxes effective for year 2025 other than DMTT law, therefore, the Group has calculated and recorded DMTT charge for the year 2025 on its operations in the Kingdom of Bahrain as disclosed in note 12.2. This DMTT is payable locally to the authorities in the Kingdom of Bahrain.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

As the regulatory framework continues to evolve and implementation guidance is further clarified, the Group continues to monitor developments and assess the impact of evolving Pillar 2 tax regulations on its future financial performance and resultant tax obligations.

31 December 2025 (All figures in US$ Million)

13 Other liabilities

	2025	2024
Interest payable	**1,180**	1,071
Lease liabilities	**57**	59
Negative fair value of derivatives - net (note 22)	**789**	786
FX contracts	**330**	49
Employee related payables	**134**	141
Taxation - net (note 12)	**89**	69
Margin deposits including cash collateral	**54**	35
Deferred income	**20**	18
ECL allowances for credit commitments and contingent items (note 23)	**27**	29
Non corporate tax payable	**41**	31
Securities bought amount due	**24**	129
Accrued charges and other payables	**494**	435
	3,239	2,852

The positive fair value of derivatives amounting to US$ 1,059 million (2024: US$ 1,225 million) is included in other assets (note 11). Details of derivatives are given in note 22.

The negative fair value of derivatives amounting to US$789 million (2024: US$ 786 million) are net of positive fairvalue of derivatives amounting to US$ 202 million (2024: US$ 73 million) as these met the offsetting conditions.

Below are the carrying amounts of the Group's lease liabilities and movements :

	Lease liabilities	
	2025	2024
As at 1 January	**59**	61
Add: New/terminated leases - net	**4**	10
Add: Interest expense	**5**	4
Less: Repayments	**(16)**	(10)
Others (including foreign exchange movements)	**5**	(6)
As at 31 December	**57**	59

14 Borrowings

In the ordinary course of business, the Bank and certain subsidiaries raise term financing through various capital markets at commercial rates.

Total obligations outstanding at 31 December 2025

	Currency	Rate of interest %	Parent bank	Subsidiaries	Total
Aggregate maturities					
2026*	EUR	3.75%	-	**59**	**59**
2026*	US$	5.16%	-	**50**	**50**
2027*	US$	SOFR +2%	**470**	-	**470**
2028*	US$	SOFR +2%	**470**	-	**470**
2028*	US$	SOFR +1.35%	-	**175**	**175**
2026-2029	US$	5.512%	-	**19**	**19**
2026-2027	TND	11.37%	-	**1**	**1**
Perpetual**	BRL	Selic *1.1	-	**182**	**182**
			940	**486**	**1,426**

*These borrowings are from ultimate parent as disclosed in note 29.

**Perpetual

This instrument issued by a subsidiary qualifies as Additional Tier 1 ("AT1") capital for the purpose of capital adequacy calculation as disclosed in note 34.

Total obligations outstanding at 31 December 2024

	Currency	Rate of interest %	Parent bank	Subsidiaries	Total
Aggregate maturities					
2025*	EUR	SOFR +1.35%		175	175
2027*	US$	SOFR +2%	470	-	470
2028*	US$	SOFR +2%	470	-	470
2025-2029	US$	5.532%	-	25	25
2025-2027	TND	10.8 - 11.4%	-	3	3
Perpetual**	BRL	Selic *1.5	-	238	238
			940	441	1,381

*These borrowings are from ultimate parent as disclosed in note 29.

**Perpetual

This instrument issued by a subsidiary qualifies as Additional Tier 1 ("AT1") capital for the purpose of capital adequacy calculation as disclosed in note 34.

31 December 2025 (All figures in US$ Million)

15 Equity

a) Share capital

	2025	2024
Authorised – 4,500 million shares of US$ 1 each		
(2024: 4,500 million shares of US$ 1 each)	**4,500**	4,500
Issued, subscribed and fully paid – 3,110 million shares of US$ 1 each		
(2024: 3,110 million shares of US$ 1 each)	**3,110**	3,110

b) Treasury shares

The Group owns 15,515,000 treasury shares (2024: 15,515,000 shares) which were acquired for a cash consideration of US$ 6 million (2024: US$ 6 million).

c) Statutory reserve

As required by the Articles of Association of the Bank and the Bahrain Commercial Companies Law, 10% of the profit for the year is transferred to the statutory reserve. Such annual transfers will cease when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB.

d) General reserve

The general reserve underlines the shareholders' commitment to enhance the strong equity base of the Bank. There are no restrictions on the distribution of this reserve.

e) Cumulative changes in fair value

	2025	2024
At 1 January	**28**	13
Net movement in fair value during the year - debt instruments	**46**	11
Net movement in fair value during the year - equity instruments	**5**	4
At 31 December	**79**	28

16 Additional / perpetual tier-1 capital

The Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US$ 390 million during the year ended 31 December 2022 to its ultimate parent. These securities are perpetual, subordinated and unsecured and carry an interest of 4.75% per annum payable semi-annually. The holders of these securities do not have a right to claim the interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest paid to investors is accounted for as an appropriation of profits.

During the year, the Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US$ 200 million to its ultimate parent. These securities are perpetual, subordinated and unsecured and carry an interest of 8.00% per annum payable semi-annually. The holders of these securities do not have a right to claim the interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest to be paid to investors will be accounted for as an appropriation of profits.

17 Interest and similar income

	2025	2024
Loans and advances	**1,489**	1,784
Securities and investments	**1,225**	931
Placements with banks and other financial institutions	**408**	524
Others	**9**	19
	3,131	3,258

18 Interest and similar expense

	2025	2024
Deposits from banks	**686**	736
Deposits from customers	**1,373**	1,511
Borrowings	**88**	96
Certificates of deposit and others	**14**	13
	2,161	2,356

19 Other operating income

	2025	2024
Fee and commission income*	**221**	229
Fee and commission expense	**(5)**	(6)
Fee and commission income - net	**216**	223
Bureau processing income	**31**	41
Net gain from trading book (including foreign currencies transaction)	**51**	53
Gain on disposal of non-trading debt investments - net	**33**	36
Merchant acquiring income	**28**	18
Others - net	**81**	66
	440	437

*Included in the fee and commission income is US$ 10 million (2024: US$ 15 million) of fee income relating to funds under management.

20 Other operating expenses

	2025	2024
Office systems and supplies	**84**	75
Professional fees and licenses	**41**	54
Amortisation of IT project cost	**36**	25
Communications	**27**	26
Business development	**17**	14
Travel and accommodation	**8**	8
Non Corporate taxes	**5**	6
Others	**42**	37
	260	245

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 Group information

21.1 Information about subsidiaries

The principal subsidiaries, all of which have 31 December as their year-end, are as follows:

	Principal activities	Country of incorporation	Interest of Arab Banking Corporation (B.S.C.)	
			2025	2024
			%	%
ABC International Bank Plc	Banking	United Kingdom	**100.0**	100.0
ABC SA	Banking	France	**100.0**	100.0
ABC Islamic Bank (E.C.)	Banking	Bahrain	**100.0**	100.0
Arab Banking Corporation (ABC) - Jordan	Banking	Jordan	**87.0**	87.0
Banco ABC Brasil S.A.	Banking	Brazil	**63.5**	63.7
ABC Algeria	Banking	Algeria	**88.9**	88.9
Arab Banking Corporation - Egypt [S.A.E.]	Banking	Egypt	**99.6**	99.6
ABC Tunisie	Banking	Tunisia	**100.0**	100.0
Arab Financial Services Company B.S.C. (c)	Credit card and Fintech services	Bahrain	**98.0**	98.0

21.2 Significant restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. In certain jurisdictions, distribution of reserves is subject to prior supervisory approval.

21.3 Material partly-owned subsidiaries

Financial information of a subsidiary that has material non-controlling interests is provided below:

Banco ABC Brasil S.A.

	2025	2024
Proportion of equity interest held by non-controlling interests (%)	**36.5%**	36.3%
Dividends paid to non-controlling interests	**43**	24

The summarised financial information of this subsidiary is provided below.

	2025	2024
Summarised statement of profit or loss:		
Interest and similar income	**1,183**	1,141
Interest and similar expense	**(825)**	(841)
Other operating income	**126**	147
Operating expenses	**(201)**	(200)
Credit loss expense	**(77)**	(67)
Profit before tax	**206**	180
Taxation	**(28)**	(8)
Profit for the year	**178**	172
Profit attributable to non-controlling interests	**66**	62
Total comprehensive income (loss)	**317**	(108)
Total comprehensive income (loss) attributable to non-controlling interests	**116**	(39)

	2025	2024
Summarised statement of financial position:		
Total assets	**11,681**	10,623
Total liabilities	**(10,429)**	(9,576)
Total equity	**1,252**	1,047
Equity attributable to non-controlling interests	**457**	380
Summarised cash flow information:		
Operating activities	**29**	27
Investing activities	**214**	(123)
Financing activities	**(199)**	76
Net increase (decrease) in cash and cash equivalents	**44**	(20)

31 December 2025 (All figures in US$ Million)

22 Derivatives and hedging

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

The table below shows the positive and negative fair values of derivative financial instruments. The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

	2025			2024		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount
Derivatives held for trading						
Interest rate swaps	**299**	**163**	**23,448**	373	206	18,355
Currency swaps	**43**	**17**	**1,069**	72	30	824
Forward foreign exchange contracts	**45**	**67**	**16,752**	95	37	11,127
Options*	**628**	**462**	**16,119**	551	466	13,537
Futures	**10**	**1**	**4,060**	13	13	3,210
	1,025	**710**	**61,448**	1,104	752	47,053
Derivatives held as hedges						
Interest rate swaps	**30**	**68**	**5,476**	103	34	3,642
Currency swaps	**2**	**10**	**1,067**	15	-	158
Forward foreign exchange contracts	**2**	**1**	**903**	3	-	167
	34	**79**	**7,446**	121	34	3,967
	1,059	**789**	**68,894**	1,225	786	51,020
Risk weighted equivalents (credit and market risk)			**2,785**			1,928

* Negative fair value of options is presented net of positive fair value of options amounting to US$ 202 million (2024: US$ 73 million) eligible for offsetting.

Derivatives are carried at fair value using valuation techniques based on observable market inputs.

Derivatives held as hedges include fair value hedges which are predominantly used to hedge fair value changes arising from interest rate fluctuations in debt instruments at FVOCI and/or amortised cost.

For the year ended 31 December 2025, net impact from ineffectiveness from hedges is US$ nil (2024: US$ nil) comprising net gain of US$ 101 million (2024: net loss of US$ 2 million) on hedging instruments offsetting the total loss on hedged items attributable to the hedged risk amounted to US$ 101 million (2024: gain of US$ 2 million).

The Group uses deposits which are accounted for as hedges of net investment in foreign operations. As at 31 December 2025, the Group had deposits amounting to US$ 788 million (2024: US$ 723 million) which were designated as net investment hedges.

Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Also included under this heading are any derivatives which do not meet IFRS 9 hedging requirements.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions and there is no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty at the date of the consolidated statement of financial position.

Derivatives held or issued for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management activities. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors.

As part of its asset and liability management the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments, forecasted transactions as well as strategic hedging against overall statement of financial position exposures. For interest rate risk this is carried out by monitoring the duration of assets and liabilities using simulations to estimate the level of interest rate risk and entering into interest rate swaps and futures to hedge a proportion of the interest rate exposure, where appropriate. Since strategic hedging does not qualify for special hedge accounting related derivatives are accounted for as trading instruments.

The Group uses forward foreign exchange contracts, currency options, currency swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified loans and securities bearing fixed interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

The Group applies hedge accounting in two separate hedging strategies, as follows:

Interest rate risk on fixed rate debt type instruments (fair value hedge)

The Group holds a portfolio of long-term variable and fixed rate loans / securities / deposits and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages this interest rate risk exposure by entering into pay fixed / receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term variable / fixed rate loans and securities

31 December 2025 (All figures in US$ Million)

22 Derivatives and hedging (continued)

Interest rate risk on fixed rate debt type instruments (fair value hedge) (continued)

arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. The Group primarily designates the benchmark rate as the hedged risk and, accordingly, enters into interest rate swaps whereby the fixed legs represent the economic risks of the hedged items. This strategy is designated as a fair value hedge and its effectiveness is assessed by critical terms matching and measured by comparing changes in the fair value of the loans / securities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

(i) differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;

(ii) hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and

(iii) counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

Fluctuation in foreign currency (cash flow hedge)

The Group enters into cross currency forwards for the purpose of hedging foreign currency movements of its highly probable future cash flows. These are designated as cash flow hedges and were considered as effective during the year and had notional amount of US$ 742 million (2024: US$ nil) and positive fair value of US$ nil (2024: US$ nil).

Net investment in foreign operation (net investment hedge)

The Group has an investment in a foreign operation which is consolidated in its financial statements. The foreign exchange rate exposure arising from this investment is hedged through the use of deposits. These deposits are designated as net investment hedges to hedge the equity of the subsidiaries. The Group establishes the hedging ratio by matching the deposits with the net assets of the foreign operation.

The following table sets out the maturity profile of the trading and hedging instruments used in the Group's trading and non-dynamic hedging strategies:

	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	5-10 years	Over 10 years	Total
Notional								
2025	**7,856**	**6,093**	**7,828**	**18,553**	**21,564**	**6,509**	**491**	**68,894**
2024	4,903	4,488	5,070	12,203	18,314	5,052	990	51,020

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of exposures to fluctuations in foreign exchange rates, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses quantitative hedge effectiveness testing using the dollar offset method to assess effectiveness.

In hedges of foreign currency exposures, ineffectiveness may arise if the timing of the cash flows changes from what was originally estimated, or if there are changes in the credit risk of the Bank or the derivative counterparty.

Hedge ineffectiveness only arises to the extent the hedging instruments exceed in nominal terms the risk exposure from the foreign operations.

The ineffectiveness during 2025 or 2024 in relation to the interest rate / currency swaps is however not significant to the Group.

23 Credit commitments and contingent items

Credit commitments and contingent items include commitments to extend credit, standby letters of credit, acceptances and guarantees, which are structured to meet the various requirements of customers.

At the reporting date, the principal outstanding and the risk weighted equivalents were as follows:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Short-term self-liquidating trade and transaction-related contingent items	**4,474**	**51**	**41**	**4,566**
Direct credit substitutes and guarantees	**2,816**	**73**	**12**	**2,901**
Undrawn loans and other commitments	**3,261**	**42**	**7**	**3,310**
Credit exposure before applying credit conversion factor - gross	**10,551**	**166**	**60**	**10,777**
Credit exposure after applying credit conversion factor	**4,366**	**103**	**32**	**4,501**
Risk weighted equivalents				**3,860**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Short-term self-liquidating trade and transaction-related contingent items	3,996	85	54	4,135
Direct credit substitutes and guarantees	2,804	49	8	2,861
Undrawn loans and other commitments	3,047	17	9	3,073
Credit exposure before applying credit conversion factor - gross	9,847	151	71	10,069
Credit exposure after applying credit conversion factor	4,179	83	38	4,300
Risk weighted equivalents				3,591

The table below shows the contractual expiry by maturity of the Group's credit commitments and contingent items:

	2025	2024
On demand	**1,654**	1,388
1 - 6 months	**3,021**	2,707
6 - 12 months	**2,235**	1,942
1 - 5 years	**3,850**	3,651
Over 5 years	**17**	381
	10,777	10,069

Exposure (after applying credit conversion factor) and ECL by stage

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit commitments and contingencies	**4,366**	**103**	**32**	**4,501**
ECL allowances	**8**	**7**	**12**	**27**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Credit commitments and contingencies	4,179	83	38	4,300
ECL allowances	8	11	10	29

31 December 2025 (All figures in US$ Million)

23 Credit commitments and contingent items (continued)

An analysis of changes in the ECL allowances are as follows:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**8**	**11**	**10**	**29**
Net measurement / additions	**(1)**	**(6)**	**2**	**(5)**
Recoveries / write back	**-**	**-**	**(3)**	**(3)**
Charge for the year - net	**(1)**	**(6)**	**(1)**	**(8)**
Exchange adjustments and other movements	**1**	**2**	**3**	**6**
As at 31 December	**8**	**7**	**12**	**27**

	2024			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	8	13	11	32
Net measurement / additions	1	(1)	3	3
Recoveries / write back	-	-	-	-
Charge for the year - net	1	(1)	3	3
Exchange adjustments and other movements	(1)	(1)	(4)	(6)
As at 31 December	8	11	10	29

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group is engaged in litigation in various jurisdictions. The litigation involves claims by and against the Group which have arisen in the ordinary course of business. The Directors of the Bank, after reviewing the claims pending against Group companies and based on the advice of relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

24 Significant net foreign currency exposures

Significant net foreign currency exposures, arising mainly from investments in subsidiaries, are as follows:

	2025		2024	
Net long (short)	**Currency**	**US$ equivalent**	Currency	US$ equivalent
Brazilian Real	**5,547**	**1,008**	5,456	882
Pound Sterling	**(21)**	**(29)**	5	7
Egyptian Pound	**13,622**	**286**	11,593	228
Jordanian Dinar	**121**	**171**	129	182
Algerian Dinar	**26,470**	**204**	25,429	187
Tunisian Dinar	**173**	**60**	170	53
Euro	**34**	**40**	33	35
Bahraini Dinar	**26**	**70**	39	104
Omani Riyal	**2**	**5**	1	2

25 Fair value of financial instruments

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities.

25.1 31 December 2025

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2025:

Financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
Trading securities	781	240	184	1,205
Non-trading investments	7,211	661	-	7,872
Loans and advances	-	867	-	867
Derivatives held for trading	638	387	-	1,025
Derivatives held as hedges	-	34	-	34

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2025:

Financial liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
Derivatives held for trading	461	249	-	710
Derivatives held as hedges - net	-	79	-	79

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	Carrying value	Fair value
Financial assets		
Non-trading investments at amortised cost - gross (level 1)	9,648	9,645
Financial liabilities		
Borrowings - perpetual (level 1)	182	196

25.2 31 December 2024

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2024:

Financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
Trading securities	548	174	116	838
Non-trading investments	6,265	640	4	6,909
Loans and advances	-	547	-	547
Derivatives held for trading	563	541	-	1,104
Derivatives held as hedges	-	121	-	121

31 December 2025 (All figures in US$ Million)

25.2 31 December 2024 (continued)

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2024:
Financial liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
Derivatives held for trading	467	285	-	752
Derivatives held as hedges	-	34	-	34

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	2024	
	Carrying value	Fair value
Financial assets Non-trading investments at amortised cost - gross (level 1)	9,283	9,280
Financial liabilities Borrowings - perpetual (level 1)	238	253

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments in level 3

The fair value of financial instruments that are neither traded in an active market nor have observable inputs is determined by valuation techniques. These valuation techniques include an internal model which uses observable market yield curves and expected loss methodology for securities. Quotes provided by fund administrators are used for funds valuation.

Transfers between level 1, level 2 and level 3

There were no transfers between level 1, level 2 and level 3 during the year ended 31 December 2025 (31 December 2024: none).

26 Risk management

26.1 Introduction

Risk is inherent in the Group's activities and is managed through ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to financial and non-financial risks including credit risk, liquidity risk, operational risk, market risk, legal risk, strategic risk as well as other forms of risk inherent in its financial operations. All these risks are captured and detailed in the Group's Risk Taxonomy.

The Group continues to invest to strengthen its comprehensive and robust risk management infrastructure. This includes risk identification processes under credit, market and operational risk spectrums, risk measurement models and rating systems as well as a strong business process to monitor and control these risks.

26.2 Risk management structure

Executive Management is responsible for implementing the Group's Risk Appetite and Policy Guidelines set by the relevant Board Committees, including the regular identification and evaluation of material risks to the business and the design and implementation of appropriate internal controls to mitigate them. This is done through the Senior Management Committees, the Credit & Risk Group, Compliance and Balance Sheet Management Group functions at the Head Office with oversight by the relevant Board Committees.

The Board Risk Committee (BRC) assists the Board in setting, and periodically reviewing the overall risk strategy and appetite of the Bank which shall govern the parameters within which business is to be conducted. BRC is supported by two management level committees– Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO). The Board Compliance Committee (BCC) assists the Board in discharging its governance and oversight responsibilities for the compliance risk management framework of the Bank and of the Bank's compliance with applicable laws and regulations on a group-wide basis. The Board Compliance Committee is supported by Group Compliance Oversight Committee (GCOC).

The Board Audit Committee is responsible to the Board for ensuring that the Group maintains an effective system of financial, accounting and risk management controls and for monitoring compliance with the requirements of the regulatory authorities in various countries in which the Group operates.

The primary objectives of the GRC are to define, develop and monitor the Group's overarching risk management framework taking into account the Group's strategy and business plans. The GRC is assisted by specialised sub- committees to manage Credit Risk (Group Credit Committee), Operational Risk (Group Operational Risk Committee), Model Risk (Group Risk Governance and Analytics Committee) and Operational Resilience (Group Operational Resilience Committee). ESG risk is managed through a steering committee that reports into GRC.

The GALCO assists the BRC in overseeing the implementation of the Group's Asset / Liability Management Framework which includes capital, liquidity & funding and market risk in line with the risk appetite framework. GALCO monitors the Group's capital, liquidity, funding and market risks, stress testing and the Group's risk profile in the context of economic outlook and market developments. GALCO is assisted by technical sub-committees for Capital & Liquidity Management.

The GCOC has the oversight responsibilities relating to maintaining and enforcing a strong and sustainable compliance culture, regulatory compliance, AML and mitigating financial crime. It is also responsible for establishing the operating framework and the processes to support a permanent and an effective compliance function. Reputational risk is managed by the Group Reputational Risk Committee which is a sub-committee of the GCOC.

The above management structure, supported by teams of risk & credit analysts, and compliance officers, provide a coherent infrastructure to carry out credit, risk, balance sheet management and compliance responsibilities in a seamless manner.

Each subsidiary is responsible for managing its own risks and has its own Board Risk Committee and Management Committees with responsibilities generally analogous to the Group Committees.

26.3 Risk mitigation techniques

26.3.1 Risk mitigation

The Group uses collaterals to reduce its credit risk. The Bank manages and monitors collateral value on a regular basis to ensure proper risk mitigation, supported by legal documentation that is enforceable and can protect the Bank's interest, particularly in a default scenario.

As part of the Credit review process, the Bank assesses the facility structure, primary source of repayment and the need for any credit risk mitigation. This includes collateral or any guarantees that provide additional support for inherent and identified credit risk.

Additionally, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Group Treasury and Financial Markets (GTFM) regularly enters hedge transactions to manage market risks within its portfolios that are within its delegated authority, and each hedging strategy is approved by appropriate level of committee within the Group. Also, if a hedge becomes ineffective, the Group may decide to undertake the risk (and profit or loss volatility) rather than enter into a new hedge relationship.

26.3.2 Credit risk concentration

Credit concentration risk is the risk posed by excessive exposures to a single type or class of exposures that share similar characteristics. A common type of credit concentration risk is excessive exposure to a single obligor or a single group of closely-related counterparties. Concentration risk can also occur across economic activity, geographic areas or bank products. High levels of concentration in the event of a negative event e.g. default, changes in economic, political or other conditions may cause the Group to suffer higher than expected losses.

To avoid excessive concentrations of risk, the Group policies and standards include specific guidelines for managing the concentration of credit risk, across dimensions such as geography, industry, risk ratings and group of closely related counterparties. Where a concentration of risk is identified, action is taken to reduce or mitigate the concentration as appropriate.

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26.3.2 Credit risk concentration (continued)

26.4 Credit risk

Credit risk occurs when an obligor fails to discharge its contractual obligation with the Group causing the Group to incur a financial loss. The Group controls credit risk by setting limits on the amount of risk it is willing to accept for an individual obligor or a group of closely-related counterparties as per the Bank's risk appetite, credit acceptance criteria and limit framework. The credit limit assigned to an obligor is based on its credit profile (as reflected in the risk rating), the collateral posted in support of the facility and the facility maturity. Credit limits are approved at credit committees within the delegated authority framework.

Credit risk is managed by the Group Credit Committee (GCC), which is the main credit risk decision-making committee of the Group. GCC has the following roles and responsibilities:

- **Review and decide on credit proposals in line with its delegated authorities.**
- **Review and approve Obligor Risk Ratings (ORR) and any overrides as applicable.**
- **Review and approve Stage 1, 2 and 3 ECL charges.**
- **Credit portfolio reviews.**
- **Review of credit resources and infrastructure.**
- **Review and recommend the credit policies to the BRC for approval.**

26.4.1 Credit risk assessment and mitigation

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation. EAD for unfunded facilities is calculated by multiplying the outstanding exposure with the credit conversion factor (CCF) ranging from 20% to 100%.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events and the cash flows within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI, the EAD is considered for events over the lifetime of the instruments.

Obligor Risk Rating (ORR) and the Probability of Default (PD)

The Group assigns an ORR to each obligor which maps to the Group's assessment of PD for the obligor. The ORR scale is aligned to that of the international rating agencies (see below). An obligor's ORR is reviewed at least annually.

The Group uses risk rating models tailored to the various categories of counterparties that consider an obligor's financial standing, geographic location, its industry plus additional relevant information added through selective qualitative inputs to derive the ORR.

The credit grades are calibrated such that the risk of default increases exponentially as the credit quality weakens.

Credit Risk Rating Scale

The Group's rating method comprises 20 rating levels covering Stages 1 & 2 (1 to 8) and three default classes covering Stage 3 (9 to 11). The master scale maps the obligor risk rating (ORR) to a percentage point which indicates a probability of default. The strongest credits are rated '1'. As the credit quality weakens so the ORR increases in value. Obligors with an ORR of 4- or better are investment grade, whilst ORR of 5+ or weaker are non-investment grade.

Rating models and process is subject to periodic validation and recalibration in order to ensure that the PD accurately reflects current market default experience.

The Group's internal credit rating grades along with the respective TTC PDs are as below:

Internal rating grades	Internal rating grade description	"PD range (%)"
01 to 04-	Investment grades	>= 0.00% to <0.49%
05+ to 05-	Satisfactory	>= 0.49% to <1.52%
06+ to 06-	Adequate	>= 1.52% to <5.02%
07+ to 07-	Marginal	>= 5.02% to <17.32%
08	Special mention	>= 17.32% to <100%

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

Loss given default (LGD)

The credit risk mitigation assessment is based on a standardised LGD framework. Under this framework, the Group calculates LGD values based on the collateral type and value, obligor rating, economic scenarios, seniority of tranche, industry and country of risk of the borrower, etc.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Definition of default and cure

The Group considers a contract to be in default, if the terms of that contract have not been met. If the contractual repayments on a facility are 90 days past due the facility is moved to Stage 3 and a specific ECL allowance is recorded.

The 90 days past due is rebutted only if there is reasonable and supportive information demonstrating that this does not meet the impairment definition requirements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Principal and/or interest and / or fees are past due for 90 days or more after the last billing date and/or scheduled payment date, ignoring technical defaults and / or data errors. However, the Group can rebut 90 days past due assumption on a case-by-case basis, only upon prior approval from Group Chief Credit Officer (GCCO) / Group Chief Credit and Risk Officer (GCCRO) (at Head Office level) / Chief Risk Officer (CRO) or CRO (at Subsidiary level), as applicable;
- Any account put on non-accrual status i.e. interest suspended;
- A loan is classified as “Substandard”, “Doubtful” or “Loss”;
- A covenant breach not waived by the Group;
- Bankruptcy, liquidation, administration, insolvency or similar proceedings have been filed by or against the obligor;
- The purchase or origination of a financial asset at a deep discount that reflects an incurred loss; and
- Other cases where the assessment of the Bank’s GCC / GCCRO / GCCO suggests customers unlikeliness to pay.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group’s expected loss calculations.

The Bank employs ’cooling-off’ periods when moving a cured account from Stage 3 to Stages 2 or 1 (12 months) and from Stage 2 to Stage 1 (6 months). In cases, where the financial assets are originated or purchased at deep discount which reflects the incurred credit loss, the financial asset is classified under POCI and is not eligible for transfers to other stages. The Bank may choose to make exceptions subject to a case-by-case review and meeting internal governance process. The Bank is guided by the CBB’s requirements while approving the exceptions.

Credit risk grading and PD

The following are additional considerations for each type of portfolio held by the Group:

Wholesale portfolio

The wholesale portfolio includes obligors across sovereigns, banks, corporates, non-bank financial institutions and small and medium enterprises (SME) sub-sectors.

The Bank’s first line of defense initiates the credit origination process. Business proposal is first considered at the Business Acceptance Committee (BAC) to confirm that the facility is in line with the Bank’s strategy and meets the Bank’s profitability criteria and risk appetite. If supported by the BAC, a credit application form (CAF) is then presented to the second line of defense which

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Credit risk grading and PD (continued)

provides an independent review and risk assessment of the request and challenges the business proposal, ensuring it is in line with the Bank's risk appetite, policies and standards relating to the risk being underwritten. The credit risk units of the Group also validate the ORR being proposed. The CAF is then presented to a credit committee appropriate to the geography, product, ORR, maturity and amount requested for approval.

At a minimum the CAF contains the following information:

- **Description of the facility request, the amount, its structure/risk mitigation, its purpose, terms and conditions, source of repayment and a commentary outlining the risks and mitigants to the repayment of the facility.**
- **Financial analysis of the obligor.**
- **Identification of the model inputs for expected credit loss (ECL) calculation namely, ORR, LGD of the facility through consideration and analysis of:**
    - Historical and in case of medium or long term loans forecast financial information.
    - Any available relevant economic, sectorial, market, regulatory, reputational, or financial information on the obligor from third parties.
    - Collateral assessment.

Relationship managers in the first line of defence are responsible for day-to-day management of existing credit exposures, and for periodic review of the client and associated risks.

The centralised credit unit in the second line of defence is responsible for:

- Independent credit review of the clients;
- Monitoring and maintaining oversight of the credit portfolio through client reviews, portfolio management information (MI) and key risk indicators (KRIs); and
- Supporting the GCC with reference to its roles and responsibilities.

Retail portfolio

The Group runs its retail lending via a series of product programmes which are approved by the relevant credit committees. The Group uses the 'roll rate' methodology for ongoing assessment of the ECL across the retail portfolio. The roll rate methodology uses statistical analysis of historical data on delinquency levels to estimate the amount of ECL that might reasonably be incurred. Management overlays are applied to ensure that the estimate of ECL is appropriate given the prevailing economic conditions at the reporting date.

Treasury portfolio

For debt securities in the non-trading portfolio, external rating agency credit grades are used unless the Group has a different view on the ORR. These published credit ratings are continuously monitored and updated. The external ratings are mapped to the Group's internal ratings scale and the PD's associated with each grade are used for the ECL computation.

Significant increase in credit risk (SICR)

Obligors or specific facilities (or financial instruments) that have experienced an SICR since initial recognition are moved to Stage 2. The Group monitors its portfolio to determine if an SICR event has occurred. The monitoring is undertaken in two ways

- **Through the annual and ad-hoc thematic review process and the regrading of the ORR and staging as appropriate;**
- **Monitoring of past due payments or notch movement of the ORR from inception to date; and**
- **Other qualitative factors such as obligors' restructured / forbearance facilities, etc.**

Further, the Group has used the low credit risk (LCR) expedient which includes all exposures meeting the following criteria:

- **All local currency sovereign exposures funded in local currency;**
- **All local currency exposures to the government of the Kingdom of Bahrain or Central Bank of Bahrain; and**
- **All exposures with external rating A- or above.**

A backstop is applied, and the financial instrument is considered to have experienced SICR if the borrower is 30 or more days past due on its contractual payments.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- **A financial instrument that is not credit-impaired on initial recognition or where the credit risk has not significantly increased since initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.**
- **If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer above for a description of how the Group determines when a SICR has occurred.**
- **If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.**
- **Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.**
- **A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.**

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	Significant increase in credit risk (since initial recognition)	(Default or credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (specific provisions)

Measuring ECL

The ECL is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of PD, EAD and LGD, defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default. For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, geography and industry. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD and LGD for each future month and for each individual exposure. The three components (PD, LGD and EAD) are multiplied together, and the projected PD is adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying the forward-looking information on 12-month PD over the maturity of the loan. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis.

For revolving facilities, the behavioral maturity is considered to be the higher of 2 years or contractual maturity. The behavioral maturity treatment is only applicable to committed on-balance sheet exposures. For off-balance sheet exposures contractual maturity is used and exposure at default is predicted by applying a "credit conversion factor".

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

Measuring ECL (continued)

For secured products, this is primarily based on collateral values after applying approved haircuts depending on the collateral type. Further, the Group has applied LGD floors with respect to the fully secured portion of the portfolio depending on the collateral type.

For unsecured products, LGD's are computed based on models which consider several factors such as country of risk, industry, PD, etc. which consider the recoveries made post default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD. Refer to note 4 and below for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation– such as how the maturity profile of the PDs and how collateral values change, etc., are monitored and reviewed on a quarterly basis. The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in note 4.19 and note 4.34. There have been no significant changes in the ECL methodology during the year.

Assessment and calculation of ECL in the current macroeconomic environment

Considering the current scenario, economic outlook and uncertain geopolitical situation, the Group has applied management overlays on the model ECL estimates.

The Group's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The complexity caused by the various support schemes and regulatory guidance across the main regions in which the Group operates present modelling challenges which may result in overly conservative or overly optimistic results for specific portfolio / segment. These are mitigated by applying post-model adjustments, where relevant ,which go through internal governance process.

Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic

scenarios is provided under economic variable assumptions below:

Economic variable assumptions

An overview of the approach to estimating ECLs is set out above and in note 4.19. To ensure appropriate ECL estimation, the Bank uses independent third party data sources (e.g. Moody's and IMF).

The most significant assumptions affecting the ECL allowance are as follows:

(i) GDP, given the significant impact on companies' performance and collateral valuations;

(ii) Oil price, given its impact on the global economy and specially the regional economies for the Bank; and

(iii) Relevant equity indices, given its impact on the economy, counterparty performance and collateral valuations.

The following table sets out the key macroeconomic variables of ECL calculation and weightages used for scenarios showing increase /decrease in comparison to 2025 as base year (2024 as base year for assumptions used in 2024):

Assumptions used in 2025

Key macroeconomic variables used	ECL scenario and assigned weightage	2026	2027	2028	2029	2030
GDP growth rate*	Base (40%)	[1.4%, 7.2%]	[2.9%, 14.4%]	[4.6%, 17.5%]	[6.4%, 22.4%]	[8.2%, 28.6%]
	Upside (30%)	[3.7%, 9.9%]	[5.3%, 18.1%]	[7.0%, 21.2%]	[8.7%, 25.9%]	[10.3%, 31.9%]
	Downside (30%)	[- 8.3%, 0.1%]	[- 3.9%, 4.9%]	[0.0%, 11.6%]	[2.3%, 18.4%]	[4.0%, 24.9%]
Oil price	Base (40%)	1.22%	5.41%	8.51%	10.21%	12.28%
	Upside (30%)	9.31%	10.31%	10.66%	12.18%	14.36%
	Downside (30%)	-30.81%	-9.95%	3.70%	5.86%	8.89%
Equity index*	Base (40%)	[- 5.9%, 15.1%]	[-4.5%, 31.5%]	[-0.4%, 43.5%]	[1.7%, 52.5%]	[5.5%, 63.1%]
	Upside (30%)	[1.0%, 26.1%]	[1.4%, 35.6%]	[2.6%, 46.0%]	[3.3%, 54.5%]	[7.2%, 64.9%]
	Downside (30%)	[- 34.6%, -8.5%]	[-29.6%, 11.4%]	[-14.5%, 34.4%]	[-6.3%, 44.1%]	[-2.8%, 54.1%]

Assumptions used in 2024

Key macroeconomic variables used	ECL scenario and assigned weightage	2025	2026	2027	2028	2029
GDP growth rate*	Base (40%)	[1.2%, 4.6%]	[2.7%, 10.8%]	[4.6%, 16.5%]	[6.1%, 22.8%]	[7.6%, 29.0%]
	Upside (30%)	[3.4%, 7.2%]	[4.9%, 14.3%]	[6.8%, 19.6%]	[8.3%, 25.9%]	[9.7%, 32.3%]
	Downside (30%)	[- 8.4%, -0.5%]	[- 6.9%, 4.9%]	[- 2.8%, 11.8%]	[1.9%, 18.7%]	[3.6%, 25.3%]
Oil price	Base (40%)	-0.15%	-6.71%	-6.81%	-5.39%	-4.57%
	Upside (30%)	6.70%	-2.42%	-5.01%	-3.73%	-2.81%
	Downside (30%)	-26.65%	-19.72%	-10.75%	-8.99%	-7.37%
Equity index*	Base (40%)	[- 4.0%, 10.6%]	[-6.1%, 25.4%]	[-0.9%, 40.0%]	[3.4%, 50.8%]	[8.4%, 60.1%]
	Upside (30%)	[2.0%, 21.2%]	[-3.7%, 29.3%]	[0.7%, 42.4%]	[5.0%, 52.8%]	[10.5%, 61.8%]
	Downside (30%)	[- 41.1%, -12.0%]	[-30.8%, 6.2%]	[-17.2%, 31.1%]	[-4.6%, 42.4%]	[-0.0%, 51.2%]

* GDP and equity index are represented as range as they cover the indices of multiple countries the Group operates in.

The above macroeconomic variables are selected based on the regression analysis between the macroeconomic variables and the PD. These economic variables and their associated impact on the PD and LGD vary by country and industry. Forecasts of these economic variables (for all scenarios) are provided by Moody's on a quarterly basis and provide the best estimate view of the economy over future years.

31 December 2025 (All figures in US$ Million)

26 Risk management (continued)

26.4 Credit risk (continued)

26.4.1 Credit risk assessment and mitigation (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different geographies to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

Based on the above significant assumptions and changes in each economic variable by +5% and -5% while keeping other key variables constant will result in a change in the ECL (stage 1 and 2) in the range of decrease by 7% (2024: decrease by 6%) to an increase by 7% (2024: increase by 7%.)

26.4.2 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's concentration of risk is managed by geographical region, industry sector and a single group of closely-related counterparties. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including credit commitments and contingent items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	2025	2024
Liquid funds	**3,051**	3,582
Trading debt securities	**1,195**	828
Placements with banks and other financial institutions	**2,240**	2,071
Securities bought under repurchase agreements	**1,310**	1,288
Non-trading debt investments	**17,417**	16,096
Loans and advances	**20,661**	18,649
Other credit exposures	**3,158**	2,968
	49,032	45,482
Credit commitments and contingent items (note 23)	**10,777**	10,069
Total	**59,809**	55,551

Where financial instruments are measured at fair value, the amounts shown above represent the current credit risk exposure; however, they do not constitute the maximum potential exposure that may arise in the future as a result of fluctuations in fair values.

26.4.3 Risk concentration of the maximum exposure to credit risk

The Group's assets (before taking into account any cash collateral held or other credit enhancements) can be analysed by the following geographical regions:

	Assets			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Western Europe	**5,591**	**8**	**30**	**5,629**
Arab World	**13,993**	**182**	**48**	**14,223**
Asia	**966**	**-**	**1**	**967**
North America	**13,229**	**89**	**48**	**13,366**
Latin America	**10,257**	**208**	**106**	**10,571**
Other	**4,274**	**-**	**2**	**4,276**
Total	**48,310**	**487**	**235**	**49,032**

	Assets			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Western Europe	4,923	40	37	5,000
Arab World	12,048	184	105	12,337
Asia	860	-	-	860
North America	13,617	191	37	13,845
Latin America	9,260	106	106	9,472
Other	3,966	-	2	3,968
Total	44,674	521	287	45,482

The Group's liabilities and equity can be analysed by the following geographical regions:

	Liabilities and equity	
	2025	2024
Western Europe	**8,149**	8,065
Arab World	**28,117**	24,025
Asia	**2,042**	1,137
North America	**2,295**	4,353
Latin America	**8,555**	8,264
Other	**754**	421
Total	**49,912**	46,265

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.4 Credit risk (continued)
26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

The Group's commitments and contingencies can be analysed by the following geographical regions:

	Credit commitments and contingent items - gross			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Western Europe	**2,088**	**71**	**8**	**2,167**
Arab World	**4,049**	**38**	**45**	**4,132**
Asia	**347**	**-**	**3**	**350**
North America	**1,168**	**5**	**-**	**1,173**
Latin America	**2,768**	**52**	**4**	**2,824**
Other	**131**	**-**	**-**	**131**
Total	**10,551**	**166**	**60**	**10,777**

	Credit commitments and contingent items - gross			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Western Europe	2,039	62	14	2,115
Arab World	3,524	50	46	3,620
Asia	155	-	3	158
North America	1,386	16	3	1,405
Latin America	2,481	23	5	2,509
Other	262	-	-	262
Total	9,847	151	71	10,069

An industry sector analysis of the Group's financial assets (after taking risk transfer into account), before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Financial services	10,550	-	1	10,551
Central banks	3,723	-	-	3,723
Government	16,957	-	-	16,957
Other services	3,008	97	88	3,193
Manufacturing	3,318	54	15	3,387
Agriculture, fishing and forestry	1,585	11	21	1,617
Construction	396	-	43	439
Utilities	1,444	25	-	1,469
Energy	793	1	-	794
Distribution	1,014	64	-	1,078
Personal / consumer finance	1,558	1	22	1,581
Transport	605	9	2	616
Commercial real estate financing	1,135	97	30	1,262
Technology, media and telecommunications	413	4	-	417
Trade	330	40	3	373
Retailers	384	3	-	387
Mining and quarrying	64	20	10	94
Residential mortgage	20	-	-	20
Infrastructure	857	45	-	902
Contracting	156	16	-	172
Total	48,310	487	235	49,032

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.4 Credit risk (continued)
26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

	Gross maximum exposure			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Financial services	9,187	6	13	9,206
Central banks	3,876	-	-	3,876
Government	15,821	10	-	15,831
Other services	3,619	61	71	3,751
Manufacturing	2,730	77	16	2,823
Agriculture, fishing and forestry	1,331	7	33	1,371
Construction	358	11	47	416
Utilities	1,169	27	-	1,196
Energy	1,248	1	-	1,249
Distribution	783	49	-	832
Personal / consumer finance	1,174	12	6	1,192
Transport	601	7	15	623
Commercial real estate financing	995	225	37	1,257
Technology, media and telecommunications	503	1	-	504
Trade	228	6	44	278
Retailers	247	1	-	248
Mining and quarrying	128	13	5	146
Residential mortgage	3	-	-	3
Infrastructure	515	1	-	516
Contracting	158	6	-	164
Total	44,674	521	287	45,482

An industry sector analysis of the Group's financial assets, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2025	2024
Financial services	**7,412**	6,662
Central banks	**3,550**	3,876
Government	**16,578**	15,571
Other services	**3,151**	3,711
Manufacturing	**3,095**	2,678
Agriculture, fishing and forestry	**1,614**	1,364
Construction	**439**	416
Utilities	**1,469**	1,180
Energy	**794**	1,249
Distribution	**1,073**	831
Personal / consumer finance	**1,490**	1,192
Transport	**608**	619
Commercial real estate financing	**1,101**	1,175
Technology, media and telecommunications	**416**	503
Trade	**316**	262
Retailers	**365**	248
Mining and quarrying	**94**	146
Residential mortgage	**18**	-
Infrastructure	**897**	515
Contracting	**164**	156
Total	**44,644**	42,354

31 December 2025 (All figures in US$ Million)

26 Risk management (continued)
26.4 Credit risk (continued)
26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's credit commitments and contingent items, before taking into account cash collateral held or other credit enhancements, is as follows:

	Gross maximum exposure			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Financial services	2,734	10	3	2,747
Government	1,037	-	1	1,038
Other services	815	57	17	889
Manufacturing	1,534	30	13	1,577
Agriculture, fishing and forestry	138	-	-	138
Construction	132	2	-	134
Utilities	872	4	1	877
Energy	380	-	-	380
Distribution	170	12	-	182
Personal / consumer finance	31	-	-	31
Transport	701	4	-	705
Commercial real estate financing	59	5	-	64
Technology, media and telecommunications	186	-	-	186
Trade	187	-	1	188
Retailers	126	-	-	126
Mining and quarrying	71	-	-	71
Infrastructure	531	19	4	554
Contracting	847	23	20	890
Total	10,551	166	60	10,777

	Gross maximum exposure			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Financial services	2,354	24	3	2,381
Government	1,115	-	1	1,116
Other services	1,303	37	22	1,362
Manufacturing	1,480	28	19	1,527
Agriculture, fishing and forestry	174	-	-	174
Construction	335	4	-	339
Utilities	825	-	1	826
Energy	342	-	-	342
Distribution	195	12	-	207
Personal / consumer finance	23	-	-	23
Transport	403	10	1	414
Commercial real estate financing	-	16	3	19
Technology, media and telecommunications	147	-	-	147
Trade	204	-	1	205
Retailers	77	-	-	77
Mining and quarrying	56	-	-	56
Infrastructure	2	-	-	2
Contracting	812	20	20	852
Total	9,847	151	71	10,069

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.4 Credit risk (continued)
26.4.3 Risk concentration of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's credit commitments and contingent items, after taking into account cash collateral held or other credit enhancements, is as follows:

	Net maximum exposure	
	2025	2024
Financial services	**2,483**	2,205
Government	**818**	871
Other services	**866**	1,291
Manufacturing	**1,565**	1,515
Agriculture, fishing and forestry	**138**	173
Construction	**134**	202
Utilities	**866**	811
Energy	**379**	341
Distribution	**177**	200
Personal /consumer finance	**31**	23
Transport	**703**	414
Commercial real estate financing	**64**	62
Technology, media and telecommunications	**184**	146
Trade	**184**	201
Retailers	**126**	77
Mining and quarrying	**68**	53
Infrastructure	**554**	2
Contracting	**886**	849
Total	**10,226**	9,436

26.4.4 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

31 December 2025	Neither past due nor impaired				
	High grade	Standard grade*	Past due but not impaired	Past due and individually impaired	Total
Liquid funds	**2,799**	**252**	**-**	**-**	**3,051**
Trading debt securities	**179**	**1,016**	**-**	**-**	**1,195**
Placements with banks and other financial institutions	**925**	**1,315**	**-**	**-**	**2,240**
Securities bought under repurchase agreements	**-**	**1,310**	**-**	**-**	**1,310**
Non-trading debt investments	**13,645**	**3,772**	**-**	**-**	**17,417**
Loans and advances	**4,348**	**16,010**	**69**	**234**	**20,661**
Other credit exposures	**3,157**	**-**	**-**	**1**	**3,158**
	25,053	**23,675**	**69**	**235**	**49,032**

31 December 2024	Neither past due nor impaired				
	High grade	Standard grade*	Past due but not impaired	Past due and individually impaired	Total
Liquid funds	3,163	419	-	-	3,582
Trading debt securities	332	496	-	-	828
Placements with banks and other financial institutions	1,000	1,071	-	-	2,071
Securities bought under repurchase agreements	-	1,288	-	-	1,288
Non-trading debt investments	12,610	3,486	-	-	16,096
Loans and advances	3,336	14,964	63	286	18,649
Other credit exposures	2,539	428	-	1	2,968
	22,980	22,152	63	287	45,482

* Including exposures categorised as watchlist.

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.4 Credit risk (continued)
26.4.4 Credit quality per class of financial assets (continued)

The table below shows the credit quality by class of financial asset net ECL, based on internal credit ratings.

31 December 2025	Liquid funds	Trading debt securities	Placements with banks and other financial institutions	Securities bought under repurchase agreements	Non-trading debt investments	Loans and advances
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	2,799	179	925	-	13,645	4,348
Rating grades 5+ to 5-	174	919	722	1,310	1,678	8,895
Rating grades 6+ to 6-	76	68	407	-	2,018	5,451
Rating grade 7+ to 7-	2	29	186	-	76	1,246
Carrying amount (net)	3,051	1,195	2,240	1,310	17,417	19,940
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	-	-	-	-	-	-
Rating grades 5+ to 5-	-	-	-	-	-	135
Rating grades 6+ to 6-	-	-	-	-	-	87
Rating grade 7+ to 7-	-	-	-	-	-	244
Rating grade 8	-	-	-	-	-	21
Carrying amount (net)	-	-	-	-	-	487
Stage 3 (Lifetime ECL and credit-impaired)						
Rating grades 9 to 11	-	-	-	-	-	234
Carrying amount (net)	-	-	-	-	-	234
Total	3,051	1,195	2,240	1,310	17,417	20,661

Other credit exposures are not internally rated, hence, not included in the above table.

31 December 2024	Liquid funds	Trading debt securities	Placements with banks and other financial institutions	Securities bought under repurchase agreements	Non-trading debt investments	Loans and advances
Stage 1 (12-month ECL)						
Rating grades 1 to 4-	3,163	332	1,000	-	12,610	3,336
Rating grades 5+ to 5-	193	482	558	1,037	1,867	7,169
Rating grades 6+ to 6-	196	4	392	251	1,555	6,231
Rating grade 7+ to 7-	24	10	121	-	64	1,112
Carrying amount (net)	3,576	828	2,071	1,288	16,096	17,848
Stage 2 (Lifetime ECL but not credit-impaired)						
Rating grades 1 to 4-	5	-	-	-	-	-
Rating grades 5+ to 5-	1	-	-	-	-	70
Rating grades 6+ to 6-	-	-	-	-	-	176
Rating grade 7+ to 7-	-	-	-	-	-	174
Rating grade 8	-	-	-	-	-	95
Carrying amount (net)	6	-	-	-	-	515
Stage 3 (Lifetime ECL and credit-impaired)	-	-	-	-	-	286
Rating grades 9 to 11	-	-	-	-	-	286
Carrying amount (net)						
Total	3,582	828	2,071	1,288	16,096	18,649

Other credit exposures are not internally rated, hence, not included in the above table.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio through a risk rating system. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group's credit policy. The attributable risk ratings are assessed and updated regularly. Each risk rating class has grades equivalent to Moody's, S&P, Fitch and CI rating agencies.

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.4 Credit risk (continued)

26.4.5 Carrying amount per class of financial assets whose terms have been renegotiated as at year-end

	2025	2024
Loans and advances	**442**	333

26.4.6 Overview of modified or forborne loans

From a risk management point of view, once an asset is forborne or modified, the Group's Remedial Loan Unit (RLU) continues to monitor the exposure until it is completely and ultimately derecognised.

26.4.7 Collateral and other credit enhancements

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees from banks, movable and immovable assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group also makes use of master netting agreements with counterparties.

Credit exposure loan to value ratios of real estate portfolio

The credit exposure of asset based real estate portfolio of the Group amounts to US$ 1,953 million (2024: US$ 2,027 million). The average loan to value ratios for this exposure is 48% (2024 average: 49%).

26.4.8 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2025	2024
Trading securities		
- Debt securities	**1,195**	828
Trading derivatives	**1,025**	1,104
Hedging derivatives	**34**	121
Financial assets designated at FVTPL		
- Loans and advances to customers	**2**	63

26.5 Settlement risk

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. Where relevant and/or where possible, the Group mitigates this risk through a settlement agent to ensure that a trade is settled only when both parties fulfil their settlement obligations. Settlement approvals form a part of credit approval and limit monitoring procedure.

26.6 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to support business strategy, will be impacted by the change in market rates or prices related to interest rates, equity prices, credit spreads, foreign exchange rates, and commodity prices.

The Group has established risk management policies and limits within which exposure to market risk is independently monitored and measured by the Group Market Risk with committee governance exercised by GALCO. The Group Market Risk (MR) unit is responsible for oversight of market risk policy, risk management and monitoring.

The Group manages market risk by classifying into two types: a) trading market risk; and b) investment market risk. Trading market risk arises primarily from positions held in the trading books from market-making to support client activities. This involves the management of client originated exposures in interest rates, equities, corporate and sovereign debt, foreign exchange rates, commodities and derivatives of these asset classes, such as forwards, futures, options and swaps. Trading market risk may also arise from positions originated by the Bank subject to the market risk appetite and limits reviewed and approved by the GALCO and BRC.

Investment market risk arises from market factors affecting securities held in high quality liquid assets (HQLA) portfolio and liquid marketable securities which are held under its FVOCI portfolio and where the impact of the changes in fair value due to market factors is through FVOCI.

The trading and investment market risks are independently overseen and monitored by the GMR team daily. A full suite of risk limits including Value at Risk, sensitivity limits on key market parameters, notional limits on the size of investment portfolios and stop-loss limits are established and monitored. Stress testing is also performed to monitor the impact of various scenarios and significant market movements.

26.7 Interest rate risk in the banking book

Interest rate risk in the banking book refers to current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect future profitability or the fair values of financial instruments . The Group is exposed to interest rate risk because of mismatches of interest rate re pricing of assets and liabilities. This risk is minimised as the Group's rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and translates fixed rate instruments to floating rate to better manage the duration in the asset book.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on financial assets and financial liabilities held at 31 December, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate FVOCI financial assets, including the effect of any associated hedges and swaps. Substantially all the FVOCI non-trading securities held by the Group are floating rate assets. Hence, the sensitivity to changes in equity due to interest rate changes is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.7 Interest rate risk in the banking book (continued)

	2025			
	Increase in basis points	Sensitivity consolidated statement of profit or loss	Decrease in basis points	Sensitivity consolidated statement of profit or loss
US Dollar	**25**	**6**	**25**	**(6)**
Euro	**25**	**1**	**25**	**(1)**
Pound Sterling	**25**	**(1)**	**25**	**1**
Brazilian Real	**25**	**1**	**25**	**(1)**
Others	**25**	**(1)**	**25**	**1**

	2024			
	Increase in basis points	Sensitivity consolidated statement of profit or loss	Decrease in basis points	Sensitivity consolidated statement of profit or loss
US Dollar	25	-	25	-
Euro	25	1	25	(1)
Pound Sterling	25	-	25	-
Brazilian Real	25	2	25	(2)
Others	25	1	25	(1)

Managing interest rate benchmark reform and associated risks

The IBOR reforms exposes the Group to risks including risks relating to interest rate basis, pricing, operations and information system.

The Group applies temporary reliefs available under phase 1 and 2 amendments which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an ARR. These are explained in note 4. During the year 2024 and 2025, all of the Group's exposures have transitioned to ARRs.

26.8 Currency risk

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

The table below indicates the currencies to which the Group had significant exposure at 31 December 2025 and 31 December 2024 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US$, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive trading and non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as fair value hedges) and the effect of the impact of foreign currency movements on the structural positions of the Bank in its subsidiaries. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a potential net increase.

	2025			2024		
	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
Currency						
Brazilian Real	**+/- 5%**	**-**	**+/-41**	+/- 5%	-	+/-34
Pound Sterling	**+/- 5%**	**+/-1**	**-**	+/- 5%	-	-
Egyptian Pound	**+/- 5%**	**-**	**+/-14**	+/- 5%	-	+/-11
Jordanian Dinar	**+/- 5%**	**+/-2**	**+-10**	+/- 5%	+/-1	+/-10
Algerian Dinar	**+/- 5%**	**-**	**+/-10**	+/- 5%	-	+/-9
Tunisian Dinar	**+/- 5%**	**-**	**+/-3**	+/- 5%	-	+/-2
Bahrain Dinar	**+/- 5%**	**+/-3**	**-**	+/- 5%	+/-5	-
Saudi Riyal	**+/- 5%**	**+/-12**	**-**	+/- 5%	+/-10	-
Euro	**+/- 5%**	**+/-2**	**-**	+/- 5%	-	-

26.9 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 non-trading equity price risk exposure arises from the Group's securities portfolio.

The effect on equity (as a result of a change in the fair value of trading equity instruments and equity instruments held at FVOCI) due to a reasonably possible change in equity indices or the net asset values, with all other variables held constant, is as follows:

	2025 Change in		2024 Change in	
	% Change in equity price	Effect on consolidated statement of profit or loss/ equity	% Change in equity price	Effect on consolidated statement of profit or loss/ equity
Trading equities	**+/- 5%**	**+/-1**	+/- 5%	+/-1
Equity securities at FVOCI	**+/- 5%**	**+/-1**	+/- 5%	+/-1

26.10 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems including internal frauds, or from external events.

The Group adheres to the three lines of defence model for the management of operational risk. The first line comprises of the risk owners in the business or functions. The second line is represented by Operational Risk Management and the Subject Matter Experts (SME) for respective risk types as indicated in the Group Risk Taxonomy while Internal Audit acts as the third line.

The Group Operational Risk Committee (GORCO), as a sub-committee of Group Risk Committee (GRC) assists with the management of Operational Risks across the Group to ensure that the Operational Risk Framework and Policy as approved by the BRC, is implemented and monitored across the Group.

The GORCO:

- Defines the policy for the management of Operational Risks and recommends for approval by the GRC and BRC.
- Review and recommend the Operational Risk Appetite and Group Risk Taxonomy for approval by the GRC and BRC.
- Monitors and reviews the Operational Risk profile across various Group businesses and its subsidiaries.

26 Risk management (continued)
26.10 Operational risk (continued)

- Defines the various components of the Operational Risk Management Framework at the Group and oversees the implementation of the framework across the Group.
- Oversees the actions taken are in line with the Operational Risk Appetite.
- Governs the implementation of the Operational Risk Management Framework.

Respective Local Operational Risk Committees oversee the implementation of the Operational Risk Management Framework and the management of Operational Risk across all subsidiaries and branches of the Group. The Group Operational Risk Management Department is responsible for the development of the group-wide methodology, quality control and system support.

The Group has implemented the following elements for the management of Operational Risks:

- Operational Risk Appetite, as part of the Group Risk Appetite Statement;
- Group Risk Taxonomy
- Incident management;
- Risk & Control Self-Assessments;
- Control Testing
- Issue and Action management;
- Key Risk Indicators; and
- Risk Register

Operational Risk incidents, issues and Key Risk Incidents are captured in a group-wide Governance, Risk and Compliance solution. This group-wide solution is being used by Audit, Risk and Compliance.

Operational risk appetite

The Group has defined Operational Risk appetite based on Cumulative Gross and Net Operational Losses and Single Largest Operational Loss. These metrics are monitored by the Board Risk Committee. In addition, a set of Early Warning Indicators are used to monitor different non-financial risk types.

26.10.1 Operational resilience

Operational resilience is the ability of the Bank to anticipate, prevent, adapt, respond to, recover and learn from operational disruptions while minimising customer, firm and market impact.

The Group Operational Resilience Committee (GORC) assists GRC with the oversight of the Bank's Operational resilience practices that is driven by the activities in the following areas:

- Cyber security and Information security
- Information Technology
- Business Continuity, Disaster Recovery and Crisis Management
- Bank's compliance with Privacy laws (Personal Data Protection)
- Outsourcing and Vendor Management (External dependencies)

The GORC meets 4 times a year and reviews and recommends to GRC, the Bank's business resilience for each area.

26.11 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 conditions. To mitigate this risk, the Group seeks to fund its assets from diversified funding sources. In order to mitigate the liquidity risk, in addition to its core deposit base, maintains an adequate pool of high-quality liquid assets (HQLA) that can be monetised within a short timeframe to meet potential outflows arising from stress. The Group monitors its future cash flows and liquidity daily. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a highly liquid balance sheet with positive asset-liability mismatches. As such, the Group is generally in a position of surplus liquidity, its principal sources of liquidity being its deposit base, liquidity derived from its operations and interbank borrowings. The Liquidity Survival Horizon (LSH) represents the number of days the Group can survive the combined contractual outflow of deposits and loan drawdowns, under severe but plausible stress scenarios.

The Group is required to comply with the liquidity requirements as stipulated by its regulator, the CBB. These requirements relate to maintaining a minimum of 100% for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of high quality liquid assets (HQLA) and net outflows over the next 30 calendar days. NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'.

As at 31 December 2025, the Group's LCR and NSFR were at 237% (31 December 2024: 198%) and 127% (31 December 2024: 123%) respectively.

	31 December 2025					31 December 2024				
	Unweighted Values (i.e. before applying relevant factors)					Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):										
Capital:										
Regulatory Capital	**4,427**	**-**	**-**	**-**	**4,427**	4,112	-	-	-	4,112
Other Capital Instruments	**710**	**-**	**-**	**293**	**1,003**	488	-	-	327	815
Retail deposits and deposits from small business customers:										
Stable deposits	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Less stable deposits	**-**	**2,178**	**679**	**357**	**2,928**	-	2,098	277	259	2,397
Wholesale funding:										
Operational deposits	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Other wholesale funding	**-**	**27,603**	**5,270**	**6,435**	**14,196**	-	25,060	4,481	7,217	13,524
Other liabilities:	**-**	**-**	**-**	**-**	**-**					
NSFR derivative liabilities	**-**	**29**	**-**	**-**	**-**	-	-	-	-	-
All other liabilities not included in the above categories	**-**	**815**	**-**	**-**	**-**	-	1,117	-	-	-
Total ASF (A)					**22,554**					20,848

31 December 2025 (All figures in US$ Million)

26 Risk management (continued)
26.11 Liquidity Risk (continued)

	31 December 2025					31 December 2024				
	Unweighted Values (i.e. before applying relevant factors)					Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value
Required Stable Funding (RSF):										
Total NSFR high-quality liquid assets (HQLA)	**17,610**	**152**	**-**	**-**	**1,174**	15,736	175	-	-	1,163
Deposits held at other financial institutions for operational purposes	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Performing loans and securities:										
Performing loans to financial institutions secured by Level 1 HQLA	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	**-**	**4,626**	**1,311**	**829**	**2,140**	-	3,884	919	727	1,730
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	**-**	**7,117**	**2,507**	**6,384**	**10,238**	-	7,130	2,653	5,484	9,553
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	**-**	**-**	**-**	**289**	**188**	-	-	-	323	210
Performing residential mortgages, of which:										
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities Other assets:	**-**	**246**	**396**	**2,412**	**2,370**	-	173	259	1,531	1,517
Physical traded commodities, including gold	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
NSFR derivative assets	**-**	**-**	**-**	**-**	**-**	-	106	-	-	106
NSFR derivative liabilities before deduction of variation margin posted	**-**	**6**	**-**	**-**	**6**	-	-	-	-	-
All other assets not included in the above categories	**3,461**	**460**	**6**	**784**	**1,076**	3,765	506	6	1,882	2,209
OBS items	**-**	**11,614**	**-**	**-**	**581**	-	10,370	-	-	518
Total RSF (B)					**17,773**					17,006
NSFR (A/B)					**127%**					123%

In addition, the internal liquidity/maturity profile is generated to summarise the actual liquidity gaps versus the revised gaps based on internal assumptions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 based on contractual undiscounted repayment obligations. See the next table for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

At 31 December 2025	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	5 - 10 years	Over 10 years and undated	Total
Financial liabilities								
Deposits from customers	9,828	4,601	2,959	4,094	6,618	376	354	28,830
Deposits from banks	1,606	1,194	670	543	127	17	-	4,157
Certificates of deposits	134	96	28	17	135	9	-	419
Securities sold under repurchase agreements	8,502	151	223	-	246	-	-	9,122
Interest payable and other liabilities	1,180	-	-	-	-	-	1,969	3,149
Borrowings	-	-	24	143	1,365	-	198	1,730
Total non-derivative undiscounted financial liabilities on statement of financial position	21,250	6,042	3,904	4,797	8,491	402	2,521	47,407
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	5,185	3,806	5,592	15,543	5,251	974	349	36,700
Guarantees	2,472	-	-	-	-	-	-	2,472

31 December 2025 (All figures in US$ Million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Risk management (continued)
26.11 Liquidity Risk (continued)

At 31 December 2024	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	5 - 10 years	Over 10 years and undated	Total
Financial liabilities								
Deposits from customers	7,814	4,244	2,342	3,104	6,392	359	215	24,470
Deposits from banks	2,451	882	674	417	253	16	-	4,693
Certificates of deposits	49	30	22	13	161	1	-	276
Securities sold under repurchase agreements	6,627	2,996	-	179	394	-	-	10,196
Interest payable and other liabilities	1,071	-	-	-	-	-	1,712	2,783
Borrowings	-	-	26	227	1,173	-	260	1,686
Total non-derivative undiscounted financial liabilities on statement of financial position	18,012	8,152	3,064	3,940	8,373	376	2,187	44,104
ITEMS OFF STATEMENT OF FINANCIAL POSITION								
Gross settled foreign currency derivatives	3,343	3,256	2,844	9,991	6,322	282	80	26,118
Guarantees	2,452	-	-	-	-	-	-	2,452

The maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled or when they could be realised.

At 31 December 2025	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Total within 12 months	1 - 5 years	5 - 10 years	10 - 20 years	Over 20 years	Undated	Total over 12 months	Total
ASSETS												
Liquid funds	3,127	-	-	-	3,127	-	-	-	-	-	-	3,127
Trading securities	1	288	4	52	345	402	366	73	9	10	860	1,205
Placements with banks and other financial institutions	1,667	207	2	364	2,240	-	-	-	-	-	-	2,240
Securities bought under repurchase agreements	959	255		96	1,310	-	-	-	-	-	-	1,310
Non-trading investments	12,816	518	461	521	14,316	2,559	476	66	-	28	3,129	17,445
Loans and advances	2,878	3,839	2,478	3,242	12,437	6,888	1,138	196	2	-	8,224	20,661
Others	-	-	-	-	-	-	-	-	-	3,924	3,924	3,924
Total assets	**21,448**	**5,107**	**2,945**	**4,275**	**33,775**	**9,849**	**1,980**	**335**	**11**	**3,962**	**16,137**	**49,912**
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	7,414	3,060	2,661	7,396	20,531	5,518	347	2	93	-	5,960	26,491
Deposits from banks	1,568	1,165	648	525	3,906	149	10	-	-	-	159	4,065
Certificates of deposit	133	93	25	9	260	116	7	-	-	-	123	383
Securities sold under repurchase agreements	8,040	147	33	-	8,220	854	-	-	-	-	854	9,074
Borrowings	-	-	3	112	115	1,129	-	-	-	182*	1,311	1,426
Others	-	-	-	-	-	-	-	-	-	3,239	3,239	3,239
Shareholders' equity and non-controlling interests	-	-	-	-	-	-	-	-	-	5,234	5,234	5,234
Total liabilities, shareholders' equity and non-controlling interests	**17,155**	**4,465**	**3,370**	**8,042**	**33,032**	**7,766**	**364**	**2**	**93**	**8,655**	**16,880**	**49,912**
Net liquidity gap	4,293	642	(425)	(3,767)	743	2,083	1,616	333	(82)	(4,693)	(743)	-
Cumulative net liquidity gap	4,293	4,935	4,510	743		2,826	4,442	4,775	4,693	-		

* These represent perpetual instruments, refer note 14 for details.

Within 1 month are primarily liquid securities that can be sold under repurchase agreements. Deposits are continuously replaced with other new deposits or rollover from the same or different counterparties, based on available lines of credit.

31 December 2025 (All figures in US$ Million)

26 Risk management (continued)
26.11 Liquidity Risk (continued)

At 31 December 2024	Within 1 month	1 - 3 months	Total 3 - 6 months	6 - 12 months	Total within 12 months	1 - 5 years	5 - 10 years	10 - 20 years	Over 20 years	Undated	Total over 12 months	Total
ASSETS												
Liquid funds	3,616	20	-	-	3,636	-	-	-	-	-	-	3,636
Trading securities	23	7	510	11	551	78	74	120	5	10	287	838
f Placements with banks and other financial institutions	1,463	227	24	357	2,071	-	-	-	-	-	-	2,071
Securities bought under repurchase agreements	969	151	15	153	1,288	-	-	-	-	-	-	1,288
Non-trading investments	7,678	3,014	405	757	11,854	2,867	1,322	49	4	21	4,263	16,117
Loans and advances	2,979	3,395	2,759	3,240	12,373	5,098	1,016	160	2	-	6,276	18,649
Others	-	-	-	-	-	-	-	-	-	3,666	3,666	3,666
Total assets	16,728	6,814	3,713	4,518	31,773	8,043	2,412	329	11	3,697	14,492	46,265
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS												
Deposits from customers	6,490	3,120	2,008	5,163	16,781	5,378	181	91	-	-	5,650	22,431
Deposits from banks	2,278	867	665	407	4,217	402	9	-	-	-	411	4,628
Certificates of deposit	49	28	20	10	107	137	-	-	-	-	137	244
Securities sold under repurchase agreements	738	102	-	128	968	9,118	-	-	-	-	9,118	10,086
Borrowings	-	-	5	178	183	960	-	-	-	238	1,198	1,381
Others	-	-	-	-	-	-	-	-	-	2,852	2,852	2,852
Shareholders' equity and non-controlling interests	-	-	-	-	-	-		-	-	4,643	4,643	4,643
Total liabilities, shareholders' equity and non-controlling interests	9,555	4,117	2,698	5,886	22,256	15,995	190	91	-	7,733	24,009	46,265
Net liquidity gap	7,173	2,697	1,015	(1,368)	9,517	(7,952)	2,222	238	11	(4,036)	(9,517)	-
Cumulative net liquidity gap	7,173	9,870	10,885	9,517		1,565	3,787	4,025	4,036	-		

* These represent perpetual instruments, refer note 14 for details.

27 Operating segments

For management purposes, the Group is organised into five operating segments which are based on business units and their activities. The Group has accordingly been structured to place its activities under the distinct divisions which are as follows:

- **MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- **International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;
- **Group treasury** comprises treasury activities of Bahrain Head Office, New York and London;
- **ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil and its related holding Company; and
- **Other** includes activities of the Head office, Arab Financial Services Company B.S.C. (c) and ila Bank.

	2025					
	MENA subsidiaries	International wholesale banking	Group treasury	ABC Brasil	Other	Total
Net interest income	217	202	35	361	155	970
Other operating income	54	109	76	122	79	440
Total operating income	271	311	111	483	234	1,410
Total operating expenses	(145)	(153)	(37)	(201)	(121)	(657)
Net operating profit before credit loss expense, taxation and unallocated operating expenses	126	158	74	282	113	753
Credit loss expense	(14)	(72)	-	(77)	(1)	(164)
Profit before taxation and unallocated operating expenses	112	86	74	205	112	589
Taxation expense on foreign operations						(105)
Unallocated operating expenses						(157)
Profit for the year						327
Operating assets as at 31 December 2025	5,592	11,651	19,857	11,738	1,074	49,912
Operating liabilities as at 31 December 2025	4,796	-	28,247	10,442	1,193	44,678

31 December 2025 (All figures in US$ Million)

27 Operating segments (continued)

	2024					
	MENA subsidiaries	International wholesale banking	Group treasury	ABC Brasil	Other	Total
Net interest income	210	205	22	299	166	902
Other operating income	48	108	62	152	67	437
Total operating income	258	313	84	451	233	1,339
Total operating expenses	(129)	(157)	(24)	(200)	(113)	(623)
Net operating profit before credit loss expense, taxation and unallocated operating expenses	129	156	60	251	120	716
Credit loss expense	(20)	(56)	-	(66)	(1)	(143)
Profit before taxation and unallocated operating expenses	109	100	60	185	119	573
Taxation expense						(72)
Unallocated operating expenses						(150)
Profit for the year						351
Operating assets as at 31 December 2024	4,896	11,001	19,068	10,652	648	46,265
Operating liabilities as at 31 December 2024	4,196	-	26,879	9,585	962	41,622

Geographical information

The Group operates in six geographic markets: Middle East and North Africa, Western Europe, Asia, North America, Latin America and others. The following table show the external total operating income of the major units within the Group that covers these markets, based on the country of domicile of the entity for the years ended 31 December 2025 and 2024:

2025	**Bahrain**	**Europe**	**Brasil**	**Other**	**Total**
Total operating income	**398**	**177**	**486**	**349**	**1,410**
2024					
Total operating income	393	172	447	327	1,339

There were no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue during 2025 and 2024

28 Repurchase and resale agreements

Proceeds from assets sold under repurchase agreements at the year-end amounted to US$ 9,074 million (2024: US$ 10,086 million). The carrying value of securities sold under repurchase agreements at the year-end amounted to US$ 9,230 million (2024: US$ 10,295 million).

Amounts paid for assets purchased under resale agreements at the year-end amounted to US$ 1,310 million (2024: US$ 1,288 million), net of ECL allowance, and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the year-end amounted to US$ 1,454 million (2024: US$ 1,480 million).

29 Transactions with related parties

Related parties represent the ultimate parent, major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	Ultimate parent	Major shareholder	Directors	2025	2024
Deposits from customers	2,809	-	1	2,810	2,833
Borrowings	1,115	-	-	1,115	1,115
Additional / perpetual tier-1 capital*	590	-	-	590	390
Short-term self-liquidating trade and transaction-related contingent items	862	-	-	862	1,049

* During the year, the Group has paid interest on additional / perpetual tier-1 capital amounting to US$ 19 million (2024: US$ 19 million) which has been charged to the consolidated statement of changes in equity.

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2025	2024
Commission income	21	22
Interest expense	208	250
Compensation of the key management personnel is as follows:		

	2025	2024
Short term employee benefits	22	24
Post employment benefits	5	3
	27	27

30 Fiduciary assets

Funds under management at the year-end amounted to US$ 24,395 million (2024: US$ 19,586 million). These assets are held in a fiduciary capacity and are not included in the consolidated statement of financial position.

31 Islamic deposits and assets

Deposits from customers, banks and borrowings include Islamic deposits of US$ 3,505 million (2024: US$ 2,649 million). Loans and advances and non-trading investments include Islamic assets of US$ 1,461 million (2024: US$ 1,161 million), US$ 1,510 million (2024: US$ 1,258 million) respectively.

32 Assets pledged as security

At the reporting date, in addition to the items mentioned in note 28, assets amounting to US$ 532 million (2024: US$ 443 million) have been pledged as security for borrowings and other banking operations.

33 Basic and diluted earnings per share and proposed dividends and transfers

33.1 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the parent for the year by the weighted average number of shares during the year. Diluted EPS is calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

The Group's earnings for the year (before proposed dividends) are as follows:

	2025	2024
Profit attributable to the shareholders of the parent	**257**	285
Net profit attributable to the shareholders of the parent after adjusting for interest paid on additional / perpetual tier-1 capital (for basic and diluted earnings per share)	**238**	266
Weighted average number of shares outstanding during the year (millions) for basic and diluted earnings per share	**3,094**	3,094
Basic and diluted earnings per share (US$)	**0.077**	0.086

33.2 Proposed dividends and transfers

	2025	2024
Proposed cash dividend for 2025 of US$ 0.0275 per share (2024: US$ 0.0225 per share)	**85**	85

The proposed cash dividend is subject to regulatory approvals and approval at the Annual General Meeting.

34 Capital Adequacy

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The credit risk asset ratio calculations as at 31 December 2025 are based on standardised measurement methodology and in accordance with the CBB Basel III guidelines. The group applies aggregation approach for one of its subsidiaries to calculated risk weighted assets.

CAPITAL BASE		**2025**	2024
CET 1	[a]	**4,211**	3,886
AT 1		**724**	535
Total Tier 1 capital	[b]	**4,935**	4,421
Tier 2		**293**	327
Total capital base	[c]	**5,228**	4,748

RISK WEIGHTED EXPOSURES

		2025	2024
Credit risk weighted assets and off balance sheet items		**26,609**	24,899
Market risk weighted assets and off balance sheet items		**2,054**	1,722
Operational risk weighted assets		**2,122**	1,935
Total risk weighted assets	[d]	**30,785**	28,556
CET 1 ratio	[a/d*100]	**13.7%**	13.6%
Tier 1 ratio	[b/d*100]	**16.0%**	15.5%
Risk asset ratio	[c/d*100]	**17.0%**	16.6%
Minimum requirement for Risk asset ratio		**12.5%**	12.5%

The Group's capital base primarily comprises:

(a) Tier 1 capital: share capital, treasury shares, reserves, retained earnings, non controlling interests, profit for the year and cumulative changes in fair value;

(b) Additional Tier 1 Capital: eligible portion of a perpetual financial instrument issued by the Bank's subsidiary; and

(c) Tier 2 capital: eligible non controlling interests and expected credit losses.

The Group has complied with all the capital adequacy requirements as set by the CBB.

35 Changes in liabilities arising from financing activities

	1 January 2025	Cash flow, net	Foreign exchange movement	31 December 2025
Certificates of deposit	**244**	**134**	**5**	**383**
Borrowings	**1,381**	**9**	**36**	**1,426**
Total liabilities from financing activities	**1,625**	**143**	**41**	**1,809**

	1 January 2024	Cash flow, net	Foreign exchange movement	31 December 2024
Certificates of deposit	142	102	-	244
Borrowings	1,303	109	(31)	1,381
Total liabilities from financing activities	1,445	211	(31)	1,625

36 Goodwill on business acquisition

36.1 Goodwill on acquisition of BLOM Bank Egypt

	2025	2024
As at 1 January	**25**	41
Exchange rate movement	**1**	(16)
As at 31 December	**26**	25

36 Goodwill on business acquisition (continued)

36.2 Impairment testing of Goodwill and CDI acquired

The goodwill acquired through business combination is reviewed annually for impairment. At each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. The impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. The goodwill has been allocated to the CGU, MENA subsidiaries, which is also operating and reportable segment.

The recoverable amount of the CGU has been determined based on residual income approach. The VIU model used projected cash flows in perpetuity through a 8-year forward period of projections, and thereafter applying a (long-term) terminal growth rate. Significant assumptions used in the residual income model for impairment assessment are:

- Discount rate of 20% (2024: 21%), which is derived using a capital asset pricing model and comparing it with cost of capital rates produced by external sources.
- Long-term profit growth rate of 4.5% (2024: 3%), adjusted for expected changes in benchmark interest rates and sector growth rates over time, applied to projected periods beyond 2034.

The calculation of VIU in the CGU is most sensitive to the following assumptions:

- interest margins;
- discount rates; and
- projected growth rates used to extrapolate cash flows beyond the projection period.

Interest margins

Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates

Discount rates reflect management's estimate of Return on Capital Employed ('ROCE') required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using a capital asset pricing model.

Projected growth rates used to extrapolate cash flows beyond the projection period

Assumptions are based on published industry research. At 31 December 2025, the goodwill impairment test determined there was no impairment required to the CGU allocated to MENA subsidiaries.

The forecast cash flows have been discounted using the discount rate mentioned above. A 3% point increase in the discount rate and decrease in the terminal growth rate keeping other factors constant would reduce the recoverable amount of the CGU and will result in a goodwill impairment.

Other intangibles

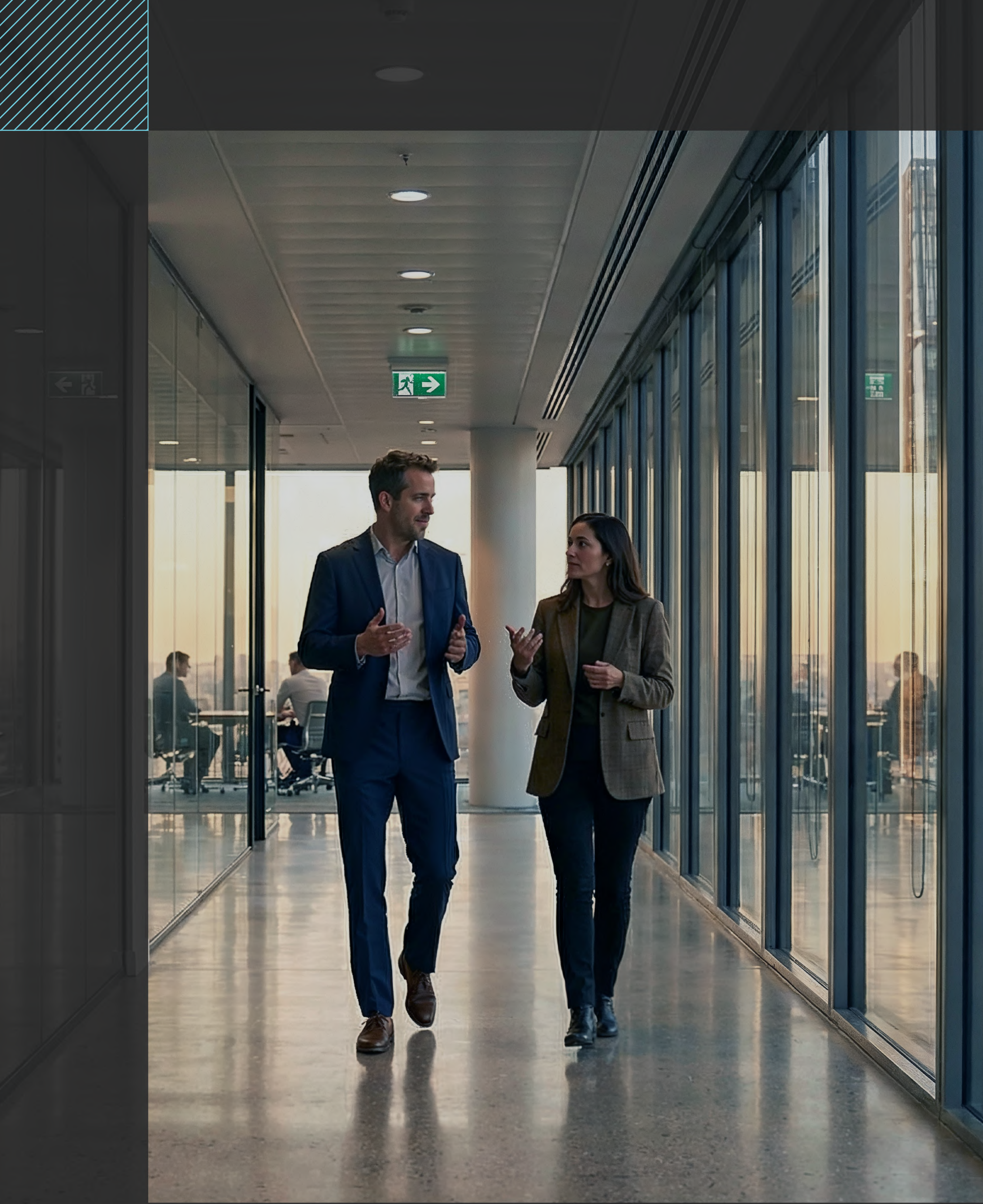
Acquired other intangibles are recognised at their 'fair value' upon initial recognition. The specific criteria which needs to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either;

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Bank identified CDI's as other intangibles which are being amortised using the straight-line method over the useful life of the asset, which is estimated to be 10 years. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount. There were no indicators of impairment identified with respect to CDI.

37 Subsequent events

There were no subsequent events through 8 February 2026, the date the consolidated financial statements were approved by the Board of Directors which may impact the consolidated financial statements.



APPENDICES

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