

United Gulf Holding Company B.S.C.

Audited consolidated financial statements
for the year ended 31 December 2025

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Commercial registration number	114160
Board of directors	Masaud Hayat Faisal Al Ayyar Khaled Al Sharrad Sunny Bhatia Mazen Hawwa Mubarak Al Maskati Bader Al Awadhi Mohammed Haroon
Chief Executive Officer	Hussain A. Lalani
Registered address	PO Box 5565, Office 12, Building 440, Road 1705 Block 317, Diplomatic area Kingdom of Bahrain
Auditor	RSM Bahrain PO Box 11816, Manama Kingdom of Bahrain

United Gulf Holding Company B.S.C. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to submit its report and the audited consolidated financial statements of United Gulf Holding Company B.S.C. ("the Company") for the year ended 31 December 2025.

Principal activities and review of business developments

The principal activities of the Company and its subsidiaries [together the "Group"] comprise of commercial banking, which includes extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

Results for the year

During the year ended 31 December 2025, the Company recorded a net loss of US\$ 11.6 million (2024: net loss of US\$ 19.7 million) and total income of US\$ 107.9 million (2024: US\$ 140.7 million). The decrease in losses is mainly attributable to the recovery of global and regional economies.

As of 31 December 2025, total assets of the Group were US\$ 2,252 million (2024: US\$ 2,606 million) with total equity of shareholders at US\$ 165.2 million (2024: US\$ 172.3 million).

Appropriations for the year

The Board of Directors recommend that No allocation be done from retained earnings to reserves as the Company recorded losses during the year ended 31 December 2025.

Remuneration of Board of Directors and Executive Management

As part of the Group's commitment to transparency and fair disclosures, below are the remunerations paid to the Directors and Executive management of the Company for the year ended 31 December 2025:

Board of Directors' remuneration

										amounts in BHD		
Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance	
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee	Others *	Total	Remunerations of the chairman and BOD	Incentive plans	Others **	Total				
First: Independent Directors:												
1- Mubarak Al Maskati	-	-	-	-	-	-	-	-	-	-	-	-
2- Bader Al Awadhi	-	-	-	-	-	-	-	-	-	-	-	-
3- Mohamed Haroon	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:												
1- Masaud M. J. Hayat	-	-	-	-	-	-	-	-	-	-	-	-
2- Faisal Al Ayyar	-	-	-	-	-	-	-	-	-	-	-	-
3- Khaled Al Sharrad	-	-	-	-	-	-	-	-	-	-	-	-
4- Mazen Hawwa	-	-	-	-	-	-	-	-	-	-	-	-
5- Sunny Bhatia	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors: NIL												
Total	-	-	-	-	-	-	-	-	-	-	-	-
Note: All amounts must be stated in Bahraini Dinars.												
Other remunerations:												
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).												
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).												

United Gulf Holding Company B.S.C.
REPORT OF THE BOARD OF DIRECTORS

Remuneration of Board of Directors and Executive Management (continued)

Executive management's

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash / in kind remuneration for 2025	Aggregate amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	-	-	-	-

Notes:

In line with the Service Level Agreement signed between UGB and UGH on 23 August 2017, the CEO, CFO, the Chief Audit Executive & Corporate Secretary, Chief Compliance Officer, and other officers of UGB including the AML, risk management and shareholders/investor relations functions, perform their corresponding roles for UGH. There are hence no employees hired separately by UGH.

In the event it is deemed appropriate to pay certain UGB officers a variable, one-off compensation in lieu of the additional critical responsibilities undertaken by them on behalf of UGH, such compensation is approved by the NRC of UGB and disclosed appropriately.

Auditors

Resolution for their appointment of the auditors of the Company for the year ending 31 December 2026 will be put for approval of the Shareholders.

Signed on behalf of the Board of Directors



Masaud Hayat
Chairman



Mohamed Haroon
Independent Director

Date: 26 February 2026

Independent Auditor's Report

To the shareholders of United Gulf Holding Company B.S.C.

Report on the audit of the consolidated financial statements**Opinion**

We have audited the consolidated financial statements of United Gulf Holding Company B.S.C. (the "Company" or the "Parent") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statements of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

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' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Expected credit losses (ECL) on loans and receivables

Loans and receivables of the Group's commercial banking subsidiary represent a significant part of the total assets. Recognition of ECL under IFRS 9 is a complex process which requires considerable judgement in its application.

ECL is dependent on management's judgement in assessing significant increase in credit risk at the reporting date as compared to the credit risk on the date of initial recognition, and determining when a default has occurred for classification of credit facilities into various stages.



Independent auditor's report

To the shareholders of United Gulf Holding Company B.S.C.

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Key audit matters (continued)

Expected credit losses (ECL) on loans and receivables (continued)

Furthermore, the Group assesses the probability of default of customers by use of forward-looking information and estimating cash flows from recovery procedures or realization of collateral after appropriate haircuts.

Due to the significance of credit facilities, the related estimation uncertainty and judgements applied and the Group's exposure to loans and receivables forming a major portion of the Group's assets, ECL on loans and receivables is considered as a key audit matter.

As part of our audit of the commercial banking subsidiary, we involved the component auditors in performing the following procedures:

- Obtaining an understanding of the design and testing the relevant controls over ECL model, including model build and approval, ongoing monitoring and validation, model governance and arithmetical accuracy.
- Checking completeness and accuracy of certain instrument specific contractual characteristics used as model data inputs and the reasonableness of the management assumptions.
- Reviewing the appropriateness of significant modelling assumptions and model calibrations .
- Assessing:
 - the subsidiary's IFRS 9 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of IFRS 9;
 - the subsidiary's ECL modelling techniques and methodology against the requirements of IFRS 9; and
 - the soundness of the subsidiary's loan grading processes and mathematical integrity of the models.
- For a sample of exposures, evaluating:
 - The appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL under IFRS 9;
 - The appropriateness of the subsidiary's staging criteria, exposure at Default (EAD) Probability of Default (PD) and Loss Given Default (LGD) including the eligibility and value of collateral considered in the ECL models used by the subsidiary and the overlays considered by the management in order to determine ECL;
 - Timely identification of exposures with a significant increase in credit risk and appropriateness of the subsidiary's staging; and
 - The ECL calculation.
- For forward looking information used by the subsidiary's management in its ECL calculations, discussing with management and reviewing the appropriateness of scenarios used for the purposes of calculating ECL.
- Assessing the adequacy of the disclosures in the consolidated financial statements in relation to impairment of loans and receivables as required under IFRS 9.

Independent auditor's report

To the shareholders of United Gulf Holding Company B.S.C.

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Key audit matters (continued)

Valuation of level 3 investments carried at FVTPL and FVOCI

As at 31 December 2025, Level 3 investments carried at Fair Value Through Profit or Loss ("FVTPL") and Fair Value Through Other Comprehensive Income ("FVOCI") amounted to USD 445 million and USD 76 million, respectively. The fair value of these financial assets held by the Group is determined through the application of valuation techniques that involve the exercise of judgement, and the use of assumptions based on limited observable market data. We considered the valuation of Level 3 investments as a key audit matter given the significance of judgments and estimates made by management to support the valuations.

In relation to forfeiting financial assets, component auditors were involved in performing below procedures:

- Obtaining an understanding of the underlying instruments, how these are acquired or originated, the valuation methodology, and key assumptions; and
- For a sample of exposures, independently assessing management's valuation using valuation specialists.

For other level 3 investments, we reviewed the valuations provided by management and compared the basis and key assumptions to the relevant industry and market valuation considerations. We derived estimated fair values (including range of fair values in certain cases) using such assumptions and other quantitative and qualitative risk factors. We compared these values/ranges with management's valuations and discussed our results with management. We also assessed the adequacy of the Group's disclosure in the consolidated financial statements.

Wherever relevant, internal specialists and component auditors were involved in the performance of above procedures.

Impairment of equity investment in an associate

As at 31 December 2025, the Group has an investment of USD 611 million, representing an equity stake of 15% in one of its associates. Given the significant gap between the carrying value and market value of such investment, management carried out an impairment assessment by comparing the carrying value of the investment to the recoverable amount, being the higher of value-in-use and the fair value less costs of disposal.

Significant management judgement is required in determining whether there are any indications of impairment and in estimating the recoverable amounts of the investment in associates based on the value in use. Accordingly, we considered this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment triggers such as significant adverse changes in the technological, market, economic, or legal environment in which the investee operates, structural changes in the industry in which the investee operates, changes in the political or legal environment affecting the investee's business and changes in the investee's financial condition.

Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the methods used.

We also assessed the adequacy of the Group's disclosures in the consolidated financial statements.

Independent auditor's report

To the shareholders of United Gulf Holding Company B.S.C.

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Other information

The board of directors is responsible for the other information. The other information comprises the Group's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of our auditors' report, we obtained the report of the board of directors, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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 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, 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 IFRSs, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Group's financial reporting process.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,
- as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report

To the shareholders of United Gulf Holding Company B.S.C.

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

- 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

Independent auditor's report

To the shareholders of United Gulf Holding Company B.S.C.

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Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information included in the board of directors' report is consistent with the books of account of the Company; and
- c) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain ("CBB") Rulebook (applicable provisions of Volume 6) and CBB directives, rules and procedures of the Bahrain Bourse, or of its memorandum and articles of association, which would materially affect its activities, or its financial position as at 31 December 2025.

As required by Article 8 of Section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:

- a) has appointed a Corporate Governance Officer; and
- b) has a board approved written guidance and procedures for Corporate Governance.

The engagement partner on the audit resulting in this independent auditor's report is Majed Al Rasromani.

A handwritten signature in blue ink that reads 'RSM'.

RSM Bahrain
Partner's registration no. 152
Manama, Kingdom of Bahrain
26 February 2026

United Gulf Holding Company B.S.C.

Consolidated statement of financial position as at 31 December 2025

(in US Dollars '000)

	Note	31 December 2025	31 December 2024
Assets			
Demand and call deposits with banks	5	38,867	75,224
Placements with banks	5	98,133	147,297
Investments at fair value through profit or loss	6	445,437	274,261
Investments at fair value through other comprehensive income	6	181,337	195,508
Investments carried at amortised cost	6	40,304	2,000
Loans and receivables	7	522,552	416,862
Other assets	8	46,129	36,768
Investment in associates	9	827,976	678,486
Investment properties	10	23,667	20,926
Property and equipment	11	24,849	23,612
Intangible assets	12	3,026	2,907
Assets of disposal group classified as held-for-sale	13	-	731,741
Total assets		2,252,277	2,605,592
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions	15	279,736	256,368
Deposits from customers	16	846,134	671,465
Loans payables	17	787,524	788,712
Loans from parent	18	98,000	98,000
Other liabilities	19	38,495	47,261
Liabilities directly associated with disposal group classified as held for sale	13	-	386,848
Total liabilities		2,049,889	2,248,654
Equity			
Share capital	14.1	219,547	219,547
Treasury shares	14.3	(320)	(320)
Treasury share reserve	14.3	(1,518)	(1,518)
Statutory reserve	14.4	3,285	3,285
Fair value reserve	14.6	(85,362)	(106,850)
Foreign currency translation reserve	14.7	(20,041)	(30,735)
Retained earnings		49,651	88,857
Equity attributable to the shareholders of the Parent		165,242	172,266
Perpetual Additional Tier 1 Capital directly associated with disposal group classified as held for sale	13	-	33,000
Non-controlling interests		37,146	36,413
NCI directly associated with disposal group classified as held for sale		-	115,259
Total equity		202,388	356,938
Total liabilities and equity		2,252,277	2,605,592

These consolidated financial statements were approved by the Board of Directors on 26 February 2026 and signed on its behalf by:


Masoud Hayat
Chairman


Faisal Al Ayyar
Vice Chairman


Hussain Lalani
Chief Executive Officer

Notes 1 to 37 form an integral part of these consolidated financial statements.

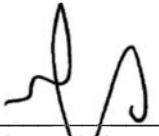
United Gulf Holding Company B.S.C.

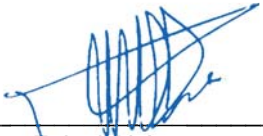
Consolidated statement of income for the year ended 31 December 2025

(in US Dollars '000)

	Note	2025	2024
Continuing operations:			
Interest income	20	84,236	106,650
Fee and commission (expense) / income - net		(465)	461
Foreign currency (loss) / gain - net		(1,347)	3,651
Share of results of associates	22	30,488	34,751
Investment loss - net	23	(4,977)	(4,846)
Total income		107,935	140,667
Interest expense	24	(74,897)	(108,688)
Operating income from continuing operations before expenses, provisions and tax		33,038	31,979
Salaries and benefits		(26,569)	(25,620)
General and administrative expenses	25	(18,437)	(17,159)
Operating loss from continuing operations before provisions and tax		(11,968)	(10,800)
Provisions - net		(1,913)	(2,501)
Net loss from continuing operations before tax		(13,881)	(13,301)
Tax expense	26	(1,597)	(10,484)
Net loss for the year from continuing operations		(15,478)	(23,785)
Discontinued operations:			
Net profit after tax from discontinued operations	13	3,880	4,119
Net loss for the year		(11,598)	(19,666)
Net (loss) / profit attributable to:			
Shareholders of the parent:			
Continuing operations		(16,195)	(23,161)
Discontinued operations		870	(1,625)
		(15,325)	(24,786)
Non-controlling interest		3,727	5,120
		(11,598)	(19,666)
Basic and diluted loss per share attributable to shareholders of the Parent (US cents)	27		
Continuing operations		(3.70)	(5.28)
Discontinued operations		0.20	(1.18)
		(3.50)	(6.46)

These consolidated financial statements were approved by the Board of Directors on 26 February 2026 and signed on its behalf by:


 Masaud Hayat
 Chairman


 Faisal Al Ayyar
 Vice Chairman


 Hussain Lalani
 Chief Executive Officer

Notes 1 to 37 form an integral part of these consolidated financial statements.

United Gulf Holding Company B.S.C.

Consolidated statement of other comprehensive income
for the year ended 31 December 2025

(in US Dollars '000)

	Note	2025	2024
Net loss for the year		(11,598)	(19,666)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation adjustments		10,734	(4,753)
Net share of other comprehensive loss of associates	9	(15,119)	(7,815)
Net change in fair value of debt investments measured at FVTOCI		1,575	5,187
Net change in cash flow hedges	14.6	(1,920)	(7,414)
		(4,730)	(14,795)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of equity investments measured at FVTOCI		1,406	(4,132)
		1,406	(4,132)
Other comprehensive loss for the year		(3,324)	(18,927)
Total comprehensive loss for the year		(14,922)	(38,593)
Total comprehensive (loss) / income attributable to:			
- Shareholders of the Parent		(19,143)	(43,765)
Continuing operations		(23,083)	(47,411)
Discontinued operations		3,940	3,646
- Non-controlling interests		4,221	5,172
		(14,922)	(38,593)

Notes 1 to 37 form an integral part of these consolidated financial statements.

United Gulf Holding Company B.S.C.

Consolidated statement of changes in equity for the year ended 31 December 2025

(in US Dollars '000)

	Attributable to equity holders of the Parent Company								Total	Perpetual Additional Tier 1 Capital	Non- Controlling interests	Total equity
	Share Capital	Share Premium	Treasury Shares	Treasury Share reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings				
As at 1 January 2025	219,547	-	(320)	(1,518)	3,285	(106,850)	(30,735)	88,857	172,266	33,000	151,672	356,938
Net (loss) / profit for the year	-	-	-	-	-	-	-	(15,325)	(15,325)	-	3,727	(11,598)
Other comprehensive (loss) / income	-	-	-	-	-	(14,577)	10,759	-	(3,818)	-	494	(3,324)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(14,577)	10,759	(15,325)	(19,143)	-	4,221	(14,922)
Transfer upon disposal of equity investments carried at FVTOCI	-	-	-	-	-	1,683	-	(1,683)	-	-	-	-
Other equity movements of associates	-	-	-	-	-	11,942	(65)	973	12,850	-	-	12,850
Acquisition of non-controlling interest	-	-	-	-	-	(14)	-	(717)	(731)	-	(625)	(1,356)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,779	1,779
Disposal of subsidiaries	-	-	-	-	-	22,454	-	(22,454)	-	(33,000)	(119,901)	(152,901)
As at 31 December 2025	219,547	-	(320)	(1,518)	3,285	(85,362)	(20,041)	49,651	165,242	-	37,146	202,388
As at 1 January 2024	219,547	169,558	(320)	(1,518)	3,285	(73,335)	(27,261)	(73,923)	216,033	33,000	155,902	404,935
Net (loss) / profit for the year	-	-	-	-	-	-	-	(24,786)	(24,786)	-	5,120	(19,666)
Other comprehensive (loss) / income	-	-	-	-	-	(15,505)	(3,474)	-	(18,979)	-	52	(18,927)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(15,505)	(3,474)	(24,786)	(43,765)	-	5,172	(38,593)
Transfer upon disposal of equity investments carried at FVTOCI	-	-	-	-	-	(816)	-	816	-	-	-	-
Transfer upon unwinding of interest rate swaps	-	-	-	-	-	(10,684)	-	10,684	-	-	-	-
Other equity movements of associates	-	-	-	-	-	(6,510)	-	10,031	3,521	-	-	3,521
Interest payment on Perpetual Additional Tier 1 Capital	-	-	-	-	-	-	-	(3,523)	(3,523)	-	-	(3,523)
Transfer during the year	-	(169,558)	-	-	-	-	-	169,558	-	-	-	-
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,402)	(9,402)
As at 31 December 2024	219,547	-	(320)	(1,518)	3,285	(106,850)	(30,735)	88,857	172,266	33,000	151,672	356,938

Notes 1 to 37 form an integral part of these consolidated financial statements.

United Gulf Holding Company B.S.C.

Consolidated statement of cash flows for the year ended 31 December 2025

(in US Dollars '000)

	Note	2025	2024
Cash flows from operating activities:			
Net loss before tax from continuing operations		(13,881)	(13,301)
Net profit before tax from discontinued operations	13	4,002	4,875
Net loss for the year before tax		(9,879)	(8,426)
Adjustments for non-cash items:			
Depreciation and amortisation		3,698	3,549
Share of results of associates		(34,235)	(40,950)
Provisions - net		1,942	4,204
Net impairment losses on investments		-	(5)
Unrealised gain on investment properties		-	(5,985)
Gain on investments at FVTPL		(509)	(572)
Net loss on disposal group held for sale		2,919	7,771
Interest income		(85,359)	(114,391)
Interest expense		78,270	129,424
Dividend income		(635)	(5,206)
Changes in operating assets and liabilities:			
Demand and call deposits with banks		44	734
Placements with banks		3,510	13,114
Investments at FVTPL		(178,233)	141,654
Investments at FVTOCI		15,777	17,216
Investments carried at amortised cost		(38,304)	26,399
Loans and receivables		(107,196)	70,732
Other assets		(59,328)	5,697
Due to banks and other financial institutions		(31,355)	(192,920)
Deposits from customers		196,846	(262,422)
Other liabilities		62,436	(1,902)
Interest received		82,787	109,078
Interest paid		(87,599)	(123,563)
Dividends received		635	5,206
Net cash used in operating activities		(183,768)	(221,564)
Cash flows from investing activities:			
Property and equipment - net		(1,201)	(5,609)
Investment in associates - net		(119,718)	15,746
Proceeds from sale of subsidiary	13	58,698	-
Payment for intangible assets		(843)	(1,570)
Net cash (used in) / generated from investing activities		(63,064)	8,567
Cash flows from financing activities:			
Loans from parent	18	-	53,000
Loans payable - net		(2,027)	(23,027)
Interest payment on Perpetual Additional Tier 1 Capital		-	(3,523)
Movement in non-controlling interests		(2,043)	(9,402)
Net cash (used in) / provided by financing activities		(4,070)	17,048
Foreign currency translation adjustments		4,783	(1,431)
Net Change in cash and cash equivalents		(246,119)	(197,380)
Cash and cash equivalents as at the beginning of the year	5	364,334	561,714
Cash and cash equivalents as at the end of the year	5	118,215	364,334

Notes 1 to 37 form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

United Gulf Holding Company B.S.C. ("the Company") is a joint stock company incorporated in the Kingdom of Bahrain on 28 June 2017 under Commercial Registration number 114160 and is listed on the Bahrain Bourse. The Company's registered office is situated at UGB Tower, Diplomatic Area, P.O. Box 5565, Manama, Kingdom of Bahrain.

The principal activities of the Company and its subsidiaries (together the "Group") comprise of commercial banking including extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

The Company's parent and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. ["KIPCO"], a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange (Boursa Kuwait). As at 31 December 2025, KIPCO owned 89.9% of the Company's outstanding shares (31 December 2024: 89.9%).

These consolidated financial statements were authorised for issue by the Board of Directors on 26 February 2026.

2. Basis of preparation and material accounting policies

2.1. Statement of compliance and framework

The consolidated financial statements of the Group for the year ended 31 December 2025 were prepared in accordance with IFRS Accounting Standards (IFRS), being standards and interpretations issued by the International Accounting Standards Board (IASB), in force at 31 December 2025.

The Group presents the consolidated statement of profit or loss and other comprehensive income using the classification by nature of expenses. The consolidated statement of financial position format is based on the order of liquidity.

2.2. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the remeasurement at fair value of investments at Fair Value Through Profit or Loss ("FVTPL") and Fair Value Through Other Comprehensive Income ("FVTOCI"), investment properties and derivative financial instruments.

Certain corresponding figures have been reclassified in order to conform to the presentation of the consolidated financial statements for the current period. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.

2.3. Presentation and functional currency

The consolidated financial statements have been presented in United States Dollar (USD), which is also the functional currency of the Company and are rounded to the nearest USD thousands, unless otherwise indicated.

2.4. New and amended standards and interpretations adopted during 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 following new and amended standards and interpretations applicable to the Group, and which are effective for annual periods beginning on or after 1 January 2025. The adoption of below new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

2.4.1. Amendments to IAS 21: Lack of exchangeability

The amendments to IAS 21 states that an entity uses a spot exchange rate when translating a foreign currency transaction. However, in rare cases, it is possible that one currency cannot be exchanged into another. This lack of exchangeability might arise when a government imposes controls on capital imports and exports, for example, or when it provides an official exchange rate but limits the volume of foreign currency transactions that can be undertaken at that rate. Consequently, market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets.

A currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, an entity needs to estimate a spot rate.

The Group has performed an assessment of the exchangeability of foreign currency and concluded that there is no material impact on the Group's consolidated financial statements.

2.5. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at 31 December 2025 and 2024. The reporting dates of the subsidiaries and the Company are identical and the subsidiaries' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. 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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current 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 affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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.

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.

United Gulf Holding Company B.S.C.

Notes to the consolidated financial statements as at 31 December 2025

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative transaction differences, recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of a component previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The principal subsidiaries of the Company are as follows:

Name of the subsidiary	Country of incorporation	Ownership % at 31 December		Year of incorporation
		2025	2024	
Held directly				
United Gulf Bank B.S.C. (c) [UGB]*	Bahrain	-	100%	1980
FIMBank Group [FIMBank]	Malta	80%	80%	1994
Hatoon Real Estate Company	Kuwait	100%	100%	2008
Syria Gulf Investment Company	Syria	99%	99%	2007
United Gulf Financial Services Company North Africa [UGFS-NA]	Tunisia	84%	84%	2008
Held through UGB				
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	-	60%	1998
United Gulf Realty International, Ltd [UGRIL]	B.V.I.	-	50%	2012
Manafae Investment Company	Kuwait	-	54%	2005
N.S. 88	Bahrain	-	77%	2007
Held through FIMBank				
India Factoring and Finance Solutions Private Limited	India	100%	88%	2010
London Forfaiting Company Limited	U.K.	100%	100%	2009
London Forfaiting International Limited	U.K.	100%	100%	2009
London Forfaiting Americas Inc.	U.S.A.	100%	100%	2009
London Forfaiting do Brasil Ltd.	Brazil	100%	100%	2009
FIM Factors B.V.	Netherlands	100%	100%	2009
Brasilfactors S.A.	Brazil	50%	50%	2011
FIM Property Investment Limited	Malta	100%	100%	2010
The Egyptian Company for Factoring S.A.E.	Egypt	100%	100%	2016
Held through KAMCO				
1925 Investor Inc.	Jersey	-	100%	2022
Al Jazi Money Market Fund	Kuwait	-	51%	2007
Al Tadamun United Holding Company K.S.C.	Kuwait	-	100%	2017
American Boulevard Investor, Inc	U.S.A.	-	100%	2022

* UGB has ceased to be a subsidiary effective 1 March 2025. Refer to note 13.

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Notes to the consolidated financial statements as at 31 December 2025

Name of the subsidiary	Country of incorporation	Ownership % at 31 December		Year of incorporation
		2025	2024	
<i>Held through KAMCO (continued)</i>				
Buckeye Power Advisory Company L.L.C	U.S.A.	-	48%	2017
Buckeye Power Manager Limited	Jersey	-	100%	2017
Centerstone Investor Inc.	U.S.A.	-	100%	2021
First Securities Brokerage Company K.S.C.	Kuwait	-	93%	1985
KAMCO Investment Company DIFC Limited	U.A.E.	-	100%	2013
KAMCO Investment Company Saudi	Saudi Arabia	-	100%	2013
KAMCO Global Fund	Kuwait	-	97%	2013
KAMCO MENA Plus Fixed Income Fund OEIC Ltd	U.A.E.	-	56%	2019
Kubbar United Real Estate Company	Kuwait	-	100%	2017
Kuwait Private Equity Opportunity Fund	Kuwait	-	73%	2004
Lawson Lane Investor Incorporation	U.S.A.	-	100%	2020
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	-	96%	2017
Plans United Real Estate Company	Kuwait	-	100%	2017
HP Plaza Investor Inc.	U.S.A.	-	100%	2019
KAMCO Investment Company Ltd	U.K.	-	100%	2023
KAMCO Capital Management Ltd.	Cayman Islands	-	100%	1998
KAMCO Capital Partners Ltd.	Cayman Islands	-	100%	2007
Martley Finance GP Limited	Jersey	-	100%	2020
Martley Holdings GP Limited	Jersey	-	100%	2020

Held through UGFS-NA

United Gulf Financial Services UGAS	Tunisia	100%	100%	2010
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2.6. Summary of material accounting policies**2.6.1. Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the acquirer measures the non controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of income. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of income.

2.6.2. 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 amortization and accumulated impairment losses.

The cost of intangible assets less their estimated residual values is amortised using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives for current and comparative periods are as follows:

Software	7 years
Other intangible assets	5 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

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 consolidated statement of income.

2.6.3. Investment 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 Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's consolidated OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The financial statements of associates are prepared for the same reporting period as that of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in its associates. At each reporting date, the Group determines whether there is objective evidence that an investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of its investment in the associate and its carrying value and then recognises the loss as 'Share of results of associates' in the consolidated statement of income.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

2.6.4. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities, with the exception of loans and receivables, due to banks and other financial institutions and deposits from customers, 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 receivables are recognised when funds are transferred to the customers' accounts. The Group recognises due to banks and other financial institutions and deposits from customers when funds are transferred to the Group.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. 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 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 expensed in consolidated statement of income. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and for debt instruments measured at FVTOCI, which results in an accounting loss being recognised in the consolidated statement of income 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 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.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVTOCI; or
- FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are derivative instruments.

2.6.5. Financial assets

Classification and subsequent measurement

The classification requirements for financial assets is as below:

(a) Debt type instrument classification and subsequent measurement

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. Interest income from these financial assets is included in 'Interest income' using the Effective Interest Rate ("EIR") method.
- FVTOCI: 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 FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income and recognised in 'Investment income - net'. Interest income from these financial assets is included in 'Interest income' using the EIR method.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in consolidated profit or loss and presented in the consolidated statement of income within 'Investment income - net' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Investment income - net'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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 realizing 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 Asset and Liability Committee (ALCO);
- 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 realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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.

SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets 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 SPPI, 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.

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.

(b) 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. Examples of equity instruments include basic ordinary shares.

Equity instruments at FVTOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVTOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to consolidated statement of income, including on disposal. Equity investments at FVTOCI are not subject to impairment assessment. Equity investments at FVTOCI are included in investments at fair value through other comprehensive income in the consolidated statement of financial position. All other equity investments which the Group has not irrevocably elected at initial recognition or transition, to classify at FVTOCI, are recognised at FVTPL.

Financial asset at FVTPL

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Changes in fair values gain and losses, financing income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Dividends are recognised in the consolidated statement of income as 'Investment income - net' when the Group's right to receive payments is established.

Impairment

The Group assesses on a forward-looking basis, the ECL associated with its debt instruments carried at FVTOCI and assets carried at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The Group Recognises a loss allowance for such 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 categorizes its FVTOCI debt securities, assets at amortised cost, loans and receivable, loan commitments and financial guarantee contracts into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing: when assets are first recognised, the Group Recognises an allowance based up to 12-month ECL.
- Stage 2 – Significant Increase in Credit Risk (SICR): when a loan shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.
- Stage 3 – Credit-impaired: the Group Recognises the lifetime ECL for these loans.

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 FVTOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the 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 investments.

Stage 1

The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 exposures. All financial assets are classified as Stage 1 on initial recognition date. 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.

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 that takes into account a number of economic scenarios, in order to recognize the probability of higher losses associated with more negative economic outlooks.

It is the Group's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the loan is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- 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 reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt 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 from Stage 3 if they no longer meet the criteria of credit-impaired after a probation period.

Forward looking information

The Group incorporates forward-looking information in the measurement of ECLs.

The Group considers forward-looking information such as macroeconomic factors (e.g., GDP growth, inflation and unemployment rates) and economic forecasts.

The Group uses internal information coming from internal economic experts, combined with published external information from government and private economic forecasting services. These forward looking assumptions undergo an internal governance process before they are applied for different scenarios.

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 FVTOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

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. Adjustments are expected to be made until the base models are updated. 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 factors for which the data is updated once it is available and adjustments are made for significant events occurring prior to the reporting date.

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.

2.6.6. Derivatives and hedging activities

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.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps and forward foreign exchange contracts. 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.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. 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 income, 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 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 income.

Amounts accumulated in equity are recycled to the consolidated statement of income in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the income 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 income.

(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 income. Gains and losses accumulated in equity are included in the consolidated statement of income when the foreign operation is disposed of as part of the gain or loss on the disposal.

(d) Derivative product types

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements. Forward rate agreements are effectively tailor-made interest rate futures which fix a forward rate of interest on a notional loan, for an agreed period of time starting on a specified future date.

Swaps are contractual agreements between two parties to exchange interest or foreign currency amounts based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. For cross-currency swaps, notional amounts are exchanged in different currencies. For cross-currency interest rate swaps, notional amounts and fixed and floating interest payments are exchanged in different currencies.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

(e) 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 favorable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions.

(f) Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to entering into forward contracts with external counterparties.

(g) 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 and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps 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.

(h) Hedge strategies

The Group applies hedge accounting in two separate hedging strategies, as follows:

(i) 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 and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages this 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 arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the loans 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 uncollateralized interest rate swaps but not the hedged items.

(ii) Net investment in foreign operation (net investment hedge)

The Group has investments in foreign operations which are consolidated in these financial statements. The foreign exchange rate exposure arising from this investment is hedged through the use of forward exchange contracts. These contracts are designated as net investment hedges to hedge the equity of the foreign operations. The Group establishes the hedging ratio by matching the contracts with the net assets of the foreign operations.

(i) 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.

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 Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. In cases, where the Group does not hedge 100% of its loans, the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency. It may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

2.6.7. Fair value measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 to 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 interest.

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 are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group measures financial instruments, such as, derivatives, investments carried at FVTPL or FVTOCI, and non-financial assets such as investment properties, at fair value at each reporting date.

For financial instruments traded in an active market, fair value is determined by reference to quoted market bid prices for assets and quoted market offer prices for liabilities, without deduction for transaction costs. The fair value of investments in managed funds or similar investment vehicles, where available, are based on last published bid price.

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques may include the following:

- brokers' quotes;
- recent arm's length market transactions;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- option pricing models; and
- other valuation methods.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date with the resulting value discounted back to present value.

The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

2.6.8. Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of Interest Rate Benchmark (IBOR) reform, many financial instruments have already been amended or will be amended during 2023 as they transition from IBORs to Risk Free Interest Rates (RFRs). In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

For financial instruments measured at amortised cost, the Group first applies the practical expedient to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, 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.

2.6.9. Write-offs

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 income.

2.6.10. Investment properties

All properties held for rental or for capital appreciation purposes, or both, are classified as investment properties. Where a property is partially occupied by the Group and the portions could be sold separately, the Group accounts for the portions separately either as an investment property or property and equipment, as appropriate. If the portions cannot be sold separately, the property is classified as an investment property only if an insignificant portion is held for own use.

The Group applies the fair value model of accounting for investment properties. All investment properties are initially recorded at cost, including acquisition expenses associated with the property.

Subsequent to initial recognition, all investment properties are remeasured at fair value and changes in fair value are recognised in the consolidated statement of income. The Group engages independent valuation specialists to determine the fair value of investment properties. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.6.11. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the consolidated statement of financial position and any gain or loss resulting from disposal is included in the consolidated statement of income.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation is provided on all property and equipment, except land and work in progress, at rates calculated to write off the cost of each asset on a straight line basis to their residual values over its expected useful life which is between 3 to 5 years for all property and equipment, except for certain building fixtures and fittings which are depreciated over expected useful life of 10 years and building civil structure, which is depreciated over its expected useful life of 50 years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.6.12. Leases

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.

Group as a lessee

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.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

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, 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.

2.6.13. Financial liabilities

Financial liabilities comprise of due to banks and other financial institutions, deposits from customers, long term loans, long term bonds and other liabilities. Financial liabilities are classified as either FVTPL or at amortised cost. In case of financial liabilities at FVTPL, all fair value movements are taken to profit or loss, except for gains or losses arising from changes to issuers' credit rating which is presented in OCI with no subsequent reclassification to profit or loss. Currently, all financial liabilities of the Group (apart from derivatives) are classified as at amortised cost.

Classification and subsequent measurement

Gains or losses arising from a change in the entity's own credit risk are presented in OCI with no subsequent reclassification to the consolidated statement of income.

2.6.14. Treasury shares and treasury share reserve

Treasury shares are own equity instruments of the Group which are reacquired by the Group or any of its subsidiaries. These are stated at cost and deducted from equity. Any gain or loss arising on reissuance of treasury shares is taken directly to treasury share reserve in the consolidated statement of changes in equity.

2.6.15. Cash and cash equivalents

Cash and cash equivalents include cash, demand and call deposits, highly liquid investments that are readily convertible into cash and placements (excluding escrow balances) with original maturities up to ninety days from the date of acquisition. These cash and cash equivalents are readily convertible to known amount of cash and subject to as insignificant changes in value.

2.6.16. Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

2.6.17. Dividends on ordinary shares

The Group recognises a liability to make cash or non-cash distributions to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of income.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.6.18. Taxes

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

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 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.

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 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) 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; and
- (b) In respect of taxable temporary differences associated with investments in subsidiaries and associates, 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 and liabilities are measured using tax rates and applicable legislation at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6.19. 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 set off the recognised amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.6.20. Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counterparty.

2.6.21. Employees benefits

The Group contributes to defined contribution pension plans and other defined contribution plans for its employees, with no commitment beyond the payment of fixed contributions. Related costs are recognised as employee benefit expenses in profit or loss during the periods in which services are rendered by employees.

2.6.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and reliably measurable.

2.6.23. Foreign currencies

The consolidated financial statements have been presented in US Dollars being the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of transaction.

a) Translation of foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange differences arising on the retranslation of monetary items, are included in consolidated statement of income for the year. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary investments carried at fair value through the statement of income are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of available for sale equity investments, are recognised directly in a fair value reserve in the consolidated statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

b) Translation of financial statements of foreign operations

Assets (including goodwill) and liabilities of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Income and expense items are translated at average exchange rates for the relevant period. All resulting exchange differences are taken directly to a foreign currency translation reserve in equity through OCI.

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6.24. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and expense

Interest income and related fees are recognised using the effective yield method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Recognition of interest income is suspended when the related financial asset becomes impaired. Notional interest is recognised on impaired financial assets based on the rate used to discount future cash flows to their net present value.

(ii) Fees and commission income

Commission income and other fees are recognised when earned.

(iii) Rental income

Rental income on investment properties is recognised on a straight line basis.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

2.6.25. Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

2.6.26. Financial guarantee contracts and commitments

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortization.

The premium received is recognised in the consolidated statement of income 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. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees 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.

2.6.27. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Company as its chief operating decision-maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and expenses being eliminated at Group level. Income and expenses directly associated with each segment are included in determining business segment performance.

2.6.28. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

2.7 Significant assumptions, accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made the following assumptions, judgements and estimates in determining the amounts recognised in the consolidated financial statements:

a) Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- i) Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- ii) Management's evaluation of the performance of the portfolio and liquidity requirements in the current market conditions; and
- iii) Management's strategy in terms of earning contractual interest revenues or generating capital gains.

b) Measurement of the ECL

The measurement of the ECL for financial assets measured at amortised cost and debt instruments at FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns PDs to the individual ratings;
- Determining criteria for SICR;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- 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 facilities and facilities undergoing restructuring at the time of the reporting date.

c) 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.

d) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, 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.

e) Impairment of intangible assets

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. Impairment exists when carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The key assumptions and estimates used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 12 to these consolidated financial statements.

f) 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 valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

g) Fair value of land and building and investment properties

Fair value of land and building and investment properties are assessed by independent real estate appraisers. Two main methods used to determine the fair value of property interests in investment properties are; (a) formula based discounted cash flow analysis and (b) comparative analysis, as follows:

- Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

- Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

In arriving at the estimates of market values as at end of the financial year, valuers use their market knowledge and professional judgment and do not rely solely on historical transactional comparable. In these circumstances, there is a greater degree of uncertainty in estimating the market values of investment properties than would exist in a more active market.

h) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

i) Loans and receivables

Loans and receivables are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrower repays their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Loans and receivables are initially measured at cost, being the fair value of the consideration given.

Following initial recognition, loans and receivables are stated at cost less any amount written off and specific and collective provisions for impairment.

When a loan is uncollectible and there is no realistic prospect of recovery, it is written off against the related provision. Subsequent recoveries and reductions in provision are credited to provision for doubtful loans in the consolidated statement of income.

3. New and amended standards and interpretations issued but not yet effective

The 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. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

IFRS 19: Subsidiaries without Public Accountability - Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments), which are effective from annual periods starting on or after 1 January 2026. The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

These amendments will become effective for reporting periods beginning on or after 1 January 2026.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4. Financial assets and liabilities

The table below summarises the accounting classification of the Group's financial assets and financial liabilities:

	At FVTPL	At FVTOCI	At Amortised cost	Total
As at 31 December 2025				
Demand and call deposits with banks	-	-	38,867	38,867
Placements with banks	-	-	98,133	98,133
Investments at FVTPL	445,437	-	-	445,437
Investments at FVTOCI	-	181,337	-	181,337
Investments carried at amortised cost	-	-	40,304	40,304
Loans and receivables	-	-	522,552	522,552
Other assets	1,319	4,126	20,602	26,047
Total financial assets	446,756	185,463	720,458	1,352,677
Due to banks and other financial institutions	-	-	279,736	279,736
Deposits from customers	-	-	846,134	846,134
Loans payables	-	-	787,524	787,524
Loans from parent	-	-	98,000	98,000
Other liabilities	-	-	32,997	32,997
Total financial liabilities	-	-	2,044,391	2,044,391
As at 31 December 2024				
Demand and call deposits with banks	-	-	75,224	75,224
Placements with banks	-	-	147,297	147,297
Investments at FVTPL	274,261	-	-	274,261
Investments at FVTOCI	-	195,508	-	195,508
Investments carried at amortised cost	-	-	2,000	2,000
Loans and receivables	-	-	416,862	416,862
Other assets	809	3,012	14,916	18,737
Total financial assets	275,070	198,520	656,299	1,129,889
Due to banks and other financial institutions	-	-	256,368	256,368
Deposits from customers	-	-	671,465	671,465
Loans payables	-	-	788,712	788,712
Loans from parent	-	-	98,000	98,000
Other liabilities	-	-	43,249	43,249
Total financial liabilities	-	-	1,857,794	1,857,794

5. Cash and cash equivalents

	2025	2024
Demand and call deposits with banks	38,867	75,224
Placements with banks	98,133	147,297
	137,000	222,521

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows as follows:

Time deposits with original maturities of more than ninety days	(10,998)	(9,880)
Mandatory reserves	(7,937)	(7,663)
Expected credit losses	150	177
Cash and cash equivalents directly associated with assets of disposal group classified as held-for-sale	-	159,179
Cash and cash equivalents as per consolidated statement of cash flows	118,215	364,334

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 35.

6. Investment securities

	At FVTPL	At FVTOCI	At Amortised cost	Total
As at 31 December 2025				
Quoted investments				
Equities	-	129	-	129
Debt securities	-	104,901	40,304	145,205
Managed funds	-	660	-	660
Total quoted investments	-	105,690	40,304	145,994
Unquoted investments				
Forfeiting assets	432,382	-	-	432,382
Equities	52	75,605	-	75,657
Managed funds	13,003	42	-	13,045
Total unquoted investments	445,437	75,647	-	521,084
Total investments	445,437	181,337	40,304	667,078
As at 31 December 2024				
Quoted investments				
Equities	-	73	-	73
Debt securities	-	119,879	2,000	121,879
Managed funds	-	461	-	461
Total quoted investments	-	120,413	2,000	122,413
Unquoted investments				
Forfeiting assets	259,396	-	-	259,396
Equities	52	75,053	-	75,105
Managed funds	14,813	42	-	14,855
Total unquoted investments	274,261	75,095	-	349,356
Total investments	274,261	195,508	2,000	471,769

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 35.

7. Loans and receivables

	Stage 1	Stage 2	Stage 3	Total
2025				
Factoring assets	255,929	21,700	6,774	284,403
Loans to customers	162,173	19,793	3,873	185,839
Loans to banks	38,788	11,502	-	50,290
Syndicated loans	16,975	1,610	-	18,585
	473,865	54,605	10,647	539,117
Less: Expected credit losses	(3,864)	(4,916)	(7,785)	(16,565)
	470,001	49,689	2,862	522,552

	Stage 1	Stage 2	Stage 3	Total
2024				
Factoring assets	246,509	18,679	5,535	270,723
Loans to customers	108,906	26,341	4,674	139,921
Loans to banks	5,922	4,423	-	10,345
Syndicated loans	3,557	6,078	3,476	13,111
	364,894	55,521	13,685	434,100
Less: Expected credit losses	(2,547)	(4,544)	(10,147)	(17,238)
	362,347	50,977	3,538	416,862

The movement in the expected credit losses is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	2,547	4,544	10,147	17,238
Transfer between stages	(25)	(48)	73	-
Net remeasurement of loss allowances	1,409	419	(237)	1,591
Written-off during the year as uncollectible	-	-	(2,668)	(2,668)
Foreign exchange and other adjustments	(67)	1	470	404
As at 31 December 2025	3,864	4,916	7,785	16,565
As at 1 January 2024	2,404	3,572	19,248	25,224
Transfer to disposal group classified as held for sale	(337)	-	(7,840)	(8,177)
Transfer between stages	(3,123)	(425)	3,548	-
Net remeasurement of loss allowances	3,569	1,724	(2,976)	2,317
Written-off during the year as uncollectible	-	-	(3,616)	(3,616)
Foreign exchange and other adjustments	34	(327)	1,783	1,490
As at 31 December 2024	2,547	4,544	10,147	17,238

The table below shows the credit quality of gross loans and receivables:

	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
2025				
Factoring assets	258,906	18,723	6,774	284,403
Loans to customers	147,543	34,422	3,873	185,838
Loans to banks	49,929	362	-	50,291
Syndicated loans	18,585	-	-	18,585
Total	474,963	53,507	10,647	539,117
2024				
Factoring assets	246,509	18,679	5,535	270,723
Loans to customers	109,453	26,341	4,674	140,468
Loans to banks	5,375	4,423	-	9,798
Syndication loans	3,557	6,078	3,476	13,111
Total	364,894	55,521	13,685	434,100

All of the Group's loans and receivables which were past due but not impaired as of 31 December 2025 and 2024 were overdue for less than 90 days.

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 35.

8. Other assets

	Note	2025	2024
Deferred tax asset	26	15,251	13,455
Accounts receivable		10,037	7,073
Current tax asset		1,648	886
Derivative assets	31	5,445	3,821
Interest receivable		9,912	7,540
Prepayments		4,831	4,576
Gross receivables		47,124	37,351
Less: Expected credit losses		(995)	(583)
Net receivables		46,129	36,768

The movement in the expected credit losses is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	469	7	107	583
Transfer between stages	2	(2)	-	-
Net remeasurement of loss allowances	364	(4)	-	360
Foreign exchange and other adjustments	44	-	8	52
As at 31 December 2025	879	1	115	995
As at 1 January 2024	16,580	7	568	17,155
Transfer to disposal group classified as held for sale	(15,889)	-	-	(15,889)
Transfer between stages	(80)	(4)	84	-
Net remeasurement of loss allowances	462	7	(84)	385
Foreign exchange and other adjustments	(604)	(3)	(461)	(1,068)
As at 31 December 2024	469	7	107	583

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 35.

9. Investment in associates

		2025		2024	
	Note	Ownership %	Carrying amount	Ownership %	Carrying amount
Burgan Bank S.A.K.	9.1	15	610,598	15	603,470
Al Rawabi Holding Company K.S.C.C.	9.2	49	141,214	-	-
United Real Estate Company	9.3	8	53,939	8	53,007
Assoufid B.V.	9.4	15	7,699	15	7,483
Syria Gulf Bank	9.5	32	14,526	32	14,526
			827,976		678,486

9.1 Burgan Bank S.A.K. (Burgan Bank) is a listed commercial bank incorporated in the State of Kuwait. The Group has the ability to exercise significant influence on Burgan Bank through representation on the board of directors of Burgan Bank.

9.2 Al Rawabi Holding Company K.S.C.C.(Al Rawabi) is a Kuwaiti shareholding company incorporated in the State of Kuwait. The Group purchased 49% stake in Al Rawabi during the year.

9.3 United Real Estate Company (URC), is a company listed on the Kuwait Stock Exchange. The Group has the ability to exercise significant influence on URC through representation on the board of directors of URC.

9.4 A closed company incorporated in the Netherlands.

9.5 Syria Gulf Bank (SGB) is a commercial bank incorporated in the Syrian Arab Republic. SGB commenced commercial operations in 2007.

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2025 (2024: same) on behalf of its associates.

The Group's recoverable amount of investments in associates (i.e. value-in-use) was in excess of their carrying values and accordingly, no impairment was recognised during the year ended 31 December 2025 (2024: same).

The following table reconciles the movements in investment in associates:

	Note	2025	2024
At 1 January		678,486	755,132
Additions		130,864	-
Assets of disposal group classified as held for sale		-	(91,409)
Share of results of associates	22	30,488	34,751
Share of other comprehensive income		(15,119)	(10,926)
Other movements in associates		12,850	4,065
Dividend		(10,692)	(10,097)
Foreign currency translation adjustment		1,099	(3,030)
At 31 December		827,976	678,486

Investment in material associates

Burgan Bank, Al Rawabi and URC are the Group's material associates. Burgan Bank and URC are listed on the Kuwait Stock Exchange. These listed associates have a quoted market value of USD 499 million (2024: 350 million) against carrying amount of USD 665 million (2024: USD 656 million) .

Presented below are the aggregated financial information of material associates as disclosure of the financial information for each listed entity is not allowed by the stock exchange by-laws until the respective financial results of these associates are published.

	2025	2024
Summarised statement of financial position:		
Current assets	11,855,841	17,641,067
Non-current assets	27,933,102	11,022,849
Current liabilities	(9,095,523)	(21,316,358)
Non-current liabilities	(25,461,670)	(3,379,098)
Total equity	5,231,750	3,968,460

Group's ownership in equity	617,924	479,093
Other adjustments	187,827	177,384
Carrying amount of investment in associates	805,751	656,477

	2025	2024
Summarised statement of income:		
Operating income	567,925	532,634
Interest income	2,566,407	1,987,303
Interest expense	(1,842,090)	(1,544,818)
Administrative expenses	(954,847)	(791,977)
Profit for the year	337,395	183,142
Other comprehensive loss for the year	(142,649)	(98,280)
Total comprehensive income for the year	194,746	84,862

United Gulf Holding Company B.S.C.

Notes to the consolidated financial statements as at 31 December 2025

(in US Dollars '000)

Group's share of total comprehensive income for the year	15,369	14,536
Cash dividend received from material associates during the year	10,692	10,097

Investment in associates that are individually not significant

The aggregate summarised financial information of the Group's associates that are not individually significant are provided below:

	2025	2024
Group's share of the operations of associates		
Net revenue	141	115
(Loss) / Profit and total comprehensive income for the year	(272)	59

10. Investment properties

	2025	2024
At 1 January	20,926	149,646
Assets of disposal group classified as held for sale	-	(127,388)
Foreign exchange adjustments	2,741	(1,332)
At 31 December	23,667	20,926

Investment properties comprise of land and buildings owned by the Group. These are stated at fair values, determined based on independent valuations performed by external professional valuers at the year end.

The most recent valuation, conducted by an independent professionally qualified architect, was completed in December 2023. As a result, the investment properties were last revalued on 31 December 2023. At 31 December 2025, the Group performed an assessment to determine whether there is any evidence that the carrying amount of the land and buildings differs materially from the fair value by reference to actual contracted rates as well as market comparables. No such indicators were identified and, in this respect, a refreshed valuation was not deemed necessary by Management.

Significant increases / (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher / (lower) fair value of the properties. Significant increases / (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower / (higher) fair value.

11. Property and equipment

	Land	Buildings	Computer, furniture and fixtures	Vehicles	Right of use assets	Total
Cost:						
At 1 January 2024	9,408	28,507	39,629	654	5,727	83,925
Disposal group classified as held for sale	(3,945)	(11,516)	(32,989)	(479)	(1,337)	(50,266)
Additions during the year	-	210	337	12	1,881	2,440
Transfers in/(out)	-	628	(1,457)	-	-	(829)
Disposals	-	-	(7)	(13)	(1,258)	(1,278)
Exchange rate and other movements	(327)	(981)	(44)	(3)	(36)	(1,391)
At 31 December 2024	5,136	16,848	5,469	171	4,977	32,601
Additions	-	274	1,076	-	-	1,350
Disposals	-	(34)	(18)	-	-	(52)
Exchange rate and other movements	673	2,044	36	(5)	(14)	2,734
At 31 December 2025	5,809	19,132	6,563	166	4,963	36,633

	Land	Buildings	Computer, furniture and fixtures	Vehicles	Right of use assets	Total
Accumulated depreciation:						
At 1 January 2024	-	2,932	36,699	580	2,806	43,017
Disposal group classified as held for sale	-	(2,919)	(30,804)	(455)	(408)	(34,586)
Depreciation charge for the year	-	1,286	477	23	897	2,683
Transfers in/(out)	-	904	(1,733)	-	-	(829)
Disposals	-	-	(7)	(13)	(1,230)	(1,250)
Exchange rate and other movements	-	(6)	(21)	(2)	(17)	(46)
At 31 December 2024	-	2,197	4,611	133	2,048	8,989
Depreciation for the year	-	1,173	482	26	973	2,654
Disposals	-	(1)	(16)	-	-	(17)
Exchange rate and other movements	-	145	29	(4)	(12)	158
At 31 December 2025	-	3,514	5,106	155	3,009	11,784
Carrying amount:						
At 31 December 2024	5,136	14,651	858	38	2,929	23,612
At 31 December 2025	5,809	15,618	1,457	11	1,954	24,849

12. Intangible assets

	Goodwill	Customer relationships	Licenses	Software	Total
Cost:					
At 1 January 2024	51,464	11,141	7,676	3,091	73,372
Disposal group classified as held for sale	(51,464)	(11,141)	(3,578)	(3,091)	(69,274)
Additions during the year	-	-	1,149	-	1,149
At 31 December 2024	-	-	5,247	-	5,247
Additions during the year	-	-	843	-	843
At 31 December 2025	-	-	6,090	-	6,090
Accumulated amortisation:					
At 1 January 2024	-	5,942	1,474	1,181	8,597
Disposal group classified as held for sale	-	(5,942)	-	(1,181)	(7,123)
Amortisation	-	-	866	-	866
At 31 December 2024	-	-	2,340	-	2,340
Amortisation	-	-	724	-	724
At 31 December 2025	-	-	3,064	-	3,064
Carrying amount:					
At 31 December 2024	-	-	2,907	-	2,907
At 31 December 2025	-	-	3,026	-	3,026

13. Disposal of subsidiaries

On 25 August 2024, the Central Bank of Bahrain approved the acquisition of United Gulf Bank BSC (C) ("UGB") by Burgan Bank KPSC ("Burgan") and allowed a period of one year, from the date of this approval, to complete the transaction. Burgan received the final approval from the Central Bank of Kuwait on 17 December 2024 and the Company had entered into a Share Purchase Agreement (SPA) dated 14 January 2025 to execute the transfer. The transaction was closed on 25 February 2025 and the control was effectively transferred from the Group to Burgan from 1 March 2025. Accordingly, the Group has deconsolidated UGB in these consolidated financial statements.

The results of UGB for the period ended 28 February 2025 and year ended 31 December 2024 are presented below:

	2025	2024
Income	19,978	94,979
Expenses	(13,057)	(82,333)
Operating income before tax	6,921	12,646
Tax expense	(122)	(756)
Profit for the year	6,799	11,890
Loss on sale of the discontinued operations	(2,919)	(7,771)
Net profit for the year from discontinued operations	3,880	4,119

The net cash flows generated from the sale of UGB are, as follows:

	Amount
Cash received from sale of the discontinued operations	190,000
Cash sold as a part of discontinued operations	(131,302)
Net cash inflow on date of disposal	58,698

The net cash flows of UGB for the period ended 28 February 2025 and year ended 31 December 2024 are, as follows:

	2025	2024
Operating activities	(29,590)	37,274
Investing activities	568	2,914
Financing activities	(2,263)	(19,544)
Foreign currency translation adjustments	665	(4,839)
Net change in cash and cash equivalents from discontinued operations, net of inter-company	(30,620)	15,805

As UGB was sold prior to 31 December 2025, the assets and liabilities classified as held for sale are no longer included in the consolidated statement of financial position.

	2025	2024
Assets		
Demand and call deposits with banks	-	104,559
Treasury bills	-	4,844
Placements with banks	-	54,749
Investments at fair value through profit or loss (FVTPL)	-	106,663
Investments at fair value through other comprehensive income (FVTOCI)	-	105,755
Loans and receivables	-	6,149
Other assets	-	45,063
Investment in associates	-	97,292
Investment properties	-	133,145
Property and equipment	-	18,877
Goodwill and other intangible assets	-	54,645
Assets of disposal group classified as held-for-sale	-	731,741

	2025	2024
Liabilities		
Due to banks and other financial institutions	-	112,078
Deposits from customers	-	15,256
Loans payables	-	195,596
Other liabilities	-	63,918
Liabilities directly associated with disposal group classified as held for sale	-	386,848
Perpetual Additional Tier 1 Capital directly associated with disposal group classified as held for sale	-	33,000

14. Equity

14.1. Share capital

	2025	2024
Authorised share capital:		
Number of shares (in thousands)	505,400	505,400
Par value (USD)	0.50	0.50
	252,700	252,700
Issued and fully paid up share capital:		
Number of shares (in thousands)	439,094	439,094
Par value (USD)	0.50	0.50
	219,547	219,547

14.2. Share premium

Share premium represents a non-distributable reserve arising from the acquisition of United Gulf Bank ("UGB") from its shareholders via a share swap offer of 1 new share of the Company for 2 shares of UGB. The reserve is credited with the difference between the value of shares and the net assets acquired. In an Extraordinary General Meeting (the "EGM") held on 15 October 2024, the shareholders resolved to transfer USD 169.6 million from the share premium reserve to retained earnings to offset accumulated losses after obtaining all the required regulatory approvals.

14.3. Treasury shares and Treasury share reserve

At 31 December 2025, UGH held 640,091 treasury shares (2024: 640,091 shares). These treasury shares do not carry any voting rights and are not entitled to dividends. The net gain or loss on reissuance of treasury shares is taken to treasury share reserve in the consolidated statement of changes in equity and is not available for distribution. The value of treasury shares as of 31 December 2025 based on the last bid price of USD 2.28 (equivalent to BD 0.86) per share (2024: USD 3.29 (equivalent to BD 1.24) per share) was USD 1.46 million (2024: USD 2.1 million).

14.4. Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year is transferred to a statutory reserve until such time as the reserve reaches 50% of the Company's paid-up share capital. The reserve is not available for distribution, except in circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Ministry of Industry and Commerce, Bahrain.

14.5. Dividend paid

No dividend was proposed or paid during years ended 31 December 2025 and 2024.

14.6. Fair value reserve

	2025	2024
Balance at 1 January	(106,850)	(73,335)
Changes in the fair value of FVTOCI investments	2,462	1,002
Net share of other comprehensive loss of associates	(15,119)	(7,815)
Other movement in associates	11,942	(6,510)
Net change in cash flow hedges	(1,920)	(7,414)
Foreign currency translation and other adjustments	-	(1,278)
Acquisition of non-controlling interest	(14)	-
Fair value losses transferred to retained earnings upon disposal	1,683	(11,500)
Disposal of subsidiaries	22,454	-
Balance at 31 December	(85,362)	(106,850)

14.7. Foreign currency translation reserve

The foreign currency translation reserve represents the net foreign exchange gain or loss arising from translating the financial statements of the Company's foreign subsidiaries and associated companies from their functional currencies into United States Dollars.

15. Due to banks and other financial institutions

	2025	2024
Term loans and deposits	208,931	115,657
Repayable on demand	70,805	140,711
	279,736	256,368

16. Deposits from customers

	2025	2024
Term deposits	735,375	566,971
Repayable on demand	110,759	104,494
	846,134	671,465

17. Loans payables

	Currency	2025	2024
Maturing within one year			
3 months or less	USD	25,900	678,308
Over 3 months	USD	-	110,404
		25,900	788,712
Maturing after one year			
More than 2 years	USD	436,812	-
More than 2 years	KWD	324,812	-
		761,624	-
		787,524	788,712

18. Loans from parent

	Note	2025	2024
Subordinated debt	18.1	61,000	61,000
Loan	18.2	37,000	37,000
		98,000	98,000

18.1 This facility is interest free with a maturity date of 31 December 2026 and is repayable in the form of shares, owned by the Group in an affiliate, that is equivalent to the outstanding liability.

18.2 This facility is an interest free unsecured loan which is repayable on 31 December 2026.

19. Other liabilities

	Note	2025	2024
Interest payable		10,790	20,714
Accrued expenses		18,483	19,812
Deferred tax liability	26	4,537	4,012
Tax payable		711	-
Deferred income		961	-
Other payables		3,013	2,723
		38,495	47,261

20. Interest income

	2025	2024
Loans and receivables	77,528	85,473
Demand and call deposits with banks	3,335	6,211
Interest rate swaps	1,891	11,449
Placements with banks	685	3,021
Investments carried at amortised cost	797	496
	84,236	106,650

21. Fee and commission (expense) / income - net

	2025	2024
Management fees from fiduciary activities	334	1,127
Credit related fees, commissions and other income - net	(799)	(666)
	(465)	461

22. Share of results of associates

	2025	2024
Burgan Bank S.A.K.	22,945	22,698
Al Rawabi Holding Company K.S.C.C.	7,646	-
United Real Estate Company K.S.C.P.	416	1,463
Assoufid B.V.	(519)	(359)
Syria Gulf Bank	-	10,949
	30,488	34,751

23. Investment loss - net

	2025	2024
Rental income from investment properties	838	812
Dividend income	162	312
Loss on unwinding of interest rate swaps	-	(3,048)
Other loss	(1,417)	(891)
Loss on investments at FVTPL	(4,560)	(2,031)
	(4,977)	(4,846)

24. Interest expense

	2025	2024
Loans payable	43,281	63,200
Deposits from customers	19,046	29,734
Due to banks and other financial institutions	12,433	15,623
Interest rate swaps	137	131
	74,897	108,688

25. General and administrative expenses

	Note	2025	2024
Professional and other fees		6,202	5,262
IT software & hardware maintenance		4,795	4,394
Depreciation and amortisation	11 and 12	3,378	3,549
Communication		588	586
Repairs and maintenance		721	586
Insurance		491	530
Rental expenses		245	460
Other expenses		2,017	1,792
		18,437	17,159

26. Taxation

The Group's subsidiaries in Malta, the United Kingdom and Republic of India are subject to income tax.

Deferred tax asset

	2025	2024
Deferred tax asset relate to the following:		
Excess of capital allowances over depreciation	(387)	(388)
Allowances for collectability	4,391	4,568
Changes in fair value of financial instruments	76	76
Unabsorbed capital allowances	622	622
Unabsorbed tax losses	10,703	8,580
Other temporary differences	(154)	(3)
	15,251	13,455

Reconciliation of deferred tax assets is as follows:

	Opening balance	Opening balance adjustment	Recognised in consolidated statement of OCI	Recognised in consolidated statement of income	Effects of movement in exchange rates	Closing balance
2025						
Excess of capital allowances over depreciation	(388)	-	-	3	(2)	(387)
Allowances for collectability	4,568	-	-	(156)	(21)	4,391
Changes in fair value of financial instruments	76	-	-	-	-	76
Unabsorbed capital allowances	622	-	-	-	-	622
Unabsorbed tax losses	8,580	-	-	2,124	(1)	10,703
Other temporary differences	(3)	-	-	(149)	(2)	(154)
	13,455	-	-	1,822	(26)	15,251

	Opening balance	Opening balance adjustment	Recognised in consolidated statement of OCI	Recognised in consolidated statement of income	Effects of movement in exchange rates	Closing balance
2024						
Excess of capital allowances over depreciation	(516)	3	-	126	(1)	(388)
Allowances for collectability	7,182	462	-	(3,039)	(37)	4,568
Changes in fair value of financial instruments	76	-	-	-	-	76
Unabsorbed capital allowances	622	-	-	-	-	622
Unabsorbed tax losses	11,722	(553)	-	(2,584)	(5)	8,580
Other temporary differences	638	(635)	-	(6)	-	(3)
	19,724	(723)	-	(5,503)	(43)	13,455

As at 31 December 2025, the Group has unutilized tax losses and temporary differences in respect of which deferred taxation was unrecognised of USD 196 million (2024: USD 174 million).

Deferred tax liabilities

Deferred tax liabilities relate to the following:

	2025	2024
Fair valuation of property and equipment	2,644	2,338
Fair valuation of investment property	1,893	1,674
	4,537	4,012

Reconciliation of deferred tax liabilities is as follows:

	Opening balance	Opening balance adjustment	Recognised in consolidated statement of OCI	Recognised in consolidated statement of income	Closing balance
2025					
Fair valuation of property and equipment	2,338	-	-	306	2,644
Fair valuation of investment property	1,674	-	-	219	1,893
	4,012	-	-	525	4,537
2024					
Fair valuation of property and equipment	2,486	-	-	(148)	2,338
Fair valuation of investment property	1,781	-	-	(107)	1,674
Other temporary differences	639	(639)	-	-	-
	4,906	(639)	-	(255)	4,012

Income tax

The major components of income tax for the year ended 31 December are as follows:

	2025	2024
Consolidated statement of income		
Current income tax charge	(724)	16,285
Movement in deferred tax assets recognised in consolidated statement of income	1,796	(5,546)
Movement in deferred tax liabilities recognised in consolidated statement of income	525	(255)
Income tax charge reported in the consolidated statement of income - net	1,597	10,484

The Group offsets tax assets and 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 tax authority.

Pillar 2 Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate. The jurisdictions in which the Group operates including the Kingdom of Bahrain and the State of Kuwait have joined the IF.

The Group's revenue does not exceed EUR 750 million threshold but is exposed to the global minimum tax by virtue of the Ultimate Parent Company ("UPE") which is domiciled and operating in the State of Kuwait. The Group's earnings in certain jurisdictions, primarily in Bahrain & Kuwait, are currently subject to a lower effective tax rate compared to the proposed global minimum tax.

The Kingdom of Bahrain issued Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a Domestic Minimum Top-up Tax ("DMTT"). This law is applicable to Multi National Enterprises (MNEs) with consolidated annual revenues equal to or exceeding Euro 750 million during 2 of the previous 4 years. MNEs in scope of the law will be subject to a tax of 15% on their profits generated in the Kingdom of Bahrain for fiscal years commencing on or after 1 January 2025.

The Company is registered with the National Bureau for Revenue, Kingdom of Bahrain and is the Filing Constituent Entity for all of KIPCO's group entities registered in the Kingdom of Bahrain. For the year ended 31 December 2025, the Company was not subject to a top-up tax, since its Bahrain-based operations are loss-making. Accordingly, no provisions for DMTT tax have been made for the current year.

27. Basic and diluted loss per share attributable to shareholders of the Parent (US cents)

Basic and diluted loss per share is calculated by dividing the loss attributable to the equity shareholders of the Company by the weighted average number of shares outstanding during the year as follows:

	2025	2024
Loss attributable to equity shareholders of the Parent	(15,325)	(24,786)
Deduction of interest on Perpetual Tier 1 Capital	-	(3,523)
	(15,325)	(28,309)
Weighted average number of shares outstanding during the year (in thousands)	438,454	438,454
Basic and diluted loss per share (US cents)	(3.50)	(6.46)

28. Segmental Information

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer, who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments reported by the Group meet the definition of a reportable segment under IFRS 8.

For management purposes, the Group is organized into business units based on the nature of their operations and services. The Group has two reportable operating segments being 'asset management and investment banking' and 'commercial banking'.

Asset management and investment banking (AMIB / Other) Undertaking asset portfolio management, corporate finance, advisory, investments in quoted and private equity/funds, real estate, capital markets, international banking, treasury activities and holding companies' expenses.

Commercial banking Loans and other credit facilities, deposit and current accounts from corporate and institutional customers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are generally recorded at estimated market rates.

Segmental information relating to the Group's operations as at and for the year ended 31 December 2025 and 2024 are as follows:

	AMIB / Other	Commercial banking	Eliminations	Consolidated
31 December 2025				
Consolidated Statement of income				
Income from external customers	12,385	67,802	(2,740)	77,447
Share of results of associates	(2,573)	33,061	-	30,488
Total income	9,812	100,863	(2,740)	107,935
Interest expense	(52,064)	(25,573)	2,740	(74,897)
Salaries and benefits	(2,609)	(23,960)	-	(26,569)
General and administrative expenses	(3,046)	(15,391)	-	(18,437)
Operating (loss) / income before ECL, impairment and taxation	(47,907)	35,939	-	(11,968)
Expected credit losses - net	(1,237)	(676)	-	(1,913)
Taxation - net	2,136	(3,733)	-	(1,597)
Net (loss) / profit for the year from continuing operations	(47,008)	31,530	-	(15,478)
Net profit for the year from discontinued operations	3,880	-	-	3,880
Net (loss) / profit for the year	(43,128)	31,530	-	(11,598)
Loss attributable to equity shareholders of the Parent				(15,325)
Profit attributable to non-controlling interests				3,727
Net loss for the year				(11,598)
Consolidated Statement of financial position				
Investments in associates	61,638	766,338	-	827,976
Segment total assets	327,029	2,127,679	(202,431)	2,252,277
Segment total liabilities	927,176	1,177,381	(54,668)	2,049,889

	AMIB / Other	Commercial banking	Eliminations	Consolidated
31 December 2024				
Consolidated Statement of income				
Income from external customers	12,865	95,320	(2,269)	105,916
Share of results of associates	1,104	33,647	-	34,751
Total income	13,969	128,967	(2,269)	140,667
Interest expense	(65,485)	(45,472)	2,269	(108,688)
Salaries and benefits	(571)	(25,049)	-	(25,620)
General and administrative expenses	(1,325)	(15,834)	-	(17,159)
Operating (loss) / income before ECL, impairment and taxation	(53,412)	42,612	-	(10,800)
Expected credit losses - net	-	(2,501)	-	(2,501)
Taxation - net	(114)	(10,370)	-	(10,484)
Net (loss) / profit for the year from continuing operations	(53,526)	29,741	-	(23,785)
Net profit for the year from discontinued operations	4,119	-	-	4,119
Net (loss) / profit for the year	(49,407)	29,741	-	(19,666)
Loss attributable to equity shareholders of the Parent				(24,786)
Profit attributable to non-controlling interests				5,120
Net loss for the year				(19,666)

Consolidated Statement of financial position

Investments in associates	60,490	617,996	-	678,486
Segment total assets	1,019,424	1,761,956	(175,788)	2,605,592
Segment total liabilities	1,316,391	962,986	(30,723)	2,248,654

The amounts shown as segment total assets and segment total liabilities under Asset management and investment banking (AMIB) includes balances from disposal group classified as held-for-sale.

Geographical

The Group operates in five geographic markets: Domestic region (Gulf Cooperation Council (G.C.C.) member countries), Middle East and North Africa (MENA) (excluding G.C.C.), Europe, Americas and others. The following table shows the distribution of the Group's total income and total assets by geographical segment, allocated based on the location of the customers and assets as at and for the years ended 31 December 2025 and 2024:

	G.C.C.	MENA	Europe	Americas	Others	Total
2025						
Total income	24,860	39,550	11,889	6,097	25,539	107,935
Total assets	993,555	113,328	528,280	84,522	532,592	2,252,277
2024						
Total income	41,212	27,276	16,824	6,209	49,146	140,667
Total assets	1,372,538	135,619	603,816	196,393	297,226	2,605,592

Income from associates of USD 30.5 million (2024: USD 34.8 million) included in total income mainly pertains to associates based in the GCC and MENA region.

Total assets for 2024 shown under GCC includes balances from disposal group classified as held-for-sale.

29. Related party transactions and balances

Related parties represent the parent, ultimate parent, associates and joint ventures, directors and key management personnel and entities which are controlled, jointly controlled or significantly influenced by any of the above mentioned parties.

The income and expenses in respect of related parties transactions during the year and included in the consolidated financial statements are as follows:

	Parent	Associates	Other related parties	Total
2025				
Investment income - net	-	(66)	(1,431)	(1,497)
Fees and commissions - net	167	243	(1,229)	(819)
Dividend income	-	-	162	162
Rental income	176	-	-	176
Interest income	-	372	761	1,133
Interest expense	-	(28,283)	(6,395)	(34,678)
General and administrative expenses	(3)	(739)	(411)	(1,153)
2024				
Investment income - net	26	-	2,507	2,533
Fees and commissions - net	4,125	5,018	465	9,608
Dividend income	-	9	961	970
Rental income	1,101	-	-	1,101
Interest income	55	509	400	964
Interest expense	-	(37,676)	(8,003)	(45,679)
General and administrative expenses	(8)	(365)	(2,106)	(2,479)

Equity transactions with related parties during the year included in the consolidated statement of changes in equity are as follows:

	2025	2024
Interest payment on Perpetual Additional Tier 1 Capital	-	(534)

All related party transactions are on terms that are mutually agreed between the counterparties.

The year-end balances in respect of related parties included in the consolidated financial statements are as follows:

	Parent	Associates	Other related parties	Total
2025				
Demand and call deposits with banks	-	52	9,101	9,153
Investments at FVTOCI	-	-	76,268	76,268
Loans and receivables	-	6,998	242	7,240
Other assets	3,318	188	1,012	4,518
Due to banks and other financial institutions	-	(10,000)	(20,000)	(30,000)
Deposits from customers	-	(3)	(1,486)	(1,489)
Loans payable	-	(436,812)	(25,900)	(462,712)
Loans from parent	(98,000)	-	-	(98,000)
Other liabilities	-	(5,414)	(944)	(6,358)

	Parent	Associates	Other related parties	Total
2024				
Demand and call deposits with banks	-	9,884	461	10,345
Placements with banks	-	-	18,422	18,422
Investments at FVTPL	196	190	1,339	1,725
Investments at FVTOCI	-	29,537	108,999	138,536
Loans and receivables	-	7,024	238	7,262
Other assets	1,963	828	228	3,019
Due to banks and other financial institutions	-	(37,510)	(45,358)	(82,868)
Deposits from customers	(18)	(11)	(5,684)	(5,713)
Loans payable	-	(509,812)	(53,900)	(563,712)
Loans from parent	(98,000)	-	-	(98,000)
Other liabilities	(46)	(6,910)	(432)	(7,388)
Perpetual Additional Tier 1 Capital	-	-	(5,000)	(5,000)
<i>Off statement of financial position items:</i>				
Letters of guarantee	-	-	150	150

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

The Parent has committed to acquire an FVTOCI investment of the Group at its carrying value of USD 65.7 million or higher (2024: USD 65.7 million).

Compensation of key management personnel was as follows:

	2025	2024
Short-term employee benefits	413	2,413
Long-term employee benefits	45	613
	458	3,026

30. Commitments and contingencies

Credit-related commitments

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Letters of credit, guarantees (including standby letters of credit) and acceptances committed by the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

Investment-related commitments

Investment related commitments are Group's commitment to invest in private equity funds representing the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

The Group has the following credit and investment related commitments:

	2025	2024
Credit-related commitments:		
Undrawn credit facilities	126,656	113,849
Letters of credit	35,680	21,685
Letters of guarantee	26,677	29,946
	189,013	165,480
Investments related commitments	11,894	5,379
	200,907	170,859

31. Derivatives

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.

	Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Within 3 months	3 - 12 months	1 - 5 years	Total
As at 31 December 2025						
<i>Derivatives held for trading</i>						
Forward foreign exchange contracts	4,162	(2,843)	18,600	932	-	19,532
<i>Derivatives used as hedge of net investments in foreign operations</i>						
Forward foreign exchange contracts	3,830	-	478,295	36,190	-	514,485
<i>Derivatives used as cash flow hedges</i>						
Interest rate swaps	296	-	25,000	37,500	20,000	82,500
As at 31 December 2024						
<i>Derivatives held for trading</i>						
Forward foreign exchange contracts	1,918	(1,109)	133,052	39,281	-	172,333
<i>Derivatives used as hedge of net investments in foreign operations</i>						
Forward foreign exchange contracts	2,608	-	440,873	423,681	-	864,554
<i>Derivatives used as cash flow hedges</i>						
Interest rate swaps	2,773	(2,369)	-	-	105,000	105,000

Fair value gains / (losses) on mark-to-market valuation of hedging instruments are booked in other assets (other liabilities) as of 31 December 2025 (2024: same).

The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customized contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Hedge of net investments in foreign operations

The Group has designated certain forward foreign exchange contracts to hedge against changes in the value of its investments in foreign operations for an amount of USD 514 million (2024: USD 865 million). Gains or losses on the retranslation of these forward foreign exchange contracts are transferred to equity through other comprehensive income to offset any gains or losses on the translation of the net investments in foreign operations.

Cash flow hedges

The Group is exposed to variability in interest cash flows on liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. A schedule indicating as at 31 December, the periods when the net cash flows are expected to occur and when they are expected to affect the consolidated statement of comprehensive income is as follows:

	2025		2024	
	Within 1		Within 1	
	year	1-5 years	year	1-5 years
Net cash inflows (outflows)	207	-	1,652	1,846
Statement of comprehensive income	296	-	-	404

The ineffectiveness on hedge of net investments in foreign operations on reclassification from comprehensive income to statement of income is not material.

32. Risk Management

32.1. Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is considered critical to the Group's continuing profitability.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed while conducting its business and operations, and the means and organizational structure it employs to manage them strategically for building shareholder value, are outlined below.

32.1.1. Risk management structure

Each subsidiary within the Group is responsible for managing its own risks and has its own Board Committees, including Audit and Executive Committees in addition to other management committees such as Credit/ Investment Committee and (in the case of major subsidiaries) Asset and Liability Committees (ALCO), or equivalent, with responsibilities generally the same as the Bank's committees.

The Board's role is to approve investment strategies of the Company. The Board of Directors has delegated the Executive Management of the Company to the Chief Executive Officer (who is not a Director).

UGH signed a Service Level Agreement ("SLA") on 24 August 2017 with its former subsidiary UGB, to avail the skills, knowledge, and experience of UGB employees for the management of the Company. Under the terms of the SLA, it was agreed that UGB would provide staff, facilities, premises, systems and equipment to facilitate smooth operations of the Company. Accordingly, the following Board / Management Committees of UGB also assist the Company in monitoring performance and facilitate day to day decision making. The details of key committees are provided as follows:

Executive Committee

The Executive Committee comprises of four directors including the Chairman, Vice Chairman and two other directors. Board meetings are held through circulation to approve all proposals not within the Investment Committee's risk authority, as well as to act on all matters within the Board's remit.

Investment Committee

The Investment Committee is mainly responsible for approving or recommending approval to the Executive Committee limits for individual exposures, investments and concentrations towards banks, countries, industries, risk rating classes, or other special risk asset categories. In addition, the Committee also monitors the overall risk profile and recommends provision levels to the Executive Committee. The Investment Committee is constituted by a majority motion passed in the Executive Committee. Currently the Committee consists of four members.

Audit Committee

The Audit Committee is appointed by the Board and consists of four members who are Directors, including three independent Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing (a) the quality and integrity of financial reporting, (b) the audit thereof, (c) the soundness of the internal controls, (d) the risk assessment activities, and (e) the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

Risk and Compliance Committee

The Risk and Compliance Committee is responsible for the monitoring and assessment of risks, the review of compliance with internal and external guidelines, the review and recommendation of provisioning requirements, the assessment of the impact from new regulatory requirements, and review of Investment Committee decisions. The Committee comprises of six senior executives including the Chief Executive Officer. Additionally, the Head of Internal Audit and Quality Assurance participates in the Committee meetings in the capacity of an observer.

Asset and Liability Committee

The Asset and Liability Committee establishes policies and objectives for the asset and liability management of the statement of financial position in terms of structure, distribution, risk and return and its impact on profitability. It also monitors the cash flow, tenor and cost/yield profiles of assets and liabilities and evaluates the financial position both from interest rate sensitivity and liquidity points of view, making corrective adjustments based upon perceived trends and market conditions, monitoring liquidity, monitoring foreign exchange exposures and positions. The Committee comprises of six senior executives including the Chief Executive Officer.

Management Committee

The Management Committee acts as the steering committee as well as a management forum to discuss any relevant issues. It meets on a weekly basis and consists of the Chief Executive Officer and all Department Heads as well as Internal Audit. It also serves to follow up on a weekly basis on the daily conduct of the business activities. The Committee is headed by the Chief Executive Officer.

Key Persons Committee

The Key Persons Committee comprises three members of senior management. The Committee is mainly responsible for the supervision of adequacy of compliance with the Central Bank of Bahrain and Bahrain Bourse guidelines on key persons trading (insider trading).

Monitoring and controlling risks is primarily performed based on limits established by the Board. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected geographies and industry sectors. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

32.1.2. Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currency transactions.

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group.

Where warranted, the Group enters into legally enforceable netting arrangements covering its money market and foreign exchange trading activities whereby the only net amounts may be settled at maturity. With regard to the credit risk in the off statement of financial statement exposures, third party guarantees are obtained wherever possible as a risk mitigation measure.

32.2. Concentration risk

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counterparty limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Robust limit structures put in place by the Board ensures effective monitoring and control of concentration risk and any limit breaches are immediately rectified and reported to the Board of Directors. For classifications by Group's exposure by industry, sector, geographical region, refer note 32.3.2.

32.3. Credit risk

Credit risk arises from the extension of credit facilities in the Group's banking and trading activities as well as in investment activities where there is a possibility that a counterparty may fail to honor its commitment whenever an investment may fail.

Credit risk is mitigated through:

- (i) Establishing an appropriate credit risk environment;
- (ii) Operating under a sound credit and investment approval process;
- (iii) Maintaining appropriate credit administration, measurement and monitoring processes; and
- (iv) Ensuring adequate controls over the credit risk management process.

The Group has well defined policies approved at the individual board level. These provide carefully documented guidelines for credit risk management. There is a two tier committee structure to approve and review credit and investment risk. The Investment Committee comprises of the Chief Executive Officer, Head of Treasury and the Chief Financial Officer. The Head of Credit and Risk Management acts as a non-voting member to the Committee. Exposures beyond Investment Committee limits are approved by the Board's Executive Committee or by the full Board of Directors.

Assessment of expected credit losses**Definition of default and cure**

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);

- the customer is past due more than 90 days on any material credit obligation to the Group; or
- customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

The Group considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants,
- customer having past due liabilities to public creditors or employees,
- customer is deceased, and
- The borrower requesting emergency funding from the Group

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria's do not indicate a significant increase in credit risk.

The Group also considers that events as mentioned below are indicators of significant increase in credit risk as opposed to a default:

- Significant deterioration of credit risk rating of the borrower with consideration to relative increase in Possibility of Default ("PD").
- Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.
- In the case of retail portfolio, qualitative indicators such as fraudulent customers, and death of customer.

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The Group assesses the PD for its retail portfolio through behavioral scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the behavioural scorecard.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. EAD for retail loans incorporate prepayment assumptions whereas for credit cards portfolio, credit conversion factors are applied to estimate the future draw downs.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument, including credit cards and other revolving facilities, unless the Group has the legal right to call it earlier, except for the maturity of all credit facilities (other than consumer/ instalment facilities) in Stage 2 which is considered based on minimum period of 4 years.

32.3.1. Maximum exposure to credit risk without taking account of any collateral or other credit enhancements

The table below shows the Group's maximum exposure to credit risk for the components of on and off statement of financial position exposure. The maximum exposure shown is gross before the effect of mitigation through the use of collateral arrangements, but after any expected credit losses.

	2025	2024
Demand and call deposits with banks	38,867	75,224
Placements with banks	98,133	147,297
Investments at FVTOCI	104,901	119,879
Investments carried at amortised cost	40,304	2,000
Loans and receivables	522,552	416,862
Other assets	26,047	18,737
	830,804	779,999
Undrawn credit facilities	126,656	113,849
Letters of credit	35,680	21,685
Letters of guarantee	26,677	29,946
Derivative financial assets	5,445	3,821
	1,025,262	949,300

32.3.2. Risk concentrations of the maximum exposure to credit

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any single client or counterparty as of 31 December 2025 was USD 27.9 million (2024: USD 19.2 million) before taking account of collateral or other credit enhancements.

An analysis of the Group's financial assets by geographical region, before taking into account collateral held or other credit enhancements, is as follows:

	G.C.C. *	MENA **	Europe	Americas	Asia	Others	Total
Demand and call deposits with banks	9,929	4,061	16,355	5,786	2,843	(107)	38,867
Placements with banks	-	10,986	85,467	-	1,680	-	98,133
Investments at FVTOCI	-	-	104,901	-	-	-	104,901
Investments carried at amortised cost	-	-	40,304	-	-	-	40,304
Loans and receivables	54,597	57,440	204,474	58,114	108,564	39,363	522,552
Other assets	4,706	2,042	11,355	1,075	3,102	3,767	26,047
Undrawn credit facilities	2,445	-	122,476	-	235	1,500	126,656
Letters of credit	5,536	615	10,568	-	2,625	16,336	35,680
Letters of guarantee	369	2	26,071	-	-	235	26,677
Derivative financial assets	4,126	-	1,318	-	-	1	5,445
31 December 2025	81,708	75,146	623,289	64,975	119,049	61,095	1,025,262
Demand and call deposits with banks	1,887	1,095	21,459	49,696	1,053	34	75,224
Placements with banks	-	10,237	135,295	-	1,765	-	147,297
Investments at FVTOCI	-	-	119,879	-	-	-	119,879
Investments carried at amortised cost	-	-	2,000	-	-	-	2,000
Loans and receivables	73,555	49,208	160,894	45,212	74,515	13,478	416,862
Other assets	1,199	2,132	11,818	90	2,422	1,076	18,737
Undrawn credit facilities	23,708	-	82,641	-	-	7,500	113,849
Letters of credit	5,278	120	903	-	-	15,384	21,685
Letters of guarantee	2,529	428	26,989	-	-	-	29,946
Derivative financial assets	3,465	-	356	-	-	-	3,821
31 December 2024	111,621	63,220	562,234	94,998	79,755	37,472	949,300

*Gulf Cooperation Council (G.C.C.)

**Middle East and North Africa (MENA)

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	Trading and Manufacturing	Banks and financial institutions	Constructi- on and real estate	Individuals	Government and public sector	Others	Total
At 31 December 2025							
Demand and call deposits with banks	-	38,840	-	-	-	27	38,867
Placements with banks	-	98,133	-	-	-	-	98,133
Investments at FVTOCI	-	14,525	-	-	84,605	5,771	104,901
Investments carried at amortised cost	-	16,192	-	-	22,441	1,671	40,304
Loans and receivables	293,740	82,050	97,477	-	11,750	37,535	522,552
Other assets	3,397	15,983	558	14	2,158	3,937	26,047
Undrawn credit facilities	19,369	2,797	97,404	-	474	6,612	126,656
Letters of credit	13,562	17,619	4,499	-	-	-	35,680
Letters of guarantee	13,080	3,132	9,546	-	-	919	26,677
Derivative financial assets	1,920	3,525	-	-	-	-	5,445
	345,068	292,796	209,484	14	121,428	56,472	1,025,262

At 31 December 2024

Demand and call deposits with banks	-	70,023	-	-	5,185	16	75,224
Placements with banks	-	147,297	-	-	-	-	147,297
Investments at FVTOCI	-	25,013	-	-	89,857	5,009	119,879
Investments carried at amortised cost	-	-	-	-	2,000	-	2,000
Loans and receivables	262,907	31,460	86,324	-	-	36,171	416,862
Other assets	1,877	11,529	37	901	719	3,674	18,737
Undrawn credit facilities	16,254	32,262	58,617	-	-	6,716	113,849
Letters of credit	5,863	15,818	-	-	4	-	21,685
Letters of guarantee	11,116	16,308	2,307	-	-	215	29,946
Derivative financial assets	-	-	3,821	-	-	-	3,821
	298,017	349,710	151,106	901	97,765	51,801	949,300

32.3.3. Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained for commercial lending include charges over real estate properties, inventory, trade receivables, trading securities and bank guarantees.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, during its review of the adequacy of the allowance for impairment losses. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay or reduce the outstanding claim. In general, the Group does not occupy repossessed properties for the business use.

An industry sector analysis of the Group's gross loans and advances, before and after taking into account collateral held or other credit enhancements, is as follows:

	2025		2024	
	Gross maximum exposure	Net maximum exposure	Gross maximum exposure	Net maximum exposure
Factoring assets	284,403	150,204	270,723	235,250
Loans to customers	185,839	109,377	140,468	38,840
Loans to banks	50,290	46,565	9,798	9,798
Syndicated loans	18,585	18,585	13,111	13,111
	539,117	324,731	434,100	296,999

32.3.4. Credit risk exposure by credit rating

	Investment grade	Non-investment grade	Unrated*	Total
At 31 December 2025				
Demand and call deposits with banks	30,255	3,190	5,422	38,867
Placements with banks	98,121	12	-	98,133
Investments at FVTOCI	104,901	-	-	104,901
Investments carried at amortised cost	40,310	-	(6)	40,304
Loans and receivables	25,193	49,459	447,900	522,552
Other assets	11,375	2,694	11,978	26,047
Undrawn credit facilities	(2,488)	-	129,144	126,656
Letters of credit	-	1,403	34,277	35,680
Letters of guarantee	722	621	25,334	26,677
Derivative financial assets	5,445	-	-	5,445
	313,834	57,379	654,049	1,025,262
At 31 December 2024				
Demand and call deposits with banks	70,418	2,552	2,254	75,224
Placements with banks	145,876	1,421	-	147,297
Investments at FVTOCI	119,879	-	-	119,879
Investments carried at amortised cost	2,000	-	-	2,000
Loans and receivables	24,344	16,587	375,931	416,862
Other assets	6,098	5	12,634	18,737
Undrawn credit facilities	-	-	113,849	113,849
Letters of credit	-	3,115	18,570	21,685
Letters of guarantee	225	641	29,080	29,946
Derivative financial assets	3,821	-	-	3,821
	372,661	24,321	552,318	949,300

* Includes exposures to counterparties not rated by credit rating agencies.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risk and the comparison of credit exposures across all business lines, geographic regions and products. All externally rated credit risk exposures are rated by the relevant External Credit Assessment Institutions ("ECAIs").

Additionally, the internal risk ratings of the Group's externally unrated credit risk exposures which are largely subjective, are tailored to the various categories and are derived in accordance with the internal rating policy and practices. The attributable internal risk ratings are assessed and updated on a regular basis.

The table above reflects the risk ratings of the credit risk exposures rated by the relevant ECAs. All of the externally unrated credit risk exposures have been classified under "Unrated" category.

32.3.5. Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. The Group had USD 9 million of restructured loans as of 31 December 2025 (2024: USD 22 million).

Restructured loans have a minimum cool-off period of 12 months, from the date when the condition(s) that caused an account to move to Stage 2 or Stage 3 ceases to exist, and provided that up to date payments are received with no arrears.

32.3.6. Market risk

Market risk is defined as the risk of losses in the value of on-or-off statement of financial position financial instruments caused by a change in market prices or rates, (including changes in interest rates and foreign exchange rates). The Group's policy guidelines for market risk have been vetted by the Board of Directors in compliance with the rules and guidelines provided by the Central Bank of Bahrain. The Central Bank of Bahrain guidelines introduced a risk measurement framework whereby all locally incorporated banks in Bahrain are required to measure and apply capital charges in respect of their market risk in addition to capital requirements for credit risk and operational risk.

The market risk subject to capital charge normally arises from changes in value due to market forces in the following exposures:

- (i) Interest rate instruments and securities in the trading book; and
- (ii) Foreign exchange throughout the banking book.

32.4. Interest rate risk

The Group has entered into interest rate swaps and forward foreign exchange contracts for hedging purposes and does not actively trade in derivatives.

Interest rate sensitivity

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

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 income based on the consolidated statement of financial position as of the reporting date:

	2025		2024	
	Increase in basis points	Sensitivity of net interest income	Increase in basis points	Sensitivity of net interest income
Currency				
Kuwaiti Dinar	+ 25	(781)	+ 25	(319)
United States Dollar	+ 25	(1,632)	+ 25	(1,101)
Euro	+ 25	(1,074)	+ 25	(43)
Pound Sterling	+ 25	31	+ 25	20
Others	+ 25	546	+ 25	(106)

The decrease of 25 basis points in interest rates will have an equal and opposite impact on the net interest income as shown above.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2025 and 2024, including the effect of hedging instruments.

32.5. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group considers the United States Dollar as its functional currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The table below indicates the effect on profit before tax for the positions as at reporting date as a result of change in the currency rate with all other variables held constant.

	2025			2024		
	Change in currency (%)	Effect on profit before tax	Effect on equity	Change in currency (%)	Effect on profit before tax	Effect on equity
Currency						
Kuwaiti Dinar	+2	(18,369)	26	+2	(3,347)	(84)
	-2	18,369	(26)	-2	3,347	84
Euro	+2	(6,468)	2,273	+2	(4,177)	1,357
	-2	6,468	(2,273)	-2	4,177	(1,357)
Pound Sterling	+2	(17)	-	+2	84	-
	-2	17	-	-2	(84)	-

32.6. Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

During the year, equity securities have been reclassified as part of disposal group held for sale for which the transaction price was determined and agreed, subsequent to the reporting date. Hence, the Group is not exposed to equity price risk on these investments.

The geographical distribution of the Group's equity investments is as follows:

Geographical distribution

	GCC	MENA	Europe	Total
31 December 2025				
Investments at FVTPL				
Equities	-	-	52	52
Managed funds	-	3,173	9,830	13,003
	-	3,173	9,882	13,055
Investments at FVTOCI				
Equities	66,855	8,376	503	75,734
Managed funds	33	669	-	702
	66,888	9,045	503	76,436
Total	66,888	12,218	10,385	89,491

	GCC	MENA	Europe	Total
31 December 2024				
Investments at FVTPL				
Equities	-	-	52	52
Managed funds	-	906	13,907	14,813
	-	906	13,959	14,865
Investments at FVTOCI				
Equities	66,190	8,529	407	75,126
Managed funds	42	461	-	503
	66,232	8,990	407	75,629
Total	66,232	9,896	14,366	90,494

At the reporting date, the exposure to listed equity securities at fair value was USD 129 thousand (2024: USD 73 thousand). A decrease of 10% on the market indices of MENA stock exchanges could have an impact of approximately USD 13 thousand (2024: USD 7 thousand) on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. The majority of the equities in the MENA region are quoted on the Kuwait Stock Exchange.

For unquoted investments carried at cost, the impact of the changes in the equity prices will only be reflected in the consolidated statement of income when the investment is sold or deemed to be impaired.

32.7. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

32.7.1. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted repayment obligations. 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.

	On demand	1 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
31 December 2025						
Financial liabilities						
Due to banks and other financial institutions	70,805	83,942	11,561	99,189	8,553	274,049
Deposits from customers	110,759	503,879	104,688	111,822	14,986	846,134
Loans payable	-	468,587	11,750	324,812	-	805,149
Loans from parent	-	-	98,000	-	-	98,000
Other liabilities	24,648	11,478	1,013	799	558	38,496
Total non-derivative undiscounted financial liabilities	206,212	1,067,886	227,012	536,622	24,097	2,061,829

	On demand	1 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
Off-statement of financial position items						
Undrawn credit facilities	-	76,759	11,102	38,795	-	126,656
Letters of credit	-	30,918	4,762	-	-	35,680
Letters of guarantee	-	12,752	12,464	1,461	-	26,677
Investment related commitments	-	11,894	-	-	-	11,894
	-	132,323	28,328	40,256	-	200,907

31 December 2024
Financial liabilities

Due to banks and other financial institutions	287,290	99,764	23,475	8,632	3,312	422,473
Deposits from customers	391,243	265,125	28,632	15,372	4,004	704,376
Loans payables	567,940	128,714	176,993	158,395	-	1,032,042
Loans from parent	-	-	98,000	-	-	98,000
Other liabilities	2,895	44,351	15	-	-	47,261
Total non-derivative undiscounted financial liabilities	1,249,368	537,954	327,115	182,399	7,316	2,304,152

Off-statement of financial position items

Undrawn credit facilities	30,239	35,681	3,229	44,700	-	113,849
Letters of credit	6,579	14,139	967	-	-	21,685
Letters of guarantee	2,612	17,567	8,217	1,550	-	29,946
Investment related commitments	-	-	-	5,379	-	5,379
	39,430	67,387	12,413	51,629	-	170,859

The Group expects that not all of contingent items or commitments will be drawn before expiry of the commitments.

32.8. Derivatives

In order to ensure that the Group can meet its financial obligations as they fall due, there is a close monitoring of its assets / liabilities position. Besides other functions, the Asset-Liability Committee evaluates the statement of financial position both from a liquidity and an interest rate sensitivity point of view. The whole process is aimed at ensuring sufficient liquidity to fund its ongoing business activities and to meet its obligations as they fall due. A diversified funding base has evolved in deposits raised from the interbank market, deposits received from customers and medium term funds raised through syndicated and commodity based murabaha transactions. These, together with the strength of its equity and the asset quality, ensure that funds are made available on competitive rates.

32.9. Maturity analysis based on expected recoveries

The maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled are as follows:

	No fixed maturity	Less than 12 months	Over 12 months	Total
31 December 2025				
Demand and call deposits with banks	-	38,867	-	38,867
Placements with banks	-	89,170	8,963	98,133
Investments at FVTPL	-	315,914	129,523	445,437
Investments at FVTOCI	-	79,912	101,425	181,337
Investments carried at amortised cost	-	24,057	16,247	40,304
Loans and receivables	1,852	437,141	83,559	522,552
Other assets	-	19,485	26,644	46,129
Investments in associates	827,976	-	-	827,976
Investment properties	23,667	-	-	23,667
Property and equipment	24,849	-	-	24,849
Intangible assets	3,026	-	-	3,026
Total assets	881,370	1,004,546	366,361	2,252,277
Due to banks and other financial institutions	-	205,087	74,649	279,736
Deposits from customers	-	806,578	39,556	846,134
Loans payable	-	497,341	290,183	787,524
Loans from parent	-	98,000	-	98,000
Other liabilities	-	15,470	23,025	38,495
Total liabilities	-	1,622,476	427,413	2,049,889
Net	881,370	(617,930)	(61,052)	202,388
31 December 2024				
Demand and call deposits with banks	-	75,224	-	75,224
Placements with banks	-	147,297	-	147,297
Investments at FVTPL	14,589	188,811	70,861	274,261
Investments at FVTOCI	131,672	847	62,989	195,508
Investments carried at amortised cost	-	2,000	-	2,000
Loans and receivables	3,538	330,663	82,661	416,862
Other assets	-	36,768	-	36,768
Investments in associates	678,486	-	-	678,486
Investment properties	20,926	-	-	20,926
Property and equipment	23,612	-	-	23,612
Intangible assets	2,907	-	-	2,907
Assets of disposal group held for sale	-	731,741	-	731,741
Total assets	875,730	1,513,351	216,511	2,605,592
Due to banks and other financial	-	213,247	43,121	256,368
Deposits from customers	-	639,107	32,358	671,465
Loans payables	-	788,712	-	788,712
Loans from parent	-	98,000	-	98,000
Other liabilities	-	47,261	-	47,261
Liabilities directly associated with disposal group held for sale	-	386,848	-	386,848
Total liabilities	-	2,173,175	75,479	2,248,654
Net	875,730	(659,824)	141,032	356,938

32.10. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. While, the Group cannot expect to eliminate all operational risks, but through dedicated operational risk framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

32.11. Capital management

The primary objectives of the Group's capital management are to ensure that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, or issue equity securities. During the year, no changes were made in the capital management objectives, policies and processes from previous year.

33. Fair value measurement

The Group uses the hierarchy for determining and disclosing the fair value of financial instruments as disclosed in note 2.

Management has assessed that financial assets comprising of demand and call deposits with banks, placements with banks, and loans and receivables maturing within one year, and financial liabilities comprising of on-demand customer deposits, amounts due to banks and loans payable falling due within one year approximate their carrying values largely due to the short term maturities of these instruments.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2025:

	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
<i>Investments carried at FVTPL</i>				
Forfeiting assets	-	-	432,382	432,382
Equities	-	52	-	52
Managed funds	-	-	13,003	13,003
<i>Investments at FVTOCI</i>				
Equities	129	-	75,605	75,734
Debt securities	104,901	-	-	104,901
Managed funds	660	42	-	702
<i>Investment properties</i>	-	-	23,667	23,667
<i>Derivatives</i>				
Forward foreign exchange contracts	-	5,149	-	5,149
Interest rate swaps	-	296	-	296
<i>Assets for which fair value is disclosed</i>				
Investment in material quoted associates	499,492	-	-	499,492
	605,182	5,539	544,657	1,155,378

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2024:

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
<i>Investments carried at FVTPL</i>				
Forfeiting assets	-	-	259,396	259,396
Equities	-	52	-	52
Managed funds	-	-	14,813	14,813
<i>Investments at FVTOCI</i>				
Equities	73	-	75,053	75,126
Debt securities	119,879	-	-	119,879
Managed funds	461	42	-	503
Investment properties	-	-	20,926	20,926
<i>Derivatives</i>				
Forward foreign exchange contracts	-	3,417	-	3,417
Interest rate swaps	-	404	-	404
Disposal group classified as held for sale	-	-	190,000	190,000
<i>Assets for which fair value is disclosed</i>				
Investment in material quoted associates	350,062	-	-	350,062
	470,475	3,915	560,188	1,034,578

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2025 and 2024 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

The table below gives a reconciliation of fair value measurement of investments in Level 3 of the fair value hierarchy:

	Opening balance	Net purchases, sales, transfers and settlement	Net Loss recorded in the consolidated statement of income	(Loss) gain recognised in OCI	Transfer to disposal group classified as held-for-sale	Closing balance
2025						
Investments at FVTPL						
Forfeiting assets	259,396	152,015	20,971	-	-	432,382
Managed funds	14,813	2,266	(4,076)	-	-	13,003
	274,209	154,281	16,895	-	-	445,385
Investments at FVTOCI						
Equities	75,053	-	552	-	-	75,605
	75,053	-	552	-	-	75,605
Investment properties	20,926	-	2,741	-	-	23,667

	Opening balance	Net purchases, sales, transfers and settlement	Loss recorded in the consolidate d statement of income	(Loss) gain recognised in OCI	Transfer to disposal group classified as held-for-sale	Closing balance
2024						
<i>Investments at FVTPL</i>						
Forfeiting assets	368,018	(104,700)	(3,922)	-	-	259,396
Equities	27,090	(641)	-	-	(26,449)	-
Debt securities	325	-	-	-	(325)	-
Managed funds	38,291	(2,337)	(1,711)	-	(19,430)	14,813
	433,724	(107,678)	(5,633)	-	(46,204)	274,209
<i>Investments at FVTOCI</i>						
Equities	174,132	-	-	246	(99,325)	75,053
Managed funds	94	-	-	-	(94)	-
	174,226	-	-	246	(99,419)	75,053
Investment properties	149,646	-	(1,332)	-	(127,388)	20,926

Valuation technique and unobservable inputs used in measuring fair value of Level 3 investments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policies in Note 2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like currency rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Forfeiting assets

Forfeiting Assets involve the discounting of receivables generated from an export contract on a without recourse basis. The assets would be evidenced by a number of different debt instruments including Bills of Exchange, Promissory Notes, Letters of Credit and trade or project related Syndicated and Bi-lateral Loan (Financing) Agreements.

The Group establishes fair value of its trading assets using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate is an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument.

The Group uses the LIBOR yield curve as of each reporting date plus an adequate credit margin spread to discount the trading assets held.

FVTOCI investments

Investment at fair value through other comprehensive income mainly represents holdings in unlisted group companies which are classified as Level 3 assets. Transactions in such investments do not occur on a regular basis.

The fair value is measured by the Group based on the periodical net-asset-valuations as determined using the entity's financial statements. Inputs and assumptions used in the preparation of these financial statements may be subjective and could include a number of highly judgmental uncertainties including the valuation of the underlying assets of the entities.

34. Material partly owned subsidiaries

FIMBank, a subsidiary in which the Group holds material non-controlling interests, is listed on the Malta Stock Exchange. In accordance with the stock exchange by-laws, the separate disclosure of FIMBank's financial information is restricted until the subsidiary's respective financial results are officially published.

During the year, the Company entered into discussions regarding the potential sale of its 80.4% stake in the subsidiary, FIMBank p.l.c. (FIMBank Group), to Jordan Kuwait Bank (JKB). The proposed sale of FIMBank group is conditional on completing the necessary valuations, studies and obtaining relevant regulatory approvals from authorities in Jordan and Malta, including the Central Bank of Jordan (CBJ), the Malta Financial Services Authority (MFSA), and the European Central Bank (ECB).

The assets and liabilities of FIMBank and its subsidiaries have not been classified as held for sale in these consolidated financial statements, since the criteria under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations of being available for immediate sale in its present condition has not been met as at the year end.

35. Assets pledged in favour of third parties

	2025	2024
Investments at fair value through other comprehensive income	63,976	36,110
Investment in associates	40,235	-
Loans and receivables	21,191	17,541
Investments carried at amortised cost	2,374	-
	127,776	53,651

36. Comparative figures

Certain comparative figures have been regrouped or reclassified where necessary for the purpose of comparison and better presentation. The following reclassifications have been made during the year and have no effect on the financial results of the Group:

Consolidated statement of financial position	Reported 2024	Adjustment	2024
Assets			
Demand and call deposits with banks	75,650	(426)	75,224
Investments at fair value through profit or loss	279,210	(4,949)	274,261
Investments at fair value through other comprehensive income	195,894	(386)	195,508
Investments carried at amortised cost	2,074	(74)	2,000
Loans and receivables	418,396	(1,534)	416,862
Other assets	29,399	7,369	36,768
Liabilities			
Due to banks and other financial institutions	257,147	(779)	256,368
Deposits from customers	679,119	(7,654)	671,465
Other liabilities	38,828	8,433	47,261
Consolidated statement of income			
Foreign currency gains - net	9,188	(5,537)	3,651
Investment loss - net	(10,383)	5,537	(4,846)

37. Subsequent events

No matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.