



# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025

**GiB**

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# Independent auditors' report

## To the Shareholders of

*Gulf International Bank B.S.C.  
Al-Dowali Building  
3 Palace Avenue  
Manama, Kingdom of Bahrain*

## Report on Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Gulf International Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

### 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 Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in the Kingdom of Bahrain. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the 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.

<b>Impairment of loans and advances</b>	
Refer to the use of estimate and management judgement in note 5.1, impairment in note 3.2, note 11 and disclosures of credit risk in note 31.1 to the consolidated financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• of the significance of loans and advances representing 32% of total assets (by value);</li> <li>• impairment of loans and advances involves:               <ul style="list-style-type: none"> <li>➤ complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias;</li> <li>➤ use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its ECL models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and</li> <li>➤ complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses;</li> </ul> </li> <li>• The need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weighting applied to them; and</li> <li>• Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.</li> </ul>	<p>Our audit procedures, amongst others, to address significant risks associated with impairment of loans and advances included:</p> <p>Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice.</p> <p>Confirming our understanding of management's processes, systems and controls implemented, including controls over expected credit loss ("ECL") model development.</p> <p><b>Controls testing</b></p> <ul style="list-style-type: none"> <li>• We performed process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant General IT and application controls over key systems used in the ECL process. Key aspects of our control testing involved the following:               <ul style="list-style-type: none"> <li>➤ We performed detailed credit risk assessment for a sample of performing and nonperforming loans to test controls over credit rating and its monitoring process;</li> <li>➤ We tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions elements into the IFRS 9 ECL models;</li> <li>➤ We tested the controls over the transfer of data between underlying source systems and the ECL models that the Group operates;</li> <li>➤ We tested the controls over the modelling process, including governance over model monitoring, validation and approval;</li> <li>➤ We tested the key controls relating to selection and implementation of material economic variables; and</li> <li>➤ We tested controls over the governance and assessment of model outputs and authorisation and review of post model adjustments and management overlays including selection of economic scenarios and the probability weights applied to them.</li> </ul> </li> </ul>

#### **Test of details**

- Key aspects of our testing involved:
  - Sample test over key inputs and assumptions impacting ECL calculations including economic forecasts and weights to confirm the accuracy of information used;
  - Re-performed key aspects of the Group's significant increase in credit risk ("SICR") determinations and selected samples of financial instruments to determine whether a SICR was appropriately identified;
  - Re-performed key elements of the Group's model calculations and assessed performance results for accuracy; and
  - Selected sample of post model adjustments and management overlays to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data.

#### **Use of specialists**

For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in determining expected credit losses. Key aspects of their involvement include:

- We involved our information technology specialists to test controls over the IT systems and recording of data in source systems;
- We involved our credit risk specialists to:
  - Evaluate the appropriateness of the Groups' ECL methodologies;
  - Re-perform the calculations of certain components of the ECL model;
  - Evaluate the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weighting applied to them; and;
  - Evaluate the overall reasonableness of the management economic forecast by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends.

#### **Disclosures**

Evaluated the adequacy of the Group's disclosure in relation to use of significant estimates and judgment and credit quality of loans and advances by reference to the requirements of the relevant accounting standards.



## Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's Statement which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements.

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

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

## Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if



*Independent auditors' report (continued)*  
*Gulf International Bank B.S.C.*

such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

#### Other Matter

The Group's consolidated financial statements as at and for the year ended 31 December 2024 were audited by another auditor whose report dated 24 February 2025 expressed unmodified opinion on those consolidated financial statements.

#### Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Chairman's Statement is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 1, applicable provisions of Volume 6 and CBB directives), or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.


The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG Fakhro  
Partner Registration Number 137  
23 February 2026


## Consolidated Statement of Financial Position

	Note	<u>31.12.25</u> US\$ millions	<u>31.12.24</u> US\$ millions
<b>ASSETS</b>			
Cash and other liquid assets	7	16,363.7	9,882.6
Securities purchased under agreements to resell	8	254.1	975.4
Placements	9	6,206.2	7,266.6
Investment securities	10	10,939.4	7,607.8
Loans and advances	11	16,552.4	15,402.3
Other assets	12	1,505.6	1,756.8
<b>Total assets</b>		<b>51,821.4</b>	<b>42,891.5</b>
<b>LIABILITIES</b>			
Deposits from banks	14	1,901.7	1,665.2
Deposits from customers	14	36,094.7	28,195.2
Securities sold under agreements to repurchase	15	2,375.2	1,848.8
Other liabilities	16	1,370.3	1,692.6
Senior term financing	17	5,442.5	5,573.9
Subordinated term financing	18	400.0	399.3
<b>Total liabilities</b>		<b>47,584.4</b>	<b>39,375.0</b>
<b>EQUITY</b>			
Share capital	19	2,000.0	2,000.0
Reserves	20	245.3	222.9
Retained earnings		403.6	252.6
<b>Equity attributable to the shareholders of the Bank</b>		<b>2,648.9</b>	<b>2,475.5</b>
Non-controlling interest of the Bank	44	1,087.9	1,041.0
Additional Tier 1 capital	44	500.2	-
<b>Non-controlling interest</b>		<b>1,588.1</b>	<b>1,041.0</b>
<b>Total equity</b>		<b>4,237.0</b>	<b>3,516.5</b>
<b>Total liabilities &amp; equity</b>		<b>51,821.4</b>	<b>42,891.5</b>

The consolidated financial statements were approved by the Board of Directors on 23<sup>rd</sup> February 2026 and signed on its behalf by:



**H.E. Dr. Najem Al-Zaid**  
Vice Chairman of the Board



**Dr. Khaled Al-Faddagh**  
Chairman of the Board Audit Committee




**Abdulaziz A. Al-Helaiissi**  
Group Chief Executive Officer


The notes on pages 6 to 69 form part of these consolidated financial statements.

## Consolidated Statement of Income

	Note	Year ended 31.12.25 US\$ millions	Year ended 31.12.24 US\$ millions
Interest income	22	2,324.9	2,673.2
Interest expense	22	1,789.9	2,151.0
Net interest income		535.0	522.2
Net fee and commission income	23	124.4	121.8
Net trading income	24	12.0	19.2
Foreign exchange income	25	34.2	32.5
Other income	26	52.8	20.5
<b>Total operating income</b>		<b>758.4</b>	<b>716.2</b>
Staff expenses		281.5	271.8
Premises expenses		8.5	9.3
Depreciation and amortisation		25.7	24.1
Other operating expenses	27	142.2	144.8
<b>Total operating expenses</b>		<b>457.9</b>	<b>450.0</b>
<b>Net income before provisions and tax</b>		<b>300.5</b>	<b>266.2</b>
Provision for expected credit losses	28	(55.6)	(54.9)
<b>Net income before tax</b>		<b>244.9</b>	<b>211.3</b>
Taxation and zakat charges	29	(29.2)	(31.1)
<b>Net income</b>		<b>215.7</b>	<b>180.2</b>
<b>Attributable to:</b>			
Shareholders of the Bank		169.1	134.8
Non-controlling interest		46.6	45.4
		<b>215.7</b>	<b>180.2</b>



H.E. Dr. Najem Al-Zaid  
Vice Chairman of the Board



Dr. Khaled Al-Faddagh  
Chairman of the Board Audit Committee



Abdulaziz A. Al-Helaissi  
Group Chief Executive Officer

The notes on pages 6 to 69 form part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

		Year ended 31.12.25	Year ended 31.12.24
	Note	US\$ millions	US\$ millions
<b>Net income</b>		215.7	180.2
<b>Other comprehensive income:</b>			
<u>Items that will be reclassified to consolidated statement of income:</u>			
<i>Cash flow hedges:</i>			
Net change in fair value during the period	20	79.4	1.9
Reclassification to the consolidated statement of income		(81.8)	-
<i>Debt instruments at fair value through other comprehensive income (FVOCI):</i>			
Net change in fair value during the period		15.5	(3.4)
Reclassification to the consolidated statement of income		(1.8)	-
Changes in allowance for expected credit losses		1.1	0.4
		<b>12.4</b>	<b>(1.1)</b>
<u>Items that will not be reclassified to consolidated statement of income:</u>			
Net change in fair value of equity instruments at FVOCI		(0.4)	(3.8)
Remeasurement of defined benefit pension fund		(5.7)	(35.5)
Net change in deferred tax reserves	20	0.7	8.1
		<b>(5.4)</b>	<b>(31.2)</b>
<b>Total other comprehensive income</b>		<b>7.0</b>	<b>(32.3)</b>
<b>Total comprehensive income</b>		<b>222.7</b>	<b>147.9</b>
<b>Attributable to:</b>			
Shareholders of the Bank		174.6	106.9
Non-controlling interest		48.1	41.0
		<b>222.7</b>	<b>147.9</b>

The notes on pages 6 to 69 form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

	Equity attributable to the shareholders of the Bank				Non-controlling interest US\$ millions	Total US\$ millions
	Share capital	Reserves	Retained earnings	Total		
	US\$ millions	US\$ millions	US\$ millions	US\$ millions		
<b>At 1<sup>st</sup> January 2025</b>	<b>2,000.0</b>	<b>222.9</b>	<b>252.6</b>	<b>2,475.5</b>	<b>1,041.0</b>	<b>3,516.5</b>
Net income for the year	-	-	169.1	169.1	46.6	215.7
Other comprehensive income for the year	-	5.5	-	5.5	1.5	7.0
Total comprehensive income for the year	-	5.5	169.1	174.6	48.1	222.7
Additional Tier 1 capital	-	-	-	-	500.2	500.2
Additional Tier 1 cost	-	-	(1.2)	(1.2)	(1.2)	(2.4)
Transfers during the year	-	16.9	(16.9)	-	-	-
<b>At 31<sup>st</sup> December 2025</b>	<b>2,000.0</b>	<b>245.3</b>	<b>403.6</b>	<b>2,648.9</b>	<b>1,588.1</b>	<b>4,237.0</b>
At 1 <sup>st</sup> January 2024	2,000.0	237.3	131.3	2,368.6	1,000.0	3,368.6
Net income for the year	-	-	134.8	134.8	45.4	180.2
Other comprehensive income for the year	-	(27.9)	-	(27.9)	(4.4)	(32.3)
Total comprehensive (loss) / income for the year	-	(27.9)	134.8	106.9	41.0	147.9
Transfers during the year	-	13.5	(13.5)	-	-	-
At 31 <sup>st</sup> December 2024	2,000.0	222.9	252.6	2,475.5	1,041.0	3,516.5

The notes on pages 6 to 69 form part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

	Year ended 31.12.25 US\$ millions	Year ended 31.12.24 US\$ millions
<b>OPERATING ACTIVITIES</b>		
Net income before tax	244.9	211.3
Adjustments for:		
Depreciation and amortisation	17.8	18.5
Provision for expected credit losses - net	55.6	54.9
Realised gain on debt investment securities	(2.0)	-
Operating income before changes in operating assets and liabilities	<u>316.3</u>	<u>284.7</u>
Changes in operating assets and liabilities:		
Statutory deposits with central banks	298.1	(5.0)
Certificates of deposit with original maturities of three months and more	(299.9)	(482.4)
Derivative valuation margin	46.6	31.0
Securities purchased under agreements to resell	721.3	(231.5)
Placements with original maturities of three months and more	944.1	215.5
Investment securities at FVTPL	(1.7)	(57.6)
Loans and advances	(1,220.2)	(1,828.3)
Interest receivable	(5.7)	(27.0)
Other assets	241.8	(97.3)
Deposits from banks	236.5	781.3
Deposits from customers	7,899.5	(6,322.7)
Securities sold under agreement to repurchase	526.4	1,105.7
Interest payable	21.8	(27.5)
Other liabilities	(325.3)	171.2
Income tax paid	(32.6)	(21.5)
<b>Net cash from / (used in) operating activities</b>	<u>9,367.0</u>	<u>(6,511.4)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment securities	(4,895.3)	(2,855.7)
Proceeds from sale / maturity of investment securities	1,586.7	2,290.4
Net movement in premises, equipment and software	(18.2)	(51.6)
<b>Net cash used in investing activities</b>	<u>(3,326.8)</u>	<u>(616.9)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of term financing	1,296.5	1,879.7
Repayments of term financing	(1,427.2)	(1,927.2)
Additional Tier 1 capital	500.2	-
<b>Net cash from / (used in) financing activities</b>	<u>369.5</u>	<u>(47.5)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>6,409.7</u>	<u>(7,175.8)</u>
<b>Cash and cash equivalents at 1<sup>st</sup> January</b>	<u>11,950.7</u>	<u>19,126.5</u>
<b>Cash and cash equivalents at 31<sup>st</sup> December</b>	<u>18,360.4</u>	<u>11,950.7</u>
Below is a reconciliation between cash and other liquid assets as presented in the consolidated statement of financial position to the cash and cash equivalents balances:		
	31.12.25	31.12.24
	US\$ millions	US\$ millions
Cash and other liquid assets	16,363.7	9,882.6
Less: statutory deposits with central banks	(510.1)	(502.7)
Less: certificates of deposit with original maturities of three months and more	(619.5)	(677.4)
Less: derivative valuation margin	(258.6)	(252.9)
Add: placements with original maturities of less than three months	3,384.9	3,501.1
<b>Cash and cash equivalents at 31<sup>st</sup> December</b>	<u>18,360.4</u>	<u>11,950.7</u>

The notes on pages 6 to 69 form part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**1 Incorporation and registration**

The parent company, Gulf International Bank B.S.C. ("the Bank"), is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain by Amiri Decree Law No. 30 dated 24<sup>th</sup> November 1975 and is registered as a conventional wholesale bank and a conventional retail bank with the Central Bank of Bahrain. The registered office of the Bank is located at Al-Dowali Building, 3 Palace Avenue, Manama, Kingdom of Bahrain.

The Bank and its subsidiaries (together "the Group") are principally engaged in the provision of wholesale commercial, asset management, investment banking and retail consumer banking services. The Group operates through subsidiaries, branch offices and representative offices located in Kingdom of Saudi Arabia, United Arab Emirates, Sultanate of Oman, United Kingdom and United States of America. The total number of staff at the end of the financial year was 1,354 (2024: 1,437). The ultimate parent of the Group is the Public Investment Fund (PIF) of Saudi Arabia.

**2 Basis of preparation****2.1 Statement of compliance**

The consolidated financial statements for the year ended 31<sup>st</sup> December 2025 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

**2.2 Basis of measurement and presentation**

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment securities carried at fair value, derivative financial instruments and pension assets and liabilities as explained in more detail in the following accounting policies. Recognised assets and liabilities that are hedged by derivative financial instruments are also stated at fair value in respect of the risk that is being hedged. The Group's consolidated financial statements are presented in United States Dollars (US\$), which is also the Bank's functional currency. All values are rounded-off to the nearest million (US\$ million), except where otherwise indicated.

**2.3 Consolidation principles**

The consolidated financial statements include the accounts of Gulf International Bank B.S.C. and its material subsidiaries. Subsidiaries are companies and other entities, including special purpose entities, which the Bank controls. Control is achieved when 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 those returns.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**2 Basis of preparation** (continued)**2.3 Consolidation principles (Continued)****Investment funds**

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. An investor that has decision-making power over an investee and exposure to variability of returns determines whether it acts as a principal or as an agent to determine whether there is a linkage between power and returns. The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself.

The principal subsidiaries and the Group's ownership of each are set out in note 43.

**3 Material accounting policies**

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below:

**3.1 Financial assets and liabilities**

Financial assets and liabilities comprise all assets and liabilities reflected in the consolidated statement of financial position, excluding employee benefit plans, premises and equipment, deferred items, right-of-use assets and accruals related to provision for expenses.

*Business model assessment*

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised. The Group's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows.

The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Financial assets that are held for trading or managed 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 assessment*

Assessment of whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- terms that limit the Group

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.1 Financial assets and liabilities** (continued)**a) Recognition and measurement**

The Group recognises financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Financial assets are initially recognised at fair value including transaction costs attributable to the financial asset. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

*Financial assets at amortised cost*

Financial assets are measured at amortised cost using the effective interest rate method if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

If the first criteria is not met, the financial assets are classified and measured at fair value through other comprehensive income (FVOCI) with the objective of both collecting contractual cash flows and selling financial assets. If both criteria are not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

Additionally, even if a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

*Financial assets at fair value through other comprehensive income (FVOCI)*

At initial recognition, the Group can make an irrevocable election to classify an equity investment that is not held for trading as FVOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the consolidated statement of income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.1 Financial assets and liabilities** (continued)**a) Recognition and measurement** (continued)*Financial assets at fair value through the profit or loss (FVTPL)*

Financial assets not otherwise classified above are classified and measured as FVTPL.

*Financial liabilities at fair value through the profit or loss (FVTPL)*

Financial liabilities are measured at amortised cost or FVTPL. A financial liability is measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of income. Other financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income. Any gain or loss on derecognition is also recognised in the consolidated statement of income.

**b) Derecognition of assets and liabilities***Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers" the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in consolidated statement of income.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**c) Modification of assets and liabilities***Financial assets*

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in consolidated statement of income. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.1 Financial assets and liabilities** (continued)

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated under the effective interest rate method.

*Financial liabilities*

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**3.2 Impairment of financial assets**

The Group assesses on a forward-looking basis, the expected credit loss (ECL) associated with its debt instruments assets carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an ECL for such losses on origination and reassess the expected credit 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.

*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; 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 ECL calculation, the Group categorises its financial instruments that are not measured at FVTPL into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below. Equity investments are not subject to impairment assessments.

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, the Group recognises an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL.

12-month ECL is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.1 Financial assets and liabilities** (continued)*Measurement of ECL (continued)*

Lifetime ECL is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount at the reporting date. For stage 3 financial instruments, the recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

**3.2 Impairment of financial assets** (continued)

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group takes into consideration the economic forecasts published by the IMF and the Group formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios and its weights.

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 as follows:

Stage 1

The Group measures loss allowances at an amount up to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date. Subsequently on each reporting date the Group classifies following as Stage 1:

- Debt type assets that are determined to have low credit risk at the reporting date; and
- On which credit risk has not increased significantly since their initial recognition.

The Group applies the low credit risk presumption and considers all exposures to GCC sovereigns as low credit risk.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

The Group considers whether there has been a significant increase in credit risk of an asset by comparing the rating migration upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls more than 30 days past due in making its contractual payments, or if the Group expects to grant the borrower forbearance or facility has been restructured owing to credit related reasons, or the facility is placed on the Group's list of accounts requiring close monitoring. Further, any facility having an internal credit risk rating of 7 are also subject to stage 2 ECL calculation.

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

For revolving facilities such as credit cards and overdrafts, the Group measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the loan is credit impaired. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.2 Impairment of financial assets** (continued)*Measurement of ECL (continued)*Stage 3 (continued)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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.

Financial assets which have been renegotiated or modified are no longer considered to be past due and are placed on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been renegotiated, are subject to on-going review to determine whether they remain impaired or should be considered past due. All renegotiated or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of renegotiation. The ECL on renegotiated financial instruments is measured based on whether the terms of renegotiation resulted in the derecognition of an existing asset.

In general, loans are transferred out of Stage 3 if they no longer meet the criteria of credit-impaired and after satisfying the curing criteria of the Bank.

Provisions for expected credit losses are recognised in the consolidated statement of income and are presented in the consolidated statement of financial position in an allowance account against loans and advances, investment securities, and placements (as a deduction from the gross carrying amount of the assets).

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.3 Offsetting financial assets and liabilities**

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 there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

**3.4 Revenue recognition****a) Interest income and interest expense**

Interest income and interest expense for all interest-bearing financial assets and liabilities except those classified as FVTPL are recognised using the effective interest rate (EIR) method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognising interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is suspended when either interest or principal on a credit facility is overdue by more than 90 days whereupon all unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities are restored to accrual status only after all delinquent interest and principal payments have been brought current and future payments are reasonably assured.

**b) Fees and commissions**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income - including account servicing fees, investment management fees, sales commission, placement fees and syndication fees - is recognised as the related services are performed. A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**c) Trading and foreign exchange income**

Trading and foreign exchange income arise from earnings generated from customer business and market making, and from changes in fair value resulting from movements in interest and exchange rates, equity prices and other market variables. Changes in fair value and gains and losses arising on the purchase and sale of trading instruments are included in trading income, together with the related interest income, interest expense and dividend income.

**d) Dividend income**

Dividend income is recognised as follows:

- dividends from equity instruments classified as FVTPL are recognised when the right to receive the dividend is established and are included in trading income.
- dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.5 Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to FVTPL financial assets pledged as collateral or to FVOCI financial investments pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

**3.6 Premises, equipment and software**

Land is stated at cost. Other premises and equipment are stated at cost less accumulated depreciation. The residual values and useful lives of premises and equipment are reviewed at each balance sheet date, and adjusted where appropriate. Depreciation is calculated using the straight-line method over various periods. Where the carrying amount of premises or equipment is greater than the estimated recoverable amount, the carrying amount is reduced to the recoverable amount.

Generally, costs associated with the maintenance of existing computer software are recognised as an expense when incurred. However, expenditure that enhances and extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and capitalised as part of the original cost of the software.

**3.7 Other provisions**

Other provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

**3.8 Derivative financial instruments and hedge accounting**

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the consolidated statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the consolidated statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included in other assets and derivative financial instruments with negative fair values (unrealised losses) are included in other liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes or to hedge other trading positions are included in net trading income.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either: (i) the fair value of a recognised asset or liability (fair value hedge), or (ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Group's criteria for a derivative financial instrument to be accounted for as a hedge include:

- the hedging instrument, the related hedged item, the nature of the risk being hedged, and the risk management objective and strategy must be formally documented at the inception of the hedge;
- it must be clearly demonstrated that the hedge is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item, including how the Group will address the hedge ratio;
- the effectiveness of the hedge must be capable of being reliably measured; and
- there is an economic relationship between the hedging instrument and the hedged item and the effect of credit risk does not dominate the fair value changes of that relationship.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.8 Derivative financial instruments and hedge accounting** (continued)

Changes in the fair values of derivative financial instruments that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in trading income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk that is being hedged. Unrealised gains and losses arising on hedged assets or liabilities which are attributable to the hedged risk are adjusted against the carrying amounts of the hedged assets or liabilities in the consolidated statement of financial position.

If the hedge no longer meets the criteria for hedge accounting, any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to income over the remaining period to maturity.¶

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is amortised to the consolidated statement of income by adjusting the effective interest rate of the hedged item from the date on which amortization begins. If the hedged item is derecognised, then the adjustment is recognised immediately in consolidated statement of income when the item is derecognized.

Changes in the fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. Unrealised gains or losses recognised in other comprehensive income (OCI) are transferred to the consolidated statement of income at the same time that the income or expense of the corresponding hedged item is recognised in the consolidated statement of income and are included in the same income or expense category as the hedged item. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are included in net trading income.

The interest component of derivatives that are designated, and qualify, as fair value or cash flow hedges is included in interest income or interest expense relating to the hedged item over the life of the derivative instrument.

The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of consolidated statement of income and OCI. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Gains and losses arising on the termination of derivatives designated as cash flow hedges are recognised in interest income or interest expense over the original tenor of the terminated hedge transaction.

**3.8 Derivative financial instruments and hedge accounting****3.9 Financial guarantees**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are issued to financial institutions and other counterparties on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in relation to the performance of customers under obligations related to contracts, advance payments made by other parties, tenders and retentions.

Financial guarantees are initially recognised at fair value on the date the guarantee is issued. The guarantee liability is subsequently measured at the higher of the initial measurement, less amortisation to recognise the fee income earned over the period, or the present value of any expected payments to settle the liability when a payment under the contract has become probable. The expected loss on financial guarantees is measured at the expected payment to reimburse the holder less any amounts that the Group expects to recover.

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower or another company within the borrower's group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.1 Financial guarantees** (continued)

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL. If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

**3.10 Post retirement benefits**

The majority of the Group's employees are eligible for post retirement benefits under either defined benefit or defined contribution pension plans which are provided through separate trustee-administered funds, insurance plans or are directly funded by the Group. The Group also pays contributions to government managed pension plans in accordance with the legal requirements in each location.

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as staff expenses in consolidated statement of income. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of obligations in respect of the defined benefit pension plans are performed by qualified actuaries using the projected unit credit method. The Group's net obligation is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets. When the calculation results in a potential asset for the Group, the recognised asset is limited to a ceiling so that it does not exceed the economic benefits available in the form of refunds from the plans or reductions in future contributions.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return of plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in the consolidated statement of other comprehensive income. The Group determines the net interest expense or income on the net defined benefit liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the opening net defined benefit liability or asset. Net interest expense and other expenses related to the defined benefit plans are recognised in the consolidated statement of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the consolidated statement of income. The Group recognises gains and losses on the settlement of defined benefit plans when the settlement occurs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.11 Taxation and zakat**

The Global Anti-Base Erosion Pillar Two Model Rules ("GloBE rules") established by the Organization for Economic Cooperation and Development ("OECD") apply to multinational enterprise ("MNE") groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

In line with the requirements of GloBE rules, the Kingdom of Bahrain has issued and enacted Decree Law No. (11) of 2024 ("Bahrain DMTT law") on 1st September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities within the Group for fiscal years beginning on or after 1st January 2025.

As per the Group's assessment of applicability of the Bahrain DMTT law and global anti-base erosion model (GloBE) rules, the tax liability for the fiscal year 2025 is expected to be Nil for the Bahrain resident entities as the group is expected to meet certain conditions for exclusions as specified in the Bahrain DMTT law.

Taxation on income from foreign entities is provided for in accordance with the fiscal regulations of the countries in which the respective entities operate.

**a) Current tax**

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years.

**b) Deferred tax**

Deferred tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the unutilised tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset only if certain criteria are met. Currently enacted tax rates are used to determine deferred taxes.

The Group's entities operating in the Kingdom of Saudi Arabia are subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

**3.12 Cash and cash equivalents**

Cash and cash equivalents referred to in the consolidated statement of cash flows comprise of cash and other liquid assets and non-restricted balances with central banks, deposits, placements with banks with maturities of less than three months and derivative valuation margin.

**3.13 Investments at FVTPL**

Investments at FVTPL are initially recorded at fair value. Subsequent to initial measurement, gains and losses arising from changes in fair values are included in the consolidated statement of income in the period in which they arise. Interest earned and dividends received are included in 'interest income' and 'other income' respectively, in the consolidated statement of income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.14 Placements**

Placements are initially measured at fair value and subsequently remeasured at amortised cost, net of any amounts written off and provision for ECL. The carrying values of such assets which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged, with the resultant changes being recognised in the consolidated statement of income.

**3.15 Deposits**

All bank and customer deposits are initially measured at fair value and subsequently remeasured at amortised cost. An adjustment is made to these, if part of an effective fair value hedging strategy, to adjust the value of the deposit for the fair value being hedged with the resultant changes being recognised in the consolidated statement of income.

**3.16 Leases**

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

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

*Right-of-use assets*

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

*Lease liabilities*

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

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

The Group discloses lease liabilities under other liabilities.

*Short-term leases and leases of low-value assets*

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

**3.17 Segment reporting**

An operating segment is a distinguishable component of the Group that is engaged in business activities from which revenues are earned and expenses are incurred, including revenues and expenses that relate to transactions with any of the Group's other operating segments. All segments have discrete financial information which is regularly reviewed by the Group's Management Committee, being the Group's chief operating decision maker, to make decisions about resources allocated to the segment and to assess its performance. The Group's Management Committee assesses the segments based on net interest income which accounts for the majority of the Group's revenues.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**3 Material accounting policies** (continued)**3.18 Foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**3.19 Fiduciary activities**

The Group administers and manages assets owned by clients which are not reflected in the consolidated financial statements. Asset management fees are earned for providing investment management services and for managing mutual fund products. Asset administration fees are earned for providing custodial services. Fees are recognised as the services are provided and are included in fee and commission income (refer note 5.4).

**3.20 Employee pension and other end of service benefits**

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

**3.21 Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**3.22 Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in the consolidated statement of income in the period in which they arise.

**3.23 Dividends**

Dividends on issued shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders.

**3.24 Comparatives**

Where necessary, comparative figures have been regrouped to conform with changes in presentation in the current year. The adjustment did not affect previously reported income or total equity of the Group.

**3.25 Capital management**

The Group uses regulatory capital ratios and its economic capital framework to monitor its capital base. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**4 New and amended standards and interpretations****4.1 New and amended standards and interpretations issued and effective for the year**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the 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<sup>st</sup> January 2025:

**Lack of exchangeability - Amendments to IAS 21**

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

This amendment did not have a material impact on the Group's consolidated financial statements.

**4.2 New and amended standards and interpretations issued but not yet effective**

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Group to determine the impact on the consolidated financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

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

On 30<sup>th</sup> May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities;
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise 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; and
- 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).

**Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)**

The Amendments are effective for annual periods starting on or after 1 January 2026.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group has performed an assessment of all material electronic payment systems used in the various jurisdictions it operates.

Most of the electronic settlement systems used by the Group result in real-time settlement. There is a limited number of electronic settlement systems used by the Group that do not result in real-time settlement. For those, the Group has been derecognising the financial liability, and the associated cash, at the time of submitting the payment instructions. In line with the amendments, the Group will change this current practice to derecognising the financial liability and the associated cash when the payment has reached the beneficiary, which is when the obligation is discharged. However, given the limited number of such electronic settlement systems used by the Group, and the low value of payments involved, the amendments are not expected to have a material impact.

The Group has determined that it will not apply the accounting policy option to derecognise financial liabilities before the settlement date. Moreover, the Group has also reviewed its other payment systems (such as cheques, credit cards, debit cards) and concluded that the recognition and derecognition policies are already in line with the amendments.

In addition, the Group has assessed the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the assessments performed, the amendments in these areas are not expected to have a material impact on the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**4 New and amended standards and interpretations** (continued)**Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7**

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed.

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity. The amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts;
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts; and
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Group does not expect that the amendments will have a material impact on its consolidated financial statements.

**IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, 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. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

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

The Group is currently working to identify the impacts the standard will have on the primary consolidated financial statements and notes to the consolidated financial statements. The Group considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**5 Accounting judgements, estimates and assumptions**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of judgements, estimates and assumptions is principally limited to the determination of provisions for impairment, the valuation of financial instruments, the valuation of the Group's defined benefit pension plans, and in determining control relationships over investees, as explained in more detail below:

**5.1 Provisions for expected credit losses**

Financial assets are evaluated for impairment on the basis set out in note 3.2. In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

**5.2 Fair value of financial assets and liabilities**

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

**5.3 Retirement benefit obligations**

Management, in coordination with independent qualified actuaries, are required to make assumptions regarding the defined benefit pension plans. The principal actuarial assumptions for the defined benefit pension plans are set out in note 13 and include assumptions on the discount rate, return on pension plan assets, mortality, future salary increases, and inflation. Changes in the assumptions could affect the reported asset, service cost and return on pension plan assets.

**5.4 Determination of control over investees**

The Group 'controls' an investee if it is exposed to, 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 financial statements of material subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**5 Accounting judgements estimates and assumptions** (continued)**5.4 Determination of control over investees** (continued)

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such a fund usually focuses on the assessment of the aggregate economic interests of the Group in the investment funds (comprising any direct investment and expected fee arrangement) and the investors' rights to remove the investment manager. While the group has concluded that they do have control over some of these funds, since these are not material to the consolidated financial statements of the Group, the same has not been consolidated in the group's consolidated financial statements. The investments in these funds are measured at fair value. In all other cases, the Group has concluded that it acts as agent for the investors and therefore is not required to consolidate.

**5.5 Going concern**

The Group's management has performed an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on a going concern basis.

**5.6 Business model assessment**

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding (refer note 3.1).

**5.7 Management Overlays**

Where appropriate, the Group makes adjustments to the ECL estimate outside the Group's regular modelling process to reflect management judgements. Changes to the assumptions underlying these judgemental adjustments could materially affect ECL within the next 12 months. These adjustments include management overlays.

**5.8 Additional Tier 1 Capital**

The determination of equity classification of Tier 1 Sukuk / Bond / Note requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to holders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 20256 Classification of assets and liabilities

The classification of assets and liabilities by accounting categorisation was as follows:

	FVTPL	FVOCI	Amortised cost	Non- financial assets, liabilities & equity	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>					
Cash and other liquid assets	-	-	16,363.7	-	16,363.7
Securities purchased under agreements to resell	-	-	254.1	-	254.1
Placements	-	-	6,206.2	-	6,206.2
Investment securities	330.1	724.4	9,884.9	-	10,939.4
Loans and advances	-	-	16,552.4	-	16,552.4
Other assets	608.6	30.9	638.5	227.6	1,505.6
<b>Total assets</b>	<b>938.7</b>	<b>755.3</b>	<b>49,899.8</b>	<b>227.6</b>	<b>51,821.4</b>
Deposits from banks	-	-	1,901.7	-	1,901.7
Deposits from customers	-	-	36,094.7	-	36,094.7
Securities sold under agreements to repurchase	-	-	2,375.2	-	2,375.2
Other liabilities	496.1	37.1	698.4	138.7	1,370.3
Senior term financing	-	-	5,442.5	-	5,442.5
Subordinated term financing	-	-	400.0	-	400.0
Equity	-	-	-	4,237.0	4,237.0
<b>Total liabilities and equity</b>	<b>496.1</b>	<b>37.1</b>	<b>46,912.5</b>	<b>4,375.7</b>	<b>51,821.4</b>
<b>At 31<sup>st</sup> December 2024</b>					
Cash and other liquid assets	-	-	9,882.6	-	9,882.6
Securities purchased under agreements to resell	-	-	975.4	-	975.4
Placements	-	-	7,266.6	-	7,266.6
Investment securities	328.4	211.2	7,068.2	-	7,607.8
Loans and advances	-	-	15,402.3	-	15,402.3
Other assets	869.0	29.1	608.9	249.8	1,756.8
<b>Total assets</b>	<b>1,197.4</b>	<b>240.3</b>	<b>41,204.0</b>	<b>249.8</b>	<b>42,891.5</b>
Deposits from banks	-	-	1,665.2	-	1,665.2
Deposits from customers	-	-	28,195.2	-	28,195.2
Securities sold under agreements to repurchase	-	-	1,848.8	-	1,848.8
Other liabilities	644.4	28.5	873.2	146.5	1,692.6
Senior term financing	-	-	5,573.9	-	5,573.9
Subordinated term financing	-	-	399.3	-	399.3
Equity	-	-	-	3,516.5	3,516.5
<b>Total liabilities and equity</b>	<b>644.4</b>	<b>28.5</b>	<b>38,555.6</b>	<b>3,663.0</b>	<b>42,891.5</b>

Financial instruments classified as amortised cost include also financial instruments carried at fair value due to hedge accounting refer note 35.6.

The other assets and other liabilities classified as financial assets and liabilities at FVTPL comprise the fair values of derivative financial instruments. The fair value analysis of derivative financial instruments is set out in note 35.4.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025**7 Cash and other liquid assets**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Cash and balances with central banks	13,714.0	7,214.4
Cash and balances with banks	1,520.1	1,488.1
Certificates of deposit	619.5	677.4
Statutory deposits with central banks	510.1	502.7
<b>Cash and other liquid assets</b>	<b>16,363.7</b>	<b>9,882.6</b>

Statutory deposits with central banks are subject to local regulations which provide for restrictions on the deployment of these funds.

Cash and balances with central banks include transitory client deposits related to cash management and payment services (refer note 14).

**8 Securities purchased under agreements to resell**

The Group enters into collateralised lending transactions (reverse repurchase agreements) in the ordinary course of its operating activities. The collateral is in the form of investment grade debt securities. The collateralised lending transactions are conducted under standardised terms that are usual and customary for such transactions. At 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the fair value of the pledged collateral under the agreements to resell approximates the carrying value of the reverse repos.

**9 Placements**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Placements with central banks	1,863.0	1,820.4
Placements with banks	4,313.6	5,358.6
Other placements	30.2	88.1
Provisions for expected credit losses	(0.6)	(0.5)
<b>Net placements</b>	<b>6,206.2</b>	<b>7,266.6</b>

The placements with central banks represented the placement of surplus liquid funds.

All placements were classified under stage 1 as at 31<sup>st</sup> December 2025 and as at 31<sup>st</sup> December 2024.

**10 Investment securities****10.1 Composition**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b><u>Investment securities at amortised cost</u></b>		
Gross debt securities	9,890.4	7,071.8
Provisions for expected credit losses	(5.5)	(3.6)
<b>Net investment securities at amortised cost</b>	<b>9,884.9</b>	<b>7,068.2</b>
<b><u>Investment securities at FVOCI</u></b>		
Debt securities	701.7	190.6
Equity securities	22.7	20.6
<b>Total investment securities at FVOCI</b>	<b>724.4</b>	<b>211.2</b>
<b><u>Investment securities at FVTPL</u></b>		
Managed funds	312.2	321.1
Equity securities	7.9	7.3
Debt securities	10.0	-
<b>Total investment securities at FVTPL</b>	<b>330.1</b>	<b>328.4</b>
<b>Total investment securities</b>	<b>10,939.4</b>	<b>7,607.8</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202510 Investment securities (continued)10.1 Composition (continued)

Managed funds comprised funds placed for investment with specialist managers.

Investment securities include securities that had been pledged as collateral under repurchase agreements (refer note 15).

Debt Securities carried at amortised cost and FVOCI were classified under stage 1 as at 31<sup>st</sup> December 2025 and as at 31<sup>st</sup> December 2024.

The credit rating profile of investment securities, based on the lowest rating assigned by the major international rating agencies, was as follows:

	31.12.25		31.12.24	
	US\$ millions	%	US\$ millions	%
AAA to A- / Aaa to A3	9,200.2	86.8	6,335.0	87.3
BBB+ to BBB- / Baa1 to Baa3	425.3	4.0	111.4	1.5
BB+ to B- / Ba1 to B3	971.1	9.2	812.4	11.2
Total debt securities	10,596.6	100.0	7,258.8	100.0
Equity securities and managed funds	342.8		349.0	
<b>Total investment securities</b>	<b>10,939.4</b>		<b>7,607.8</b>	

Investment securities principally comprised investment-grade rated debt securities issued by major international financial institutions and government-related entities.

Investment securities rated BB+ to B- / Ba1 to B3 at 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024 principally comprised GCC sovereign debt securities.

10.2 Provisions for expected credit losses

The movements in the provisions for credit impairment of investment securities at amortised cost were as follows:

	31 <sup>st</sup> December 2025				31 <sup>st</sup> December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1 <sup>st</sup> January	3.6	-	-	3.6	3.1	-	-	3.1
Net remeasurement of loss allowance	1.9	-	-	1.9	0.5	-	-	0.5
At 31 <sup>st</sup> December	5.5	-	-	5.5	3.6	-	-	3.6

The allowance for expected credit losses for debt securities at FVOCI amounted to US\$1.5 million (31<sup>st</sup> December 2024: US\$0.4 million) which is classified under stage 1.

The above provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both quantitative and qualitative information and analysis, based on the Group's historical experience and taking into consideration both internal and external indicators and including forward-looking information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202511 Loans and advances11.1 Composition

	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
Gross loans and advances	<b>16,847.7</b>	15,703.9
Provisions for expected credit losses	<b>(295.3)</b>	(301.6)
<b>Net loans and advances</b>	<b>16,552.4</b>	15,402.3

	31 <sup>st</sup> December 2025				31 <sup>st</sup> December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Gross loans and advances	15,665.7	898.2	283.8	16,847.7	14,660.0	876.4	167.5	15,703.9
ECL allowances	(71.6)	(57.0)	(166.7)	(295.3)	(80.4)	(102.5)	(118.7)	(301.6)
<b>Net loans and advances</b>	<b>15,594.1</b>	<b>841.2</b>	<b>117.1</b>	<b>16,552.4</b>	<b>14,579.6</b>	<b>773.9</b>	<b>48.8</b>	<b>15,402.3</b>

11.2 Provisions for expected credit losses

The movements in the provisions for expected credit losses during the year was as follows:

	31 <sup>st</sup> December 2025				31 <sup>st</sup> December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>80.4</b>	<b>102.5</b>	<b>118.7</b>	<b>301.6</b>	91.3	68.2	179.4	338.9
Transfer to stage 1	2.1	(1.7)	(0.4)	-	1.2	(0.9)	(0.3)	-
Transfer to stage 2	(1.4)	1.7	(0.3)	-	(1.9)	2.3	(0.4)	-
Transfer to stage 3	(0.1)	(38.3)	38.4	-	(0.6)	(2.1)	2.7	-
Exchange rate movements	0.1	0.1	0.2	0.4	-	-	(0.3)	(0.3)
Net remeasurement of loss allowance	(9.5)	(7.3)	86.9	70.1	(9.6)	35.0	25.2	50.6
Write-offs	-	-	(76.8)	(76.8)	-	-	(87.6)	(87.6)
<b>At 31<sup>st</sup> December</b>	<b>71.6</b>	<b>57.0</b>	<b>166.7</b>	<b>295.3</b>	<b>80.4</b>	<b>102.5</b>	<b>118.7</b>	<b>301.6</b>

Amounts written-off during the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024 mainly represented provisions on the transfer of the related loans to the memorandum records. Recovery efforts on these loans are still ongoing with the intention to maximise potential recoveries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**11 Loans and advances (continued)****11.3 Past due but not credit impaired loans and advances**

Below is an age analysis of past due but not credit impaired loans and advances:

	Up to 30 days	31 to 60 days	61 to 89 days	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>				
Corporates - gross	56.6	25.7	2.3	84.6
Retail banking - gross	12.8	9.4	4.0	26.2
	<b>69.4</b>	<b>35.1</b>	<b>6.3</b>	<b>110.8</b>
	Up to 30 days	31 to 60 days	61 to 89 days	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2024</b>				
Corporates - gross	133.1	35.8	8.8	177.7
Retail banking - gross	18.6	10.0	5.6	34.2
	<b>151.7</b>	<b>45.8</b>	<b>14.4</b>	<b>211.9</b>

Gross past due loans at 31<sup>st</sup> December 2025 included exposures of US\$14.1 million (2024: US\$91.5 million) which were fully collateralised.

**11.4 Credit impaired loans and advances**

The gross and carrying amounts of loans for which either principal or interest was over 90 days past due were as follows:

	<b>31.12.25</b>		<b>31.12.24</b>	
	<b>Carrying</b>		<b>Carrying</b>	
	<b>Gross</b>	<b>Amount</b>	<b>Gross</b>	<b>Amount</b>
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Corporates	278.9	115.6	162.6	48.4
Retail banking	4.9	1.5	4.9	0.4
	<b>283.8</b>	<b>117.1</b>	<b>167.5</b>	<b>48.8</b>

**11.5 Restructured and modified loans**

During the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the Group modified the contractual terms of a number of facilities for commercial purposes. Such modifications did not result in the derecognition of any assets or modification gains.

During the year ended 31<sup>st</sup> December 2025, the Group restructured and modified gross loans, amounting to US\$64.2 million (2024: US\$48.6 million) with US\$3.7 million (2024: US\$13.3 million) expected credit losses.

**11.6 Collateral**

As at 31<sup>st</sup> December 2025, the Group held collateral relating to credit impaired loans and advances that are classified under Stage 3 amounting to US\$21.0 million (2024: US\$55.1 million).

The Group did not take possession of any collateral during the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202512 Other assets

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Derivative financial instruments	608.6	869.0
Accrued interest, fees and commissions	437.5	431.8
Premises, equipment and software	159.0	152.3
Prepayments	45.1	59.8
Right-of-use assets	23.5	37.7
Deferred items	47.2	35.2
Pension asset (note 13.1)	30.9	29.1
Other, including accounts receivable	153.8	141.9
	<u>1,505.6</u>	<u>1,756.8</u>

Derivative financial instruments represent the positive fair values of derivative financial instruments entered into for trading purposes, or designated as fair value hedges and cash flow hedges. An analysis of the fair value of derivative financial instruments is set out in note 35.4.

Deferred items represent amounts such as premium paid on interest rate swaps and prepaid loan related fees which are amortised to the consolidated income statement over the relevant contractual periods.

Below are the carrying amounts of the Group's right-of-use assets and movements during the year recognised in the consolidated statement of financial position and consolidated statement of income:

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>37.7</b>	<b>86.0</b>
New leases	5.1	0.9
Terminated leases	-	(40.4)
Depreciation	(7.8)	(9.1)
Others (including lease modifications and foreign exchange movements)	(11.5)	0.3
<b>At 31<sup>st</sup> December</b>	<b><u>23.5</u></b>	<b><u>37.7</u></b>

GIB (UK) has exercised significant judgement in determining the term of the main office lease. During the year, the Board discussed the anticipated office space requirements reflecting hybrid working arrangements and a reduction in office space requirements following an organisational restructure in 2025. The Board concluded in 2025 that it was probable that GIB (UK) would terminate the lease in 2030 through the break clause in the head lease agreement. This judgement had a significant impact on the measurement of the lease liability, shortening the life of these payments by 5 years. The lease reassessment was also impacted by an increase in rent following a contracted rent review with the landlord. The net impact of these two adjustments led to a material reduction in the lease liability with a corresponding reduction in the related right-of-use asset. In addition, there was a renegotiation on a contract to sub-lease part of the premises, aligning the terms to the head lease contract, this has led to a recognition of a lease receivable and a reduction in the right-of-use asset. The revision of the lease term represents a change in accounting estimate under IAS 8 and is in line with IFRS16 lease accounting rules. The effect of this change is reflected prospectively in the current year.

During the year ended 31<sup>st</sup> December 2024, the Group mutually agreed with the landlord to terminate the lease agreement for the office building located in AlKhobar, Kingdom of Saudi Arabia, and purchased the land and building for a total price of US\$55.9 million (including real estate transaction tax (RETT)).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**13 Post retirement benefits**

The Group contributes to defined benefit and defined contribution pension plans which cover substantially all of its employees.

The Bank maintains pension plans for the majority of its employees. Contributions are based on a percentage of salary. The amounts to be paid as retirement benefits are determined by reference to the amounts of the contributions and investment earnings thereon. The total cost of contributions to defined benefit and defined contribution pension plans for the year ended 31<sup>st</sup> December 2025 amounted to US\$23.2 million (2024: US\$18.7 million).

The Bank's subsidiary, Gulf International Bank (UK) Limited (GIBUK), maintains a funded defined benefit scheme, whilst the Saudi Arabian subsidiaries, Gulf International Bank - Saudi Arabia (GIB KSA) and GIB Capital C.J.S.C. (GIB Capital), maintain unfunded defined benefit schemes. Both pension schemes are covered in more detail in this note.

**13.1 Gulf International Bank (UK) Limited (GIBUK)**

The Bank's UK-based subsidiary, Gulf International Bank (UK) Limited (GIBUK), maintains a funded defined benefit final salary pension plan for a number of its employees. The assets of the plan are held independently of the subsidiary's assets in a separate trustee administered fund. The fund is subject to the UK regulatory framework for pensions.

The fund exposes the Group to the risk of paying unanticipated contributions in times of adverse experience. Such events could be members living for longer than expected, higher than expected inflation or salary growth, and the risk that increases in the fund's obligations are not met by a corresponding improvement in the value of the fund's assets.

**a) The amount recognised in the consolidated statement of financial position is analysed as follows:**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Fair value of plan assets	162.4	153.3
Present value of fund obligations	(131.5)	(124.2)
<b>Net asset in the consolidated statement of financial position</b>	<b>30.9</b>	<b>29.1</b>

The net liability or asset is a valuation measure derived using an actuarial mathematical model. The modelling is performed by an independent actuary based upon the measurement criteria stipulated by the accounting standard IAS19 - Employee Benefits. A pension asset does not indicate a realisable receivable from the pension plan and a liability does not indicate a funding requirement to the pension plan in the short term.

The valuation measure indicates a point in time view of the fair value of the plan's assets less a discounted measure of the plan's future obligations over a duration of 19 years.

**b) The movements in the fair value of plan assets were as follows:**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>153.3</b>	<b>184.9</b>
Included in the consolidated statement of income:		
- Interest income on the plan assets	8.7	8.3
Included in the consolidated statement of other comprehensive income:		
- Remeasurements:		
- Return on plan assets excluding interest income	(3.3)	(31.3)
Other movements:		
- Exchange rate movements	10.7	(3.0)
- Benefits paid by the plan	(6.7)	(6.0)
- Other adjustments	(0.3)	0.4
<b>At 31<sup>st</sup> December</b>	<b>162.4</b>	<b>153.3</b>

The plan assets at 31<sup>st</sup> December 2025 comprised 10% (2024: 6%) exposure to liability-driven investing (LDI) funds, 81% exposure to insurance contracts (2024:81%) and 0% (2024: 1%) exposure to equity securities. All plan assets except the insurance contracts have a quoted price in an active market and the hedging funds are designed to hedge the majority of inflation and interest rate risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**13 Post retirement benefits** (continued)**13.1 Gulf International Bank (UK) Limited (GIBUK)** (continued)

c) The movements in the present value of fund obligations were as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>124.2</b>	<b>126.3</b>
Included in the consolidated statement of income:		
- Interest cost on the fund obligations	7.0	5.6
Included in the consolidated statement of other comprehensive income:		
- Remeasurements due to changed actuarial assumptions:		
- Financial assumptions	(3.4)	(14.2)
- Demographic assumptions	0.4	(0.1)
- Experience	0.8	14.8
Other movements:		
- Exchange rate movements	9.2	(2.2)
- Benefits paid by the plan	(6.7)	(6.0)
<b>At 31<sup>st</sup> December</b>	<b>131.5</b>	<b>124.2</b>

d) The movements in the net asset recognised in the consolidated statement of financial position were as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>29.1</b>	<b>58.6</b>
Net income included in consolidated statement of income	1.7	2.7
Remeasurement included in consolidated statement of comprehensive income	(1.1)	(31.8)
Other adjustments	(0.3)	0.4
Exchange rate movements	1.5	(0.8)
<b>At 31<sup>st</sup> December</b>	<b>30.9</b>	<b>29.1</b>

The Group made nil contributions to the plan during 2025 (2024: nil) and does not expect to pay any contributions to the Scheme in 2026.

e) The principal actuarial assumptions used for accounting purposes were as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
Discount rate (per cent)	5.6	5.5
Retail price inflation (per cent)	2.9	3.1
Consumer price inflation (per cent)	2.1	2.3
Pension increase rate (per cent)	1.9	2.0
Salary growth rate (per cent)	2.8	3.0
Average life expectancy (years)	89	90

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**13 Post retirement benefits** (continued)**13.1 Gulf International Bank (UK) Limited (GIBUK)** (continued)**f) Sensitivity information**

The present value of the fund's obligations, which has a weighted average duration of 12 years, was calculated based on certain actuarial assumptions. Should any one of the key assumptions change by an amount that is probable whilst holding the other assumptions constant, the present value of the fund's obligations would increase as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Life expectancy increased by 1 year	3.9	3.7
Discount rate decreased by 0.5 per cent	7.8	7.9
Inflation increased by 0.5 per cent	5.7	4.7

**13.2 Gulf International Bank - Saudi Arabia (GIB KSA)**

Gulf International Bank - Saudi Arabia (GIB KSA) and GIB Capital C.J.S.C. (GIB Capital) maintain unfunded defined benefit schemes based on the prevailing Saudi Arabia Labour Laws.

The schemes expose the Group to the risk of paying unanticipated contributions in times of adverse experience. Such events include members living for longer than expected, higher than expected inflation or salary growth, and the risk that withdrawals may be higher than assumed.

**a) The amount recognised in the consolidated statement of financial position is analysed as follows:**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Present value of fund obligations	37.1	28.5
<b>Net liability in the consolidated statement of financial position</b>	<u>37.1</u>	<u>28.5</u>

The net liability or asset is a valuation measure derived using an actuarial mathematical model. The modelling is performed by an independent actuary based upon the measurement criteria stipulated by the accounting standard IAS19 - Employee Benefits. A pension liability does not indicate a funding requirement to the pension plan in the short term.

The valuation measure indicates a point in time view of the discounted measure of the plan's future obligations over a duration of 11 years for GIB KSA and 10 years for GIB Capital.

**b) The movements in the present value of fund obligations were as follows:**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	28.5	22.5
Included in the consolidated statement of income:		
- Current service cost	4.5	3.5
- Interest cost on the fund obligations	1.6	1.1
Included in the consolidated statement of other comprehensive income:		
- Remeasurements due to changed actuarial assumptions:		
- Demographic assumptions	0.2	1.0
- Financial assumptions	0.5	0.7
- Experience	4.8	1.4
Other movements:		
- Exchange rate movements	0.1	-
- Benefits paid by the plan	(3.0)	(1.5)
- Movement relating to employee transfers	(0.1)	(0.2)
<b>At 31<sup>st</sup> December</b>	<u>37.1</u>	<u>28.5</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**13 Post retirement benefits** (continued)**13.2 Gulf International Bank - Saudi Arabia (GIB KSA)** (continued)

c) The principal actuarial assumptions used for accounting purposes were as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
Discount rate	<b>4.8%</b>	5.3%
Salary growth rate	<b>5.0%</b>	4.8%

**d) Sensitivity information**

The present value of the fund's obligations, which has a weighted average duration of 7.6 years (2024: 6.7 years), was calculated based on certain actuarial assumptions. Should any one of the key assumptions change by an amount that is probable whilst holding the other assumptions constant, the present value of the fund's obligations would increase / (decrease) as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	<b>US\$ millions</b>	US\$ millions
Discount rate increased by 0.5 per cent	<b>(1.3)</b>	(1.1)
Discount rate decreased by 0.5 per cent	<b>1.4</b>	0.9
Long term salary increased by 0.5 per cent	<b>1.1</b>	1.1
Long term salary decreased by 0.5 per cent	<b>(1.1)</b>	(0.9)

**14 Deposits**

The geographical composition of total deposits was as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	<b>US\$ millions</b>	US\$ millions
GCC countries	<b>27,582.0</b>	19,849.8
Other Middle East and North Africa countries	<b>317.4</b>	699.5
Other countries	<b>10,097.0</b>	9,311.1
	<b><u>37,996.4</u></b>	<u>29,860.4</u>

GCC deposits comprise deposits from the Gulf Cooperation Council (GCC) country governments and central banks and other institutions headquartered in the GCC states.

Deposits include transitory client deposits related to the Group's cash management and payment services, which are placed back-to-back with central banks, other banks, and short-term securities. A considerable portion of the Group's deposits is derived from a concentrated number of customers, reflecting a wholesale funding profile (refer note 7).

At 31<sup>st</sup> December 2025, GCC deposits represented 72.6% of total deposits (2024: 66.5%).

**15 Securities sold under agreements to repurchase**

The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. At 31<sup>st</sup> December 2025, the fair value of investment securities that had been pledged as collateral under repurchase agreements was US\$2,446.3 million (2024: US\$1,846.5 million). The collateralised borrowing transactions are conducted under standardised terms that are usual and customary for such transactions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**16 Other liabilities**

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
Derivative financial instruments	496.1	644.4
Accrued interest	340.4	318.6
Deferred items	138.7	146.5
Lease liabilities	33.9	43.0
Provision on credit-related contingent items	35.6	53.1
Pension liabilities (note 13.2)	37.1	28.5
Other, including accounts payable and accrued expenses	288.5	458.5
	<u>1,370.3</u>	<u>1,692.6</u>

Below are the carrying amounts of the Group's lease liabilities and movements during the year recognised in the consolidated statements of financial position and profit or loss:

	<u>31.12.25</u>	<u>31.12.24</u>
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>43.0</b>	<b>96.0</b>
New leases	5.1	0.9
Terminated leases	-	(47.7)
Interest expense	1.4	4.2
Payments	(4.5)	(9.9)
Others (including lease modifications and foreign exchange movements)	(11.1)	(0.5)
	<u>33.9</u>	<u>43.0</u>

Derivative financial instruments represent the negative fair values of derivative financial instruments entered into for trading purposes, or designated as fair value or cash flow hedges. An analysis of the fair value of derivative financial instruments is set out in note 35.4.

Deferred items represent amounts received, e.g. loan origination fees, that are being amortised to income over the period of the related financial asset.

An analysis of the pension liabilities is set out in note 13. Further, details of provision on credit-related contingent items is set out in note 36.

**17 Senior term financing**

	<u>Interest rate</u>	<u>Maturity</u>	<u>31.12.25</u>	<u>31.12.24</u>
			US\$ millions	US\$ millions
Floating rate loans	4.37% - 7.36%	2025 - 2030	4,604.7	4,090.4
Fixed rate note	2.38% - 5.75%	2025 - 2029	497.3	995.8
Floating rate repurchase agreements	3.98% - 5.41%	2026 - 2029	340.5	340.5
Floating rate note	1.05% - 1.71%	2025	-	130.7
Fixed rate loans	NA	2025	-	16.5
			<u>5,442.5</u>	<u>5,573.9</u>

At 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the fair value of the pledged collateral under the repurchase agreements approximates the carrying value of the repos.

**18 Subordinated term financing**

	<u>Interest rate</u>	<u>Maturity</u>	<u>31.12.25</u>	<u>31.12.24</u>
			US\$ millions	US\$ millions
Floating rate loans	7.43%	2033	400.0	399.3
			<u>400.0</u>	<u>399.3</u>

The subordinated term financing facilities represent unsecured obligations of the Group and are subordinated in right of payment to the claims of depositors and other creditors of the Group that are not also subordinated. The subordinated financing facilities have been issued under Tier 2 Sukuk programme which are restricted to qualified institutional clients maturing in ten years callable in five years from the date of origination.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202519 Share capital

	31.12.25	31.12.24
	US\$ millions	US\$ millions
Authorised - 3,000 million shares of US\$1 each (2024: 3,000 million shares of US\$1 each)	3,000	3,000
Issued and fully paid - 2,000 million shares of US\$1 each (2024: 2,000 million shares of US\$1 each)	2,000	2,000

20 Reserves

	Compulsory reserve	Cash flow hedge reserve	Investment securities revaluation reserve	Defined pension reserve	Deferred tax and other reserve	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January 2025</b>	<b>226.6</b>	<b>1.9</b>	<b>(13.1)</b>	<b>10.5</b>	<b>(3.0)</b>	<b>222.9</b>
<u>Net fair value changes:</u>						
Securities at FVOCI	-	-	10.5	-	-	10.5
Cash flow hedges	-	79.5	-	-	-	79.5
ECL on debt securities at FVOCI	-	-	0.9	-	-	0.9
Transfers from retained earnings	16.9	-	-	-	-	16.9
Other movements during the year	-	(81.8)	(1.3)	(3.0)	0.7	(85.4)
Net increase / (decrease)	16.9	(2.3)	10.1	(3.0)	0.7	22.4
<b>At 31<sup>st</sup> December 2025</b>	<b>243.5</b>	<b>(0.4)</b>	<b>(3.0)</b>	<b>7.5</b>	<b>(2.3)</b>	<b>245.3</b>
At 1 <sup>st</sup> January 2024	213.1	-	(9.1)	44.4	(11.1)	237.3
<u>Net fair value changes:</u>						
Securities at FVOCI	-	-	(4.4)	-	-	(4.4)
Cash flow hedges	-	1.9	-	-	-	1.9
ECL on debt securities at FVOCI	-	-	0.4	-	-	0.4
Transfers from / to retained earnings	13.5	-	-	-	-	13.5
Other movements during the year	-	-	-	(33.9)	8.1	(25.8)
Net increase / (decrease)	13.5	1.9	(4.0)	(33.9)	8.1	(14.4)
At 31 <sup>st</sup> December 2024	226.6	1.9	(13.1)	10.5	(3.0)	222.9

*Compulsory reserve*

The compulsory reserve has been created in accordance with the Bahrain Commercial Companies Law (BCCL). The Group transfers 10% of its annual profits attributable to the shareholders to its compulsory reserve till such time as the reserve equals 50% of the issued share capital of the Group.

*Cash flow hedge reserve*

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

*Investment securities revaluation reserve*

The investment securities revaluation reserve comprises of the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

*Defined pension reserve*

The surplus or deficit on a defined benefit pension scheme results in an asset or a liability being recognised by the Bank, the recognition of the pension asset or liability results in the creation of a pension reserve.

*Deferred tax and other reserves*

Deferred tax and other reserves primarily includes deferred tax on pension plans.

21 Dividends

No dividends were proposed in respect to the financial years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**22      Net interest income**

	<b>Year ended</b> <b>31.12.25</b> <b>US\$ millions</b>	Year ended 31.12.24 US\$ millions
<b>Interest income</b>		
Loans and advances	1,074.0	1,062.4
Placements, securities purchased under agreements to resell and other liquid assets	758.6	1,202.4
Investment securities	492.3	408.4
Total interest income	<b>2,324.9</b>	2,673.2
<b>Interest expense</b>		
Deposits from customers	994.5	1,090.0
Deposits from banks	354.3	623.3
Term financing	337.9	375.7
Securities sold under agreements to repurchase	103.2	62.0
Total interest expense	<b>1,789.9</b>	2,151.0
<b>Net interest income</b>	<b>535.0</b>	522.2

Interest income on loans and advances includes loan origination fees that form an integral part of the effective interest rate of the loan.

**23      Net fee and commission income**

	<b>Year ended</b> <b>31.12.25</b> <b>US\$ millions</b>	Year ended 31.12.24 US\$ millions
<b>Fee and commission income</b>		
Commissions on letters of credit and guarantee	56.3	47.7
Investment banking and management fees	37.8	33.0
Loan agency, underwriting and distribution fees	12.9	17.8
Loan commitment fees	8.1	11.4
Retail banking fees	7.3	9.0
Other fee and commission income	9.9	8.4
Total fee and commission income	<b>132.3</b>	127.3
<b>Fee and commission expense</b>	<b>(7.9)</b>	(5.5)
<b>Net fee and commission income</b>	<b>124.4</b>	121.8

Investment banking and management fees comprise fees relating to the provision of investment management and financial services, including asset and fund management, underwriting activities, and services relating to structured financing, privatisations, initial public offerings, and mergers and acquisitions.

Investment banking and management fees for the year ended 31<sup>st</sup> December 2025 included fee income relating to the Group's fiduciary activities amounting to US\$26.0 million (2024: US\$23.0 million).

Fee and commission expense principally comprises security custody fees and bank charges and commissions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**24 Net trading income**

	<b>Year ended 31.12.25</b>	Year ended 31.12.24
	<b>US\$ millions</b>	US\$ millions
Interest rate derivatives	6.1	7.5
Managed funds	3.4	20.9
Debt securities	1.9	-
Commodity options and swaps	0.6	0.4
FX arbitrage	-	(9.6)
	<b>12.0</b>	<b>19.2</b>

Net trading income comprises gains and losses arising both on the purchase and sale, and from changes in the fair value of trading instruments, together with the related interest income, interest expense and dividend income. Net trading income accordingly incorporates all income and expenses related to the Group's trading activities. Trading income on debt securities include US\$0.6 million (2024: nil) relating to interest income on the securities.

Gains and losses on interest rate derivatives principally comprises customer-initiated contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these contracts.

**25 Foreign exchange income**

Foreign exchange income principally comprises customer-initiated foreign exchange contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these offset customer-related foreign exchange contracts. Foreign exchange income includes spot and forward foreign exchange contracts, and currency futures and options.

**26 Other income**

	<b>Year ended 31.12.25</b>	Year ended 31.12.24
	<b>US\$ millions</b>	US\$ millions
Recoveries on previously written off assets	31.2	16.7
Net realised gain on sale of debt securities at amortised cost	2.0	-
Dividends on equity investments classified as FVOCI	0.6	0.6
Sundry income	19.0	3.2
	<b>52.8</b>	<b>20.5</b>

Recoveries on previously written off assets comprise recoveries on assets that had previously been either written off or transferred to the memorandum records.

Net realised gain on investment debt securities principally relates to the sale of securities for liquidity management.

**27 Other operating expenses**

	<b>Year ended 31.12.25</b>	Year ended 31.12.24
	<b>US\$ millions</b>	US\$ millions
Office systems and supplies	42.8	49.5
Professional fees, licenses and VAT expenses	36.7	28.6
Advertising and business promotion	13.7	11.4
Managed services	11.6	10.3
Communications	6.4	9.2
Travel and business development	5.0	6.6
Other expenses	26.0	29.2
	<b>142.2</b>	<b>144.8</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**28 Provision for expected credit losses**

	31 <sup>st</sup> December 2025			
	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Loans and advances (note 11.2)	(9.5)	(7.3)	86.9	70.1
Investment securities	3.0	-	-	3.0
Placements (note 9)	0.1	-	-	0.1
Credit-related contingent items (note 36)	(2.6)	0.4	(15.5)	(17.7)
Other assets	-	-	0.1	0.1
	<b>(9.0)</b>	<b>(6.9)</b>	<b>71.5</b>	<b>55.6</b>

	31 <sup>st</sup> December 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Loans and advances (note 11.2)	(9.6)	35.0	25.2	50.6
Investment securities	0.9	-	-	0.9
Placements (note 9)	(0.2)	-	-	(0.2)
Credit-related contingent items (note 36)	1.2	(1.1)	3.5	3.6
	<b>(7.7)</b>	<b>33.9</b>	<b>28.7</b>	<b>54.9</b>

**29 Taxation and zakat**

	31.12.25	31.12.24
	US\$ millions	US\$ millions
<b>Consolidated statement of financial position</b>		
Deferred tax asset	2.2	0.7
	<b>2.2</b>	<b>0.7</b>
Current tax liability	21.7	24.9
Deferred tax liability	7.7	7.3
	<b>29.4</b>	<b>32.2</b>
	<b>31.12.25</b>	<b>31.12.24</b>
	US\$ millions	US\$ millions
<b>Consolidated statement of income</b>		
Current tax charge on foreign operations	7.7	9.6
Zakat expense arising from subsidiary operations	21.5	21.5
	<b>29.2</b>	<b>31.1</b>

**30 Segmental information**

Segmental information is presented in respect of the Group's business and geographical segments. The primary reporting format, business segments, reflects the manner in which financial information is evaluated by the Board of Directors and the Group Management Committee.

**30.1 Business segments**

For financial reporting purposes, the Group is organised into four main operating segments:

- Wholesale banking: the provision of wholesale commercial financing and other credit facilities for corporate and institutional customers.
- Treasury: the provision of a broad range of treasury and capital market products and services to corporate and financial institution clients, money market, proprietary investment and trading activities and the management of the Group's balance sheet, including funding.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025**30 Segmental information** (continued)**30.1 Business segments** (continued)

- Asset management and investment banking: the provision of asset and fund management services, and of financial advisory services relating to structured financing, privatisations, initial public offerings, and mergers and acquisitions.
- Head office and support units: income arising on the investment of the Group's trading securities and net free capital funds.

The results reported for the business segments are based on the Group's internal financial reporting systems, which report interest revenue and interest expense on a net basis. The accounting policies of the segments are the same as those applied in the preparation of these consolidated financial statements and are set out in note 3. Transactions between business segments are conducted on normal commercial terms and conditions. Transfer pricing between the business units is based on the market cost of funds.

Effective 2024, the Group entities provided services to subsidiaries and business units under a comprehensive transfer pricing framework that adheres to internationally recognised standards, including the OECD Transfer Pricing Guidelines. This policy ensures that intercompany transactions are conducted on an arm's length basis and are fully documented. It is reviewed annually to maintain alignment with evolving international best practices and local regulatory requirements.

Segment results, assets and liabilities comprise items directly attributable to the business segments. Liabilities reported for head office and support units comprise retail-related deposits and senior term finance facilities and related accrued interest, the cost of which is recharged to the relevant operating business segments.

The business segment analysis is as follows:

	<b>Wholesale banking</b>	<b>Treasury</b>	<b>Asset management and investment banking</b>	<b>Head office and support units</b>	<b>Total</b>
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>For the year ended 31<sup>st</sup> December 2025</b>					
Net interest income	254.5	182.4	3.6	94.5	535.0
Net fee and commission income	84.4	(2.7)	38.1	4.6	124.4
FX and net trading income	(0.1)	42.9	(1.8)	5.2	46.2
Other income	25.2	8.1	0.3	19.2	52.8
Total operating income	<u>364.0</u>	<u>230.7</u>	<u>40.2</u>	<u>123.5</u>	<u>758.4</u>
Segment result	<u>125.4</u>	<u>168.3</u>	<u>8.3</u>	<u>(57.1)</u>	<u>244.9</u>
Taxation and zakat charges					(29.2)
Net income after tax					<u>215.7</u>
<b>At 31<sup>st</sup> December 2025</b>					
Segment assets	<u>16,452.9</u>	<u>34,480.2</u>	<u>186.2</u>	<u>702.1</u>	<u>51,821.4</u>
Segment liabilities	<u>15,815.3</u>	<u>25,227.6</u>	<u>2.0</u>	<u>6,539.5</u>	<u>47,584.4</u>
Total equity					<u>4,237.0</u>
Total liabilities and equity					<u>51,821.4</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202530 Segmental information (continued)30.1 **Business segments** (continued)

	Wholesale banking	Treasury	Asset management and investment banking	Head office and support units	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>For the year ended 31<sup>st</sup> December 2024</b>					
Net interest income	267.6	155.9	2.4	96.3	522.2
Net fee and commission income	83.4	(2.0)	33.2	7.2	121.8
FX and net trading income	(0.1)	38.2	4.7	8.9	51.7
Other income	14.4	-	0.4	5.7	20.5
Total operating income	<u>365.3</u>	<u>192.1</u>	<u>40.7</u>	<u>118.1</u>	<u>716.2</u>
Segment result	<u>129.9</u>	<u>134.1</u>	<u>8.6</u>	<u>(61.3)</u>	<u>211.3</u>
Taxation and zakat charges					<u>(31.1)</u>
Net income after tax					<u>180.2</u>
<b>At 31<sup>st</sup> December 2024</b>					
Segment assets	<u>15,296.7</u>	<u>26,692.2</u>	<u>167.6</u>	<u>735.0</u>	<u>42,891.5</u>
Segment liabilities	<u>14,385.6</u>	<u>17,230.6</u>	<u>-</u>	<u>7,758.8</u>	<u>39,375.0</u>
Total equity					<u>3,516.5</u>
Total liabilities and equity					<u>42,891.5</u>

30.2 **Geographical segments**

Although the Group's four main business segments are managed on a worldwide basis, they are considered to operate in two geographical markets: the GCC and the rest of the world.

The geographical composition of total assets based on the location in which transactions are booked and income is recorded was as follows:

	<u>31.12.25</u>	<u>31.12.24</u>
	<b>Total</b>	Total
	<b>assets</b>	assets
	<b>US\$ millions</b>	US\$ millions
GCC	<b>29,884.4</b>	27,103.6
Other countries	<b>21,937.0</b>	15,787.9
	<b><u>51,821.4</u></b>	<u>42,891.5</u>

The geographical analyses of deposits and risk assets are set out in notes 14 and 32 respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**30 Segmental information** (continued)**30.2 Geographical segments** (continued)

The geographical composition of the total income based on the location in which transactions are booked and income is recorded was as follows:

	At 31 <sup>st</sup> December 2025		At 31 <sup>st</sup> December 2024	
	GCC US\$ millions	Other countries US\$ millions	GCC US\$ millions	Other countries US\$ millions
Net interest income	455.4	79.6	445.9	76.3
Net fee and commission income	117.0	7.4	110.8	11.0
Net trading income	15.5	(3.5)	15.6	3.6
Foreign exchange income	25.6	8.6	24.2	8.3
Other income	48.0	4.8	17.2	3.3
Total operating income	661.5	96.9	613.7	102.5

**31 Risk management**

The principal risks associated with the Group's businesses are credit risk, market risk, liquidity risk and operational risk. The Group has a comprehensive risk management framework in place for managing these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. The risk management framework is guided by a number of overriding principles including the formal definition of risk management governance, an evaluation of risk appetite expressed in terms of formal risk limits, risk oversight independent of business units, disciplined risk assessment and measurement including portfolio stress testing and risk diversification. The Board of Directors set the Group's overall risk parameters and risk tolerances, and the significant risk management policies. A Board Risk Policy Committee reviews and reports to the Board of Directors on the Group's risk profile and risk taking activities, including approving obligor limits by rating, industry and geography, and the review of rating back-testing exercises. A Management Committee, chaired by the Group Chief Executive Officer, has the primary responsibility for sanctioning risk taking activities and risk management policies within the overall risk parameters and tolerances defined by the Board of Directors. A Group Risk Committee, under the chairmanship of the Chief Risk Officer and comprising the Group's most senior risk professionals, provides a forum for the review and approval of risk measurement methodologies, risk control processes and the approval of new products, including approval of LGDs and eligible collateral for ECL calculations. The Group Risk Committee also reviews all risk policies and limits that require the formal approval of the Management Committee. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks. The Provisioning Committee approves the categorisation of an exposure as stage 1, stage 2 or stage 3. Periodic reviews by internal auditors and regulatory authorities subject the risk management processes to additional scrutiny which help to further strengthen the risk management environment.

The principal risks associated with the Group's businesses and the related risk management processes are described in detail in the Basel 3 Pillar 3 disclosure report in the Annual Report, and are summarised below together with additional quantitative analyses:

**31.1 Credit risk**

Credit risk is the risk that counterparties will be unable to meet their obligations to the Group. Credit risk arises principally from the Group's lending and investment activities in addition to other transactions involving both on- and off-balance sheet financial instruments, including the specific risk for equity instruments. Disciplined processes are in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counterparty, country and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography, and the regular appraisal of counterparty credit quality through the analysis of qualitative and quantitative information.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**31 Risk management** (continued)**31.1 Credit risk** (continued)

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The risk assessment generates an internal credit risk rating for each exposure, which affects the credit approval decision and the terms and conditions of the transaction. For cross border transactions an analysis of country risk is also conducted. The Group bases its credit decision for an individual counterparty on the aggregate Group exposure to that counterparty and all its related entities. Groupwide credit limit setting and approval authorisation requirements are conducted within Board approved guidelines, and the measurement, monitoring and control of credit exposures are done on a Groupwide basis in a consistent manner.

The Group also mitigates its credit exposures on foreign exchange and derivative financial instruments through the use of master netting agreements and collateral arrangements.

*Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward-looking information.

The Group considers all counterparties internally rated 2 and above, between 2- and 3+, between 3 and 4+, between 4 and 5-, between 6+ and 6 and 6- to be significantly deteriorated where they have been downgraded 6 notches, 5 notches, 4 notches, 3 notches, 2 notches and 1 notch respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

*Definitions of default and curing*

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) and the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

The Group considers a financial asset to be cured, and accordingly reclassified from stage 3 to stage 2 when none of the default criteria have been present for a period of at least 12 consecutive months. The financial asset is then transferred from stage 2 to stage 1 after a cure period of a further six months. However, if the payment frequency is semi-annual or annual, curing period will be 12 months for movement from Stage 2 to Stage 1.

*Incorporation of forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group takes into consideration the economic forecasts published by the IMF and the Group formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios and its weights.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**31 Risk management** (continued)**31.1 Credit risk** (continued)

Given the nature of the Group's exposures and availability of historical information, the Group derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data for each rating category. The Group uses the Regression based model for the Wholesale Corporate Loans portfolio and Vasicek models for the Investments securities and placements portfolio to link the TTC PDs with forward looking economic factors to derive PIT PD estimates for each rating category. The Regression as well as the Vasicek models takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using historical default data and relevant macroeconomic data.

*Measurement of ECL*

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, historical data or benchmarks using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates on a certain date. For corporate exposures, corporate TTC PD estimates are internally derived using the Bank's central default tendency for the Corporate portfolio, For Banks/FIs exposures, the Bank applies a separate set of TTC PDs that are developed based on external rating data of global financial institutions. Furthermore, for Sovereign exposures, the Bank applies a separate set of TTC PDs that are based on external rating data of Sovereigns rated by Standard & Poor's (S&P).

The TTC PD estimates are converted to PIT PDs using the Regression model for the Loans portfolio and Vasicek model for the Investments securities and placements portfolio. For exposures that have tenors in excess of one year and that are assessed on lifetime PDs, Cumulative lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. Since the Group has insufficient historical LGD data to derive statistically reliable LGD estimates, internal LGDs shall be based on external benchmarks / regulatory estimates and the management's estimated recovery rates for each asset class in the event of default.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount at the time of default. For commitments and credit related contingencies, EADs are based on the notional amounts and CCFs based on regulatory guidance.

As described above, and subject to using a 12-month PD for Stage 1 exposures, the Group measures ECL considering the risk of default over the maximum contractual period over which the Group is exposed to credit risk. However, for retail facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Group calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. The probabilities assigned to the base case, negative case and positive case scenarios are 50:45:5, respectively (2024: 50:45:5).

ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated in the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202531 **Risk management** (continued)31.1 **Credit risk** (continued)

The table below shows the loss allowance on the asset-class assuming each forward-looking scenario (optimistic, base and pessimistic case) were weighted 100% instead of applying scenario probability weights across. The below analysis does not consider any management overlay.

	31 <sup>st</sup> December 2025			31 <sup>st</sup> December 2024		
	Placements and Investments	Loans and advances	Credit- related contingent items	Placements and Investments	Loans and advances	Credit- related contingent items
Optimistic case	3.8	55.6	5.4	2.3	91.0	8.1
Base case	4.9	73.9	8.5	3.0	100.7	10.3
Pessimistic case	7.0	107.8	14.1	4.1	111.7	12.8

*Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The Group grants forbearance on a selective basis if there is evidence that the customer has made all reasonable efforts to honour the original contractual terms and the customer is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a customer would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL.

a) **Maximum exposure to credit risk**

The gross maximum exposure to credit risk before applying collateral, guarantees and other credit enhancements was as follows:

	31.12.25 US\$ millions	31.12.24 US\$ millions
<b>Balance sheet items:</b>		
Cash and other liquid assets	16,363.7	9,882.6
Securities purchased under agreements to resell	254.1	975.4
Placements	6,206.2	7,266.6
Investment securities	10,596.6	7,258.8
Loans and advances	16,552.4	15,402.3
Accrued interest, fees and commissions	437.5	431.8
<b>Total on-balance sheet credit exposure</b>	<b>50,410.5</b>	<b>41,217.5</b>
<b>Off-balance sheet items:</b>		
Credit-related contingent items	8,445.0	8,616.1
Foreign exchange-related items	129.3	135.4
Derivative-related items	673.9	1,065.5
Equity and commodity contracts	56.6	1.6
<b>Total off-balance sheet credit exposure</b>	<b>9,304.8</b>	<b>9,818.6</b>
<b>Total gross credit exposure</b>	<b>59,715.3</b>	<b>51,036.1</b>

Financial instruments recorded at fair value balances included above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202531 **Risk management** (continued)31.1 **Credit risk** (continued)b) **Credit risk profile**

The Group monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a rating scale from 1 to 10, subject to positive (+) and negative (-) modifiers for rating grades 2 to 6. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, long-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The internal credit rating system also serves as a key input into the Group's risk-adjusted performance measurement system.

b) **Credit risk profile (continued)**

The internal ratings map directly to the external rating grades used by the international credit rating agencies as follows:

Internal rating grade	Internal classification	Fitch and Standard & Poor's	Moody's	
<b>Investment grade</b>				
Rating grade 1	Standard	AAA	Aaa	
Rating grade 2	Standard	AA	Aa	
Rating grade 3	Standard	A	A	
Rating grade 4	Standard	BBB	Baa	
<b>Sub-investment grade</b>				
Rating grade 5	Standard	BB	Ba	
Rating grade 6	Standard	B	B	
Rating grade 7	Standard	CCC	Caa	
<b>Classified</b>				
Rating grade 8	Substandard	CC	Ca	
Rating grade 9	Doubtful	C	C	
Rating grade 10	Loss	D	-	
			31.12.25	
	Placements, reverse repos & other liquid assets	Investment Securities	Loans and advances	Credit- related contingent items
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>Stage 1</b>				
Rating grades 1 to 4-	22,463.5	9,625.5	10,400.2	5,130.5
Rating grades 5+ to 5-	359.8	971.1	4,839.5	984.4
Rating grades 6+ to 6-	0.7	-	354.4	-
<b>Carrying amount (net)</b>	22,824.0	10,596.6	15,594.1	6,114.9
<b>Stage 2</b>				
Rating grade 4-	-	-	39.2	82.5
Rating grades 5+ to 5-	-	-	277.3	97.4
Rating grades 6+ to 6-	-	-	437.1	382.8
Rating grade 7	-	-	87.6	2.3
<b>Carrying amount (net)</b>	-	-	841.2	565.0
<b>Stage 3</b>				
Rating grade 8	-	-	84.2	20.7
Rating grade 9	-	-	32.2	14.6
Rating grade 10	-	-	0.7	-
<b>Carrying amount (net)</b>	-	-	117.1	35.3
<b>Other credit risk exposures</b>				
Performance bonds	-	-	-	1,729.8
<b>Carrying amount</b>	-	-	-	1,729.8
	22,824.0	10,596.6	16,552.4	8,445.0

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202531 Risk management (continued)31.1 Credit risk (continued)b) Credit risk profile (continued)

The above analysis is reported net of the following provisions for expected credit losses:

Stage 1	(0.6)	(5.5)	(71.6)	(7.1)
Stage 2	-	-	(57.0)	(3.7)
Stage 3	-	-	(166.7)	(24.8)
<b>Total</b>	<b>(0.6)</b>	<b>(5.5)</b>	<b>(295.3)</b>	<b>(35.6)</b>
				31.12.24
	Placements, reverse repos & other liquid assets	Investment Securities	Loans and advances	Credit- related contingent items
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>Stage 1</b>				
Rating grades 1 to 4-	17,874.2	6,446.4	9,345.2	4,702.8
Rating grades 5+ to 5-	241.7	812.4	4,670.3	1,402.2
Rating grades 6+ to 6-	8.7	-	564.1	84.5
<b>Carrying amount (net)</b>	<b>18,124.6</b>	<b>7,258.8</b>	<b>14,579.6</b>	<b>6,189.5</b>
<b>Stage 2</b>				
Rating grade 4-	-	-	41.7	46.0
Rating grades 5+ to 5-	-	-	350.8	532.5
Rating grades 6+ to 6-	-	-	211.8	45.2
Rating grade 7	-	-	169.6	7.3
<b>Carrying amount (net)</b>	<b>-</b>	<b>-</b>	<b>773.9</b>	<b>631.0</b>
<b>Stage 3</b>				
Rating grade 8	-	-	21.5	9.7
Rating grade 9	-	-	25.0	17.3
Rating grade 10	-	-	2.3	11.6
<b>Carrying amount (net)</b>	<b>-</b>	<b>-</b>	<b>48.8</b>	<b>38.6</b>
<b>Other credit risk exposures</b>				
Performance bonds	-	-	-	1,757.0
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,757.0</b>
	<b>18,124.6</b>	<b>7,258.8</b>	<b>15,402.3</b>	<b>8,616.1</b>

The above analysis is reported net of the following provisions for expected credit losses:

Stage 1	(0.5)	(3.6)	(80.4)	(9.4)
Stage 2	-	-	(102.5)	(3.8)
Stage 3	-	-	(118.7)	(39.9)
<b>Total</b>	<b>(0.5)</b>	<b>(3.6)</b>	<b>(301.6)</b>	<b>(53.1)</b>

Stage 3 financial assets represent assets for which there is objective evidence that the Group will not collect all amounts due, including both principal and interest, in accordance with the contractual terms of the obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202531 **Risk management** (continued)31.1 **Credit risk** (continued)b) **Credit risk profile** (continued)

The Group holds collateral against loans and advances in the form of physical assets, cash deposits, securities and guarantees. The amount and type of collateral is dependent upon the assessment of the credit risk of the counterparty. The market / fair value of the collateral is actively monitored on a regular basis and requests are made for additional collateral in accordance with the terms of the underlying agreements. Collateral is not usually held against securities or placements and no such collateral was held at either 31<sup>st</sup> December 2025 or 31<sup>st</sup> December 2024.

An analysis of the credit risk in respect of foreign exchange and derivative financial instruments is set out in note 35 while the notional and risk-weighted exposures for off-balance sheet credit-related contingent items are set out in note 36.

c) **Credit risk concentration**

The Group monitors concentrations of credit risk by sector and by geographic location. The geographical distribution of risk assets is set out in note 32. An analysis of the credit risk in respect of foreign exchange and derivative financial instruments is set out in note 35. The industrial classification of of risk assets is set out below:

	Placements, reverse repos & other liquid assets	Investment Securities	Loans and advances	31.12.25 Credit- related contingent items
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Government	16,511.0	9,117.2	1,837.1	106.5
Financial	6,313.0	665.8	2,745.2	1,232.5
Trading and services	-	-	2,091.7	1,058.8
Energy, oil and petrochemical	-	171.0	1,410.0	1,181.8
Manufacturing	-	-	1,602.2	914.3
Utilities	-	137.5	1,190.3	243.9
Construction and Engineering	-	-	954.2	2,347.3
Transportation	-	13.3	1,190.8	299.5
Real estate	-	76.1	1,081.2	117.1
Agriculture and mining	-	66.8	217.8	344.9
Retail	-	-	263.1	-
Technology, media and telecommunication	-	287.8	351.8	80.8
Other	-	61.1	1,617.0	517.6
	<b>22,824.0</b>	<b>10,596.6</b>	<b>16,552.4</b>	<b>8,445.0</b>
				31.12.24
	Placements, reverse repos & other liquid assets	Investment Securities	Loans and advances	Credit- related contingent items
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Government	10,504.9	6,294.0	1,585.4	-
Financial	7,619.7	537.6	2,815.6	942.2
Trading and services	-	-	2,125.9	1,413.3
Energy, oil and petrochemical	-	135.9	1,742.6	1,089.7
Manufacturing	-	-	1,406.5	1,122.0
Utilities	-	24.7	884.0	328.3
Construction and Engineering	-	-	769.6	2,660.7
Transportation	-	13.3	1,138.4	265.2
Real estate	-	55.9	832.2	117.4
Agriculture and mining	-	-	127.9	363.4
Retail	-	-	273.2	-
Technology, media and telecommunication	-	197.4	344.4	68.7
Other	-	-	1,356.6	245.2
	<b>18,124.6</b>	<b>7,258.8</b>	<b>15,402.3</b>	<b>8,616.1</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**31 Risk management** (continued)**31.1 Credit risk** (continued)**d) Settlement risk**

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities, or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process.

**31.2 Market risk**

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions, such as liquidity. The principal market risks to which the Group is exposed are interest rate risk, foreign exchange risk and equity price risk associated with its trading, investment and asset and liability management activities. The portfolio effects of holding a diversified range of instruments across a variety of businesses and geographic areas contribute to a reduction in the potential negative impact on earnings from market risk factors.

**a) Trading market risk**

The Group's trading activities principally comprise trading in debt and equity securities, foreign exchange and derivative financial instruments. Derivative financial instruments include futures, forwards, swaps and options in the interest rate, foreign exchange, equity, credit and commodity markets.

**b) Non-trading market risk**

Structural interest rate risk arises in the Group's core balance sheet as a result of mismatches in the repricing of interest rate sensitive financial assets and liabilities. The associated interest rate risk is managed through the use of models to evaluate the sensitivity of earnings to movements in interest rates. The repricing profile and related interest rate sensitivity of the Group's financial assets and liabilities are set out in note 34. The Group does not maintain material foreign currency exposures. In general, the Group's policy is to match financial assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps. Movements in the fair value of equity investment securities are accounted for in other comprehensive income. At 31<sup>st</sup> December 2025, a 5.0% change in the market price of equity investments accounted for at FVOCI would have resulted in an increase/decrease in equity of US\$1.1 million (2024: US\$1.0 million).

The more significant market risk-related activities of a non-trading nature undertaken by the Group, the related risks associated with those activities, and the types of derivative financial instruments used to manage and mitigate such risks are summarised as follows:

Activity	Risk	Risk mitigant
Management of the return on variable rate assets funded by shareholders' funds	Reduced profitability due to a fall in short-term interest rates	Receive fixed interest rate swaps
Fixed rate assets funded by floating rate liabilities	Sensitivity to increases in short-term interest rates	Pay fixed interest rate swaps
Investment in foreign currency assets	Sensitivity to strengthening of US\$ against other currencies	Currency swaps

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**31 Risk management** (continued)**31.3 Liquidity risk**

Liquidity risk is the risk that sufficient funds are not available to meet the Group's financial obligations on a punctual basis as they fall due.

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Group, even in adverse conditions. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. These objectives are met through the application of prudent liquidity controls. These controls provide security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits. The Group's liquidity controls ensure that, over the short-term, the future profile of cash flows from maturing assets is adequately matched to the maturity of liabilities. Liquidity controls also provide for the maintenance of a stock of liquid and readily realisable assets and a diversified deposit base in terms of both maturities and range of depositors.

The management of liquidity and funding is primarily conducted in the Group's individual geographic entities within limits set and approved by the Board of Directors. The limits take account of the depth and liquidity of the market in which the entity operates. It is the Group's general policy that each geographic entity should be self-sufficient in relation to funding its own operations.

The Group's liquidity management policies include the following:

- the monitoring of (i) future contractual cash flows against approved limits, and (ii) the level of liquid resources available in a stress event;
- the monitoring of balance sheet liquidity ratios;
- the monitoring of the sources of funding in order to ensure that funding is derived from a diversified range of sources;
- the monitoring of depositor concentrations in order to avoid undue reliance on individual depositors;
- the maintenance of a satisfactory level of term financing;
- the maintenance of appropriate standby funding arrangements; and
- the maintenance of liquidity and funding contingency plans. These plans identify early indicators of stress conditions and prescribe the actions to be taken in the event of systemic or other crisis, while minimising adverse long-term implications for the Group's business activities.

The Group has established approved limits which restrict the volume of liabilities maturing in the short-term. An independent risk management function monitors the future cash flow maturity profile against approved limits on a daily basis. The cash flows are monitored against limits applying to both daily and cumulative cash flows occurring over a 30 day period. The liquidity limits ensure that the net cash outflows over a 30 day period do not exceed the eligible stock of available liquid resources. The cash flow analysis is also monitored on a weekly basis by the Assets and Liabilities Committee (ALCO).

Customer deposits form a significant part of the Group's funding. The Group places considerable importance on maintaining the stability of both its customer and interbank deposits. The stability of deposits depends on maintaining confidence in the Group's financial strength and financial transparency.

The Group is also required to comply with Basel 3 liquidity ratio requirements as stipulated by its lead regulator, the Central Bank of Bahrain (CBB). The LCR is calculated as a ratio of the stock of High Quality Liquid Assets (HQLA) to the net outflows over the next 30 calendar days. The NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'. At 31<sup>st</sup> December 2025, the Group's LCR and NSFR were 148.6% and 137.2% respectively, (2024: 149.4% and 142.8% respectively).

The maturity profile of assets and liabilities is set out in note 33. An analysis of debt investment securities by rating classification is set out in note 31.1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025

## 31 Risk management (continued)

## 31.3 Liquidity risk (continued)

The below table provides the Group's disclosure of its consolidated NSFR as at 31<sup>st</sup> December 2025 in the manner prescribed by the CBB:

	No specified maturity	Within 6 months	6 months to 1 year	Over 1 year	Total unweighted value	Total weighted value
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>						
<b>Available Stable Funding (ASF):</b>						
<u>Capital</u>						
Regulatory Capital	3,707.1	-	-	295.1	4,002.2	4,002.2
Other Capital Instruments	530.1	-	-	104.7	634.8	634.8
<u>Retail deposits and deposits from small business customers:</u>						
Stable deposits	-	-	-	-	-	-
Less stable deposits	214.1	988.0	56.9	-	1,259.0	1,133.1
<u>Wholesale funding:</u>						
Operational deposits	-	-	-	-	-	-
Other wholesale funding	18,576.3	17,323.7	3,907.6	4,804.5	44,612.1	16,993.1
<u>Other liabilities:</u>						
NSFR derivative liabilities	-	-	-	-	-	-
All other liabilities not included in the above categories	13,716.8	-	-	-	13,716.8	-
<b>Total ASF</b>						<b>22,763.2</b>
<b>Required Stable Funding (RSF):</b>						
<u>Total NSFR high-quality liquid assets (HQLA)</u>						
						1,805.8
<u>Deposits held at other financial institutions for operational purposes</u>						
	-	-	-	-	-	-
<u>Performing loans and securities:</u>						
Performing loans to financial institutions secured by Level 1 HQLA	-	254.1	-	-	254.1	25.4
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,432.0	2,593.9	1,652.6	567.5	6,246.0	1,997.7
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	7,780.1	1,537.3	5,227.9	14,545.3	9,102.4
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	1,788.2	1,788.2	1,162.3
Performing residential mortgages, of which:	-	-	-	-	-	-
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	341.1	624.0	432.9	441.9	1,839.9	1,296.1
<u>Other assets:</u>						
Physical traded commodities, including gold	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	80.2	-	-	80.2	68.2
NSFR derivative assets	-	256.8	-	-	256.8	256.8
NSFR derivative liabilities before deduction of variation margin posted	-	60.0	-	-	60.0	60.0
All other assets not included in the above categories	293.9	-	-	-	293.9	293.9
OBS items	-	3,911.4	1,678.2	5,145.5	10,735.1	518.6
<b>Total RSF</b>						<b>16,587.2</b>
<b>NSFR (%)</b>						<b>137.2%</b>
<b>At 31<sup>st</sup> December 2024</b>						
NSFR (%)						142.8%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**31 Risk management** (continued)**31.4 Operational risk**

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing.

A framework and methodology has been developed to identify and control the various operational risks. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout the Group. A strong internal audit function makes regular, independent appraisals of the control environment in all identified risk areas. Adequately tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios.

**31.5 Capital management**

The Group's lead regulator, the Central Bank of Bahrain (CBB), sets and monitors capital requirements for the Group as a whole. The parent company and individual banking operations are directly supervised by their local regulators.

As referred to in more detail in note 38, the Group adopted the Basel 3 capital adequacy framework with effect from 1<sup>st</sup> January 2015 as required by the CBB.

In applying current capital requirements, the CBB requires the Group to maintain a prescribed minimum ratio of total regulatory capital to total risk-weighted assets. The CBB's minimum risk asset ratio is 12.5 per cent compared to a minimum ratio of 8 per cent prescribed by the Basel Committee on Banking Supervision. The Group calculates regulatory capital requirements for general market risk in its trading portfolios using the standardised approach and uses the CBB's prescribed risk-weightings under the standardised approach to determine the risk-weighted amounts for credit risk and specific market risk. Operational risk is calculated in accordance with the standardised approach as well. The regulatory capital requirement for operational risk is calculated by applying the CBB's prescribed range of beta coefficients, ranging from 12 to 18 per cent, to the average gross income for the preceding three financial years for each of eight predefined business lines.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, comprising issued share capital, share premium, retained earnings, reserves and eligible portion of non-controlling interest (including a component of AT1 issued by subsidiaries), adjusted to exclude revaluation gains and losses arising on the remeasurement to fair value of derivative cash flow hedging transactions.
- Tier 2 capital, comprising eligible subordinated term debt and expected credit losses stage 1 and stage 2 impairment provisions, after applicable haircuts and ceiling limitations.

The CBB applies various limits to elements of the regulatory capital base including the contributions of innovative additional tier 1 securities and qualifying tier 2 capital towards the minimum total capital ratios. Eligible portion non-controlling interest held by third parties (excluding shareholders of the Bank) forming part of Tier 1 and Tier 2 capital is calculated in accordance with CBB regulations.

The Group's risk exposures are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend payout and the issue of new shares.

The Group complied with all externally imposed capital requirements throughout the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024.

Tier 2 subordinated term debt of US\$400 million in the Group was issued during the twelve months ended 31<sup>st</sup> December 2023. The Tier 2 Sukuk issuance was by way of a private placement in the Kingdom of Saudi Arabia by the Bank's subsidiary, Gulf International Bank - Saudi Arabia in December 2023. Under the CBB capital adequacy framework, subsidiaries reporting under a Basel 3 framework in other regulatory jurisdictions may, at the bank's discretion, be consolidated based on that jurisdiction's Basel 3 framework, rather than based on the CBB's guidelines. Under this aggregation consolidation methodology, the capital and risk-weighted assets of subsidiaries are consolidated with those of the rest of the Group based on the guidelines of their respective regulator to determine the Group's total capital adequacy ratio.

A new Additional Tier 1 capital was issued by GIB KSA during the year ended 31<sup>st</sup> December 2025 (Refer note 44).

There have been no material changes in the Group's management of capital during the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024.

The capital adequacy ratio calculation is set out in note 38.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202532 Geographical distribution of assets

The distribution of assets and credit-related contingent items on behalf of customers by geographic region was as follows:

	<u>31.12.25</u>				
	<b>Placements, reverse repos &amp; other liquid assets</b>	<b>Securities</b>	<b>Loans and advances</b>	<b>Credit- related contingent items</b>	<b>Total</b>
	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>
GCC	4,445.5	7,297.1	15,600.2	7,122.7	34,465.5
Other Middle East & North Africa	2.6	3.5	279.7	199.9	485.7
Europe	9,330.2	647.8	586.2	420.1	10,984.3
North America	8,340.9	1,647.1	86.3	542.1	10,616.4
Asia (excluding GCC)	704.8	1,343.9	-	160.2	2,208.9
	<b>22,824.0</b>	<b>10,939.4</b>	<b>16,552.4</b>	<b>8,445.0</b>	<b>58,760.8</b>

	<u>31.12.24</u>				
	<b>Placements, reverse repos &amp; other liquid assets</b>	<b>Securities</b>	<b>Loans and advances</b>	<b>Credit- related contingent items</b>	<b>Total</b>
	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>	<u>US\$ millions</u>
GCC	4,818.2	5,721.5	14,321.5	7,558.8	32,420.0
Other Middle East & North Africa	11.9	3.1	336.9	184.5	536.4
Europe	8,832.3	234.8	510.5	455.6	10,033.2
North America	3,785.7	854.2	233.4	403.7	5,277.0
Asia (excluding GCC)	676.5	794.2	-	13.5	1,484.2
	<b>18,124.6</b>	<b>7,607.8</b>	<b>15,402.3</b>	<b>8,616.1</b>	<b>49,750.8</b>

At 31<sup>st</sup> December 2025, on-balance sheet risk exposures to customers and counterparties in the GCC represented 54.3% (2024: 60.4%) of total risk assets. The risk asset profile reflects the Group's strategic focus on wholesale banking activities in the GCC states.

An analysis of derivative and foreign exchange instruments is set out in note 35.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025**33 Maturities of assets and liabilities**

The maturity profile of the carrying amount of assets, liabilities and equity, based on the contractual maturity dates, was as follows:

	Within 3 months US\$ millions	4 months to 1 year US\$ millions	Years 2 and 3 US\$ millions	Years 4 and 5 US\$ millions	Over 5 years and undated US\$ millions	Total US\$ millions
<b>At 31<sup>st</sup> December 2025</b>						
Cash and other liquid assets	15,234.1	619.5	-	-	510.1	16,363.7
Securities purchased under agreements to resell	239.1	15.0	-	-	-	254.1
Placements	3,876.0	2,325.0	2.2	3.0	-	6,206.2
Investment securities	491.1	2,530.7	1,846.9	1,988.2	4,082.5	10,939.4
Loans and advances	6,311.8	3,053.8	3,222.1	2,628.4	1,336.3	16,552.4
Other assets	433.5	215.1	69.3	159.9	627.8	1,505.6
<b>Total assets</b>	<b>26,585.6</b>	<b>8,759.1</b>	<b>5,140.5</b>	<b>4,779.5</b>	<b>6,556.7</b>	<b>51,821.4</b>
Deposits	31,813.7	6,140.6	-	19.1	23.0	37,996.4
Securities sold under agreements to repurchase	1,958.5	167.8	248.9	-	-	2,375.2
Other liabilities	407.3	169.8	56.5	130.3	606.4	1,370.3
Senior term financing	89.4	868.1	3,094.8	1,390.2	-	5,442.5
Subordinated term financing	-	-	-	-	400.0	400.0
Equity	-	-	-	-	4,237.0	4,237.0
<b>Total liabilities and equity</b>	<b>34,268.9</b>	<b>7,346.3</b>	<b>3,400.2</b>	<b>1,539.6</b>	<b>5,266.4</b>	<b>51,821.4</b>
<b>Net liquidity gap</b>	<b>(7,683.3)</b>	<b>1,412.8</b>	<b>1,740.3</b>	<b>3,239.9</b>	<b>1,290.3</b>	
<b>Cumulative liquidity gap</b>	<b>(7,683.3)</b>	<b>(6,270.5)</b>	<b>(4,530.2)</b>	<b>(1,290.3)</b>	<b>-</b>	
<b>At 31<sup>st</sup> December 2024</b>						
Cash and other liquid assets	8,852.8	527.1	-	-	502.7	9,882.6
Securities purchased under agreements to resell	212.5	762.9	-	-	-	975.4
Placements	5,069.5	1,882.9	311.1	3.1	-	7,266.6
Investment securities	861.5	725.0	1,799.1	1,510.1	2,712.1	7,607.8
Loans and advances	6,071.6	3,064.7	2,738.9	2,051.2	1,475.9	15,402.3
Other assets	423.5	314.3	99.0	228.3	691.7	1,756.8
<b>Total assets</b>	<b>21,491.4</b>	<b>7,276.9</b>	<b>4,948.1</b>	<b>3,792.7</b>	<b>5,382.4</b>	<b>42,891.5</b>
Deposits	23,603.8	6,214.4	-	2.9	39.3	29,860.4
Securities sold under agreements to repurchase	887.1	807.7	154.0	-	-	1,848.8
Other liabilities	495.1	232.5	73.4	169.3	722.3	1,692.6
Senior term financing	156.6	1,238.1	2,220.5	1,958.7	-	5,573.9
Subordinated term financing	-	-	-	-	399.3	399.3
Equity	-	-	-	-	3,516.5	3,516.5
<b>Total liabilities and equity</b>	<b>25,142.6</b>	<b>8,492.7</b>	<b>2,447.9</b>	<b>2,130.9</b>	<b>4,677.4</b>	<b>42,891.5</b>
<b>Net liquidity gap</b>	<b>(3,651.2)</b>	<b>(1,215.8)</b>	<b>2,500.2</b>	<b>1,661.8</b>	<b>705.0</b>	
<b>Cumulative liquidity gap</b>	<b>(3,651.2)</b>	<b>(4,867.0)</b>	<b>(2,366.8)</b>	<b>(705.0)</b>	<b>-</b>	

The asset and liability maturities presented in the table above are based on contractual repayment arrangements and as such do not take account of the effective maturities of deposits as indicated by the Group's deposit retention records. Formal liquidity controls are nevertheless based on contractual asset and liability maturities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202533 **Maturities of assets and liabilities (continued)**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations:

	Within 3 months US\$ millions	4 months to 1 year US\$ millions	Years 2 and 3 US\$ millions	Years 4 and 5 US\$ millions	Over 5 years and undated US\$ millions
<b>At 31<sup>st</sup> December 2025</b>					
Deposits	32,179.2	6,380.7	-	20.6	25.3
Securities sold under agreements to repurchase	1,961.1	170.4	248.9	-	-
Senior term financing	91.2	889.8	3,218.6	1,501.4	-
Subordinated term financing	-	-	-	-	440.0
<b>Total non-derivative financial liabilities</b>	<b>34,231.5</b>	<b>7,440.9</b>	<b>3,467.5</b>	<b>1,522.0</b>	<b>465.3</b>
Derivative financial instruments	118.3	53.2	58.8	140.8	155.5
Credit-related contingent items	4,296.1	2,679.1	1,018.2	582.8	110.9
<b>At 31<sup>st</sup> December 2024</b>					
Deposits	23,904.7	6,596.8	-	3.1	43.2
Securities sold under agreements to repurchase	904.6	815.8	160.2	-	-
Senior term financing	159.7	1,269.1	2,309.3	2,115.4	-
Subordinated term financing	-	-	-	-	439.2
<b>Total non-derivative financial liabilities</b>	<b>24,969.0</b>	<b>8,681.7</b>	<b>2,469.5</b>	<b>2,118.5</b>	<b>482.4</b>
Derivative financial instruments	101.0	122.1	76.4	182.8	201.9
Credit-related contingent items	4,265.8	2,663.5	1,380.6	442.4	108.1

The figures in the table above do not agree directly to the carrying amounts in the consolidated statement of financial position as they incorporate all cash flows, on an undiscounted basis, related to both principal as well as those associated with future coupon and interest payments. Coupons and interest payments for periods for which the interest rate has not yet been determined have been calculated based on the relevant forward rates of interest prevailing at the reporting date.

A maturity analysis of derivative and foreign exchange instruments based on notional amounts is set out in note 35.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025

## 34 Interest rate risk

The repricing profile of assets and liabilities categories and equity were as follows:

	Within 3 months US\$ millions	Months 4 to 6 US\$ millions	Months 7 to 12 US\$ millions	Over 1 year US\$ millions	Non-interest bearing items US\$ millions	Total US\$ millions
<b>At 31<sup>st</sup> December 2025</b>						
Cash and other liquid assets	15,850.6	-	-	-	513.1	16,363.7
Securities purchased under agreements to resell	254.1	-	-	-	-	254.1
Placements	3,886.1	746.8	1,573.3	-	-	6,206.2
Investment securities						
- Fixed rate	397.5	969.5	1,256.1	2,796.4	10.0	5,429.5
- Floating rate	4,326.2	46.7	-	794.2	-	5,167.1
- Equities	-	-	-	-	342.8	342.8
Loans and advances	13,514.4	1,695.0	704.6	417.1	221.3	16,552.4
Other assets	-	-	-	-	1,505.6	1,505.6
<b>Total assets</b>	<b>38,228.9</b>	<b>3,458.0</b>	<b>3,534.0</b>	<b>4,007.7</b>	<b>2,592.8</b>	<b>51,821.4</b>
Deposits	31,451.3	2,130.2	2,816.3	-	1,598.6	37,996.4
Securities sold under agreements to repurchase	2,330.8	44.4	-	-	-	2,375.2
Other liabilities	-	-	-	-	1,370.3	1,370.3
Senior term financing	5,102.0	-	-	340.5	-	5,442.5
Subordinated term financing	400.0	-	-	-	-	400.0
Equity	-	-	-	-	4,237.0	4,237.0
<b>Total liabilities &amp; equity</b>	<b>39,284.1</b>	<b>2,174.6</b>	<b>2,816.3</b>	<b>340.5</b>	<b>7,205.9</b>	<b>51,821.4</b>
<b>Interest rate sensitivity gap</b>	<b>(1,055.2)</b>	<b>1,283.4</b>	<b>717.7</b>	<b>3,667.2</b>	<b>(4,613.1)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>	<b>(1,055.2)</b>	<b>228.2</b>	<b>945.9</b>	<b>4,613.1</b>	<b>-</b>	<b>-</b>
<b>At 31<sup>st</sup> December 2024</b>						
Cash and other liquid assets	9,396.2	-	-	-	486.4	9,882.6
Securities purchased under agreements to resell	212.5	250.0	512.9	-	-	975.4
Placements	5,114.2	1,052.9	1,099.5	-	-	7,266.6
Investment securities						
- Fixed rate	899.8	74.7	575.1	2,111.4	-	3,661.0
- Floating rate	3,366.5	46.6	-	184.7	-	3,597.8
- Equities	-	-	-	-	349.0	349.0
Loans and advances	12,974.5	1,576.0	437.2	320.2	94.4	15,402.3
Other assets	-	-	-	-	1,756.8	1,756.8
<b>Total assets</b>	<b>31,963.7</b>	<b>3,000.2</b>	<b>2,624.7</b>	<b>2,616.3</b>	<b>2,686.6</b>	<b>42,891.5</b>
Deposits	23,079.8	2,774.3	2,310.9	-	1,695.4	29,860.4
Securities sold under agreements to repurchase	1,318.3	338.0	192.5	-	-	1,848.8
Other liabilities	-	-	-	-	1,692.6	1,692.6
Senior term financing	5,174.2	-	399.7	-	-	5,573.9
Subordinated term financing	399.3	-	-	-	-	399.3
Equity	-	-	-	-	3,516.5	3,516.5
<b>Total liabilities &amp; equity</b>	<b>29,971.6</b>	<b>3,112.3</b>	<b>2,903.1</b>	<b>-</b>	<b>6,904.5</b>	<b>42,891.5</b>
<b>Interest rate sensitivity gap</b>	<b>1,992.1</b>	<b>(112.1)</b>	<b>(278.4)</b>	<b>2,616.3</b>	<b>(4,217.9)</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>	<b>1,992.1</b>	<b>1,880.0</b>	<b>1,601.6</b>	<b>4,217.9</b>	<b>-</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**34 Interest rate risk (continued)**

The repricing profile is based on the remaining period to the next interest repricing date. Derivative financial instruments that have been used for asset and liability management purposes to hedge exposure to interest rate risk are incorporated in the repricing profiles of the related hedged assets and liabilities.

The majority of assets and liabilities reprice within one year. Accordingly, there is limited exposure to interest rate risk. The interest rate risk beyond one year, as set out in the asset and liability repricing profile, mainly represents the investment of the Group's net free capital in fixed rate government securities. At 31<sup>st</sup> December 2025, the modified duration of these fixed rate securities was 4.78 (2024: 4.14). Modified duration represents the approximate percentage change in the portfolio value resulting from a 100 basis point change in yield. More precisely in dollar terms, the price value of a basis point of the fixed rate securities was US\$1.38 million (2024: US\$0.8 million) and \$0.2 million (2024: nil) for the Tier 1 bond issuance.

Based on the repricing profile at 31<sup>st</sup> December 2025, and assuming that the financial assets and liabilities were to rollover upon maturity or settlement while maintaining a constant balance sheet, an immediate and sustained two per cent increase in interest rates across all maturities would result in an increase in net income before tax for the following year by approximately US\$13.8 million (2024: US\$55.6 million) and a decrease in the Group's equity by US\$281.2 million (2024: US\$153.1 million). The impact on the Group's equity represents the cumulative effect of the increase in interest rates over the entire duration of the mismatches in the repricing profile of the interest rate sensitive financial assets and liabilities.

The Value-at-Risk by risk class for the Group's trading positions is set out in note 31. The market risk relating to derivative and foreign exchange instruments classified as FVTPL is set out in note 35.

**35 Derivatives and foreign exchange instruments**

The Group utilises derivative and foreign exchange instruments to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management (ALM) activity to hedge its own exposure to market risk. Derivative instruments are contracts whose value is derived from one or more financial instruments or indices. They include futures, forwards, swaps and options in the interest rate, foreign exchange, equity, credit and commodity markets. Derivatives and foreign exchange are subject to the same types of credit and market risk as other financial instruments. The Group has appropriate and comprehensive Board-approved policies and procedures for the control of exposure to both market and credit risk from its derivative and foreign exchange activities.

In the case of derivative transactions, the notional principal typically does not change hands. It is simply a quantity which is used to calculate payments. While notional principal is a volume measure used in the derivative and foreign exchange markets, it is neither a measure of market nor credit risk. The Group's measure of credit exposure is the cost of replacing contracts at current market rates should the counterparty default prior to the settlement date. Credit risk amounts represent the gross unrealised gains on non-margined transactions before taking account of any collateral held or any master netting agreements in place.

The Group participates in both exchange traded and over-the-counter (OTC) derivative markets. Exchange traded instruments are executed through a recognised exchange as standardised contracts and primarily comprise futures and options. OTC contracts are executed between two counterparties who negotiate specific agreement terms, including the underlying instrument, notional amount, maturity and, where appropriate, exercise price. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers although conform to normal market practice. Industry standard documentation is used, most commonly in the form of a master agreement. The existence of a master netting agreement is intended to provide protection to the Group in the event of a counterparty default.

The Group's principal foreign exchange transactions are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign exchange on a specific future date at an agreed rate. A currency swap involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a specified future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a specified future date. As compensation for assuming the option risk, the option seller (or writer) receives a premium at the start of the option period.

The Group's principal interest rate-related derivative transactions are interest rate swaps, forward rate agreements, futures and options. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount for an agreed period. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period. An interest rate future is an exchange traded contract for the delivery of a standardised amount of a fixed income security or time deposit at a future specified date. Interest rate options, including caps, floors and collars, provide the buyer with the right, but not the obligation, either to purchase or sell an interest rate financial instrument at a specified price or rate on or before a specified future date.

The Group's principal equity-related derivative transactions are equity and stock index options. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or index at a specified price or level on or before a specified future date.

The Group buys and sells credit protection through credit default swaps. Credit default swaps provide protection against the decline in value of a referenced asset as a result of credit events such as default or bankruptcy. It is similar in structure to an option whereby the purchaser pays a premium to the seller of the credit default swap in return for payment related to the deterioration in value of the referenced asset. Credit default swaps purchased and sold by the Group are classified as derivative financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202535 Derivatives and foreign exchange instruments (continued)

## 35.1 Product analysis

The table below summarises the aggregate notional and credit risk amounts of foreign exchange, interest rate and commodity contracts.

	Trading	Hedging	Notional amounts Total	Credit risk amounts
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>				
Foreign exchange contracts:				
Unmatured spot, forward and futures contracts	10,769.5	1,161.9	11,931.4	129.3
Options purchased	753.1	-	753.1	-
Options written	753.1	-	753.1	-
	<b>12,275.7</b>	<b>1,161.9</b>	<b>13,437.6</b>	<b>129.3</b>
Interest rate contracts:				
Interest rate swaps	18,212.5	8,476.6	26,689.1	629.2
Cross currency swaps	401.1	-	401.1	8.4
Futures	85.8	-	85.8	-
Options, caps and floors purchased	2,836.1	-	2,836.1	36.3
Options, caps and floors written	2,836.1	-	2,836.1	-
	<b>24,371.6</b>	<b>8,476.6</b>	<b>32,848.2</b>	<b>673.9</b>
Equity and commodity contracts:				
Options and swaps purchased	247.0	-	247.0	56.6
Options and swaps written	247.0	-	247.0	-
	<b>494.0</b>	<b>-</b>	<b>494.0</b>	<b>56.6</b>
Credit default swaps:				
Protection purchased	34.8	-	34.8	-
Protection sold	34.8	-	34.8	-
	<b>69.6</b>	<b>-</b>	<b>69.6</b>	<b>-</b>
	<b>37,210.9</b>	<b>9,638.5</b>	<b>46,849.4</b>	<b>859.8</b>
<b>At 31<sup>st</sup> December 2024</b>				
Foreign exchange contracts:				
Unmatured spot, forward and futures contracts	8,226.5	656.7	8,883.2	135.4
Options purchased	424.1	-	424.1	-
Options written	424.1	-	424.1	-
	<b>9,074.7</b>	<b>656.7</b>	<b>9,731.4</b>	<b>135.4</b>
Interest rate contracts:				
Interest rate swaps	17,138.7	6,800.4	23,939.1	991.1
Cross currency swaps	401.8	-	401.8	1.8
Futures	107.6	-	107.6	-
Options, caps and floors purchased	2,878.0	-	2,878.0	72.6
Options, caps and floors written	2,878.0	-	2,878.0	-
	<b>23,404.1</b>	<b>6,800.4</b>	<b>30,204.5</b>	<b>1,065.5</b>
Equity and commodity contracts:				
Options and swaps purchased	60.5	-	60.5	1.6
Options and swaps written	60.5	-	60.5	-
	<b>121.0</b>	<b>-</b>	<b>121.0</b>	<b>1.6</b>
Credit default swaps:				
Protection purchased	28.7	-	28.7	-
Protection sold	28.7	-	28.7	-
	<b>57.4</b>	<b>-</b>	<b>57.4</b>	<b>-</b>
	<b>32,657.2</b>	<b>7,457.1</b>	<b>40,114.3</b>	<b>1,202.5</b>

There is no credit risk in respect of options written as they represent obligations of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025

## 35 Derivatives and foreign exchange instruments (continued)

## 35.2 Counterparty analysis

	Financial sector	Corporates	31.12.25
	US\$ millions	US\$ millions	Total US\$ millions
OECD countries	571.0	61.2	632.2
GCC countries	147.9	76.3	224.2
Other countries	3.0	0.4	3.4
	<b>721.9</b>	<b>137.9</b>	<b>859.8</b>
	Financial sector	Corporates	31.12.24
	US\$ millions	US\$ millions	Total US\$ millions
OECD countries	819.5	39.6	859.1
GCC countries	246.8	93.1	339.9
Other countries	3.5	-	3.5
	<b>1,069.8</b>	<b>132.7</b>	<b>1,202.5</b>

## 35.3 Maturity analysis

	Year 1	Years 2 & 3	Years 4 & 5	Over 5 years	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>					
Foreign exchange contracts	12,817.0	620.6	-	-	13,437.6
Interest rate contracts	6,946.7	6,144.7	12,463.7	7,293.1	32,848.2
Equity and commodity contracts	494.0	-	-	-	494.0
Credit default swaps	-	29.5	40.1	-	69.6
	<b>20,257.7</b>	<b>6,794.8</b>	<b>12,503.8</b>	<b>7,293.1</b>	<b>46,849.4</b>
	Year 1	Years 2 & 3	Years 4 & 5	Over 5 years	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2024</b>					
Foreign exchange contracts	9,407.4	324.0	-	-	9,731.4
Interest rate contracts	4,032.3	4,246.4	10,497.5	11,428.3	30,204.5
Equity and commodity contracts	121.0	-	-	-	121.0
Credit default swaps	16.6	-	40.8	-	57.4
	<b>13,577.3</b>	<b>4,570.4</b>	<b>10,538.3</b>	<b>11,428.3</b>	<b>40,114.3</b>

The Group's derivative and foreign exchange activities are predominantly short-term in nature. Transactions with maturities over one year principally represent either fully offset trading transactions or transactions that are designated, and qualify, as fair value hedges.

## 35.4 Fair value analysis

	31.12.25		31.12.24	
	Positive fair value US\$ millions	Negative fair value US\$ millions	Positive fair value US\$ millions	Negative fair value US\$ millions
Derivatives held for trading:				
Foreign exchange contracts	11.4	(13.4)	25.4	(23.1)
Interest rate contracts	437.8	(425.8)	631.8	(616.8)
Equity and commodity contracts	44.2	(44.0)	0.9	(0.7)
	<b>493.4</b>	<b>(483.2)</b>	<b>658.1</b>	<b>(640.6)</b>
Derivatives held for hedging:				
Foreign exchange contracts	44.7	-	51.9	-
Interest rate contracts	70.5	(12.9)	159.0	(3.8)
	<b>115.2</b>	<b>(12.9)</b>	<b>210.9</b>	<b>(3.8)</b>
<b>Amount included in other assets / (other liabilities)</b>	<b>608.6</b>	<b>(496.1)</b>	<b>869.0</b>	<b>(644.4)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**35 Derivatives and foreign exchange instruments** (continued)**35.5 Significant net open positions**

There were no significant derivative trading or foreign currency net open positions at either 31<sup>st</sup> December 2025 or at 31<sup>st</sup> December 2024.

**35.6 Hedge accounting**

The Group offers fixed rate liability and asset products to clients in the normal course of business. The interest rate received or paid is fixed for the term of the transaction, exposing the Group to interest rate risk during the life of the transaction.

In order to mitigate this interest rate market risk exposure, the Group uses interest rate swaps in one-to-one, one-to-many and many-to-many relationships. The derivative products effectively tie a floating interest rate to the fixed rate client transaction. The hedging item is executed at the same time that the client-related transaction, the hedged item, is booked.

Generally, the hedging item executed exactly matches the critical terms of the hedged item, that being the nominal value, currency, trade date and maturity date and hence the hedge ratio is expected to remain close to 100 per cent. The hedging relationship is generally highly effective because the critical terms of the instruments match at inception and will remain effective throughout the contractual term of the derivative until maturity. The critical terms are reviewed every reporting date to ensure that the match persists.

The Group's derivative instruments are also subject to credit risk. Credit risk can arise on both the hedging instrument and the hedged item in the form of counterparty credit risk or the Group's own credit risk. The Group mitigates its credit exposure through the use of master netting arrangements and collateral arrangements as set out in note 31.1 and credit risk is therefore, unlikely to dominate the change in fair value of such hedging instruments.

The hedging relationship is tested at each reporting date by comparing the fair value of the hedging instrument with that of the hedged instrument. If, as a result of the testing, there is a deviation to the hedge ratio then ineffectiveness is recognised in the consolidated statement of income. The hedging relationship is subsequently either rebalanced or discontinued in accordance with the Group's Board-approved policies and procedures.

**a) Fair value hedges**

The hedging instruments comprise hedges of fixed rate asset and fixed rate liability products with the following maturity profile:

	Year 1	Years 2 and 3	Years 4 and 5	Over 5 years	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>Notional amounts</b>					
<b>At 31<sup>st</sup> December 2025</b>					
Fixed rate asset products	1,722.7	1,001.0	1,124.5	1,958.0	5,806.2
Fixed rate liability products	1,827.2	189.3	653.9	-	2,670.4
<b>At 31<sup>st</sup> December 2024</b>					
Fixed rate asset products	798.6	1,557.9	1,015.5	1,460.8	4,832.8
Fixed rate liability products	1,447.6	20.0	500.0	-	1,967.6

Gains and losses recognised in the consolidated statement of income relating to fair value hedging relationships were as follows:

	31.12.25	31.12.24
	US\$ millions	US\$ millions
Net gain / (loss) on derivatives fair value hedging instruments	(117.8)	23.7
Net (loss) / gain on hedged items attributable to the hedged risk	117.8	(23.7)

The notional amount, fair values, and changes in fair values of hedging instruments used as the basis for recognising hedge ineffectiveness were as follows:

	Notional amount	Fair value	Changes in fair value
	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>			
<b>Financial assets</b>			
Interest rate contracts	7,037.1	98.4	(123.0)
<b>Financial liabilities</b>			
Interest rate contracts	1,439.5	(0.9)	5.2
	<b>8,476.6</b>	<b>97.5</b>	<b>(117.8)</b>
<b>At 31<sup>st</sup> December 2024</b>			
<b>Financial assets</b>			
Interest rate contracts	5,661.3	221.4	20.1
<b>Financial liabilities</b>			
Interest rate contracts	1,139.1	(6.1)	3.6
	<b>6,800.4</b>	<b>215.3</b>	<b>23.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202535 Derivatives and foreign exchange instruments (continued)

## 35.6 Hedge accounting (continued)

## a) Fair value hedges (continued)

The carrying amount, accumulative changes in fair values, and changes in fair values of hedging instruments for the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024 used as the basis for recognising hedge ineffectiveness were as follows:

	Notional amount	Fair value	Changes in fair value
	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>			
<b>Financial assets</b>			
Placements and securities purchased under agreement to resell	1,212.0	0.5	(2.7)
Loans and advances	143.7	(1.6)	4.9
Investment securities	4,450.5	(81.7)	128.4
	<b>5,806.2</b>	<b>(82.8)</b>	<b>130.6</b>
<b>Financial liabilities</b>			
Deposits and securities sold under agreement to repurchase	1,827.2	(1.3)	(0.8)
Senior term financing	843.2	(13.4)	(12.0)
	<b>2,670.4</b>	<b>(14.7)</b>	<b>(12.8)</b>
	<b>8,476.6</b>	<b>(97.5)</b>	<b>117.8</b>
<b>At 31<sup>st</sup> December 2024</b>			
<b>Financial assets</b>			
Placements and securities purchased under agreement to resell	916.2	3.2	2.5
Loans and advances	280.6	(6.5)	0.9
Investment securities	3,636.0	(210.1)	(19.2)
	<b>4,832.8</b>	<b>(213.4)</b>	<b>(15.8)</b>
<b>Financial liabilities</b>			
Deposits and securities sold under agreement to repurchase	1,327.6	(0.5)	(0.2)
Senior term financing	640.0	(1.4)	(7.7)
	<b>1,967.6</b>	<b>(1.9)</b>	<b>(7.9)</b>
	<b>6,800.4</b>	<b>(215.3)</b>	<b>(23.7)</b>

There were no ineffective portions of derivative fair value hedging transactions recognised in the consolidated statement of income in either the years ended 31<sup>st</sup> December 2025 or 31<sup>st</sup> December 2024.

## b) Cash flow hedges

Refer note 3.8 for accounting treatment on cash flow hedges.

The notional amount, fair values, and changes in fair values of hedging instruments used as the basis for recognising hedge ineffectiveness were as follows:

	Notional amount	Asset	Changes in fair value	Gain / (loss) recognised in OCI
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 31<sup>st</sup> December 2025</b>				
<b>Foreign exchange risk</b>				
FX swaps	1,161.9	44.7	79.5	79.5
IR swaps	343.2	(0.1)	(0.1)	(0.1)
	<b>1,505.1</b>	<b>44.6</b>	<b>79.4</b>	<b>79.4</b>
<b>At 31<sup>st</sup> December 2024</b>				
<b>Foreign exchange risk</b>				
FX swaps	656.7	51.9	51.9	51.9

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202535 Derivatives and foreign exchange instruments (continued)

## 35.6 Hedge accounting (continued)

## b) Cash flow hedges (continued)

The carrying amount, accumulative changes in fair values, and changes in fair values of hedging instruments used as the basis for recognising hedge ineffectiveness were as follows:

	31.12.25		31.12.24	
	Notional amount	Changes in fair value	Notional amount	Changes in fair value
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>Financial assets</b>				
Investment securities (debt securities at amortised cost)	1,161.9	79.5	656.7	51.9
Term Finance (at amortised cost)	343.2	(0.1)	-	-
	<b>1,505.1</b>	<b>79.4</b>	<b>656.7</b>	<b>51.9</b>

The impact of cash flow hedges on profit or loss and other comprehensive income were as follows:

	31.12.25	31.12.24
	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>1.9</b>	<b>-</b>
Gain recognised in OCI (effective portion)	79.4	51.9
Net amount reclassified to profit or loss:		
Amortisation of forward points	(44.4)	(20.8)
Foreign exchange translation	(38.2)	(28.5)
Taxation charge	0.8	(0.7)
<b>At 31<sup>st</sup> December</b>	<b>(0.5)</b>	<b>1.9</b>

36 Credit-related contingent items

Credit-related contingent items include commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated in accordance with the CBB's Basel 3 guidelines were as follows:

	31.12.25	31.12.24
	Notional principal amount	Notional principal amount
	US\$ millions	US\$ millions
Direct credit substitutes	1,228.3	1,379.1
Transaction-related contingent items	4,065.5	4,017.0
Short-term self-liquidating trade-related contingent items	960.1	893.3
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	2,191.1	2,326.7
	<b>8,445.0</b>	<b>8,616.1</b>

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities. At 31<sup>st</sup> December 2025, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US\$428.1 million (2024: US\$479.9 million).

Direct credit substitutes at 31<sup>st</sup> December 2025 included financial guarantees amounting to US\$810.1 million (2024: US\$690.0 million). Financial guarantees may be called on demand.

Provisions in relation to credit-related contingent items at 31<sup>st</sup> December 2025 amounted to US\$35.6 million (2024: US\$53.1 million). The movement in the provisions for expected credit losses during the year is as follows:

	31 <sup>st</sup> December 2025				31 <sup>st</sup> December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>9.4</b>	<b>3.8</b>	<b>39.9</b>	<b>53.1</b>	<b>6.9</b>	<b>6.2</b>	<b>36.5</b>	<b>49.6</b>
Transfer to stage 1	0.3	(0.3)	-	-	1.5	(1.5)	-	-
Transfer to stage 2	(0.1)	0.1	-	-	(0.2)	0.2	-	-
Transfer to stage 3	-	(0.3)	0.3	-	-	-	-	-
Exchange rate movements	0.1	-	0.1	0.2	-	-	(0.1)	(0.1)
Net remeasurement of ECL allowance	(2.6)	0.4	(15.5)	(17.7)	1.2	(1.1)	3.5	3.6
<b>At 31<sup>st</sup> December</b>	<b>7.1</b>	<b>3.7</b>	<b>24.8</b>	<b>35.6</b>	<b>9.4</b>	<b>3.8</b>	<b>39.9</b>	<b>53.1</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**37 Contingent liabilities and commitments**

The Bank and its subsidiaries are engaged in litigation in various jurisdictions. Such litigation involves claims by and against Group companies which have arisen in the ordinary course of business. The management of the Bank, after reviewing the claims pending against the Group companies and based on the advice of relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

**38 Capital adequacy**

The Group adopted the CBB Basel 3 capital adequacy framework with effect from 1<sup>st</sup> January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel 3 capital adequacy framework for banks incorporated in the Kingdom of Bahrain. The Group complied with all externally imposed capital requirements for the years ended 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024.

	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
<b>Regulatory capital base</b>		
CET 1	<b>3,707.1</b>	3,176.6
Additional Tier 1 capital	<b>295.1</b>	-
Total Tier 1 capital	<b>4,002.2</b>	3,176.6
Tier 2 capital	<b>389.1</b>	472.9
<b>Total capital base</b>	<b>4,391.3</b>	3,649.5
<b>Risk-weighted exposure</b>		
Credit risk-weighted exposure	<b>22,897.1</b>	21,429.9
Market risk-weighted exposure	<b>915.1</b>	941.1
Operational risk-weighted exposure	<b>1,218.4</b>	1,031.5
<b>Total risk-weighted exposure</b>	<b>25,030.6</b>	23,402.5
<b>Tier 1 risk asset ratio</b>	<b>16.0%</b>	13.6%
<b>Total risk asset ratio</b>	<b>17.5%</b>	15.6%

As at 31<sup>st</sup> December 2025, all banks incorporated in Bahrain are required to maintain a minimum capital adequacy ratio of 12.5% and a tier 1 ratio of 10.5%.

In accordance with the capital adequacy guidelines of the CBB, revaluation gains and losses arising on the remeasurement to fair value of derivative cash flow hedging transactions are excluded from tier 1 capital, while unrealised gains and losses arising on the remeasurement to fair value of debt and equity investment securities classified as fair value through other comprehensive income (FVOCI) are included in tier 1 capital.

The regulatory capital requirement for operational risk is calculated by the Group in accordance with the standardised approach. The regulatory capital requirement is calculated based on a range of beta coefficients, ranging from 12 to 18 per cent, applied to the average gross income for the preceding three financial years for each of eight predefined business lines.

The total Tier 1 capital has increased compared to the prior period primarily due to issuance of AT1 by subsidiary (note 44), accumulation of profits and full inclusion of capital contributed by the majority shareholder across all subsidiaries of the Group.

**39 Fiduciary activities**

The Group conducts investment management and other fiduciary activities on behalf of clients. Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly have not been included in the consolidated financial statements. The aggregate amount of the funds concerned at 31<sup>st</sup> December 2025 was US\$7,174.4 million (2024: US\$8,193.4 million).

The Group acts as fund manager to a number of investment funds. In its capacity as fund manager, the Group is entitled to performance and management fees. The Group maintains an investment in the funds.

The maximum exposure to loss is equal to the carrying amount of the investment in the funds, which at 31<sup>st</sup> December 2025 amounted to US\$312.2 million (2024: US\$321.1 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 202540 Related party transactions

The Group enters into transactions with major shareholders, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length. All the loans and advances to related parties are performing and are subject to ECL assessments.

The income, expense and the period end balances in respect of related parties included in the consolidated financial statements were as follows:

	Shareholders	Affiliates	Directors and senior management	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>As at 31 December 2025</b>				
Cash and other liquid assets	-	0.8	-	0.8
Placements	-	352.3	-	352.3
Investment securities	-	930.6	-	930.6
Loans and advances	-	2,524.1	19.1	2,543.2
Other assets	-	58.1	-	58.1
Deposits	3,073.5	2,293.3	23.1	5,389.9
Other liabilities	2.2	423.4	-	425.6
Senior term financing	-	1,025.7	-	1,025.7
Commitments and contingent liabilities	-	1,146.1	4.8	1,150.9

**For the year ended 31 December 2025**

Net interest (expense) / income	(61.2)	18.4	-	(42.8)
Fee and commission income	0.4	6.9	-	7.3
Net trading and foreign exchange income	-	(0.4)	-	(0.4)
Short term employee benefits	-	-	(41.4)	(41.4)
Post-employment benefits	-	-	(2.2)	(2.2)
Long-term incentive plan	-	-	(3.7)	(3.7)
Directors' fees and related expenses	-	-	(4.5)	(4.5)

	Shareholders	Affiliates	Directors and senior management	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>As at 31 December 2024</b>				
Cash and other liquid assets	-	0.3	-	0.3
Placements	-	1,215.0	-	1,215.0
Investment securities	-	590.0	-	590.0
Loans and advances	-	1,517.0	22.1	1,539.1
Other assets	2.3	199.5	-	201.8
Deposits	2,041.8	3,570.6	21.1	5,633.5
Other liabilities	-	-	-	-
Securities sold under agreements to repurchase	0.2	50.0	-	50.2
Senior term financing	-	979.9	-	979.9
Commitments and contingent liabilities	-	1,214.5	2.9	1,217.4

**For the year ended 31 December 2024**

Net interest expense	(76.1)	(53.0)	-	(129.1)
Fee and commission income	2.3	6.5	-	8.8
Net trading and foreign exchange income	-	2.4	-	2.4
Other income	-	0.4	-	0.4
Short term employee benefits	-	-	(39.7)	(39.7)
Post-employment benefits	-	-	(2.2)	(2.2)
Long-term incentive plan	-	-	(1.5)	(1.5)
Directors' fees and related expenses	-	-	(5.0)	(5.0)

Senior management personnel comprise the Group Chief Executive Officer and other executive officers of the Group.

Post-employment benefits principally comprise compensation paid to personnel on retirement or resignation from the services of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**41 Fair value of financial instruments**

The Group's financial instruments are accounted for under the historical cost method with the exception of investment securities at FVTPL, investment securities at FVOCI, derivative financial instruments and financial instruments hedged for fair value, which are accounted for at fair value. The fair value represents 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. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices (level 1 measurement) or to the pricing prevailing for similar financial instruments (level 2 measurement) and the use of unobservable inputs in estimation techniques such as discounted cash flow analysis (level 3 measurement).

The valuation methodologies for different types of financial instruments applied are outlined below.

**41.1 Investment securities**

The fair values of equity investment securities are based on quoted prices (level 1) or valuation techniques (level 2 or 3). The fair values of debt investment securities are based on quoted market prices (level 1). At 31<sup>st</sup> December 2025, the fair value of investment securities at amortised cost amounted to US\$10,032.6 million (31<sup>st</sup> December 2024: US\$7,304.1 million).

**41.2 Loans and advances**

The fair values (level 2) of loans on a floating interest rate basis are principally estimated to approximate their book values. The fair values (level 3) of impaired loans are estimated at the recoverable amount, measured as the present value of expected future cash flows discounted based on the interest rate at the inception of the loan. The fair values of fixed rate loans are estimated on a discounted cash flow basis utilising discount rates equal to prevailing market rates of interest in the respective currencies for loans of similar residual maturity and credit quality. At 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the fair values (level 2) approximate the carrying values.

**41.3 Term financing**

The fair value of term financing is based on observable market data, including quoted market prices for debt instruments issued by similarly rated financial institutions and with similar maturities, or estimated on a discounted cash flow basis utilising currently prevailing spreads for borrowings with similar maturities. At 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the fair values (level 2) of senior and subordinated term financing approximate the carrying values.

**41.4 Other on-balance sheet financial items**

The fair values of foreign exchange and derivative financial instruments are valued using market standard techniques and using market inputs, discounted cash flow techniques or option pricing models as appropriate. At 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2024, the fair values of all other financial on-balance sheet assets and liabilities approximate their respective book values due to their short-term nature.

**41.5 Credit-related contingent items**

There was no material fair value excess or shortfall in respect of credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams reflected contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity. Impairment provisions made in respect of individual transactions where a potential for loss has been identified are included in provisions for the impairment of other liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**41 Fair value of financial instruments** (continued)**41.6 Valuation basis**

The valuation basis for financial assets and financial liabilities carried at fair value was as follows:

	Quoted prices (level 1) US\$ millions	Valuation based on observable market data (level 2) US\$ millions	Other valuation techniques (level 3) US\$ millions
<b>At 31<sup>st</sup> December 2025</b>			
Financial assets:			
Investment securities - FVTPL	139.8	190.3	-
Investment securities - FVOCI	706.0	-	18.4
Derivative financial instruments	-	608.6	-
Financial liabilities:			
Derivative financial instruments	-	496.1	-
<b>At 31<sup>st</sup> December 2024</b>			
Financial assets:			
Investment securities - FVTPL	327.9	0.5	-
Investment securities - FVOCI	195.7	-	15.5
Derivative financial instruments	-	869.0	-
Financial liabilities:			
Derivative financial instruments	-	644.4	-

**Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

**Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Transfers between level 1 and level 2**

There were no transfers between level 1 and level 2 during the year ended 31<sup>st</sup> December 2025 (2024: nil).

Sensitivity of the movement in the fair value of financial instruments in the level 3 category is assessed as not significant to statement of income or other comprehensive income or total equity.

The movements in the level 3 category is as follows:

	31.12.25 US\$ millions	31.12.24 US\$ millions
<b>At 1<sup>st</sup> January</b>	<b>15.5</b>	16.1
Purchases	4.0	0.2
Fair value movement	(1.1)	(0.8)
<b>At 31<sup>st</sup> December</b>	<b>18.4</b>	15.5

**42 Earnings per share**

Basic earnings per share are calculated by dividing the net income attributable to the shareholders by the weighted average number of shares in issue during the year.

	31.12.25	31.12.24
Net income attributable to shareholders of the Bank (US\$ millions)	169.1	134.8
Weighted average number of shares in issue (millions)	2,000	2,000
<b>Basic earnings per share (US cents)</b>	<b>8.46</b>	6.74

The diluted earnings per share is equivalent to the basic earnings per share set out above.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**43 Material subsidiaries**

The material subsidiary companies were as follows:

	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
			<u>31.12.25</u>	<u>31.12.24</u>
Gulf International Bank - Saudi Arabia C.J.S.C.	Wholesale commercial and retail banking	Saudi Arabia	<b>50%</b>	50%
Gulf International Bank (UK) Limited	Asset management and treasury	United Kingdom	<b>100%</b>	100%
GIB Markets Limited	Treasury-related	Cayman Islands	<b>100%</b>	100%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**44 Non-controlling interest**

The non-controlling interest arose on the purchase by the Bank's majority shareholder, the Public Investment Fund, of 50 per cent of the shares issued on the incorporation of Gulf International Bank - Saudi Arabia on 3<sup>rd</sup> April 2019, a new subsidiary of the Bank.

The activities of the Bank in the Kingdom of Saudi Arabia were previously conducted through a foreign branch of the Bank. On 3<sup>rd</sup> April 2019, the foreign branch was converted to a Saudi closed joint stock company, Gulf International Bank - Saudi Arabia. Upon the incorporation of the Saudi closed joint stock company, the net assets of the foreign branch were converted to Gulf International Bank - Saudi Arabia. Gulf International Bank - Saudi Arabia was incorporated with an issued and fully paid share capital of SAR 7.5 billion that was equally subscribed by the Bank, and the Bank's majority shareholder, the Public Investment Fund (PIF). PIF's investment in the share capital of Gulf International Bank - Saudi Arabia is designated as a non-controlling interest in the Group.

The summarised financial information of the subsidiary is provided below. The information is based on amounts before inter-company eliminations.

**Summarised statement of financial position**

	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
Total assets	<b>17,059.5</b>	15,456.8
Total liabilities	<b>14,383.5</b>	13,374.8
Additional Tier 1 capital	<b>500.2</b>	-
<b>Total equity excluding the additional Tier 1 capital</b>	<b>2,175.8</b>	2,082.0
<b>Equity attributable to non-controlling interest</b>	<b>1,588.1</b>	1,041.0
	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
Total income	<b>410.5</b>	390.2
Total operating expenses	<b>(249.4)</b>	(242.2)
Provision charge	<b>(46.5)</b>	(35.7)
Zakat charge	<b>(21.5)</b>	(21.5)
Net income	<b>93.1</b>	90.8
Net income attributable to non-controlling interest	<b>46.6</b>	45.4
<b>Total comprehensive income</b>	<b>96.1</b>	82.0
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>48.1</b>	41.0

**Summarised statement of cash flows**

	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
Cash flows from operating activities	<b>(238.1)</b>	1,873.3
Cash flows from investing activities	<b>(995.1)</b>	(400.4)
Cash flows from financing activities	<b>500.2</b>	-
<b>Net movement in cash and cash equivalents</b>	<b>(733.0)</b>	1,472.9

**Additional Tier 1 Capital**

Gulf International Bank - Saudi Arabia C.J.S.C. ("GIB KSA") has established a USD 1.5 billion Additional Tier 1 Capital Note Programme, under which USD 500 million of unsecured and deeply subordinated Additional Tier 1 perpetual capital notes were issued following approval by the regulatory authority and the Board of Directors of GIB KSA; these notes are perpetual securities with no fixed redemption or maturity date and are classified as equity, with distributions payable on each distribution date unless GIB KSA, at its sole discretion and subject to applicable regulatory requirements and Saudi Central Bank (SAMA) approval, elects not to make such distributions, which non-payment is not considered an event of default and the unpaid amounts are non-cumulative, while the notes are callable at the GIB KSA's option at specified dates subject to SAMA approval, are subject to permanent write-down upon the occurrence of a non-viability event as determined by SAMA, and issuance costs related to these notes have been directly deducted from equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2025**45 Average consolidated statement of financial position**

The average daily consolidated statement of financial position was as follows:

	<b>31.12.25</b>	31.12.24
	<b>US\$ millions</b>	US\$ millions
<b>ASSETS</b>		
Cash and other liquid assets	11,996.6	16,497.4
Securities purchased under agreements to resell	790.4	1,130.0
Placements	5,753.0	6,234.8
Investment securities	9,466.0	7,492.8
Loans and advances	15,781.0	13,820.5
Other assets	1,548.9	1,726.9
<b>Total assets</b>	<b>45,335.9</b>	<b>46,902.4</b>
<b>LIABILITIES</b>		
Deposits from banks	1,669.5	1,203.0
Deposits from customers	30,362.3	33,536.0
Securities sold under agreements to repurchase	2,089.6	1,126.3
Other liabilities	1,496.2	1,680.8
Senior term financing	5,585.1	5,480.2
Subordinated term financing	399.9	399.8
<b>Total liabilities</b>	<b>41,602.6</b>	<b>43,426.1</b>
<b>Total equity</b>	<b>3,733.3</b>	<b>3,476.3</b>
<b>Total liabilities &amp; equity</b>	<b>45,335.9</b>	<b>46,902.4</b>

**46 Shariah compliant assets and liabilities**

The Islamic banking activities of the group are conducted in accordance with Islamic Shari'a principles, as approved by the Shari'a Supervisory Board. The consolidated financial statements extracts relating to these activities are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), IFRS and Central Bank of Bahrain regulations, as applicable. The principal accounting policies are set out below:

*Investments - sukuk (Debt-type instruments at amortised cost)*

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

*Wakala*

An agreement whereby one party provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in the case of default, negligence or violation of any of the terms and conditions of the Wakala.

*Commodity Murabaha*

These are sales transaction agreements for commodities stated net of deferred profits and provision for impairment. The Group considers the promise made in the murabaha to the purchase order as obligatory.

*Revenue recognition*

Revenue is recognised on the above Islamic products as follows:

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Income from investments is recognised when earned.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31<sup>st</sup> December 2025**46 Shariah compliant assets and liabilities (continued)**

The Shariah compliant assets and liabilities included in the consolidated statement of financial position were as follows:

	<b>31.12.25</b>	<u>31.12.24</u>
	<b>US\$ millions</b>	<b>US\$ millions</b>
<b>ASSETS</b>		
Placements	<b>423.9</b>	981.1
Investment securities	<b>2,939.9</b>	2,694.5
Financing facilities	<b>5,639.7</b>	5,601.1
<b>LIABILITIES</b>		
Deposits from banks and customers	<b>4,739.7</b>	4,572.3
Term financing	<b>1,778.0</b>	1,388.9

The Group reviews its Sharia Compliant assets and liabilities gap on a monthly basis and ensures at all times that there is sufficient sharia compliant assets that cover sharia compliant liabilities. The Group does not commingle funds relating to Islamic financial services with funds relating to conventional financial services.

Total provisions at 31<sup>st</sup> December 2025 of US\$57.6 million (2024: US\$119.2 million) included US\$14.0 million (2024: US\$16.7 million) of provisions for stage 1 Islamic financing, US\$17.6 million (2024: US\$13.5 million) of provisions for stage 2 Islamic financing and US\$26.0 million (2024: US\$89.0 million) of provisions against non-performing Islamic financing.

	<b>31.12.25</b>	<u>31.12.24</u>
	<b>US\$ millions</b>	<b>US\$ millions</b>
<b>Income from financing activities</b>		
Net profit from Islamic financing	<b>192.7</b>	175.7
Net fee and commission income	<b>10.0</b>	15.4
Other profit	<b>4.3</b>	2.3