بنك السلام
Al Salam Bank

Building More Success

Annual Report 2024

His Royal Majesty
King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Prime Minister

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Statistics

No of Branches • 20

750 • Headcount

Awards won • 7

88 • ATM

Corporate Overview

Establishing its headquarters in the Kingdom of Bahrain in 2006, Al Salam Bank has since cemented its reputation as the fastest growing Bank in the Kingdom and a highly influential force in the Islamic banking industry on a regional level. Leveraging on its robust financial standing as the industry's strongest in asset capital, the Bank has a proven track record in risk mitigation and effectively shifting to market dynamics, through its agile and aggressive growth strategy.

The Bank has adopted a digital-first mindset to meet the modern-day needs of its clientele, delivering curated financial solutions and a seamless, transformative customer experience. Harnessing the power of data-backed insights and state-of-art technology, Al Salam Bank offers a comprehensive range of innovative and unique Shari'a-compliant financial products and services through its extended network of branches and ATMs. In addition to its diverse range of retail banking services, the Bank also provides corporate banking, private banking, asset management, international transaction banking as well as treasury services.

Al Salam Bank's competitive edge lies in its unrivalled approach to nurturing client relationships, fuelled by a deeply-rooted ethos in humanizing the customer journey through personalization, convenience, and efficiency, creating a refined and rewarding client experience. The Bank prides itself on its solution-oriented philosophy, curating tailored solutions with its clients' financial needs at the epicenter of everything they do.

With a Bahrainization rate of 92%, Al Salam Bank considers its people to be its most valued asset. The Bank has prioritized the wellbeing of its human capital, empowering them with the requisite tools, training and opportunities to create an inspired workforce dedicated to the pursuit of excellence. Championing a highly energetic and collaborative work environment, Al Salam Bank fosters a culture of innovation which celebrates collective achievements.

Encouraging a socially responsible culture from within to drive positive change, the Bank is committed to supporting the social and financial wellbeing of the community in which it resides. Driven by the shared passion of its people to form deep relationships with clients, the Bank aims to create solutions to help its customers meet their financial goals in a sustainable manner.

Our Brand Promise

We nurture relationships by enriching experiences.

Mission

We are empowered by our human desire to make a difference

We are passionate by nature in all that we do

We have an innovative and solution-driven mindset

We are dedicated to the pursuit of excellence across all fronts


BUILDING
MORE
OPPORTUNITIES
#WhyStopHere

Financial Highlights

Net Profit (Million)

BD **69.501** (USD **184.353**) 2024

BD **48.178** (USD **127.793**) 2023

BD **33.070** (USD **87.719**) 2022

BD **21.224** (USD **56.297**) 2021

BD **9.118** (USD **24.186**) 2020

Net Operating Income (Million)

BD **197.076** (USD **522.748**) 2024

BD **145.209** (USD **385.170**) 2023

BD **96.396** (USD **255.692**) 2022

BD **66.737** (USD **177.021**) 2021

BD **57.420** (USD **152.308**) 2020

Total Equity (Million)

BD **593.381** (USD **1,573.955**) 2024

BD **408.660** (USD **1,083.952**) 2023

BD **337.365** (USD **894.841**) 2022

BD **297.000** (USD **787.798**) 2021

BD **281.167** (USD **745.801**) 2020

Total Assets (Million)

BD **7,062.778** (USD **18,734.159**) 2024

BD **5,147.110** (USD **13,652.812**) 2023

BD **3,899.361** (USD **10,343.133**) 2022

BD **2,685.000** (USD **7,122.016**) 2021

BD **2,261.353** (USD **5,998.284**) 2020

Cost to income ratio (Percentage)

50.7% 2024

47.9% 2023

52.5% 2022

49.4% 2021

49.8% 2020

Earning Per Share (Fils)

Fils **20.723** 2024

Fils **16.300** 2023

Fils **12.800** 2022

Fils 8.**800** 2021

Fils **3.900** 2020

Operational Highlights

Strategy & Planning

The Bank successfully completed the acquisition and integration of Kuwait Finance House-Bahrain (KFH-Bahrain) in less than six months — marking the fastest banking transition in the region. The Group also launched ASB Capital, its dedicated asset management arm.

The Bank reported a 39.8% increase in net income attributable to shareholders to BD 59 million, with total assets reaching BD 7.06 billion and customer deposits growing 41.7% to BD 4.95 billion.

Retail Banking

Liabilities recorded a 64% increase, fueled by a 66% rise in Current and Savings Accounts, a 59% increase in the Danat Savings Scheme, and a 61% increase in Wakala deposits.

The Bank enriched its card offerings through strategic partnerships, exclusive rewards, and merchant discounts, contributing to a remarkable 149% surge in average monthly Credit Card spending. Bahrain.

Following the acquisition of KFH-Bahrain, a seamless client migration was achieved, optimizing branch operations and revamping seven locations, expanding the Bank's total network to 21 branches.

Private Banking

Liabilities increasing by 44.6% year-on-year, driven by the successful onboarding of regional and international clients.

Corporate Banking

The financing portfolio increased by 66% during the year, driven by large syndication transactions.

Participation in cross-border syndicated transactions with GCC sovereign entities.

Treasury and Financial Institutions

The successful arrangement and structuring of the Bank's first private placement of Additional Tier 1 Capital (AT1).

Grow and diversify the fixed income portfolio by 44% where the total book reached BD 1.41 billion, driven by strategic Sukuk acquisitions of over BD 222 million, leverage prudent funding strategies to strengthen liquidity and profitability.

International Transaction Banking

Delivered exceptional performance, marked by strong growth across trade, funding, and client acquisition. ITB executed over BD 2.56 billion in trade finance-related FX transactions - a 30% year-on-year increase - supported by expanded client onboarding and new market penetration.

Remained a cost-effective funding source, with over 35% of its portfolio comprised of CASA accounts. Trade Structured Funding portfolio also grew during the year with a facility booking of BD 73.5 million (US$ 200 million), with further bookings in the pipeline for H1 2025.

Digital Channels & Innovation

The Bank's digital channels focused on two key objectives: scaling up the business contributions from existing services, and enhancing digital experiences to drive adoption.

40% increase in digital Wakala placements, a personalized AI-driven financial review for clients, the largest data-driven project undertaken by any bank in Bahrain, leveraging over 12 million data points. The initiative resulted in more than 27,000 client interactions and over 4,000 completed reviews. Digital personal finance also performed exceptionally well. Notably, 22% of these bookings were completed via AI-driven sales, enhancing the retail portfolio by 20% through top-ups.

Operations

The automation and digitalization of client service requests from all branches and the Bank's new in-house contact center, Al Salam Connect. The digital solution includes specific workflows, which automatically categorize and direct client requests to specific units within the department for swift action.

The automation of retail remittances, whereby clients can benefit from special FX rates under an STP approach that seamlessly integrates branches with Treasury and operations.

Information Technology

The IT department successfully delivered over 90 projects and more than 500 system enhancements, underpinning the Bank's digital transformation and operational excellence.

The integration of KFH Bahrain into the Bank's platforms within six months, which involved consolidating systems, upgrading infrastructure, and facilitating transactions across all banking channels without disruption.

Human Resources

A comprehensive digital onboarding process for the new employees from KFH-Bahrain was successfully developed and launched within just two weeks.

Brand, Marketing and Corporate Communications

The Brand, Marketing and Corporate Communications Department effectively led internal and external communications related to the strategic acquisition of KFH-Bahrain.

The Bank successfully developed and executed a comprehensive branding strategy for the launch of ASB Capital, its asset management arm.

Spearheaded the end-to-end branding and market launch of ONE, the Bank's innovative open banking application.

Board of Directors

H. E. Shaikh Khalid bin Mustahail Al Mashani

Chairman
Non-executive

Director since: 5 May 2014
Current Term started: 31 March 2024
Experience: more than 29 years

His Excellency Shaikh Khalid AlMashani has over 29 years of experience and holds several important managerial positions. He is the Chairman of the Board of Directors of Al Salam Bank, the Solidarity Group Holding and Solidarity Bahrain in the Kingdom of Bahrain, as well as Chairman of Bank Muscat S.A.O.G. and Dhofar International Development & Investment Holding Company S.A.O.G. in Sultanate of Oman. Additionally, H.E. Shaikh Khalid Al Mashani is also Director of Al Omaniya Financial Services Company, Dhofar Food and Investment Co S.A.O.G. in Sultanate of Oman and Maalem Holding in the Kingdom of Bahrain.

H.E. Shaikh Khalid Al Mashani holds a Bachelors Degree in Economics, and a Masters Degree in International Boundary Studies from the School of Oriental & African Studies, from the University of London.

Mr. Matar Mohamed Al Blooshi

Deputy Chairman
Non-executive

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 30 years

Mr. Matar Mohamed Al Blooshi has over 30 years of experience in the financial sector and fund management industries. Beginning his career in 1992 with the Central Bank of the United Arab Emirates as a Dealer in the Treasury department, he then joined Abu Dhabi Investment Company as a Portfolio Manager in 1995. In 1998, he advanced his career and joined First Gulf Bank as the Head of Treasury & Investment, moving to National Bank of Abu Dhabi in 2001 as Head of Foreign Exchange and Commodities.

In February 2005, Mr. Matar Al Blooshi became the Head of Domestic Capital Market Group and the General Manager of Abu Dhabi Financial Services (a subsidiary of National Bank of Abu Dhabi) and was given the title of Senior Manager, Asset Management Group in October 2006. Mr. Matar Al Blooshi is Group Chief Investment Officer at Das Holding LLC, a Member of the Board of Directors of Al Salam Bank and member of SAYACORP in Bahrain, Etisalat Misr, Air Arabia, Chief investment officer and Member of Emirates Strategic Investment Company in Emirates.

Mr. Matar Al Blooshi holds a Bachelor's degree in Banking & Financial Management from University of Arkansas in the United States.

Mr. Salman Saleh Al Mahmeed

Board Member
Non-executive

Director since: 15 February 2010
Current Term started: 31 March 2024
Experience: more than 37 years

Mr. Salman Saleh Al Mahmeed has over 37 years of experience. He currently holds the following positions: Chairman of Burj Al Jewar and Burj Al Safwa, Vice Chairman of Solidarity Bahrain and Vice Chairman of Dar Albilad, and Chairman of Coca Cola Bottling Company Bahrain. He is also a Board member of the Ritz Carlton Bahrain and Owner's Representative of Global Express and the Movenpick Hotel in Bahrain.

Previously, Mr. Salman AlMahmeed served as a Board Member and a member of the Executive committee, Investment committee and Strategy committee at the Bahraini Saudi Bank. He also held the position of CEO of Bahrain Airport Services and was the Investment Director at Magna Holdings.

Mr. Salman Al Mahmeed holds a Master's degree in Business Administration, a Diploma in Hotel Management and a Bachelor's degree in Management.

Mr. Salim Abdullah Al Awadi

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 35 years

Mr. Salim Abdullah Al Awadi holds various positions in several companies. He is the Board member of Al Salam Bank Bahrain, Board member of Al Salam Bank Seychelles Board member of Al Salam Bank Algeria and the Deputy CEO of Al Omaniya Financial Services S.A.O.G., Oman. He is also Director of Dhofar International Development & Investment Holding S.A.O.G., Oman. Chairman of Dhofar Poultry S.A.O.C., Oman and Chairman of Rital Travel LLC, Oman.

Mr. Salim Al Awadi holds a Bachelor's Degree in Business Administration, a Post Graduate Diploma in Accounting from Strathclyde University, UK and an MBA from Lincoln University, UK.

Board of Directors (continued)

Mr. Zayed Ali Rashid Al-Amin

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 26 years

Mr. Zayed Al-Amin is a Bahraini Businessman with over 26 years of experience in the finance and investment sectors. Currently serving as Executive Director of Investments at Ali Rashid Al-Amin Group, he is also a Board Member of various organizations including Board Member of Al Salam Bank, Vice Chairman of Solidarity Group Holding, Board Member of Esterad Investment Co., Board Member of Gulf African Bank "Kenya", Board Member of SAYACORP. And a former Board Member of MIDAD Gulf Energy, Board Member of RAMAKAZA Logistics "Qatar" and Board Member of Food Storage Co. Ltd. "KSA". Prior to his current responsibilities at Al-Amin Group, he worked for National Bank of Bahrain and Towry Law International, and Bahrain Gourmet as a Chairman.

Mr. Zayed Al-Amin holds a Post Graduate Degree in Finance and Investment from the London School of Business & Finance. He has also attended many executive courses in management, finance and investment.

Mr. Alhur Mohammed Al Suwaidi

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 20 years

Mr. Alhur Mohammed Al Suwaidi is a well-rounded investment strategist with over 20 years of experience in investments, portfolio management in both listed and private equities. He currently holds the position as a Director in Al Salam Bank in the Kingdom of Bahrain, and also a Director in Al Salam Bank Seychelles.

Beginning his career in 2004, Mr. Alhur Al Suwaidi held senior positions at Abu Dhabi Investment Authority (ADIA), UAE. as a Portfolio Manager, Fund Manager and Investment Manager. He also served in a number of Advisory Boards of General Partners and International Private Equity Firms which includes Leonard Green and Partners, The Blackstone Group, Carlyle Group, Apollo Global Management, Ares Management and Silver Lake Partners and Chairman of BHM Capital in UAE.

Mr. Alhur Al Suwaidi holds a Bachelor degree in Business Administration from Chapman University, California, USA.

Mr. Hisham Al-Saie

Board Member
Independent

Director since: 17 March 2021
Current Term started: 31 March 2024
Experience: more than 26 years

Mr. Hisham Al Saie is the Chief Executive Officer of Star Capital W.L.L in the Kingdom of Bahrain, bringing over 26 years of experience across financial investments, real estate asset management and development, corporate finance, and start-up ventures. He holds an MBA from the London Business School and has completed the INSEAD YMP Executive Management Program. Additionally, he earned a BA in Accounting from the University of Texas.

Beyond his executive role at Star Capital, Mr. Al Saie is currently a member of the Board and Executive Committee at Al Salam Bank. He also serves as Board member of McLaren Group Limited where he is a member of the Board Audit and Risk Committee and the Chairman of the Board Remuniration Committee. In addition, he is a member of the Board at Investcorp Holdings B.S.C where he contributes as a member of the Board Nomination & Remuneration Committee.

Furthermore, he is a Board member at Solidarity Group, where he holds the position of the Chairman of the Board Audit Committee. Prior to his current position, Mr. Al Saie served as Deputy CEO at Premier Group for approximately 18 years, primarily overseeing the group's investment portfolio as Chief Investment Officer. During his time at Premier Group he held several non- Executive directorship positions in companies such as Diyyar Al-Muharraq, Bahrain Bay and Al-Khaleeji Bank - Qatar. Before joining Premier Group, he was the Head of Corporate Finance at SICO Investment Bank, where he was instrumental in structuring key equity and debt capital market transactions across the region. His earlier professional experience includes roles at BDO Jawad Habib, PricewaterhouseCoopers, and Arthur Andersen.

Mr. Tariq Abdul Hafidh Salim Al- Aujaili

Board Member
Independent

Director since: 17 March 2021
Current Terms started: 31 March 2024
Experience: more than 23 years

Mr. Tariq Al-Aujaili has over 23 years of experience in the financial sector. He currently holds the following positions: Board Member at Al Salam Bank, Vice Chairman at Dhofar International Development and Investment Holding Co. SAOG, Dhofar Insurance SAOG and Oman Investment and Finance Co. SAOG. Additionally, Mr. Tariq serves as a Board member at Bank Dhofar SAOG, Solidarity Bahrain and Chairman at Garden Hotel, Muscat, Oman.

Mr. Tariq Al-Aujaili holds a bachelor's degree in accounting and financial studies from the London School of Economics and Political Science.

Board of Directors (continued)

Mr. Ahmed Habib Ahmed Kassim

Board Member
Independent

Director since: 31 March 2024
Current Term started: 31 March 2024
Experience: more than 21 years

Mr. Ahmed Kassim brings over 21 years of experience, having served in various prestigious organizations in the Kingdom of Bahrain. He is currently a Board Member of Al Salam Bank and serves as the Chairman of Quality Wire Products.

Mr. Kassim holds the position of Vice President at Century 21 – Bahrain. He is also a Board Member at several other esteemed institutions, including Habib Ahmed Kassim & Sons, Al Mahd Day Boarding School, Solidarity Bahrain, and Banz Group.

Mr. Ahmed Kassim earned a Bachelor's degree in Economics and Finance from Bentley College in Boston, Massachusetts.

Mr. Khalid Salem Al Halyan

Previous Board Member
Independent

Director since: 24 February 2015
Current Term ended: 31 March 2024
Experience: more than 42 years

Mr. Khalid Salem Al Halyan is a business professional with over 41 years of senior level experience spanning a number of industries. Mr. Khalid Al Halyan is currently the Group Chief Audit Executive at Dubai Aviation City Corporation (DACC). His career has seen him hold senior positions at the UAE Central Bank, the Department of Economic Development (DED), Dubai, and in the aviation industry where he played a key role in the establishment of the new Dubai Airport Free Zone (DAFZA) and head up the Finance Department, before moving on to establish the Group Internal Audit and Risk Assessment (GIARA) function at DACC.

Mr. Khalid Al Halyan has also supported the establishment of DED, Emaar Properties, the UAE Internal Audit Association, the UAE Golf Association and restructured projects for DUBAL, Dubai World Trade Centre, Dubai Civil Aviation, UAE Central Bank Banking Supervision, and realized the construction of a new facility for the Al Noor Special Needs Centre in Dubai. He currently serves as Vice President of the UAE Internal Audit Association (affiliated to the Institute of Internal Auditors (IIA), USA), is Chairman of Al Noor Special Needs Centre in Dubai, Chairman of Emaar South, Dubai, Board Member of Amlak Real Estate and member at the Board of Trustees of American University in the Emirates.

Mr. Khalid Al Halyan holds an MBA degree from Bradford University in the UK, and a BBA from the UAE University, Al Ain.

Fatwa & Shari'a Supervisory Board

Sheikh Adnan Abdullah Al Qattan
Chairman

Sheikh Adnan Al Qattan holds Master's degree in the Quran and Hadith from the University of Um Al-Qura, Makka, Kingdom of Saudi Arabia; and Bachelor's degree in Islamic Shari'a from the Islamic University, Madeena, Saudi Arabia. Shaikh Al Qattan is also a Judge in the Supreme Sharia Court of Appeals, Ministry of Justice – Kingdom of Bahrain. Shaikh Al Qattan is a Member of Shari'a Supervisory Boards for several Islamic banks, and he is also Chairman of Al Sanabil Orphans Protection Society, Chairman of the Board of Trustees of the Royal Charity Establishment under the Royal Court – Kingdom of Bahrain, and President of the Kingdom of Bahrain Hajj Mission. In addition, he is a Friday sermon orator at Al Fateh Grand Mosque.

Shaikh Al Qattan contributed to drafting the Personal Status Law for the Ministry of Justice and is a regular participant in Islamic committees, courses, seminars and conferences.

Dr. Fareed Yaqoub Al Meftah
Member

Dr. Fareed AlMuftah is the Undersecretary – Court of Cassation, Supreme Judicial Council – Bahrain, the Former Undersecretary of the Ministry of Justice & Islamic Affairs – Bahrain, member of the Supreme Council of Islamic Affairs and a former judge of the high Shari'a Court. Dr. Fareed is the Chairman of the Shari'a Supervisory Board of Khaleeji Commercial Bank (KHCB) and a former Lecturer at the University of Bahrain and wrote a lot of research papers. Dr. Fareed holds PhD in Islamic Philosophy from University of Edinburgh – United Kingdom.

Dr. Nedham Mohammed Yaqoobi
Member

Sheikh Dr. Nedham Mohammed Yaqoobi is an internationally acclaimed Shari'a scholar in the Islamic banking industry. He has a background in both Traditional Islamic sciences with senior scholars from different parts of the Muslim World. He holds a PhD in Islamic studies also a degree from McGill University in Canada. Sheikh Nedham has taught Islamic Subjects in Bahrain and lectured all over the world. He is a member of many International Boards: the Shari'a Council of AAOIFI, Dow Jones Islamic Index, Central Bank of Bahrain Shari'a Committee and IIFM Shari'a Council. He is also a member of several local and International Shari'a Boards. Sheikh Nedham has edited several Arabic manuscripts and has more the 500 audiovisual lectures and lessons in both Arabic and English.

Dr. Osama Mohammed Bahar
Member

Sheikh Dr. Osama Mohammed Bahar is a recognized Shari'a scholar in Islamic banking and financing. He has extensive experience in the structuring of financial and Islamic products and Islamic contracts, in addition to his contributions to a number of research papers on Islamic finance and banking. Sheikh Osama Bahar holds a bachelor's degree from Prince Abdul Qader University for Islamic Studies in Algeria and he has a Master's degree in the Islamic economy from 'Al Awzai University' in Lebanon and PhD in Islamic Financial Engineering from Islamic University of Europe. He is also a member of many Shari'a Supervisory Boards.

Executive Management

Mr. Rafik Nayed

Group Chief Executive Officer

Experience: more than 32 years

Mr. Rafik Nayed is a seasoned banker with over 32 years of experience. He joined Al Salam Bank from Deutsche Bank where he held several positions, including Vice Chairman of the MENA region, Chief Country Officer for the UAE and Senior Executive Officer of Deutsche Bank AG Dubai (DIFC). Before joining Deutsche Bank, Mr. Nayed was the Chief Executive Officer of the Libyan Investment Authority and prior to that worked for many years in the oil and gas and financial services industries in a variety of senior international positions. He currently serves as the Chairman of Gulf African Bank, Chairman of Al Salam Bank Algeria, Managing Director of ASB Capital (DIFC), and Board Member of Solidarity Group.

Mr. Anwar Mohammed Murad

Deputy Chief Executive Officer – Banking

Experience: more than 31 years

Mr. Anwar Murad is a proficient Banker with over 31 years of experience in the areas of Private Banking, Treasury, Market Risk Management and Retail Banking. Prior to his current appointment with the Bank, Mr. Murad served as the Executive Vice President - Head of Private Banking at Al Salam Bank since May 2006. Previous to joining Al Salam Bank, he was the Head of Private Banking at BMI Bank, Bahrain and Regional Market Risk Manager for the MENA region at ABN AMRO Bank where he also headed the Bank's Treasury Operations in Bahrain and he held various senior positions at CitiBank – Bahrain. Mr. Murad has extensive knowledge and experience in Global Consumer Banking, Treasury and Investment products including Money Market, Foreign Exchange, Debt Derivatives, and Structured Products.

Mr. Eihab Abdellatif Ahmed

Deputy Chief Executive Officer - Corporate Affairs

Experience: more than 29 years

Mr. Eihab Ahmed has a wide range of professional experience that spans over 29 years covering all major legal disciplines including but not limited to Investment Banking, Corporate Banking and Criminal, Labour, Public and Private International Laws. Prior to joining Al Salam Bank, he was the General Counsel - Corporate Secretary & Money Laundering Reporting Officer (MLRO) Legal & Compliance of First Energy Bank - Bahrain. He was the focal point of communication between the Board of Directors and Senior Management as well as between the Bank and its Shareholders, providing advisory and guidance on Corporate Governance principles and practices. Mr. Ahmed had worked at the International Investment Bank - Bahrain (IIB) as Head of Legal and Compliance, MLRO and for Khaleej Finance & Investment as the Head of Legal, MLRO and Corporate Secretary. He also worked for a number of reputed firms in the Kingdom of Bahrain. Before coming to Bahrain 20 years ago, he served the Ministry of Justice, Sudan as a Legal Counsel. Mr. Ahmed holds L.L.B degree from the Faculty of Law - University of Khartoum, Sudan. In January 2017, he obtained his International Diploma in Governance, Risk and Compliance from the ICTA and University of Manchester, UK. He also holds the Sudanese Bar certificate from Sudan and he is a registered member of the Sudanese Advocates Association as a Proper Advocate before various Courts of Law. Mr. Ahmed is a Certified Compliance Officer (CCO) from the American Academy of Financial Management - Dubai, UAE. In 2014, Mr. Eihab was awarded the GCC MLRO of the year.

Executive Management (continued)

Mr. Yousif Ahmed Ebrahim

Chief Financial Officer

Experience: more than 31 years

Mr. Yousif Ebrahim is a proficient banker with over 31 years of experience in the areas of finance and audit. He is primarily responsible for directing and overseeing the financial and fiscal management of the Bank and its subsidiaries that includes contributing to the Bank's strategy planning, leading and directing the budget process, maintaining appropriate accounting framework and establishing effective system of cost management and internal control. Prior to joining Al Salam Bank, he served as the Chief Financial Officer at First Energy Bank for more than 9 years. He also worked at Gulf International Bank as a Vice President of Internal Audit and he was also in the Audit & Business Assurance services at PricewaterhouseCoopers. Mr. Ebrahim is a Certified Public Accountant (USA) and a member of the American Institute of Certified Public Accountant.

Mr. Abdulkarim Turki

Chief Operating Officer

Experience: more than 44 years

Mr. Abdulkarim Turki is a well-rounded banker with more than 44 years of experience spanning Treasury, Operations, Audit, Internal Controls, Remedial and Risk Management. Mr. Turki worked in the incorporation and structuring of the Bank's Operation and he was appointed as a key member in the Selection and Implementation Committee of the Bank's core banking system responsible for the integration and business transfer of BMI Bank to Al Salam Bank in addition to being a member in the Bank's major management committees. Prior to joining the Bank in 2006, Mr. Turki was Vice President - Head of Treasury Support at Citibank Bahrain where he headed various departments and business units and was a key player in the launch of Citi Islamic Investment Banking. Mr. Turki holds an MBA in Investment & Finance from the University of Hull, UK.

Mr. Ahmed Abdulla Saif

Head of Strategy and Planning

Experience: more than 18 years

Mr. Ahmed Saif brings over 18 years of experience in the banking sector. Prior to joining Al Salam Bank in 2008 as part of the Investment Team, Mr. Saif worked with DBS Singapore as an Investment Analyst. In 2012, he was appointed as the Head of the Investment Middle Office Department, and in 2016 took the reigns as the Head of Strategic Acquisition and Investment Management before becoming Head of Strategy and Planning in 2018. Mr. Saif occupies various positions within the Bank's affiliate and subsidiary companies, including being a board member in Al Salam Bank-Algeria, Al Salam Bank-Seychelles, First Insurance (Solidarity Jordan), and a Board Advisor at ASB Capital. He holds an MSc in Finance and Financial Law with Honors from SOAS University of London, UK, and a BSc with Honors in Commerce, majoring in Finance & Economics, from DePaul University, USA.

Mr. Hussain Abdulhaq

Head of Treasury and Capital Markets

Experience: more than 24 years

Mr. Hussain Abdulhaq is an experienced Treasurer in the area of Islamic Banking and Financial Markets. His 24 years banking career as a treasury specialist has been very focused in Islamic liquidity management, Islamic capital markets, the development of Islamic compliant investment products and hedging instruments as well as Financial Institutions relationships. Mr. Abdulhaq joined Al Salam Bank in 2007 as a senior member in the treasury team, and has led the treasury integration process of Al Salam Bank and Bahrain Saudi Bank in 2010 and the same for BMI Bank in 2014. Prior to joining Al Salam Bank, he was in charge of dealing room activities for Kuwait Finance House Bahrain for a period of 5 years. Mr. Abdulhaq holds an MBA degree in Banking & Islamic Finance with honors from University of Bahrain and is a Chartered Financial Analyst (CFA).

Executive Management (continued)

Mr. Ahmed Jasim Murad

Head of Corporate Banking

Experience: more than 28 years

Mr. Ahmed Murad brings over 28 years of experience in the banking sector covering areas that include Retail, Commercial and Corporate Banking. Prior to joining Al Salam Bank B.S.C., he served as Head of Corporate Banking and also a member of the Credit Committee at National Bank of Bahrain BSC. Mr. Murad holds a Bachelor degree in Business Marketing from St. Edward's University – Austin, Texas, USA, Associate Diploma in Commercial Studies from University of Bahrain, and Executive Diploma from University of Virginia, USA. Moreover, he attended number of banking training courses inside the Kingdom of Bahrain and abroad.

Mr. Ali Habib Qassim

Head of Private Banking

Experience: more than 25 years

Mr. Ali Habib Qassim is a seasoned banking professional with over 25 years of expertise spanning Corporate, Investment, and Private Banking. Throughout his career, he has played a pivotal role in expanding the Bank's regional and international footprint by driving product line growth and strengthening client relationships. His deep expertise in investment and wealth management has been instrumental in delivering tailored financial solutions to high-net-worth clients.

Since his appointment as Head of Private Banking in 2011, Mr. Ali has been at the forefront of enhancing the Bank's private banking offerings. Prior to this role, he was responsible for marketing the Bank's Corporate Banking products and services across local and GCC markets, managing key relationships with financial institutions and government entities.

Mr. Ali holds a Master's degree in Science from Emerson College, Boston, USA.

Mr. Krishnan Hariharan

Chief Risk Officer

Experience: more than 40 years

Mr. Krishnan Hariharan is a versatile Banker with over 40 years of experience in conventional and Islamic banks in the region and India. Prior to joining Al Salam Bank in 2019 he worked with Ithmaar Bank, Bahrain as Chief Risk Officer. Before joining Ithmaar Bank, he was part of the founding team of Alizz Islamic Bank, Sultanate of Oman. He holds twin Bachelor degrees one in Commerce and the other in Economics from Universities in India, he also holds a Master degree in Financial Management from Jamanalal Bajaj Institute of Management Studies, Mumbai – India.

Mr. Mohammed Yaqoob Buhijji

Head of Retail Banking

Experience: more than 23 years

Mohammed Buhijji is an accomplished executive of multi-cultural environments with superb organizational skills and has enjoyed an exceptional career to date with more than 23 years of high-level management in banking and consultancy. His skillset embraces superb hallmarks of understanding business restructuring and development processes within an organization. An initial period with Ernst & Young became the baseline for his audit and consultancy skills with exposure to international business practices in major financial institutions and government bodies. He moved to the nascent Al Salam Bank in 2007 to establish the Internal Audit division and various departmental policies and procedures. His essential role in driving the two acquisitions and subsequent mergers with Bahraini Saudi Bank and BMI Bank covered integration and conversion of significant areas of business-related processes. Mr. Buhijji has been resolute in the delivery of operational and financial targets as evidenced by the seamless and impressive Retail Banking transformation within Al Salam Bank resulting in a major contribution to the Bank's asset book and profitability. Mr. Buhijji holds MBA degree from the University of Strathclyde, Glasgow, and completed two Executive Management Programs at Harvard Business School, Boston, and Ivey Business School in Canada.

Executive Management (continued)

Ms. Muna Al Balooshi

Head of Human Resources and Administration
Experience: more than 25 years

Ms. Muna Al Balooshi is a practiced HR professional with over 25 years of industry experience and vast knowledge of HR policies and Labor Law regulations. Prior to her appointment with Al Salam Bank in 2006, Ms. Al Balooshi was the Head of Human Resources at the Court of HRH the Crown Prince prior to this served as HR Associate with KPMG Bahrain. She has played a major role in the Bank's two acquisitions of the Bahraini Saudi Bank and BMI Bank where she managed the merger of the Bank's Human Resources. She holds an MBA from De Paul University, Chicago, and is a CIPD Associate.

Mr. Qassim Taqawi

General Counsel
Experience: more than 22 years

Mr. Qassim Taqawi is a skilled legal counsel with over 22 years of experience covering Investment Banking, Islamic Banking, Retail Banking, Finance, Company Law, Labor Law, Real Estate and Construction. Mr. Taqawi has handled legal matters covering the GCC, USA, Europe and MENA region. Prior to his appointment with Al Salam Bank, Mr. Taqawi held a number of senior executive positions with various Banking and Financial Institutions throughout the region. In addition to his current executive responsibilities as General Counsel, Mr. Taqawi is a member of the Bank's Investment Committee and Remedial Committee. Mr. Taqawi holds a Bachelor degree (LLB) in Law, and is a registered lawyer with the Ministry of Justice & Islamic Affairs in the Kingdom of Bahrain.

Dr. Mohammed Burhan Arbouna

Head of Shari'a Compliance

Experience: more than 27 years

Dr. Mohammed Burhan Arbouna is a well versed Islamic banking and finance expert with over 27 years of Islamic banking experience. Prior to joining Al Salam Bank, Dr. Arbouna was the Shari'a Head and Shari'a Board Member of Seera Investment Bank B.S.C Bahrain, Head of the Shari'a department at Kuwait Finance House Bahrain, and has worked as a Shari'a researcher and consultant for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He is a respected lecturer on Islamic banking and finance, and provides consultancy on orientation and professional programs for a number of professional and educational institutions. Dr. Arbouna was also a member of the Islamic Money Market Framework (IMMF) steering committee, a committee initiated by the Central Bank of Bahrain for the management of liquidity amongst Islamic banks. He holds a PhD in comparative law with a specialization in Islamic banking and finance and a Masters in Comparative Laws with specialization in Law of Evidence from the International Islamic University Malaysia, a BA degree in Shari'a, and Higher Diploma in Education from the Islamic University, Medina.

Mr. Ali Al Khaja

Head of Compliance and MLRO

Experience: more than 16 years

Mr. Ali Al Khaja brings more than 16 years of Compliance experience to the Bank. Prior to joining Al Salam Bank, he worked with Kuwait Finance House Bahrain, where he was responsible for various regulatory aspects including ensuring that transactions, investments and general dealings with the public were in compliance with the Central Bank of Bahrain (CBB) regulations and applicable laws. Previous to this he was employed by the CBB, where he held responsibility for the oversight of various local Islamic Banks in the Kingdom of Bahrain. Mr. Al Khaja holds a Bachelor degree in Banking and Finance from the University of Bahrain and an International Diploma in Compliance from the International Compliance Association (ICA).

Executive Management (continued)

Sheikh Ahmed Abdulrahim Al Mahmood

Head of Internal Shari'a Audit

Experience: more than 18 years

Sheikh Ahmed Al Mahmood has around 18 years of professional experience in the field of Shari'a supervision and auditing in Islamic financial institution. Prior to joining Al Salam Bank, he established the Shari'a department in BMI Bank and GBCORP in addition to join the Shari'a department of Abu Dhabi Islamic Bank (ADIB). He also played an essential role in the integration and conversion phases of the Bank's acquisition of BMI Bank; serving as a member in the Conversion Committee. He serves in multiple professional entities as member e.g Member of scientific committee in Shari'a Professional Association – Dubai and member of Shari'a Committee in Mawarid Finance – Dubai. He holds an MBA degree in Islamic Finance from University of Bolton – UK, in addition to BA in Islamic Studies from University of Bahrain. He holds various professional qualifications that includes Certified Shari'a Advisor and Auditor (CSAA) from AAOIFI along with Advanced Diploma in Islamic commercial Jurisprudence (ADICJ) from BIBF. He also provided several training workshops on the principles of Islamic banking and Shari'a governance and wrote a lot of researches and published articles about Islamic banking & products.

Mr. Mahmood Qannati

Head of Marketing & Communications & ESG Officer

Experience: more than 25 years

With over 25 years of extensive experience in Marketing, Communications and Branding on both local and regional levels, Mahmood Qannati is a veteran of the communications industry; having worked across various sectors including banking, telecommunications, automotive and aviation. During his time in the United Arab Emirates, Mr. Qannati worked in prominent and established institutions, leading Standard Chartered Bank as the Regional Head of Marketing & Branding for the entire Middle East, Africa and Pakistan region, as well as serving as the Middle East Chief Marketing Officer at Cigna Insurance. He has also held several senior positions on a local level, gaining experience in marketing and communications at HSBC Bank, Bahrain International Airport and Batelco. Most recently, Mr. Qannati served as the Chief Corporate Communications and Marketing Officer at Bahrain Islamic Bank (BisB), after which he joined Al Salam Bank as Head of Marketing and Communications. Mr. Qannati holds a Master's degree in Marketing Information Systems from the University of Sunderland and a Bachelor's degree in Marketing from the University of Bahrain.

Mr. Hemantha Wijesinghe

Chief Technology Officer

Experience: more than 24 years

Mr. Hemantha Wijesinghe is the Chief Technology Officer at Al Salam Bank, possessing over 24 years of experience in Information Technology management in the banking and finance sector in international markets globally. Prior to his UK based global roles, he had also covered multiple regions including Asia, Middle East, North America and Europe. He carries various international qualifications covering systems engineering and other areas of information technology, in addition to his higher IT studies in NCC Education (UK). Further to the Chartered institute of IT (UK), Mr. Wijesinghe also holds a MSc in Strategic Business Information Technology from the University of Portsmouth – UK.

Mr. Essa Abdulla Bohijji

Chief Auditor

Experience: more than 24 years

Mr. Essa Bohijji has more than 24 years of consulting and industry experience covering financial services, commercial entities, governmental bodies, and internal audit. Prior to joining Al Salam Bank, Mr. Bohijji was the Chief Auditor and Board Secretary of an Islamic Investment Bank in Bahrain and held senior positions at Ernst & Young where he worked in the Audit and Assurance Services Group and Business Advisory Services responsible for the Internal Audit and Risk Management assignments. Mr. Bohijji has previously served as a Board and Audit Committee member of Al Salam Bank-Algeria, a non-executive Audit Committee member in Manara Developments B.S.C. (c), as a Board member of BMI Bank, as a Board and Audit Committee member of Bahraini Saudi Bank, and an interim Board member in BMIO Bank in Seychelles. Mr. Bohijji is a Certified Public Accountant (CPA), licensed from the state of New Hampshire and is a member of the American Institute of Certified Public Accountants. He also holds a B.Sc. in Accounting from the University of Bahrain.

Executive Management (continued)

Mr. Mohammed Alshehabi

Head of Innovation

Experience: more than 18 years

Mohammed AlShehabi has over 18 years of experience in banking covering multiple areas including Capital Markets, Corporate Banking as well as Treasury and Trade Services. He is the Head of Innovation at Al Salam Bank. Mohammed is responsible for the Bank's digital strategy and fintech initiatives with an objective to maintain the Bank's pioneering role in offering digitally native Shari'a-compliant digital products & services in the Kingdom of Bahrain. Prior to joining Al Salam Bank in 2018, he was part of the Corporate Banking team at Citi Bahrain with a business coverage role after spending several years at Citi's Treasury & Trade Solutions unit covering Bahrain and Saudi Arabia. He started his career at the Arab Banking Corporation as part of the Debt Capital Markets team as well as ABC Islamic Bank before moving to the Bahrain Economic Development Board's Business Development team with a focus on Financial Services. Mohammed holds dual Bachelor degrees with a B.Sc. in Accounting and a B.B.A. in E-Business.

Mr. Haitham Alhaddad

Head of Digital Channels

Experience: more than 23 years

Haitham Al Haddad is a seasoned banking professional with over 23 years of experience in the banking and finance sector. As the Head of Digital Channels at Al Salam Bank, he spearheads the development and execution of the bank's digital strategy and implementation roadmap. With a keen focus on innovation and client-centricity, Haitham is responsible for driving the digital channels' business and ensuring their alignment with the overall business objectives. Prior to his current role, Haitham served as the Head of Business Development at Al Salam Bank, where he managed strategic business relationships and developed retail banking products and services. Haitham also led the management of e-channels, ensuring seamless client experiences across various touchpoints. Before joining Al Salam Bank, Haitham served as the Head of Product Development at BMI Bank, where he was responsible for product development, market analysis, and strategic planning. He holds a Master of Business Administration from the University of Texas Pan American and a Bachelor of Business Administration in Finance from the University of Texas at Brownsville.

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Board of Directors' Report

H. E. Shaikh Khalid bin Mustahail Al Mashani

The Bank posted a total operating income for the year ended 31 December 2024 of BD 393.48 million, reflecting a significant 40.9% increase.

The Bank reported a net profit attributable to shareholders of BD 42.2 million

As we reflect on 2024, I am proud to report that Al Salam Bank has delivered another year of exceptional achievements and growth, navigating a complex global economic landscape with agility and clarity. The GCC – a region underpinned by economic diversification, sound fiscal policies, strong consumer confidence, and favourable demographic trends – continued to demonstrate resilience and promise. The region achieved an estimated economic growth rate of 1.6% in 2024, with growth momentum projected to accelerate to 4.2% in 2025 and 2026 (World Bank, 2024).

Bahrain maintained its upward trajectory with real GDP projected to achieve growth of 3% and 3.5% in 2024 and 2025 respectively. GDP growth in Bahrain continues to be primarily driven by the non-oil sector which constitutes nearly 90% of the economy by 2029 (IMF, 2024). In light of these positive developments and reflecting the Government's ongoing fiscal reforms and deficit reduction efforts, S&P reaffirmed Bahrain's 'B+/B' rating with a stable outlook.

In 2024, Al Salam Bank achieved record-breaking financial results, underscoring the effectiveness of our strategic vision and operational strength. The Bank reported gross operating income of BD 393.48 million (US$ 1.04 billion), marking a 40.9% increase compared to 2023. This performance was driven by both organic growth in our Group operations and the successful execution of strategic acquisitions. Correspondingly, net profit attributable to shareholders grew by 39.8%, reaching BD 59.01 million (US$ 156.53 million).

The Bank's consolidated asset base increased by 37.2% on a year-on-year basis, closing at BD 7.06 billion (US$ 18.73 billion) in 2024. The financing book also recorded significant growth of 36.8%, reaching BD 3.66 billion (US$ 9.71 billion). Our capital adequacy ratio increased to 24.8%, reflecting our financial resilience and prudent risk management.

Based on this exceptional performance, the Board of Directors has recommended a dividend distribution of 14% of the Bank's issued and paid-up share capital (6% cash dividends and 8% stock dividends), aggregating BD 37.5 million (US$ 99.6 million), subject to AGM and regulatory approval.

The Bank viewed 2024 as an opportunity to advance its strategic vision and client-focused approach, further cementing its position as a leading and diversified financial group in the region. A core aspect of this journey was ensuring sustainable growth aligned with evolving market trends. We continually enhanced our offerings to address the changing needs of our clients and deliver cutting-edge, innovative solutions.

A key milestone was the successful acquisition of Kuwait Finance House - Bahrain, which expanded our asset base by 28.7% and solidified our position as Bahrain's largest Islamic bank. The seamless integration ensured uninterrupted services for clients while creating new avenues for growth and innovation in the industry.

Board of Directors' Report (continued)

Additionally, we launched ASB Capital, our asset management arm headquartered in the Dubai International Financial Centre (DIFC). With US$ 4.5 billion in assets under management (AUM), ASB Capital is poised to reshape the regional investment landscape, offering innovative financial solutions and access to exclusive investment opportunities traditionally only available to institutional investors. This initiative demonstrates our commitment to scaling our asset management capabilities and addressing the growing demand for sophisticated financial solutions.

Our commitment to innovation was further highlighted by significant advancements in our digital strategy, redefining client experiences and empowering Bahrain's entrepreneurial ecosystem. The development and launch of the Workspaces portal for MSMEs provided flexible, tailored solutions for SMEs, enhancing their ability to grow and thrive. Additionally, the opening of our fully digital branch improved accessibility and convenience, setting a new standard for client engagement through innovative, technology-driven solutions.

We also achieved PCI DSS 4.0 certification, a globally recognized standard for payment security. Complementing these advancements, we introduced a comprehensive financing campaign offering competitive rates across personal, property, and auto financing schemes, alongside government-backed programs like Mazaya and Tas'heel. These initiatives delivered tangible benefits to clients while reinforcing our commitment to meeting their diverse financial needs.

Sustainability and social responsibility remained integral to our strategy in 2024. Our partnerships supported impactful local development projects, further strengthening our role as a driver of community-focused progress and aligning with Bahrain's broader vision for sustainable development. We also prioritized empowering Bahrain's youth through initiatives such as Youth City 2030, where we offered workshops and training programs designed to equip the next generation of leaders with the skills needed to thrive in a dynamic economic landscape. These programs underscore our continued dedication to nurturing talent, leadership, and inclusivity.

Al Salam Bank's accomplishments in 2024 were recognized both regionally and globally. The Bank was named 'MENA Retail Bank of the Year' and Bahrain's 'Bank of the Year', a reflection of our industry-leading client solutions and operational excellence. We also received the prestigious 'Elite Quality Recognition Award' from JP Morgan for outstanding efficiency in payment processing.

As we step into 2025, Al Salam Bank is poised to build on the solid foundations laid over the past year, guided by a clear strategic vision and a commitment to innovation and excellence. Our focus remains on creating sustainable value for our shareholders, delivering exceptional experiences to our clients, empowering our employees, and contributing meaningfully to the communities we serve. With the trust of our stakeholders and the dedication of our team, we are well-prepared to embrace the opportunities and challenges that lie ahead, driving the Bank toward even greater success.

In line with the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2023, we are pleased to attach the table below that shows the remuneration of members of the Board and the Executive Management for the year ending 31 December 2024.

Disclosure forms for the remuneration of members of the Board of Directors and the Executive Management in the report of the Board of Directors

First: Board of Directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the Chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Non-Executive Directors:													
1- H. E. Shaikh Khalid Al Mashani	150,000	95,000	-	-	245,000	-	-	-	-	-	-	245,000	-
2- Mr. Matar Mohamed Al Blooshi	120,000	60,000	-	-	180,000	-	-	-	-	-	-	180,000	-
3- Mr. Salman Saleh Al Mahmeed	120,000	52,000	-	-	172,000	-	-	-	-	-	-	172,000	-
Second: Independent Directors:													
1- Mr. Salim Abdullah Al Awadi	120,000	60,000	-	-	180,000	-	-	-	-	-	-	180,000	-
2- Mr. Alhur Mohammed Al Suwaidi	120,000	72,000	-	-	192,000	-	-	-	-	-	-	192,000	-
3- Mr. Tariq Abdul Hafidh Al- Aujaili	120,000	76,000	-	-	196,000	-	-	-	-	-	-	196,000	-
4- Mr. Ahmed Habib Kassim	120,000	56,000	-	-	176,000	-	-	-	-	-	-	176,000	-
5- Mr. Zayed Ali Al-Amin	120,000	64,000	-	-	184,000	-	-	-	-	-	-	184,000	-
6- Mr. Hisham Saleh Al-Saie	120,000	52,000	-	-	172,000	-	-	-	-	-	-	172,000	-
Total	1,110,000	587,000	-	-	1,697,000	-	-	-	-	-	-	1,697,000	-

Note: All amounts stated in Bahraini Dinars. The Bank does not have any Executive Directors

Other remunerations:

* No in-kind benefits.

** No share of the profits.

Board remuneration represents allocation of proposed remuneration for 2024, subject to approval of the Annual General Meeting

Board of Directors' Report (continued)

Second: Executive Management remuneration details:

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	1,905,900	1,821,486	1,691,065	5,418,451

Note: All amounts must be stated in Bahraini Dinars.

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

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

Notes:

1 Paid salaries and allowances exclude indirect staff expenses such as GOSI contributions, leave and indemnity accruals, medical insurance and air travel reimbursements.

2 Other cash remuneration include sales based incentives and board remuneration earned by executive management from their role in investee companies or other subsidiaries.

3 In addition to the benefits reported above, the Bank also operates a long-term share incentive plan (LTIP) that allows employees to participate in a share-ownership plan. Under the terms of the LTIP, employees allocated shares, would vest and acquired by employees over a performance period of 5-6 years. The non-cash accounting charge for the LTIP is assessed under IFRS 2 - Share-based payment and recognized over the vesting period of 5 years. No new share awards were made during 2024. Refer to the Remuneration related disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.

H.E. Shaikh Khalid Bin Mustahil Al Mashani

Chairman

6 February 2025

Manama, Kingdom of Bahrain


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Message from the Group Chief Executive Officer

Rafik Nayed

The Bank recorded a net profit attributable to shareholders of BD 59.0 million (US$ 156.5 million), representing a 39.8% increase compared to 2023 and the highest since the Bank's inception.

The global economic landscape in 2024 remained complex and uncertain. Prolonged geopolitical uncertainty, high interest rates, and inflationary pressures continued to impact global growth and capital flows. Despite these headwinds, GCC economies showed remarkable resilience, with Bahrain – and the wider region – maintaining a steady growth trajectory underpinned by sound regulatory oversight, prudent fiscal management, and sustained efforts to diversify the economy.

We are proud to report that Al Salam Bank delivered record performance in 2024 successfully navigating a challenging economic landscape to maintain our lead position as the largest Islamic Bank in Bahrain and a diversified regional financial group. The Bank recorded net profits attributable to shareholders of BD 59.0 million (US$ 156.5 million), representing a 39.8% increase compared to 2023 and the highest since the Bank's inception. Earnings per share increased to 20.7 fils (US¢ 54.9), up from 16.3 fils (US¢ 43.2) in 2023. Correspondingly, total comprehensive income attributable to the owners of the Bank increased by 33.2% to BD 67.1 million (US$ 178.1 million).

Our balance sheet expanded significantly during the year, with total assets growing by 37.2% to BD 7.06 billion (US$ 18.73 billion), driven by organic expansion and the swift and successful integration of Kuwait Finance House – Bahrain, following the acquisition from Kuwait Finance House Group during the year. The transaction resulted in a 28.7% increase in Al Salam Bank's asset base, reinforcing the Bank's position as the largest Islamic bank in Bahrain and the lead market consolidator.

The financing portfolio increased by 36.8% to BD 3.66 billion (US$ 9.71 billion), while customer deposits surged by 41.7% to BD 4.95 billion (US$ 13.12 billion), reflecting growing confidence from our expanding client base. We also strengthened our financial standing with total equity attributable to the Bank's shareholders increasing by 6.8% to BD 360.5 million (US$ 956.2 million). The Bank's capital adequacy ratio increased to 24.8% in 2024, up from 20.4%, providing capacity for our upcoming strategic initiatives and growth aspirations.

We continued to evolve as a diversified regional financial group. The launch of ASB Capital, our dedicated asset management arm, marked a significant milestone in diversifying revenue streams, enhancing our offerings, and responding more effectively to the needs of our individual and institutional clients.

On the retail front, we enhanced client experience through new products and digital innovations. The roll-out of digital branches and enhancements to our mobile banking platform have made services faster, simpler and more accessible. This customer-centric approach was recognised with the MENA Retail Bank of the Year award for the second consecutive year.

Keeping with our commitment to innovation, we introduced Workspaces, an SME platform that offers multi-customer, multi-account management with single sign-on, bill payments, and payroll services. The Bank also entered into a landmark partnership with key partners to mark the launch of our first Banking-as-a-Service (BaaS) engagement, enabling direct integration

Message from the Group Chief Executive Officer (continued)

of a suite of APIs, including account inquiry, payment initiation, SWIFT transactions, and EFTS services. This initiative highlights our capabilities as a digital enabler and paves the way for new B2B growth opportunities.

In relation to our ESG agenda, and in line with our long-term environmental commitments, we made significant progress by partnering with a global leader in electric vehicles to launch a green auto financing offering designed to promote sustainable mobility in Bahrain. Separately, our Shari'a Audit Department retained the ISO 9001:2015 Quality Certification, making us the first bank in Bahrain to achieve this distinction twice, a testament to our operational excellence.

Our impact extended beyond financial services. We supported national initiatives to develop youth sports talent, hosted workshops for women entrepreneurs, and organised financial literacy programs, all in line with our commitment to uplift communities and contribute to national development.

As we look ahead to the remainder of 2025, we aim to build on the solid foundation we have established. We are particularly focused on growing our regional presence, using AI to build on our digital progress, increasing our market share across Group companies, and strengthening our leadership in banking, takaful, and asset management.

While the global outlook for 2025 remains uncertain, the underlying fundamentals of our region remain robust. The GCC's fiscal strength, economic diversification programs, and consistent yet forward-looking government policy offer a stable platform for continued growth. Al Salam Bank is well-positioned to capitalise on growth opportunities, supported by a strong balance sheet, a clear strategy, and a culture rooted in performance and innovation.

I am deeply grateful for the support of the leadership of the Kingdom of Bahrain, led by His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, and His Royal Highness the Crown Prince and Prime Minister, Prince Salman bin Hamad Al Khalifa.

I also thank our shareholders, and our clients, for their trust in us, and our team members, whose commitment and efforts made this year's success possible.

I am grateful to the Central Bank of Bahrain, the Ministry of Industry and Commerce, Bahrain Bourse, Dubai Financial Market (DFM), and the Securities & Commodities Authority in the UAE, for their support and guidance.

As we build on this momentum, we remain focused and optimistic about what lies ahead, committed to growing responsibly, delivering sustainable value, and making a meaningful impact across the region.

Rafik Nayed

Group Chief Executive Officer

Al Salam Bank

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Management Review of Operations and Activities

Global Macro Financial Environment Overview

Global growth is projected at 3.3 percent both in 2025 and 2026. Global headline inflation is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies. Medium-term risks to the baseline are tilted to the downside, while the near-term outlook is characterized by divergent risks. Upside risks could lift already-robust growth in the United States in the short run, whereas risks in other countries are on the downside amid elevated policy uncertainty. Policy-generated disruptions to the ongoing disinflation process could interrupt the pivot to easing monetary policy, with implications for fiscal sustainability and financial stability. Managing these risks requires a keen policy focus on balancing trade-offs between inflation and real activity, rebuilding buffers, and lifting medium-term growth prospects through stepped-up structural reforms as well as stronger multilateral rules and cooperation.

Growth in the Middle East and North Africa (MNA) region is expected to pick up from an estimated 3.4 percent in 2025 to 4.1 percent in 2026. Delays in oil production hikes by major oil exporters could also slow regional growth. Other downside risks include persistent global inflation and a resulting tightening of global financial conditions, heightened domestic violence and social tensions, and more frequent extreme weather events. Upside risks to the outlook include the possibility of stronger growth in major economies and easier global financial conditions due to faster-than-expected disinflation.

Business development

Bahrain has been making concerted efforts to diversify its economy, reducing its reliance on the oil sector and fostering growth in other areas. The non-oil sector has become a focal point of these diversification strategies, with significant investments directed towards the banking and tourism sectors.

The government has launched various initiatives to spur economic growth, including the development of new resorts and the expansion of the financial sector. Additionally, these efforts are aimed at attracting foreign investment and boosting domestic economic activities. According to the International Monetary Fund (IMF), Bahrain's non-oil sector is expected to be a major driver of growth, with a projected growth rate of 3.5 percent. This positive outlook underscores the success of Bahrain's diversification policies and its commitment to sustainable economic development.

The World Bank recognizes Bahrain as a high-income economy, reflecting its robust economic framework and strategic positioning in the Gulf region. The country's Gross Domestic Product (GDP) has shown a consistent upward trajectory.

Financial Performance

The Group reported a net profit attributable to shareholders of BD 59 million as compared to BD 42.2 million in 2023, reflecting an increase of 39.8% driven by organic and inorganic expansion of key business lines. The impairment charge decreased to BHD 21.2 million from BHD 23 million mainly due to impairment allowance against investments.

Total operating income for the year was BD 393.5 million reflecting an 40.9% increase compared to BD 279.3 million for the year 2023. Total assets increased by 37.2% to BD 7.1 billion in December 2024 compared to BD 5.1 billion in December 2023, partly driven by the acquisition of ASB Finance. The Group's financing book and customer deposits posted substantial increases of 36.8% and 41.7% respectively, closing the year at BD 3.7 billion and BD 4.9 billion respectively. Total shareholders' equity increased by 6.8% from BD 337.4 million in 2023 to BD 360.5 million for the year ended 31 December 2024.

Capital Adequacy

The Group continued to enjoy strong financial solvency and liquidity in 2024 and, in accordance with the Basel III capital adequacy guidelines, achieved a Capital Adequacy Ratio of 24.8% against a mandatory Central Bank of Bahrain minimum requirement of 14.0%.

Asset Quality

The Group maintained its conservative approach to asset selection for financing and investments, as of 31 December 2024, 95.4% of the financing portfolio was classified under the 'good & satisfactory' category (2023: 96.2%), with the nonperforming facilities ratio maintained as low as 4.5%.

Strategy & Planning

In 2024, Al Salam Bank delivered record-breaking results and achieved several transformational milestones, reinforcing the Bank's position as a leading diversified financial group in the region. The Bank successfully completed the acquisition and integration of Kuwait Finance House-Bahrain (KFH-Bahrain) in less than six months — marking the fastest banking transition in the region. The Group also launched ASB Capital, its asset management arm, and unveiled a bold three-year strategy (2025–2027) focused on optimizing profitability, driving AI and digital adoption, and expanding market share.

The Bank reported a 39.8% increase in net profit attributable to shareholders to BD 59 million (US$ 156.5 million), with total assets reaching BD 7.06 billion (US$ 18.73 billion) and customer deposits growing 41.7% to BD 4.95 billion (US$ 13.12 billion). Return on average equity (ROAE) improved to 15.8% while the capital adequacy ratio rose to 24.8%, reflecting a strengthened capital position.

Core business lines demonstrated strong momentum with Retail, Private and Corporate Banking achieving double-digit growth in liabilities and financing. Treasury expanded its Sukuk portfolio and doubled its FX income. The Bank completed over 100 technology projects, grew its digital client base, and introduced AI-powered services through Al Salam Connect to enhance client engagement and service delivery. The launch of the Open Banking app, One, alongside strong growth in digital personal finance and digital assets bookings, further demonstrated the Bank's commitment to innovation. Strategic Assets — including BBK, Al Salam Bank Algeria, and Solidarity Group Holding — significantly contributed to the Group's profitability.

Underscoring the effectiveness of its strategic direction, Al Salam Bank has expanded its balance sheet by over 400%, tripled its market share, and increased its client base nearly sevenfold since the beginning of its transformation journey in 2018.

Retail Banking

Retail Banking delivered a strong and resilient performance across all key indicators. Assets grew by 42% during the year, driven by robust new-to-bank and top-up financing, and a 45% growth in Social Housing financing. Liabilities recorded a 64% increase, fueled by a 66% rise in Current and Savings Accounts, a 59% increase in the Danat Savings Scheme, and a 61% increase in Wakala deposits.

The Bank enriched its card offerings through strategic partnerships, exclusive rewards, and merchant discounts, contributing to a remarkable 149% surge in average monthly Credit Card spending. In recognition of this success, Visa honored the Bank for outstanding growth in cross-border value and spend per active card in Bahrain.

The Al Salam Takaful portfolio experienced notable growth, supported by the introduction of new motor takaful products, multiyear insurance options, and expanded digital accessibility through kiosks and the mobile banking app. Several enhancements to the client experience included digitized onboarding for minors and MSMEs, international transfer automation, and full integration with Emirates ID for onboarding.

Following the acquisition of KFH-Bahrain, a seamless client migration was achieved, optimizing branch operations and revamping seven locations, expanding the Bank's total network to 21 branches.

Private Banking

Private Banking continued its strong growth trajectory in 2024, with liabilities increasing by 44.6% year-on-year, driven by the by the successful onboarding of regional and international clients.

Notably, the Private Banking team played a key role in the Bank's capital raising efforts, spearheading the Additional Tier 1 (AT1) Capital fundraising initiative alongside Treasury and Financial Institutions.

Management Review of Operations and Activities (continued)

Corporate Banking

Corporate Banking sustained its growth momentum while maintaining a prudent lending strategy amid market challenges in certain sectors. The financing portfolio increased by 66% during the year, driven by large syndication transactions.

The department's sustainability strategy of diversifying market exposure was demonstrated through participation in cross-border syndicated transactions with GCC sovereign entities. Domestically, the Bank deployed new financing exposures via risk participation arrangements with regional institutions, reflecting its commitment to strengthening its presence in the local market.

Treasury and Financial Institutions

The Treasury and Financial Institutions department played a critical role to rigorously lead the Bank's assets and liability growth strategy and facilitating participation in major syndications for Bahrain-based clients.

Despite highly volatile market conditions, the department prudently managed liquidity and profitability, ensuring seamless business delivery. A notable achievement was the successful arrangement and structuring of the Bank's first private placement of Additional Tier 1 Capital (AT1).

The department also continued to grow and diversify the fixed income portfolio by 44% where the total book reached BD 1.41 billion, driven by strategic Sukuk acquisitions of over BD 222 million, leverage prudent funding strategies to strengthen liquidity and profitability.

Al Salam Bank supported Bahrain's sovereign requirements by distributing local and international CBB Sukuk issuances to domestic and regional client bases. Moreover, the department successfully placed several tranches of Investment Gateway Bahrain (IGB) Sukuk; a corporate issuance originating from the Kingdom of Bahrain with a distribution mandate issued to the department. In addition to overseeing the Bank's Asset and Liability management, the Treasury and Financial Institutions department expanded and developed its institutional relationships with several local, regional, and international financial institutions. This was due in part to the department's successful engagement with new counterparties across the MENA region, as well as the development of a wide-reaching network of intrabank relationships.

The department successfully structured several Shari'a-compliant hedging products, including FX Wa'ad and Cross Currency Swaps, in addition to supporting the Group companies with relevant products in their respective treasury units. Despite a challenging year, the Treasury and Financial Institutions team successfully diversified liquidity sources by utilizing a range of tools, including Islamic repos and term financing from multiple sources. As the Bank continues to implement its growth strategy and amasses core assets, the focus remains on enhancing liquidity sources through international diversification, in addition to implementing fixed-income structures and leveraged products offered by international banks.

International Transaction Banking

International Transaction Banking (ITB) department delivered exceptional performance, marked by strong growth across trade, funding, and client acquisition. ITB executed over BD BD 2.56 billion (US$ 6.8 billion) in trade finance-related FX transactions - a 30% year-on-year increase - supported by expanded client onboarding and new market penetration. The volume of trade instruments surged by 60%, reinforcing the Bank's standing as a preferred trade partner in the region.

Despite a high global interest rate environment, ITB remained a cost-effective funding source, with over 35% of its portfolio comprised of CASA accounts. Trade Structured Funding portfolio also grew during the year with a facility booking of BD 73.5 million (US$ 200 million), with further bookings in the pipeline for H1 2025.

In parallel, the Bank renewed its focus on overseas asset building through selective regional lending opportunities, capitalizing on renewed credit growth and trade supply chain activity in late 2024. These achievements not only enhanced profitability and liquidity but also cemented ITB's position as a key strategic contributor to the Bank's diversified growth journey.

Digital Channels & Innovation

Leveraging a digitally native approach and building on our top-tier digital underwriting capabilities, the Bank's digital channels focused on two key objectives: scaling up the business contributions from existing services, and enhancing digital experiences to drive adoption. In terms of business growth, digital client acquisition increased by 34%, accounting for 42% of Retail Banking's new clients. Digital deposits increased by 71%, accounting for 43% of Retail Banking deposits and digital financing applications' value grew by 1,743%, with disbursed applications up by 255% and fee income increasing by 346%. In order to deliver a seamless client experience during the migration of KFH-Bahrain clients to Al Salam Bank, 11 new digital features were introduced, including instant virtual credit/prepaid card issuance and simplified onboarding process.

Innovation initiatives delivered significant milestones, such as a 40% increase in digital Wakala placements, a personalized AI-driven financial review for clients, the largest data-driven project undertaken by any bank in Bahrain, leveraging over 12 million data points. The initiative resulted in more than 27,000 client interactions and over 4,000 completed reviews. Digital personal finance also performed exceptionally well. Notably, 22% of these bookings were completed via AI-driven sales, enhancing the retail portfolio by 20% through top-ups.

The Bank also introduced an all-new SME platform, Workspaces, for small businesses. Key features include extensive multi-client, multi-account management with single sign-in functionality, as well as bill payment and payroll services. Additionally, the platform supports CAS-enabled local payments. Businesses with commercial registrations can easily self-register, assign custom roles, and manage user access privileges.

This year also featured initiatives to enhance the user experience for migrated clients. They include simplified mobile app registration, launch of an IBAN Finder Portal, and the ability to run all digital channels in maintenance mode, minimizing downtime during the transition. This reduced the planned blackout period from 36 hours to 8 hours, ensuring uninterrupted service for most clients during the migration period.

Additionally, the Bank introduced an AI-powered centralized system, to monitor, track, and evaluate projects across the group. This tool utilizes the latest Language Learning Models (LLMs) to ensure maximum project management efficiency and a streamlined user experience. These initiatives underscore the Bank's commitment to innovation, client experience, and operational excellence, reinforcing its leadership in digital banking solutions.

Operations

The Operations department played a central role in the successful migration of KFH-Bahrain and undertook extensive process reengineering initiatives to improve the turnaround times. One of the key achievements in 2024 was the automation and digitalization of client service requests from all branches and the Bank's new in-house contact center, Al Salam Connect. The digital solution includes specific workflows, which automatically categorize and direct client requests to specific units within the department for swift action. Furthermore, Robotic Process Automation (RPA) was highly utilized to process salaries for SMEs and Corporate Banking clients.

Other key projects included the automation of retail remittances, whereby clients can benefit from special FX rates under an STP approach that seamlessly integrates branches with Treasury and operations. The Bank is also in the process of implementing SWIFT GPI, which will enable 24x7 tracking of remittances. By integrating DocuSign's electronic signature and digital IDV technologies, several services that were previously available only at branches can now be accessed through Al Salam Connect.

Information Technology

The IT department successfully delivered over 90 projects and more than 500 system enhancements, underpinning the Bank's digital transformation and operational excellence,. A key milestone was the seamless integration of KFHBahrain into the Bank's platforms within six months, which involved consolidating systems, upgrading infrastructure, and facilitating transactions across all banking channels without disruption. Client experience remained a priority, with key initiatives enhancing accessibility and service delivery. Automated client ID verification and electronic signatures enabled secure remote banking, extending the instant card issuance services to Al-Ruwad and Private Banking clients. Retail financing processes were digitized, reducing turnaround times and improving client satisfaction. Additionally, a collaboration with Solidarity enabled clients to access Takaful policies 24/7 through the Bank's channels.

Management Review of Operations and Activities (continued)

IT continued to modernize core banking operations by replacing legacy systems with scalable platforms designed for future growth. Moreover, the Expense and Procurement Management Solution modernized payment processing, analytics, and procurement management, reducing manual efforts and improving financial oversight. Additionally, IT automated key reports and dashboards, enabling business teams to make faster, data-driven decisions with real-time insights. Security and compliance were strengthened through key initiatives, with the Bank achieving ISO 27001, ISO 22301, and PCI DSS V4.0 certifications, reinforcing the Bank's commitment to safeguarding client data and ensuring operational resilience.

Human Resources

The Human Resources (HR) department delivered several key achievements related to the acquisition of ASB Finance (formerly Kuwait Finance House-Bahrain). A comprehensive digital onboarding process was successfully developed and launched within just two weeks. The department also expanded HR systems to support the increased workforce, especially within the performance management system.

The department successfully managed the renovation and relocation of offices, ensuring a smooth transition for all employees to Al Salam Bank premises. HR launched internal initiatives, including an Employee Town Hall, HR Induction Programs, Regulatory Awareness Sessions, and Departmental Functional Trainings, fostering a cohesive and well-informed workforce. In addition, the department led several wellbeing initiatives such as Bahraini Women's Day, Sports Day, Breast Cancer Awareness, and Movember. The Bank delivered a wide range of social activities, including school and university visits, National Day celebrations, blood donation drives, support events for child cancer patients, and hosted 103 interns as part of its commitment to youth development.

Brand, Marketing and Corporate Communications Leadership for acquisition:

The Brand, Marketing and Corporate Communications Department effectively led internal and external communications related to the strategic acquisition of KFH-Bahrain. Through comprehensive messaging, proactive reputation management, and stakeholder engagement, we successfully navigated the complexities of the acquisition process, significantly enhancing stakeholder confidence and reinforcing the Bank's market position.

Brand Campaigns and Community Engagement:

The department launched two major brand campaigns, Why Stop Here and Building More, strategically designed to celebrate and communicate the Bank's sustained growth trajectory. Both campaigns resonated strongly with stakeholders by reinforcing the Bank's commitment to continuous improvement and highlighting its extensive contributions to the Bahraini community, thereby deepening trust and brand loyalty among clients and the wider public.

Launch of ASB Capital:

The Bank successfully developed and executed a comprehensive branding strategy for the launch of ASB Capital, its asset management arm. Leveraging internal expertise, we conceptualized and implemented the entire brand identity, including naming, logo design, positioning, and strategic messaging. This brand was tailored specifically to reflect ASB Capital's ambitious growth plans, resonating clearly with its sophisticated regional investor audience.

Launch of ONE Open Banking App:

Spearheaded the end-to-end branding and market launch of ONE, the Bank's innovative open banking application. This encompassed the brand strategy formulation, including development of its unique brand identity, logo, visual guidelines, and launch execution plan. The successful introduction of ONE has effectively positioned the Bank as an industry leader in digital banking solutions, significantly enhancing client engagement and digital channel adoption.

Project Dream Football Initiative:

Launched the impactful community-focused initiative, "Project Dream", in collaboration with Ole Academy, aimed at identifying, nurturing, and training Bahrain's young football talents. The program's goal is to professionally prepare the next generation of football players for qualification and representation at the upcoming 2030 and 2034 FIFA World Cups. This project demonstrates the Bank's continued commitment to youth development, sports excellence, and community engagement on both a local and global stage.


BUILDING
MORE
SUCCESS
#WhyStopHere

Corporate Governance Report

Corporate Governance Practice

The Bank is committed to upholding the highest standards of corporate governance that is essential for fostering transparency, accountability, and ethical conduct. The Bank's governance framework includes robust risk management systems and strict compliance with regulatory requirements including CBB Rulebook's Module HC, promoting effective oversight by the Board of Directors. Furthermore, The Bank prioritizes clear communication with stakeholders and regularly evaluate the conducted practices to ensure alignment with best standards.

Major Shareholders as of 31 December 2024

S. No.	Investor Name	Country	No. of Shares	%
1	Bank Muscat (S.A.O.G)	Sultanate of Oman	404,921,657	14.74
2	Muscat Overseas Company L.L.C.	Sultanate of Oman	201,276,024	7.33
3	Sayacorp B.S.C Closed	Kingdom of Bahrain	172,475,211	6.28

Shareholding – 31 December 2024

Category	No. of Shares	No. of Shareholders	% of Outstanding Shares
Less than 1%	982,740,054	22,978.00	35.76
1% up to less than 5%	986,363,712	13.00	35.90
5% up to less than10%	373,751,235	2.00	13.60
10% up to less than 20%	404,921,657	1.00	14.74
20% up to less than 50%	-	-	-
50% and above	-	-	-
Total	2,747,776,658	22,994	100

The outstanding ordinary share ownership of the Bank is distributed as follows:

Nationality	No. of Shares	Ownership Percentage
Kingdom of Bahrain		-
Government	-	-
Institution	1,082,425,977	39.39
Individual	392,606,593	14.29
GCC		
Government	-	-
Institution	845,941,039	30.79
Individual	332,269,302	12.09
Others		
Government	-	-
Institution	68,357,649	2.49
Individual	26,176,098	0.95
Total	2,747,776,658	100

Board of Directors

The Board of Directors provides central leadership to the Bank, establishes the Bank's objectives, and develops the strategies that directs the ongoing activities of the Bank to achieve these objectives. Directors determine the future of the Bank through the protection of its assets and reputation. Directors apply skill and care in exercising their duties to the Bank and are subject to fiduciary duties. Directors are accountable to the shareholders of the Bank for the Bank's performance and can be removed from office by them.

The primary responsibility of the Board is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to balance the interests of its diverse stakeholders including its customers, correspondents, employees, suppliers, and the local community. In all actions taken by the Board, the directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank and its stakeholders. In discharging that obligation, directors may rely on the honesty and professional integrity of the Bank's senior management and, its external advisors and auditors.

Board Composition

The Board consists of members who possess both the required skills and expertise to govern the Bank in a manner that would achieve the objectives of all stakeholders. Furthermore, in compliance with relevant regulations, the Board Committees consist of Directors with adequate professional background and experience. The Board periodically reviews its composition, the contribution of Directors and the performance of its various Committees. The appointment of Directors is subject to prior screening by the Nomination and Corporate Governance Committee and the Board of Directors, as well as the approval of both the Shareholders and the Central Bank of Bahrain. The classification of "executive", "non-executive" and "independent" directors is as per the definitions stipulated in the Central Bank of Bahrain Rulebook.

Each Director is elected for a three-year term, after which he must present himself to the Annual General Meeting of shareholders for re-appointment. Board Meeting attendance is as per the regulations stipulated in the Central Bank of Bahrain Rulebook.

Currently, Al Salam Bank does not have any female representation on the Board of Directors as per the below:

Gender	Men	Women
Number of Directors	9	0
Percentage %	100%	0%

Corporate Governance Report (continued)

Mandate of the Board of Directors and their Roles and Responsibilities

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives in accordance with relevant statutory and regulatory structures. The Board is also responsible for the consolidated financial statements of the Group. The Board ensures the adequacy of financial and operational systems and internal controls, as well as the implementation of corporate ethics and the code of conduct. The Board has delegated the responsibility of the day-to-day management of the Bank to the Group Chief Executive Officer ("Group CEO").

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board. This includes:

- Reviewing the strategic plan of the Bank.
- Performance reviews of the Senior Management (all approved persons).
- Performance assessment of the Board, Board Sub-Committees and the Shari'a Supervisory Board.
- Approving material acquisition and disposal of assets.
- Approving capital expenditure.
- Approving authority levels.
- Appointing auditors and, reviewing the financial statements and financing activities.
- Reviewing the Corporate Governance Report
- Approving the annual operating plan and budget.
- Ensuring regulatory compliance through its various committees.
- Reviewing the adequacy and integrity of the internal controls; and
- Approving all policies pertaining to the Bank's operations and functioning.

Board Elections System

Article 25 of the Bank's Articles of Association provides the following:

1. The company shall be administered by a Board of Directors consisting of not less than five (5) members elected by the shareholders by means of cumulative voting by secret ballot and in accordance with the provisions of the Commercial Companies Law, after obtaining the approval of the Central Bank of Bahrain for their appointment. Members of the Board of Directors shall be appointed or elected to serve for a term not exceeding three (3) years renewable. A cumulative vote shall mean that each shareholder shall have a number of votes equal to the number of shares he owns in the Company and shall have the right to vote for one candidate or to distribute them among his chosen candidates.
2. Each shareholder owning 10% or more of the capital may appoint whoever represents him on the Board to the same percentage of the number of the Board members. His right to votes shall be forfeited for the percentage he has appointed representatives. If a percentage is left that does not qualify him to appoint another member, he may use such percentage to vote.
3. The Board of Directors shall elect, by secret ballot, a Chairman and one Vice Chairman or more, three years renewable. The Vice Chairman shall act for the Chairman during his absence or if there is any barrier preventing him. The Ministry of Industry and Commerce and the Central Bank of Bahrain shall be provided with a copy of the resolution electing the Chairman and the Deputy Chairman.
4. The Board of Directors shall consist of independent and non-executive members in accordance with the Central Bank of Bahrain's rules and regulations.
5. No person may be appointed or elected as a member of the Board of Directors until he has declared his acceptance to such nomination in writing, provided that the declaration includes the disclosures of any work performed that may directly or indirectly constitute competition for the company, names of the companies and entities in which he works in or in which he is a member of their board of directors.

Article 27 of the Bank's Articles of Association covers the "Termination of Membership in the Board of Directors" which states the following:

A Director shall lose his office on the Board in the event that he:

1. Fails to attend four consecutive meetings of the Board in one year without an acceptable excuse, and the Board of Directors decides to terminate his membership;
2. Resigns his office by virtue of a written request;
3. Forfeits any of the provisions set forth in Article 26 of the Articles of Association;
4. Is elected or appointed contrary to the provisions of the Law; and
5. Has abused his membership by performing acts that may constitute a competition with the Company or caused actual harm to the Company;
6. If he has been convicted before any court for theft, embezzlement, fraud, forgery or issuing dishonored cheques or any crime as provided in the law;
7. If he declares bankruptcy;
8. If any of the shareholders have terminated his appointment to any of their representatives on the Board of Directors or if the shareholders of the General Assembly vote for his removal in accordance with Article 42; or
9. If the Central Bank of Bahrain considers him not eligible for the position.

Independence of Directors

An independent Director is a Director whom the Board has specifically determined has no material relationship, which could affect his independence of judgment, taking into account all known facts. The Directors have disclosed their independence by signing the Directors Annual Declaration whereby they have declared that during the year ending 31 December 2024, they have met all the conditions required by the various regulatory authorities to be considered independent.

As of 31-12-2024, the members of the Board were:

Non-executive Members

H.E. Shaikh Khalid bin Mustahil Al Mashani	Chairman
Mr. Matar Mohamed Al Blooshi	Vice Chairman
Mr. Salman Saleh Al Mahmeed	Board Member

Independent Members

Mr. Ahmed Habib Kassim	Board Member
Mr. Alhur Mohammed Al Suwaidi	Board Member
Mr. Hisham Saleh AlSaie	Board Member
Mr. Salim Abdullah Al Awadi	Board Member
Mr. Tariq Abdulhafidh AlAujaili	Board Member
Mr. Zayed Ali Al-Amin	Board Member

All current Directors were elected for a three-year term on 31 March 2024.

Corporate Governance Report (continued)

The Board Charter

The Board has adopted a Charter which provides the authority and practices for governance of the Bank. The Charter was approved by the Board with the beginning of its term in 2024 and it has been updated to be aligned with the new regulation rules. The charters include general information on the composition of the Board of Directors', classification of Directors', Board related Committees, Board of Directors' roles and responsibilities, Board of Directors' code of conduct, Board remuneration and evaluation process, insider dealing, conflict of interest and other Board related information.

Conflict of Interest

The Bank has a documented procedure for dealing with situations involving "conflict of interest" of Directors. In the event of the Board or its Committees considering any issues involving "conflict of interest" of Directors, the decisions are taken by the full Board/ Committees. The concerned Director abstains from the discussion/ voting process. These events are recorded in Board/ Committees proceedings. The Directors are required to inform the entire Board of (potential) conflicts of interest in their activities with, and commitments to, other organizations as they arise and abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director. A report detailing the absentation from voting relating to conflict of interest is made available to shareholders upon their request.

The below illustrates instances where Board Members have abstained from voting due to conflict of interest:

Sr.	Members	Instances of abstaining from voting	Status
1	Mr. Hisham Saleh AlSaie	4 instances	Approved by Board
2	Mr. Salman Al Mahmeed	2 instances	Approved by Board
3	Mr. Zayed Ali Al-Amin	1 instance	Approved by Board

Induction and Orientation for New Directors

When new Directors are appointed, they shall be provided with an appointment letter and the Directors' Handbook containing information relevant to the performance of their duties as members of the Board. The Handbook includes the Corporate Governance Guidelines, Charters of the Board and Committees, key policies, etc. The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board.

Code of Conduct

The Board has an approved Code of Conduct for Directors, as follows:

- To act with honesty, integrity and in good faith, with due diligence and care, in the best interest of the Bank and its stakeholders;
- To act only within the scope of their responsibilities;
- To have a proper understanding of the affairs of the Bank and to devote sufficient time to their responsibilities;
- To keep confidential Board discussions and deliberations;
- Not to make improper use of information gained through the position as a director;
- Not to take undue advantage of the position of director;
- To ensure his/her personal financial affairs will never cause reputational loss to the Bank;
- To maintain sufficient/detailed knowledge of the Bank's business and performance to make informed decisions;
- To be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- To consider themselves as a representative of all Shareholders and act accordingly;
- Not to agree to the Bank incurring an obligation unless he/she believes at the time, on reasonable grounds, that the Bank will be able to discharge the obligations when it is required to do so;

- Not to agree to the business of the Bank being carried out or cause or allow the business to be carried out, in a manner likely to create a substantial risk of serious loss to the Bank's creditors;
- To treat fairly and with respect all of the Bank's employees and customers with whom they interact;
- Not to enter into competition with the Bank;
- Not to demand or accept substantial gifts from the Bank for himself/herself or his/her associates;
- Not to take advantage of business opportunities to which the Bank is entitled for himself/herself or his/her associates;
- Report to the Board any potential conflicts of interests; and
- Absent themselves from any discussions or decision-making that involves a subject in which they are incapable of providing objective advice or which involves a subject or proposed conflict of interest.

Evaluation of Board Performance

The Board has adopted a 'Performance Assessment Framework' designed to provide Directors with an opportunity to assess their performance on an annual basis. The self-assessment consists of three categories, such as:

- Assessment of the Board as a unit;
- Assessment of the Committee as a unit; and
- Self-assessment of individual Directors.

The results of the annual performance assessment shall be communicated to the Shareholders at the Annual General Meeting. The results for this year were satisfactory.

Remuneration of Directors

Remuneration of the Directors as provided by Article 34 of the Articles of Association states the following:

"The General Assembly shall specify the remuneration of the members of the Board of Directors. However, such remunerations must not exceed in total 10% of the net profits after deducting statutory reserve and the distribution of dividends of not less than 5% of the paid capital among the shareholders. The General Assembly may decide to pay annual bonuses to the Chairman and members of the Board of Directors in the years when the Company does not make profits or in the years when it does not distribute profits to the shareholders, subject to the approval of the Ministry of Industry and Commerce. The report of the Board of Director to the general Assembly shall include full statement of the remuneration the members of the Board of Directors have been paid during the year in accordance with the provisions set forth in Article (188) of the Law."

The Board, based upon the recommendation of the Remuneration Committee and subject to the laws and regulations, determines the form and amount of Director compensation subject to final approval of the shareholders at the Annual General Meeting. The Remuneration Committee shall conduct an annual review of Directors' compensation.

As per the Directors Remuneration Policy approved by the Shareholders, the structure and level for the compensation for the Board of Directors consist of the following:

1. Annual remuneration subject to the annual financial performance of the Bank and as per the statutory limitation of the law.
2. The total amount payable to each Board member with respect to Board and Committee meetings attended during the year.
3. The remuneration of the Board of Directors will be approved by the shareholders at the Annual General Meeting.

In addition to the above, Directors of the Bank may not enter any consulting arrangements with the Bank without the prior approval of the Board. Directors who serve on the Audit and Risk Committee shall not directly or indirectly provide or receive compensation for providing accounting, consulting, legal, investment banking or financial advisory services to the Bank.

Corporate Governance Report (continued)

Board Meetings and Attendances

The Board of Directors meets at the summons of the Chairman or his Deputy (in the event of his absence or disability) or if requested to do so as per the Bank's Board Charter. According to the Bahrain Commercial Companies Law and the Bank's Articles of Association, the Board meets at least four times a year. A meeting of the Board of Directors shall be valid if attended by half of the members in person. During 2024, the Directors that were present at the Annual General Meeting are detailed in the minutes of the 2024 Annual General Meeting. The details of the Board meetings held during 2024 are as follows:

Board Meetings in 2024 - Minimum Four Meetings per Annum

Members	13 Feb	31 Mar	13 May	13 Jun	13 Aug	19 Sep	12 Nov	12 Dec	%
H.E. Shaikh Khalid bin Mustahil Al Mashani	√	√	√	√	√	√	√	√	100
Mr. Matar Mohamed Al Blooshi	√	√	√	√	√	√	√	√	100
Mr. Ahmed Habib Kassim*	NA	√	√	√	√	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	√	√	-	√	√	87.5
Mr. Hisham Saleh AlSaie	√	√	√	√	√	√	√	√	100
Mr. Salim Abdullah Al Awadi	√	√	√	√	√	√	√	√	100
Mr. Salman Saleh Al Mahmeed	√	√	√	√	√	√	√	√	100
Mr. Tariq Abdulhafidh AlAujaili	√	√	√	√	√	√	√	√	100
Mr. Zayed Ali Al-Amin	√	√	√	√	√	√	√	√	100
Mr. Khalid Salim Al Halyan**	√	NA	NA	NA	NA	NA	NA	NA	100

* On 31 March 2024, Mr. Ahmed Habib joined the Board of Directors.

** On 31 March 2024, Mr. Khalid Al Halyan is no longer a Board Member.

Directors' Interests

Directors' shares ownership in two-year comparison as of 31 December:

	No of shares		Number of Shares in 2024	
Member	2024	2023	Bought	Sold
H.E. Shaikh Khalid bin Mustahil Al Mashani	0	0	0	0
Mr. Matar Mohamed Al Blooshi	0	0	0	0
Mr. Ahmed Habib Ahmed Kassim**	49,502,835	-	0	0
Mr. Alhur Mohammed Al Suwaidi	0	0	0	0
Mr. Hisham Saleh AlSaie*	4,289,049	5,001,818	700,000	1,583,676
Mr. Salim Abdullah Al Awadi	0	0	0	0
Mr. Salman Saleh Al Mahmeed	0	0	0	0
Mr. Tariq Abdulhafidh AlAujaili	0	0	0	0
Mr. Zayed Ali Al-Amin	6,000,000	5,500,000	225,000	0

* Indirect ownership

** Mr. Ahmed Habib Kassim has been appointed as a member of the board of directors on 31 March 2024.

Approval Process for Related Parties' Transactions

The Bank has a due process for dealing with transactions involving related parties. Any such transaction will require the unanimous approval of the Board of Directors. The nature and extent of transactions with related parties are disclosed in the consolidated financial statements under note 29- related party transaction.

Material Transactions that require Board Approval

Depending on the internal risk rating transactions above BD 5 million and up to BD 15 million requires the approval of the Executive Committee of the Board of Directors, any transaction above BD 15 million requires the approval of the Board of Directors of the Bank. In addition, when acquiring 20% of a company Board approval is required regardless of the amount.

Material Contracts and Financing Involving Directors and Senior Management During 2024

The Bank's dealings with its directors/ associated entities are conducted on an arms-length basis and at prevailing commercial terms in respect of its exposure to and deposits received from them. All financing facilities to senior management members are governed by the policies applicable to staff, which are reviewed and approved by the Board Remuneration & Nomination Committee. Material contracts and financing facilities involving directors and senior management during 2024 are as follows:

- Financing Facilities provided to certain Directors of the Board and related entities with a total amount of BD 1,420,781.
- Financing Facilities provided to senior management with a total amount of BD 746,145.

All related party transactions are disclosed in note 29 of the consolidated financial statements for the year ending 31 December 2024.

Directorships held by Directors on Other Boards

The High-Level Controls Module of the Central Bank of Bahrain Rulebook provides that no Director should hold more than three directorships in Bahrain public companies. All members of the Board of Directors met this requirement and are approved by the Central Bank of Bahrain.

Board Committees

Consistent with the industry's best practice, the Board has established four Committees with defined roles and responsibilities. The Standing Committees of the Board are Executive Committee, Audit and Risk Committee, Remuneration Committee and, Nomination and Corporate Governance Committee.

Certain information relating to the work of certain Board Committees during the year 2024, summary of the dates of Committee meetings held, Directors' attendance and a summary of the main responsibilities of each Committee is enclosed in this report.

Executive Committee

The Committee operates under the delegated authority of the Board and provides direction to the executive management on business matters, as delegated by the Board, to address matters arising between the Board meetings. The Committee is responsible for reviewing business matters concerning credit and market risks, strategy review and providing recommendation to the Board.

Committee Meetings in 2024 - Minimum four meetings per annum.

Four Committee meetings were held during 2024 as follows:

Members	29 Jan	4 Jun	9 Sep	4 Dec	%
Mr. Matar Mohamed Al Blooshi (Chairman)	√	√	√	√	100
Mr. Hisham Saleh AlSaie	√	√	√	√	100
Mr. Salim Abdullah Al Awadi	√	√	√	√	100
Mr. Salman Saleh Al Mahmeed*	NA	√	√	√	100
Mr. Zayed Ali Al-Amin**	√	NA	NA	NA	100

* On 31 March 2024, Mr. Salman Al Mahmeed joined the Executive Committee.

** On 31 March 2024, Mr. Zayed Al-Amin is no longer a member of the Executive Committee.

Corporate Governance Report (continued)

Audit and Risk Committee

The Committee's responsibility is to assist the Board in discharging its oversight duties relating to matters such as Audit, Risk and Compliance including the integrity of the Bank's financial statements, financial reporting process and systems, internal controls and financial controls. The Committee also acts as a liaison between the external auditor, internal auditor and the Board. The Committee is also charged with the responsibility of handling whistleblowing complaints and monitoring related party transactions.

Committee Meetings in 2024 - Minimum four meetings per annum. Seven Committee meetings were held during 2024 as follows:

Members	5 Feb	5 May	4 June	11 Aug	12 Sep	5 Nov	5 Dec	%
Mr. Tariq Abdulhafidh AlAujaili (Chairman)	√	√	√	√	√	√	√	100
H.E. Shaikh Khalid bin Mustahil Al Mashani	√	√	√	√	√	√	√	100
Mr. Ahmed Habib Kassim	NA	√	√	√	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	√	√	√	√	100
Mr. Zayed Ali Al-Amin*	NA	√	√	√	√	√	√	100
Mr. Salman Saleh Al Mahmeed**	√	NA	NA	NA	NA	NA	NA	100
Mr. Khalid Salim Al Halyan ***	√	NA	NA	NA	NA	NA	NA	100

* On 31 March 2024, Mr. Zayed Al-Amin joined the Audit and Risk Committee.

** On 31 March 2024, Mr. Salman Al Mahmeed is no longer a member of the Audit and Risk Committee.

*** On 31 March 2024, Mr. Khalid Salim Al Halyan is no longer a member of the Audit and Risk Committee.

Remuneration Committee

The Committee's role is to provide a formal and transparent procedure for developing a compensation policy for the Board, Group Chief Executive Officer and Senior Management (approved persons and material risk takers); ensures that compensation offered is competitive, in line with the market/peer group and consistent with the responsibilities assigned to employee. In addition, the Committee recommends to the Board special compensation plans, including annual performance bonus and short/long term incentives to attract, motivate and retain key employees.

Committee Meetings in 2024 - Minimum two meetings per annum. Three meetings were convened during 2024:

Members	5 Feb	3 June	5 Dec	%
H.E. Shaikh Khalid bin Mustahail Al Mashani (Chairman)	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	100
Mr. Tariq Abdulhafidh AlAujaili*	NA	√	√	100
Mr. Khalid Salim Al Halyan**	√	NA	NA	100

* On 31 March 2024, Mr. Tariq Al Aujaili joined the Remuneration Committee.

** On 31 March 2024, Mr. Khalid Al Halyan is no longer a member of the Remuneration Committee.

Nomination and Corporate Governance Committee

The Committee's role is to evaluate and nominate candidates to the Board, as well as facilitate the assessment of the performance of the Board, Committees and individual Directors. In addition, the Committee is responsible to ensure that Directors receive adequate training during the year so as to be able to perform their duties on the Board and the Committees they serve on. The Committee is also charged with the responsibility of ensuring that the Corporate Governance Framework of the Bank is adequate and in compliance with the prevailing regulations. The Committee liaises with the Bank's Corporate Governance Officer to manage the governance related activities.

Committee Meetings in 2024 - Minimum two meetings per annum.

Two meetings were convened during 2024:

Members	29 Jan	9 Sep	%
Mr. Salim Abdullah Al Awadi (Chairman)	√	√	100
Dr. Fareed AlMaftah (Shari'a Supervisory member)	√	√	100
Mr. Matar Mohamed Al Blooshi	√	√	100
Mr. Zayed Ali Al-Amin*	NA	√	100
Mr. Tariq Abdulhafidh AlAujaili**	√	NA	100

*On 31 March 2024, Mr. Zayed Al-Amin joined the Nomination and Corporate Governance Committee.

**On 31 March 2024, Mr. Tariq AlAujaili is no longer a member of the Nomination and Corporate Governance Committee.

Fatwa & Shari'a Supervisory Board

The Bank is guided by a Shari'a Supervisory Board consisting of four distinguished scholars. The Shari'a Supervisory Board reviews the Bank's activities to ensure that all products and investment transactions comply fully with the rules and principles of Islamic Shari'a. Further, the Shari'a Supervisory Board review and vet the screening criteria for charitable donations.

The Shari'a Supervisory Board confirms that an internal Shari'a audit function is in place and is adequately performing its duties as stipulated in the Shari'a Governance Module and AAOIFI Standards. In addition, one designated member from the Shari'a Supervisory Board have been nominated by the SBB to represent it in the Nomination and Corporate Governance Committee to raise Sharia concerns in relation to the corporate governance related matters. During the year, there has no Sharia concerns on the corporate governance matters.

The Board meets at least 4 times a year. Its members are remunerated by annual retainer fee and sitting fees per meeting attended. Its members are not paid any performance-related remuneration. Performance assessment of the Shari'a Supervisory Board is done on a self-assessment basis and submitted to the Board for their review and action.

Annual General Meeting

The Board of Directors report to the Shareholders on the performance of the Bank through the Annual General Meeting. The meeting shall be convened upon an invitation from the Chairman of Board and be convened during the three months following the end of the Bank's financial year.

All the Directors, especially the Chairs of the Board and Committees, at least one member of the Shari'a Supervisory Board and the external auditors shall be present at this meeting to answer questions from the Shareholder regarding matters within their responsibilities:

At a minimum, the Board shall report on the following to the Shareholders, for their approval, at the Annual General Meeting:

- Audited financial statements of the Bank;
- Related party transactions executed;
- Corporate governance report;
- Corporate social responsibility report;
- Performance assessment of the Board, Committees and individual Directors; and
- Remuneration for the Directors and the Shari'a Supervisory Board members.

Executive Management

The Board delegates the authority of managing the Bank to the Group Chief Executive Officer ("Group CEO"). The Group CEO and Executive Management are responsible for implementation of decisions and strategies approved by the Board of Directors and the Shari'a Supervisory Board.

Corporate Governance Report (continued)

Senior Managers' interest

The number of shares held by the senior managers, in two-year comparison, as on 31 December 2024 is as follows:

	Shares	
Members	2024	2023
Mr. Anwar Mohammed Murad*	851,679	811,125
Mr. Abdulkarim Turki	11,026	10,501
Mr. Essa Abdulla Bohijji	152,721	145,449
Dr. Mohammed Burhan Arbouna	428	408
Total	1,015,854	967,483

*The shares represent shares under Mr. Anwar's guardianship

Management Committees

The Group Chief Executive Officer ("Group CEO") is supported by a number of management committees each having a specific mandate to give focus to areas of business, risk and strategy. The various committees and their roles and responsibilities are:

	Roles and Responsibilities
Executive Committee	Overseeing the other Management committees and assisting the Group CEO in various issues or topics as and when required.
Asset Liability Committee	Review the trading and liquidity policy for the overall management of the balance sheet and its associated risks.
Credit and Investment Committee	Recommending the risk policy and framework to the Board, the Committee's primary role is the selection and implementation of risk management systems, portfolio monitoring, stress testing, risk reporting to Board, Board Committees, Regulators and Executive Management. The Committee approves and monitor retail and corporate credit transactions, transactions relating to real estate investments, and oversee the performance of fund managers and recommend exit strategies to maximize return to its investors.
Human Resource Committee	Enable the Bank's employees to meet their professional and personal goals aligned with the growth of the Bank by focusing on skill enhancement, career development, rewards with performance, and work life balance.
Information Security Committee	The role of the committee is advisory in nature. It assists the relevant stakeholders to develop, review and execute a comprehensive Information Security Management System (ISMS) for the Bank. The Committee aims to strengthen the Information Security Department's capabilities as well.
Information Technology Steering Committee	Oversees the information technology function of the Bank. It recommends the annual IT budget and plans, drawn up in accordance with the approved strategy of the Bank, to the Group CEO for submission to the Board of Directors for their approval. It supervises the implementation of the approved IT annual plan within set deadlines and budgetary allocations.
Operational, Market Risk and Compliance Committee	Review the Bank's Operational and Market Risk policies, which must be approved by the Board and be consistent with the corporate values and strategy of the Bank and makes recommendations to procedures related to Operational and Market Risk management. Furthermore, the Committee ensures the Bank's compliance with applicable regulations.
Remedial NPF's and Provisioning Committee	Assess and follow up on all non-performing assets of the Bank with the objective of maximizing recoveries for the Bank.
Sustainability Committee	Oversees the Corporate Social Responsibility affairs of the Bank, managing donations and sponsorship requests, evaluating the proposals, and allocating funds to causes that the Bank is committed to support, in line with the annual corporate social responsibility plan and the Corporate Social Responsibility Policy. Any exceptions to the approved plan are reviewed and recommended to the Board for approval. The Committee is also involved in the preparation of the Corporate Social Responsibility Report, which forms part of the Annual Report, detailing the donations and sponsorships made during the year.

Executive Management Compensation

The performance bonus of the Group Chief Executive Officer and Senior Management is recommended by the Remuneration Committee and approved by the Board. The Performance for the Compliance, Audit and Risk functions are assessed and approved by both the Audit and Risk Committee and the Remuneration Committee.

Compliance

The Bank is committed to maintaining the highest standards of regulatory compliance in all aspects of its business and operations. This commitment is reinforced by the establishment of a compliance framework which is designed to ensure adherence to all applicable laws, regulations and guidelines set by the Central Bank of Bahrain and other regulatory authorities.

The Bank continuously endeavors to enhance and develop its Compliance and Anti Money Laundering policies, procedures and systems to meet evolving regulatory requirements and maintain a strong compliance culture.

Remuneration And Appointment of The External Auditors

During the Annual General Meeting held on 31 March 2024, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31 December 2024 and authorized the Board of Directors to determine their remuneration.

The remuneration to the external auditors for the services provided to the Group are as follows:

Audit and audit related fees: BD 451.48 thousand, Non audit services: BD 570.78 thousand.

Categories of services	Fees (BD 000's)	Major type of services included in each category
(a) Audit of the group consolidated financial statements	451.48	• Audit of the consolidated financial statements of the Bank and it's subsidiaries for the year ended 31 December 2024. • Review of condensed consolidated interim financial information of the Bank and its subsidiaries for the quarter ended 31 March, 30 June and 30 Sep 2024.
(b) Services other than Audit		
• Audit related	251.31	**Audit related services** Agreed upon procedures relating to regulatory compliance and related services required by regulators to be performed by the external auditors across the group entities.
• Tax	22.97	**Tax related services** Includes VAT compliance related services and corporate tax related analysis.
• Advisory	296.50	**Advisory services** Mainly includes certain pre-deal financial and tax due diligence services across various group entities, and review of stress test and capital plans under different scenarios.

Internal Control

Internal control is an active process that is continually operating at all levels within the Bank. The Bank has established an appropriate culture to facilitate an effective internal control process. Every employee of the Bank participates in the internal control process and contributes effectively by identifying risks at an earlier stage and implementing mitigating controls at optimum cost. Residual risk is properly communicated to the senior management and corrective actions are taken.

Corporate Governance Report (continued)

Key Persons Policy

The Bank has established a Key Persons' Policy to ensure that Key Persons are aware of the legal and administrative requirements regarding holding and trading of the Bank's shares, with the primary objective of preventing abuse of inside information. Key Persons include the Directors, Executive Management, designated employees and any person or firm connected to the identified Key Persons. The ownership of the Key Persons' Policy is entrusted to the Board's Audit Committee. The latest Key Persons' Policy is posted on the Bank's website and is updated every board term.

Employee Relations

Al Salam Bank is committed to promoting a diverse and inclusive environment and encourages understanding of the individuality and creativity that each employee uniquely brings to the Bank. Employees are hired and placed on the basis of ability and merit. Evaluation of employees is maintained on a fair and consistent basis.

In line with the Bank's policy of being on equal opportunity firm and as part of Central Bank of Bahrain's Rulebook and Corporate Governance requirements, the Bank shall not employ relatives of employees up to the 4th degree. Existing employees must alert the Human Resources of any relatives or relationship of other employees or candidates being interviewed. Failure to do so will subject the employee to disciplinary action pursuant to the Law No. 36 of 2012 Promulgation of the Labour Law in the Private Sector and the Bank's Disciplinary Guidelines.

Communication Policy

The Bank recognizes that active communication with different stakeholders and the general public is an integral part of good business and administration. In order to reach its overall communication goals, the Bank follows a set of guiding principles such as efficiency, transparency, clarity and cultural awareness.

The Bank uses modern communication technologies in a timely manner to convey messages to its target groups. The Bank shall reply without unnecessary delay, to information requests by the media and the public. The Bank strives in its communication to be as transparent and open as possible while taking into account Bank confidentiality. This contributes to maintaining a high level of accountability. The Bank also proactively develops contacts with its target groups and identifies topics of possible mutual interest. The Bank reinforces clarity by adhering to a well-defined visual identity in its external communications. The Bank's formal communication material is provided in both Arabic and English languages.

The annual reports and quarterly financial statements and Corporate Governance reports are published on the Bank's website. Shareholders have easy access to various types of forms including proxies used for the Annual General Meeting. In addition, forms are also available online to file complaints or make inquiries which are duly dealt with. The Bank regularly communicates with its staff through internal communications to provide updates of the Bank's various activities.

Whistle Blowing Policy

This Policy details the procedures for a whistleblower to escalate a complaint to the designated authority and procedures that are to be followed by the Audit and Risk Committee to ensure that a valid whistleblowing complaint is investigated properly and action taken appropriately, while protecting the whistleblower from any adverse reaction due to their complaint.

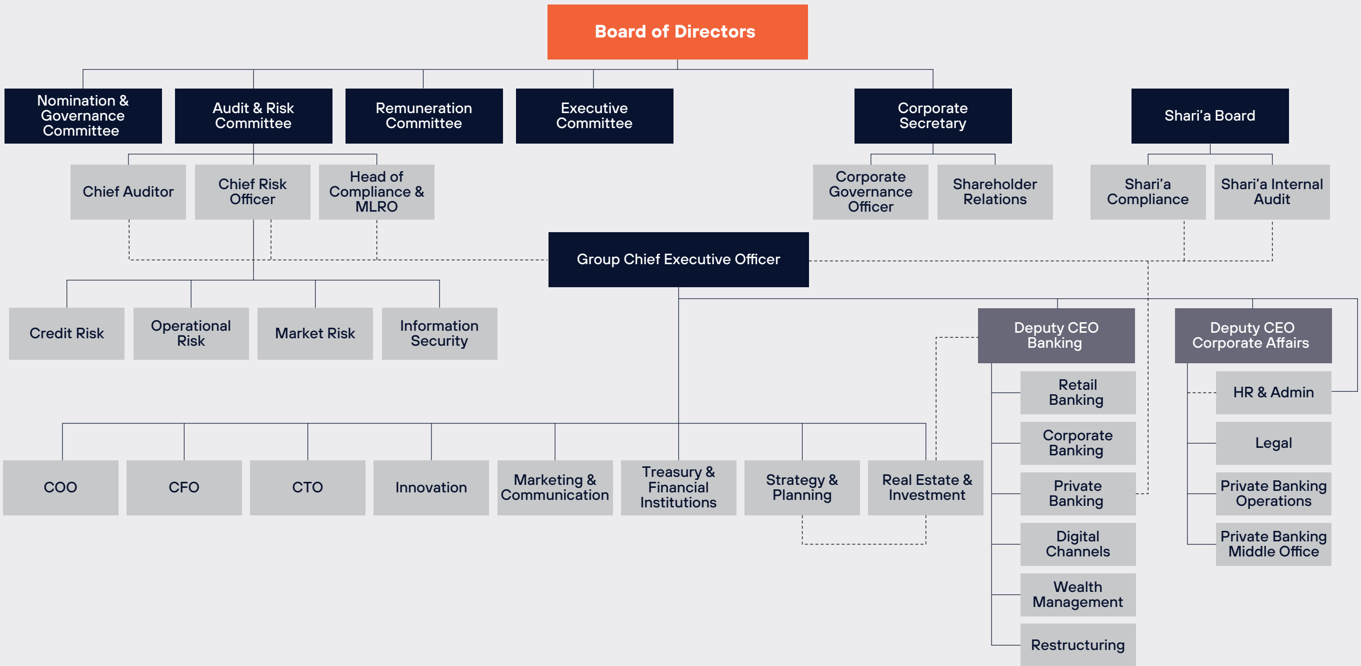
Delegation of Authority Limits

Approving limits for the Board, Board Committees and other designated individuals are incorporated into the Delegation of Authority Limits. The authorities are established for both financial and operational activities.

Disclosures

The Bank has a Disclosures Policy in place detailing the Bank's internal as well as external communications and disclosures. The Board oversees the process of disclosure and communication with the internal and external stakeholders.

Organizational Structure



Remuneration Policy

Core Remuneration Policy

The fundamental principles underlying our remuneration policy which has been approved by the Board of Directors and the shareholders of the Bank are:

- The composition of salary, benefits and incentives is designed to align employee and shareholder interests;
- Remuneration determination takes into account both financial and non-financial factors over both the short and longer-term;
- Emphasis is on performance evaluations that reflect individual performance, including adherence to the Bank's risk and compliance policies in determining the total remuneration for a position;
- The Bank has set a fixed remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus will be awarded purely at the discretion of the Board's Remuneration Committee in recognition of the employees exceptional effort in any given performance period;
- The Bank shall have a well-defined variable pay scheme in place, to support the Remuneration Committee, should they decide to pay variable pay or bonus in any performance period;
- Variable pay will be determined based on achievement of targets at the Bank level, unit level and individual level;
- Variable pay scheme is designed in a manner that supports sound risk and compliance management. In order to achieve that goal:
  - Performance metrics for applicable business units are risk-adjusted where appropriate;
  - Individual award determinations include consideration of adherence to compliance-related goals.
- The remuneration package of employees in Control and Support functions are designed in such a way that they can function independent of the business units they support. Independence from the business for these employees is assured through:
  - Setting total remuneration to ensure that variable pay is not significant enough to encourage inappropriate behaviours while remaining competitive with the market;
  - Remuneration decisions are based on their respective functions and not the business units they support;
  - Performance measures and targets are aligned to the Bank and individual objectives that are specific to the function;
  - Respective function's performance as opposed to other business unit's performance is a key component for calculating individual incentive payments.
- Both qualitative and quantitative measures will be used to evaluate an individual's performance across the Bank.
- The Bank reviews the salaries and benefits periodically, with an objective of being competitive in the market places, based on salary surveys and market information gathered through secondary sources.
- The Bank does not provide for any form of severance pay, other than as required by the Labour Law for the Private Sector (Law No.36 of 2012 of the Kingdom of Bahrain), to its employees.

Regulatory Alignment

The Bank reviewed and revised the remuneration policy and especially its variable pay policy to meet the requirements of the CBB Guidelines on remuneration with the help of external consultants. Key regulatory areas and the Bank's response are summarized below:

REGULATORY AREA	BANK'S PRACTICE
Governance	The composition of Remuneration Committee, is as required by the CBB remuneration guidelines and is chaired by an Independent Director. The Remuneration Committee charter has been revised in line with the requirements of the CBB guidelines and the Committee will be responsible for the design, implementation and supervision of the remuneration policy. The aggregate fees / compensation paid to Remuneration Committee members for 2021 amounted to BD 36,000 (2020: BD 22,500). The Committee utilized the services of an external consultant to redesign and implement the revised remuneration policy aligned to the CBB guidelines on remuneration.
Risk Focused Remuneration Policy	The Bank has set the Fixed Remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus is being paid purely at the discretion of the Remuneration Committee in recognition of the employees exceptional efforts in any given performance period. Should the Remuneration Committee decide to award Variable Pay, it will be determined based on risk adjusted targets set at the Business unit level aggregated to the Bank level. The variable pay for the Group CEO, senior management in Business units and the Material Risk takers would be higher as compared to the fixed pay subject to achieving the risk adjusted targets both at the business unit and the Bank level. For employees in Control and Support functions, the pay mix is structured as more fixed and lesser variable. Further the variable pay, for employees in Control and Support Functions, is based on their units target and individual performance and not linked to Bank's performance.
Capital and Liquidity	The bonus or variable pay computation process is designed in such a way to ensure that it does not impact the Capital and Liquidity as there are validation checks prior to approval of the Remuneration Committee. The validation checks are the bonus pool as compared to the realized profit, impact on capital adequacy computed as per Basel III guidelines and as compared to the total fixed pay.
Deferral and Share Linked Instruments	The Bonus for the Group CEO, his deputies and Material Risk Takers and Approved Persons as per CBB and those whose total remuneration exceeds the regulatory threshold has a deferral element and share - linked payment. Phantom or Shadow shares are offered to such employees. The deferral arrangements are as follows: Group CEO, his deputies and top 5 Executive Management members (in terms of total remuneration) in Business units: • 40% of the variable pay will be paid in cash at the end of the performance period; and • The balance 60% will be deferred over a period of 3 years with 10% being cash deferral and 50% being phantom or shadow shares and the entire deferred variable pay will vest equally over a 3-year period. For all other employees in Business units and Approved Persons in Control and Support Functions and whose total remuneration exceeds the regulatory threshold: • 50% of the variable pay will be paid in cash at the end of the performance period; and • 10% in the form of phantom or shadow shares at the end of the performance period and the phantom or shadow shares subject to a minimum share retention period of 6 months from the award date. • The balance 40% will be deferred over a period of 3 years and paid in the form of phantom or shadow shares and vests equally over the 3 year period and the phantom or shadow shares subject to a minimum share retention period of 6 months from the award date.
Claw Back and Malus	The Bank has introduced claw - back and malus clauses whereby the Remuneration Committee has the right to invoke these clauses under certain pre-defined circumstances where in the Bank can claw-back the vested as well as the unvested bonus paid or payable to an employee.

Remuneration Policy (continued)

Remuneration Components

It is the Bank's intent to have a transparent, structured and comprehensive remuneration policy that covers all types of compensation and benefits provided to employees.

The remuneration policy provides a standardized framework for remuneration covering employees at all levels of the Bank.

Remuneration offered by the Bank shall reflect the Bank's objective of attracting and retaining the desired level of talent from the banking sector.

Remuneration will be at a level, which will be commensurate with other Banks of similar activity in Bahrain, and will allow for changes in the cost of living index. The compensation package shall comprise of basic salary and benefits and discretionary variable pay.

The following table summarizes the total remuneration:

Element of Pay	Salary and Benefits
Rationale	To attract and retain the desired level of talent.
Summary	*Reviewed annually.* Benchmarked to the local market and the compensation package offered to employee is based on the job content and complexity. The Bank offers a composite fixed pay i.e. it is not split as Basic and Allowances but is paid as one lump sum. The benefits are aligned to the local market practice.

<table>
<tr><td>Element of Pay</td><td>Variable Pay / Bonus</td></tr>
<tr><td>Rationale</td><td>To incentivize the achievement of annual targets set at the Bank level and at the Business unit levels and thereby also make sure that senior management get substantial portion as variable pay which is linked to performance.

The Variable pay is deferred to ensure that the management's interests are aligned to the shareholder value and to align time horizon of risk.</td></tr>
<tr><td>Summary</td><td>The Bonus pool is determined based on the bottom up approach i.e. by setting base multiples of monthly salary per level and aggregating the multiples per unit and then on to the Bank level.

The basis of payment of bonus would be as follows:

GCEO and Senior Management: Base multiple * Bank score * Individual score
Business units: Base multiple * Bank score * Unit score * Individual score
Control & Support units: Base multiple * Unit score * Individual score

Computation of Variable Pay - Business Units

Beginning of the financial year:
Targets are set for the Business units and are aggregated to the Bank level target. In setting targets certain Bank wide risk parameters which include capital, liquidity, profit and qualitative measure such as reputation risk and the Bank and unit specific KPIs shall be considered. For achieving this target, total Bonus pool is set based on monthly multiples of salary across the Bank. The Key feature is that bonus is self-funding and the different levels of targets are not just % increase in profits but profits adjusted for additional bonus. This Bonus Pool is subject to additional checks for its impact on the capital adequacy, as a proportion of net profit and realized profit and as a proportion of the total fixed pay in any given financial year.

At the end of the financial year:
The actual results are evaluated against targets, considering the risk parameters matrix and adjustments if any to the unit score or the Banks score as appropriate are made and the bonus pool is revised accordingly.

The actual bonus pool is approved by the Remuneration Committee and the individual Bonus payments are as per the scoring matrix.

Computation of Variable Pay – Control and Support Units
The Unit targets as set out and agreed with the Remuneration Committee in the beginning of each evaluation period will be the base for Variable pay to be paid. Except in the case of Bank making a loss, the variable pay for the employees in the Control and Support unit, would be payable based on the Unit targets and the individual performance.

Base Multiples are set for each employee level in each Control and Support unit. The achievement of unit target is assigned a weight of 1 and scored based on the level of actual results achieved.

The individual performance score is based on the individual rating and the score is set to vary between 0 up to a maximum of 1.

The Summary of the Variable pay process is:

Links reward to Bank, business unit and individual performance.

Target setting process considers risk parameters which are both quantitative and qualitative such as reputation.

Aligned to time horizon of risk the bonus has a deferral element and a share linkage to align the employee's interest with that of the shareholders.

Bonus can be lesser or nil if the Bank or business units do not achieve the risk adjusted targets or make losses. Post risk assessment is carried out to ensure that in case of material losses or realization of less than expected income which can be attributed to employee's actions the claw back or malus as appropriate is invoked.</td></tr>
</table>

Remuneration Policy (continued)

Details of Remuneration

(A) Board of Directors

Amounts in BD	2024	2023
Attendance fee and travel expenses	587,000	519,000
Remuneration paid	1,110,000	965,000
Al Salam Bank subsidiaries' Board remuneration, attendance fees and expenses	1,941,000	2,471,698

(B) Employees

			Amounts in BD thousands				
			Variable upfront		Variable deferred		
31-Dec-24	No of staff	Fixed *	Cash	Non-cash	Cash	Non-cash	Total
Approved person business line	8	2,239	2,589		268	1,299	6,395
Approved person control & support	22	2,678	1,367		176	775	4,996
Other material risk takers	51	2,812	1,815		56	227	4,910
Other employees - Bahrain operations	669	19,739	5,745			74	25,558
Other employees overseas	867	5,708	2,780				8,488
	1,617	**33,176**	**14,296**	**-**	**500**	**2,375**	**50,347**
31-Dec-23							
Approved person business line	10	2,832	1,045		250	1,209	5,336
Approved person control & support	19	2,005	485		77	308	2,875
Other material risk takers	50	2,268	737		23	92	3,120
Other employees - Bahrain operations	439	10,880	3,426			37	14,343
Other employees overseas	28	176					176
	546	**18,161**	**5,693**	**-**	**350**	**1,646**	**25,850**

* Fixed remuneration includes all compensation and benefits that are due to employees based on contractual arrangements (GOSI, indemnity, tickets & medical)

The above table includs the employee cost details of the banks subsidiary in Algeria and Seychelles. Overseas subsidiaries are included in the table above only if their results are conslidated for a full calendar year. The comparative information did not include information related to the Bank's subsidiary in Algeria.

Severance payments during the year amounted to BD 2.1 Mn for a total of 31 employees (of which highest award to a single employee was BD259 thousand) who volunatrily resigned for early retirement during the year.

Deferred Performance Bonus Awards

31-Dec-24 Awards	Cash (BD000)	Phantom shares Nos.	Phantom shares (BD000)	LTIP Shares (BD000)	Total
Opening balance	738	16,873,959	2,295	2,437	5,470
Awarded during the year	500	5,400,168	751	-	1,251
Bonus shares and other adjustments		1,181,177			-
Exercised / sold / paid during the year	(222)	(5,626,224)	(725)		(947)
Vested for the year				(1,625)	(1,625)
Remeasurement of share awards	-		277	-	277
Adjustment for forfeitures				-	-
Closing balance	**1,016**	**17,829,081**	**2,598**	**812**	**4,426**

31-Dec-23 Awards	Cash (BD000)	Phantom shares Nos.	Phantom shares (BD000)	Others (BD000)	Total
Opening balance	549	15,834,160	2,154	3,390	6,093
Awarded during the year	350	6,330,836	833	-	1,183
Bonus shares adjustment		247,640			-
Exercised / sold / paid during the year	(161)	(5,538,677)	(720)	-	(881)
Vested for the year				(812)	(812)
Remeasurement of shares			28	-	28
Risk Adjustment	-	-	-	(141)	(141)
Closing balance	**738**	**16,873,959**	**2,295**	**2,437**	**5,470**

Risk Management & Compliance

Risk Management & Compliance

At Al Salam Bank, our success is largely dependent on how efficiently we identify, measure, control and manage risks. Hence, we view risk management as a core competency from a strategic point of view. Provisions of the Basel Accord are the catalysts to the successful implementation of the pillars of risk management in line with industry best practice.

The fundamental principle underlying our risk management framework is ensuring that accepted risks are within the Board approved risk appetite and the returns are commensurate with the risks taken. The risk appetite approved by the Board is cascaded down to business units at a granular level and compliance to the same is monitored, reported and suitable corrective action, wherever required, is initiated. The objective is creating shareholder value through protecting the Group against unforeseen losses, ensuring maximization of earnings potential and opportunities vis-à-vis the Group's risk appetite and ensuring earnings stability.

With this in mind, the Bank has focused its efforts on establishing effective and practical risk management and compliance frameworks taking into consideration local and international best practices, the requirements of the Central Bank of Bahrain and the Basel Accord.

The Bank continues to invest in new technologies to enhance its physical and cyber security posture. It will also invest in new projects to ensure compliance to the changing regulatory landscape and further strengthen its risk-management framework.

Risk Management Framework

The risk management framework defines the risk culture of Al Salam Bank and sets the tone throughout the Group to practice the right risk behavior consistently to ensure that there is always a balance between business profits and risk appetite.

The risk management framework achieves this through the definition of the Group's key risk management principles covering credit, market, operational, information security, strategic and reputation risks.

Moreover, the framework further addresses the roles and responsibilities of the Board, risk management group and senior management towards risk management. The individual component of the framework captures the risk assessment methodology adopted, risk limits, the risk management information systems and reports, as well as the Group's approach to capital management.

The effectiveness of the risk management framework is independently assessed and reviewed through internal audits, external audits and Central Bank of Bahrain supervision. In addition, business and support groups carry out periodic risk control self-assessments.

As a result, the risk management framework creates an alignment between business and risk management objectives.

Capital Management

The cornerstone of risk management framework is the optimization of risk-reward relationship against the capital available through a focused and well monitored capital management process involving risk management, finance, and business groups.

Corporate Governance

The risk management framework is supported by an efficient Corporate Governance Framework discussed on pages 44 to 56.

Risk Ownership

The implementation of the Group-wide risk management framework is the responsibility of the Risk Management Department under the supervision of the Group Chief Executive Officer and Board Audit and Risk Committee. Ownership of the various risks across the Group lies with the business and support heads, being the first line of defense, and it is their responsibility to ensure that these risks are managed in accordance with the risk management framework. Risk Management assists business and support heads in identifying concerns and risks, identifying risk owners, evaluating risks as to likelihood and consequences, assessing options for mitigating the risks, prioritizing risk management efforts, developing risk management plans, authorizing implementation of risk management plans and tracking risk management efforts.

Compliance & Anti-Money laundering Department

The Bank has established an independent and dedicated department to coordinate the implementation of compliance and Anti-Money Laundering and Anti-Terrorist Financing program. The program covers policies and procedures for managing compliance with regulations, anti-money laundering, disclosure standards on material and sensitive information and insider trading. In line with its commitment to combat money laundering and terrorist financing, Al Salam Bank through its Anti-Money Laundering policies ensures that adequate preventive and detective internal controls and systems operate effectively. The policies govern the guidelines and procedures for client acceptance, maintenance and monitoring in line with the Central Bank of Bahrain and International standards such as FATF recommendations and Basel Committee papers.

All inward and outward electronic transfers are screened against identified sanction lists issued by certain regulatory bodies including the UN Security Council Sanctions Committees and US Department of the Treasury - OFAC, in addition to those designated by the Central Bank of Bahrain.

The compliance program also ensures that all applicable Central Bank of Bahrain regulations are complied with and/ or non-compliance is detected and addressed in a timely manner. The program includes compliance with regulations set by Ministry of Industry & Commerce and Bahrain Bourse.

The Bank has formulated appropriate policies and implemented the requirements of Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) as required by the regulators. The due diligence and reporting requirements have been complied with.

Sustainability Report 2024

01 About this Report

Message from the ESG Officer

At Al Salam Bank, we are committed to ensuring that our operations are environmentally sustainable, socially responsible, and managed through robust corporate governance practices. This report provides an overview of our ESG commitments, initiatives, and ongoing efforts to integrate sustainability considerations into our operations. This stems from the recognition that, as a leading financial institution in the Kingdom of Bahrain, our responsibility extends beyond financial performance to advancing a sustainable and ethical future for all.

The report covers three key ESG dimensions: environmental, social, and governance. In the environmental section, we outline our energy consumption, carbon emissions, and other relevant metrics, demonstrating our commitment to minimizing environmental impact and enhancing resource efficiency in alignment with national and global sustainability goals. The social section highlights our workforce composition, diversity and inclusion initiatives, and community engagement programs, reflecting our focus on societal well-being. In the governance section, we detail our corporate governance framework, including board composition, risk management practices, and business conduct policies, highlighting our commitment to transparency, accountability, and integrity.

This report also fulfills the disclosure requirements of the Central Bank of Bahrain's (CBB) ESG Reporting requirements, reinforcing our compliance with national regulations and commitment to transparent reporting. We remain committed to evolving our reporting and disclosure practices in line with regulatory expectations.

Our ESG strategy is grounded in the following core organizational values:

Empowered by our human desire to make a difference: Our ESG efforts reflect our commitment to creating a positive impact on the environment, society, and the financial sector by addressing global challenges through responsible banking practices.

Passionate in all that we do: We approach our work with a deep sense of responsibility, ensuring our business practices promote the long-term well-being of stakeholders and communities.

Innovative and solution-driven mindset: At the core of our ESG strategy is innovation. We actively seek new approaches to integrate emerging trends and best practices into our operations, focused on achieving positive social and environmental outcomes aligned with our business objectives.

Dedication to excellence: Our pursuit of excellence drives us to continuously enhance our ESG practices, setting and meeting the highest standards of sustainability, governance, and social responsibility.

The year 2024 has seen significant developments in the ESG landscape, particularly in climate action, sustainable finance, and social equity. Considering these developments, ESG considerations have become critical to our strategy, enabling us to promote sustainable operations, facilitate social impact, and contribute to Bahrain's environmental and social objectives. We aim to create lasting value for our stakeholders and contribute to a sustainable and equitable future for all.

We invite you to explore our ESG Report 2024 and join us in our shared vision towards a sustainable future.

Reporting Period: This report covers the calendar year from 1 January 2024 to 31 December 2024, with information from previous years provided where necessary.

Reporting Guidelines: This report has been developed to ensure transparent, accurate and comparable disclosures, as required by the Central Bank of Bahrain's Common Volume–Part A:

ESG Module. The report also illustrates the impact of our initiatives in alignment with the United Nations Sustainable Development Goals (SDGs).

Reporting Scope: This report covers the operations of Al Salam Bank B.S.C. ("the bank"), and its principal subsidiaries in the Kingdom of Bahrain, where it exercises full management control

(100%). Accordingly, the entities covered in the scope of this report are as follows:

a.) Al Salam Bank B.S.C. - Incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No.21/2001 (as amended) and registered with Ministry of Industry and Commerce("MOIC") under Commercial Registration number 59308 on 19 January 2006 and licensed by the Central Bank of Bahrain as an Islamic Retail Banking entity.

b.) ASB Finance B.S.C.(c) (formerly Kuwait Finance House (Bahrain) B.S.C.(c)), acquired by the parent entity during the reporting period 2024.

02 Our Sustainability Strategy

ESG Strategy

At Al Salam Bank, our Environmental, Social, and Governance (ESG) strategy is deeply aligned with our core values and organizational principles. Central to our approach is our commitment to fostering meaningful relationships with both our clients and employees. We uphold the highest standards of fairness and ethical conduct across all operations, while striving to deliver an exceptional, digitally enabled experience. Throughout all our efforts, we are guided by a strong commitment to empathy, ensuring that our actions reflect a deep understanding of the needs and concerns of those we serve.

Our ESG approach is built on a strong ESG governance foundation that is central to achieving our ESG priorities. The strategy includes a systematic process that begins with a materiality assessment to identify key ESG priorities. This assessment considers industry trends, stakeholder concerns, regulatory requirements, and the environmental and social impacts of our operations. Based on the findings, we align our initiatives with the most significant ESG issues, ensuring that our efforts support the priorities of our stakeholders. We also track and disclose relevant data and outcomes to ensure regulatory compliance and demonstrate the impact of our initiatives. This approach allows us to continuously refine our strategy, ensuring that our sustainability efforts drive long-term value for all stakeholders.

ESG Governance*

In alignment with best practices in ESG governance, Al Salam Bank has appointed an ESG Officer who reports directly to the Chief Executive Officer (CEO). The ESG Officer, along with other relevant management functions, is entrusted with the responsibility of managing, coordinating, and executing the Bank's ESG initiatives, ensuring their alignment with the institution's overarching strategic objectives. At the Board level, oversight of ESG matters is exercised as part of the Board's broader mandate to guide the Bank's strategic direction and ensure regulatory compliance. This mandate includes the periodic review and consideration of all risks, including sustainability and ESG- related risks, as deemed necessary, particularly when such risks are identified as critical to the Bank's long-term value creation and operational sustainability.

***Disclosure E.1. : Environmental Oversight**

Materiality Assessment

Our materiality assessment involves a comprehensive process of engaging both internal and external stakeholders to identify and prioritize the most significant ESG factors impacting our business. We gather insights from key internal teams, including our leadership, and employees from core and support services, to understand operational challenges and strategic priorities. We consult with external stakeholders to ensure that their concerns and expectations are reflected in our approach. The shared perspectives ensure that our sustainability initiatives are aligned with both internal goals and external expectations, enabling us to focus on the areas that create the greatest value and impact.

Initiatives & Outcomes

Our ESG initiatives demonstrate our commitment to creating positive, lasting impact across all facets of our business and the communities that we serve. By aligning our actions with the priorities identified through our materiality assessment, we ensure that each initiative addresses the most relevant ESG factors for our stakeholders. From measuring and monitoring our carbon footprint to fostering diversity and inclusion within our workforce, our initiatives aim to drive meaningful change both within our organization and in the wider community. We measure and report on the outcomes of these initiatives, thereby not only showcasing our progress but to ensuring regulatory compliance in relation to ESG disclosures.

Supporting UN SDGs and Bahrain National Vision 2030

Our strategy, goals and initiatives are is aligned with the United Nations Sustainable Development Goals (SDGs) and Bahrain's National Vision 2030, driving our efforts to contribute meaningfully at both global and national level. In line with Bahrain's Vision 2030, we support the vision's three core pillars: Sustainability, Competitiveness, and Justice. Our commitment to Sustainability is reflected in our efforts to reduce our environmental footprint, while fostering competitiveness through strategic investments in technology and innovation. We promote the objectives of fairness and justice by ensuring that our actions support social inclusion, enhance human capital, and contribute to the economic prosperity for all sectors of society.

Sustainability Report 2024 (continued)

Materiality Assessment

Materiality Assessment is a process used to identify key sustainability issues that are most relevant to an organization. Materiality Assessment is also a component of the Central Bank of Bahrain's ESG Reporting Guidelines. We follow a step-wise approach to assess key ESG topics for Al Salam Bank.

01 Engage With Stakeholders

Our stakeholders include customers, suppliers, regulators, employees, and industry peers.

02 Assess Sustainability Topics

Stakeholders rate the importance of each issue under the Environmental, Social & Governance pillar through a comprehensive survey.

03 Ranking Sustainability Topics

Responses from stakeholders are aggregated to generate a prioritized list of sustainability topics. A ranking is generated based on the level of importance assigned to each topic.

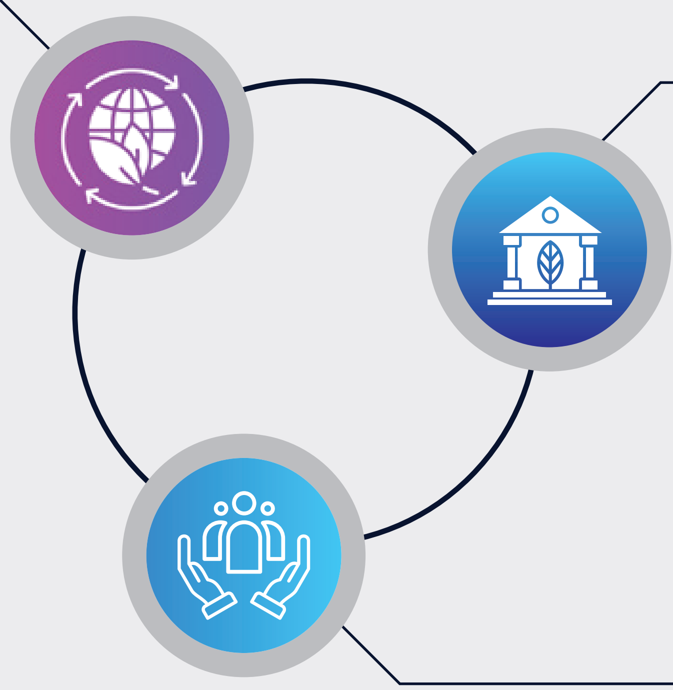
04 Create Materiality Matrix

Visualize the ranking of materiality topics through a heatmap, highlighting the position of each sustainability topic based on its importance for internal stakeholders and external stakeholders.

05 Identify Material Topics

Based on the materiality heatmap, issues important to both internal and external stakeholders are categorized as material under each ESG pillar.

Materiality Assessment



Environmental
- Energy Consumption (Electricity & Fuel)

Governance
- Data Privacy & Cybersecurity
- Ethics & Anti-Corruption
- Company Reputation
- Business Continuity
- Good Corporate Governance

Social & Community Impact
- Workplace Diversity, Equality and Fair Pay
- Workplace Health & Safety
- Training & Development
- Human & Labor Rights
- Workforce Nationalization

Sustainability Report 2024 (continued)

03 Environmental Impact – Detailed Disclosures

Environmental Impact

Our Environmental Footprint

- Al Salam Bank's environmental impact is primarily driven by the consumption of essential resources such as electricity, water, and fuel. These resources although necessary for our routine operations, entail certain environmental implications.
- Electricity use within our operations is associated with greenhouse gas (GHG) emissions, particularly as a substantial portion of the region's electricity is derived from fossil fuels. Fuel, required for transportation and certain operational needs, further exacerbates our environmental impact.
- Water consumption is another critical area of focus. This is particularly crucial in the context of Bahrain's challenges related to limited freshwater availability, with much of the water supply being reliant on desalination. Excessive water consumption, if not carefully managed, can further elevate water stress.
- Beyond resource consumption, routine office operations also generate waste, particularly in the form of paper. While digitalization has reduced paper use, the nature of our daily business still produces paper waste, further contributing to non-hazardous waste that is diverted to landfills.
- Our environmental footprint is influenced by these key factors, and while the impact of our activities may seem limited in absolute terms, it is critical to monitor and minimize it. By ensuring timely recognition of our environmental impact, we aim to play a responsible role in addressing key environmental challenges.

Our Response

- To effectively manage our environmental impact, Al Salam Bank focuses on certain fundamental aspects that involve measurement and monitoring key resources and its consumption, along with the associated GHG emissions.
- Our efforts include tracking the consumption of water, electricity, and fuel, allowing us to understand patterns and identify areas where efficiency can be improved. This data-driven approach enables us to actively manage resources and minimize waste across our operations. For accurate data collection, we have identified internal roles and established processes to measure key metrics such as energy consumption, water consumption, and fuel uptake required for transportation and other business activities.
- Based on the energy consumption, we also measure, track and disclose the associated greenhouse gas (GHG) emissions that result from this resource use. This includes calculating direct and indirect emissions, in alignment with the calculation methodologies prescribed under the GHG Protocol.
- By systematically collecting and analyzing this data, we aim to ensure transparency in our environmental performance and support Bahrain's goal of net-zero emissions by 2060. Our disclosure efforts provide stakeholders with a clear view of our environmental footprint and allow us to track our progress, identify improvement opportunities, and take informed actions toward managing our environmental impact.

Our Impact

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Proactive measurement and monitoring of energy consumption enables us to identify opportunities to integrate clean energy sources throughout our value chain. Transparent reporting also encourages a culture of transparency and accountability, through regular and periodic disclosures.

13 CLIMATE ACTION

Measurement and reporting of GHG emissions enables us to identify and implement future strategies to manage our emissions inventory, thereby supporting national and global carbon emission reduction efforts.

2030 البحرين BAHRAIN

Bahrain's national commitment of net-zero emissions by 2060 provides a guiding framework for our sustainability efforts across the Kingdom. Our efforts support the achievement of the net-zero goals through effective monitoring and reporting mechanisms. This also aligns with Bahrain Economic Vision 2030 that places a strong emphasis on sustainability considerations in the Kingdom's journey of economic development.

Environmental Impact – Data & Outcomes

Energy Consumption

- Our energy footprint is mainly attributable to consumption of electricity and fuel. Electricity is consumed as part of our routine operations at our business/ office premises and is sourced from the Electricity and Water Authority (EWA). As part of our fuel consumption requirements, we mainly utilize diesel to manage our business travel needs and operating power backup generators. During the reporting period, we did not utilize any renewable sources of energy.
- To ensure comparability and reporting the energy mix, we also report our energy consumption in giga-joules equivalent.
- During the last reporting period, fuel consumption increased by ~11% and electricity consumption saw an increase of 143%. This was attributable to an increased scope of operations and business facilities due to new business acquisitions.

Disclosure E.2. – Energy Consumption

Energy Consumption (Absolute)*	2022	2023	2024
Diesel (Liters)	355	570	630
Electricity (kWh)	534,316	1,309,274	3,184,945

Energy Consumption (GJ)*	2022	2023	2024
Diesel (GJ)	13.50	21.68	23.97
Electricity (GJ)	1,923.54	4,713.39	11,465.80
Total Energy (GJ)	**1,937.04**	**4,735.07**	**11,489.77**

*The numbers for 2024 include an enhanced scope of operations following the merger between Al Salam Bank and Kuwait Finance House Bahrain (KFH).

Energy Consumption

- Energy Intensity is reported in terms of absolute consumption and in terms of gigajoules. It is calculated as consumption per unit of revenue (BHD '000). Emission intensity helps us benchmark energy consumption relative to our financial performance, thereby allowing us to measure the environmental impact of energy use per unit of economic output. This enables us to assess how efficiently we are using energy in relation to our financial growth, identifying areas for improvement in sustainability while aligning with business performance goals.
- Due to acquisition activities during the last reporting period and an expanded scope of operations, the numbers presented may not be fully comparable. However, we remain committed to closely monitoring these figures and ensuring that they accurately reflect our performance.
- Considering the expanded scope of our operations, electricity intensity increased during the last reporting period. Fuel intensity, however, showed a drop during the same period, given that fuel consumption did not rise substantially, even after the acquisition.

Disclosure E.3. – Energy Intensity

Energy Intensity (Absolute)*	2022	2023	2024
Diesel (Liters per unit revenue)	0.002	0.002	0.002
Electricity (kWh per unit revenue)	3.44	5.34	9.06

Energy Intensity (GJ)*	2022	2023	2024
Diesel (GJ per unit revenue)	0.000	0.000	0.000
Electricity (GJ per unit revenue)	0.012	0.019	0.033
Energy Intensity (GJ per unit revenue)	0.01	0.02	0.03

Sustainability Report 2024 (continued)

Environmental Impact – Data & Outcomes

Energy Mix

- Energy mix represents the percentage of energy used by source, as part of the total energy consumption. We also report the proportion of renewable and non-renewable sources of energy. Currently, no proportion of our energy consumption is sourced from renewable sources.

Disclosure E.4. – Energy Mix

Energy Mix (Proportion)	2022	2023	2024
Fuel	0.7%	0.46%	0.21%
Electricity	99.30%	99.54%	99.79%

Renewable Energy (Proportion)	2022	2023	2024
Renewable Sources	0%	0%	0%
Non-Renewable Sources	100%	100%	100%

Green House Gas (GHG) Emissions

- As part of the disclosures, we have undertaken a comprehensive analysis of our greenhouse gas (GHG) emissions. All the GHG Emissions calculation have been calculated using relevant emission factors sourced from the IEA Emission Factors (2024), ensuring that our reporting methodology is consistent with the GHG protocol.
- Scope 1: Scope 1 emissions refer to direct GHG emissions from sources owned or controlled by the organization. In this regard, our Scope 1 reporting primarily includes emissions arising from the combustion of fuels utilized in our operations, including transportation and facility operations.
- Scope 2: Indirect Emissions from Purchased Electricity encompass indirect GHG emissions from the generation of purchased electricity consumed for our operations.
- Scope 3: Emissions pertaining to all other indirect GHG emissions that occur in the value chain, excluding those accounted for in Scope 2, are categorized as Scope 3. At this stage, our Scope 3 reporting is limited to emissions related to business travel by air. Due to inherent data challenges and the complexity of calculating emissions across a wide range of indirect activities, we focus on business travel emissions as the primary Scope 3 category for the time being.

Disclosure E.5. – GHG Emissions

GHG Emissions (mt-CO2 eq)	2022	2023	2024
Scope 1 Emissions	0.940	1.509	1.667
Scope 2 Emissions	373.27	914.66	2,225.00
Scope 3 Emissions	-	-	105.45
Total Emissions	**374.21**	**916.17**	**2332.12**

Environmental Impact – Data & Outcomes

Emission Intensity

- Emission Intensity represents our total GHG emissions benchmarked against the scale of our operations. GHG Emission Intensity is calculated as total emissions divided by full time employee count.
- The size of the workforce (FTEs) has a direct bearing on our organization's resource consumption. Scaling total emissions for FTEs, therefore, enables us to issue comparable disclosures related to GHG emission.
- Our emission intensity during 2024 were higher in comparison to the previous periods due to increased scope of operations post business acquisitions. Emission Intensity for 2022 and 2023 do not account for Scope 3 emissions (business travel).

Disclosure E.6. – Emission Intensity

Emission Intensity	2022	2023	2024
Total Emissions	374.21	916.169	2332.13
Total FTEs	580	518	750
Emission Intensity	0.65	1.77	3.11

Emission Intensity

Disclosure E.7. – Climate Risk Mitigation

- Climate-related risks are emerging as critical considerations for business organizations, particularly for financial institutions. Climate risks can permeate various aspects of the organization, impacting diverse operational, financial and regulatory considerations. At Al Salam Bank, climate risk is considered within the broader framework of risk management. Climate risks, if material, are considered within the wider risk categories such as operational risk and market risk. Climate issue(s) are also consequential from a strategy perspective. At the Board level, the Executive Committee is responsible for reviewing matters concerning market risks and strategy reviews. Additionally, the Audit & Risk Committee oversees matters that pose a material risk to the operations of the Bank. At the management level, the Credit/Risk Committee is responsible for risk policy of the organization. While climate risk is not considered on a standalone basis, all material risks including those emerging due to climate-related issues are covered under the scope.
- During the reporting period, no material climate risks were identified. Consequently, no specific amount was invested in any of the climate-related issue(s) including any amount towards research or product innovation.

Water Usage

- Owing to the nature of our operations as a financial institution, our current processes do not entail any significant use of water as a resource. Water is consumed as part of our routine operations within the office premises/ facilities and is sourced from the Electricity and Water Authority (EWA).
- Currently, we do not have water recycling facilities. Consequently, water withdrawn equals water consumed.

Disclosure E.8. – Water Usage

Water Consumption (cubic meters)	2022	2023	2024
Water Withdrawn	789	2,211	3,107
Water Recycled	0	0	0
Water Consumed	789	2,211	3,107

Sustainability Report 2024 (continued)

Environmental Impact – Data & Outcomes

Waste Generation

- In accordance with our waste management practices, it is noted that our operational processes are not inherently inclined to generate substantial waste. The waste generated primarily consists of solid food waste, food packaging and hygiene-related waste. While precise measurement of such waste is not routinely conducted, it is estimated that approximately 2 to 2.5 metric tons of waste is generated on a daily basis across all our business operations. This waste is duly disposed off through the services of local municipal waste collection agencies, in accordance with applicable regulatory requirements.
- Furthermore, as part of our office activities, paper products, specifically paper sheets, are utilized in the course of regular business operations. These paper products are considered part of our disposable waste stream and are appropriately managed in conjunction with other waste disposal practices.
- Currently, we do not have any in-premises waste recycling facilities.

Disclosure E.9. – Waste Generation

Waste	2022	2023	2024
Total Waste Generated (kgs)	720,000	576,000	651,000
Total Paper Consumption (kgs)	11,000	15,313	1,997,653

Emission Targets

Disclosure E.10. – Emission Targets

- As part of our sustainability considerations, we consciously align and monitor the impact of our strategies and operations in line with the United Nations Sustainable Development Goals (UN SDGs) and the Bahrain Vision 2030. We also remain fully compliant with the relevant regulatory frameworks set forth by the Central Bank of Bahrain (CBB) and the Bahrain Bourse. Specifically, our current approach to emissions management is primarily focused on the measurement, monitoring, and reporting of greenhouse gas (GHG) emissions in accordance with internationally recognized standards and leading practices.
- At the Board level, the Audit and Risk Committee is responsible for overseeing compliance with all applicable regulations, including those related to sustainability, climate change, and mandatory disclosures. This includes ensuring adherence to any and all requirements related to environmental, social, and governance (ESG) reporting, as well as climate-related obligations.
- It is important to note that, as of the end of the reporting period, our organization is not explicitly subject to any mandatory emissions regulations at the industry, national, or regional level. Nonetheless, we remain fully committed to supporting any policies or initiatives aimed at reducing emissions and mitigating climate-related risks. In this regard, we are dedicated to aligning our operations with the Kingdom of Bahrain's net-zero targets, as articulated in the country's national sustainability goals.
- Should any new regulations or requirements emerge in the future pertaining to emission targets or climate-related disclosures, we reaffirm our commitment to adjusting our policies, operations, and initiatives to ensure full alignment with such regulations, thus further advancing our contribution to global and national sustainability objectives.

04 Social & Community Impact– Detailed Disclosures

Social Impact

Our Human Capital

- At Al Salam Bank, we recognize that our most valuable asset is our people. In the financial services industry, where trust and credibility are paramount, the strength of our human capital is directly tied to the confidence our customers place in us. Skilled, knowledgeable, and motivated employees are essential not only for delivering high-quality services but also for fostering lasting relationships built on trust.
- As the banking sector evolves in response to technological advancements, the demand for new-age skills has become more pronounced. It is through continuous investment in talent development and training that we ensure our team is well-prepared to meet the challenges of the future.
- Along with a skilled workforce, fostering a diverse team that brings varied perspectives, supports creativity, and enhances inclusive decision-making is equally important. By encouraging an inclusive culture where individuals from all backgrounds can thrive, we strengthen our capacity to serve our customers and drive innovation within the Bank.

Supporting Our People

- At Al Salam Bank, we are committed to creating a supportive and fair working environment. We fully adhere to the Bahrain Labor Law, ensuring that all legal and regulatory requirements related to human resources and the terms of their employment are met. Our approach is grounded in fairness, transparency, and respect for the rights of our employees, fostering a culture that promotes well-being, equality, and opportunity.
- The Bank has established a comprehensive Human Resources policy that outlines the terms of employment, employee benefits, and other provisions. This policy ensures that all employees are provided with clear guidelines regarding their rights and responsibilities, and includes other provisions related to compensation, career development, and other benefits.
- Skill development and learning are critical elements of our human resources strategy. We engage our employees through a variety of trainings that focus on regulatory compliance, risk management, and the adoption of emerging technologies. We believe that investments made on learning and development elevate an employee's engagement experience and drive overall collaboration.
- Similarly, workplace health and safety is a critical priority for us to ensure that the work environment and related ergonomics are conducive to the physical and mental well-being of our employees.

Our Impact

5 GENDER EQUALITY

Our monitoring and reporting of key metrics such as workforce composition ensures that considerations related to gender diversity are promptly highlighted and provide a foundation for corrective actions and continuous improvements.

8 DECENT WORK AND ECONOMIC GROWTH

Our efforts related to well-being of our workforce, workplace health and safety, and employee learning and development are focused on ensuring a decent and productive work environment for our employees and the wider communities within which we operate.

Fairness is a key pillar of the Bahrain Economic Vision 2030 with an aim to ensure that economic success is inclusive and creates a broad base of prosperity. Our focus on our human capital is a crucial element towards achieving these objectives.

Sustainability Report 2024 (continued)

Social Impact – Data & Outcomes

Workforce Composition

- We are committed to fostering a diverse and inclusive workforce, with a balanced representation across gender and age groups. As demonstrated by the composition of our workforce, we engage with a diverse range of individuals, with a gender distribution that reflects our commitment to equality and opportunity for all employees. We strive to maintain gender balance across all levels of the organization, ensuring equal access to career growth and leadership opportunities.
- During the last three years, we have maintained a balanced gender composition within our workforce, with substantial representation of women (> 30%). Our workforce includes a significant proportion of early-career professionals and a younger age demographic. The composition of our workforce across age-groups reflects both the experience of senior professionals and the dynamic perspective of younger employees. We value this diversity, as it fosters innovation and knowledge-sharing within the organization.
- Additionally, we offer a substantial number of internships to students and early career professionals to support local talent and enable the participation of youth in our human capability matrix.
- Our gender ratio has remained consistent during the last three years with female representation at a substantial 32%. The 30-50 years age group constitutes a majority of our workforce and has remained consistent at around 80% of our total headcount.

Disclosure S.1. – Workforce Composition

Workforce Composition	**2022**	**2023**	**2024**
Total Workforce	**580** (100%)	**518** (100%)	**750** (100%)
By Gender			
Male	**392** (68%)	**354** (68%)	**507** (68%)
Female	**188** (32%)	**164** (32%)	**243** (32%)
By Age-Group			
Under 30 years	**67** (12%)	**55** (11%)	**86** (11%)
30 - 50 years	**477** (82%)	**430** (83%)	**606** (81%)
Over 50 years	**36** (6%)	**33** (6%)	**58** (8%)
By Employment Type			
Full-Time Employees	**580** (100%)	**518** (100%)	**750** (100%)
Part-Time Employees	0	0	0
Interns*	79	91	103

*Number of Interns are reported separately, other than the total workforce which constitutes of full-time employees only.

Ethical Employment Practices

Disclosure S.2. – Child & Forced Labor

- Anti-Child Labor and Anti-Forced Labor are critical considerations that ensure ethical employment practices by the Bank. As part of our operations, we have not identified any potential risks related to employing or engaging the services of minor(s) or forced labor(s). We have established a comprehensive set of policies including our Human Resources Policy, Employee Code of Conduct, and the Human Resources Handbook that clearly establish the criteria for employment, terms of employment and explicitly require all our operations to be fully compliant with the Bahrain Labor Law for the Private Sector (Law No. 36 of 2012).
- Our policies are reviewed and updated on a periodic basis at the Board – level and through appropriate management functions such as the Human Resources department. During the reporting period, no instance of violation with regard to child-labor or forced labor was reported.

Social Impact – Data & Outcomes

Employee Turnover

- Employee turnover is an important metric that reflects the stability and engagement of our workforce. During the reporting period, we have monitored and analyzed turnover rates across various departments and job functions. The overall turnover rate is indicative of the organizational environment and the effectiveness of our retention strategies, including employee engagement, career development opportunities, and work-life balance initiatives. Monitoring and reporting turnover rates also provides us guidance to introduce employee well-being and engagement initiatives on a periodic basis.
- We report the total turnover during the last three years on an overall basis and by gender and age-group. During the last three years, our turnover has been at relatively low and stable levels (less than ten percent). Overall, we have not observed our turnover rates to be skewed against a particular gender or age group on a continuous basis.
- We actively monitor turnover rates to ensure that our workforce remains engaged and motivated to contribute to our shared vision.

Disclosure Table S.3. – Employee Turnover

Employee Turnover	2022	2023	2024
Total Turnover*	15 (3%)	64 (12%)	20 (3%)
By Gender**			
Male	7 (47%)	39 (61%)	16 (80%)
Female	8 (53%)	25 (39%)	4 (20%)
By Age-Group**			
Under 30 years	2 (13%)	1 (2%)	3 (15%)
30 - 50 years	13 (87%)	49 (77%)	10 (50%)
Over 50 years	0 (0%)	14 (22%)	7 (35%)

*Numbers in the parenthesis for total turnover indicate turnover as a percentage of the total workforce.

**Numbers in the parenthesis for turnover by gender and age-group indicate the gender and age-group split as a percentage of total turnover.

Gender Pay Ratio

- Our terms of employment are based on fair treatment and non-discrimination on basis of any protected characteristic, including gender. The gender pay ratio is at 0.63 and there remains scope for further improvement. While we strive to ensure equitable compensation across all employee categories, we recognize the ongoing need to monitor and address any potential gaps.
- We have observed that the pay parity ratio is usually affected by the higher pay scales at senior grades. Gender Pay Ratio is relatively closer to parity for middle management and entry levels employees.

Disclosure Table S.4. – Gender Pay Ratio

Gender Pay Ratio	2024
Median Female Compensation to Median Male Compensation (Ratio)	0.63

Sustainability Report 2024 (continued)

Social Impact – Data & Outcomes

Health & Safety

- As a financial institution, our operations do not inherently present significant health and safety concerns typically associated with high-risk industries. However, we place the utmost importance on employee well-being and ensure that all relevant health and safety standards are adhered to. We actively promote a safe and ergonomic work environment, recognizing the impact of workplace comfort and safety on overall productivity and employee satisfaction.
- In line with this commitment, we collaborate closely with Ministry of Interior's General Directorate of Civil Defense and other relevant municipal agencies to ensure compliance with fire safety norms. We regularly conduct fire safety drills to ensure preparedness in the event of potential emergencies. Furthermore, we adhere to building safety norms and regulations, ensuring our office spaces are compliant with response and evacuation requirements related to any fire incidents. Employee health, safety, and well-being are integral to our organizational culture, and we continuously strive to maintain a safe and supportive workplace for all our staff.

Disclosure S.5. – Health & Safety

Health & Safety	2022	2023	2024
Total Number of Injuries or Fatalities	0	0	0
Total Lost Days due to Work Injury	0	0	0

Non-Discrimination

Disclosure S.6. – Non - Discrimination

- We are fully committed to fostering a workplace that is free from discrimination, ensuring equal opportunities for all employees regardless of gender, ethnicity, or any other protected characteristic as defined by applicable laws. We strictly adhere to non-discriminatory policies in all aspects of our operations, including hiring, terms of employment, and work allocation. While we do not have a standalone policy focused on non-discrimination, appropriate considerations have been embedded within our Employment and Code of Conduct policies, which are regularly reviewed and updated by both the Board and the Human Resources function. This also ensures continued compliance with Bahrain's Labor Law and all the relevant regulations.
- We recognize the importance of maintaining an environment where employees can work without fear of discrimination, and as such, we provide clear grievance redressal mechanisms for employees to raise any concerns or complaints. These mechanisms are designed to ensure that all issues are addressed promptly and fairly. During the reporting period, no instances of discrimination have been reported within our organization, reflecting our ongoing commitment to a respectful, inclusive, and equitable workplace.

Social Impact – Data & Outcomes

Supporting Bahrain's Local Talent

- We are committed to supporting local talent and investing in their professional development. We consider our business goals and organizational network as an avenue for the youth and early career professionals to hone their skills and develop the necessary expertise to thrive in the workplace. This is also aligned with our commitment to support human capital development to strengthen Bahrain's economic growth and development.
- We remain in compliance with the requirements of Labor Market Regulatory Authority's Bahrainization target and remain within the maximum number of permitted foreign workers by economic activity and size of economic unit.
- During the last three reporting periods, we have consistently maintained a Bahrainization rate of above 90%, demonstrating our continued commitment to development of local talent.

Disclosure S.7. – Nationalization

Workforce Nationalization	2022	2023	2024
Total number of nationals in the workforce	535	478	696
Proportion of nationals as part of the total workforce	92%	92%	93%

Human Rights

- We are fully committed to upholding and respecting human rights in all aspects of our operations, both within the workplace and throughout our broader business activities. While we do not have a standalone policy specifically dedicated to human rights, we ensure that our operations do not directly or indirectly contribute to human rights violations. We integrate human rights principles into our existing policies and procedures, ensuring that our business practices uphold dignity, fairness, and respect for all individuals.
- We align our practices with Bahrain's Labor Law and adhere to international human rights standards, ensuring that our operations do not contribute to human rights violations, including forced labor, child labor, or discrimination. We actively promote an environment that respects the rights and dignity of all individuals, both within our organization and across our value chain.
- Our policies are regularly reviewed to ensure continued compliance with applicable laws and regulations. Furthermore, we remain committed to respecting the rights of all stakeholders, ensuring that our business operations do not infringe upon the fundamental freedoms of individuals. Should any issues arise, we are dedicated to addressing them in a manner that is fair, transparent, and in line with our ongoing commitment to human rights.

Disclosure S.9. – Human Rights

Human Rights	2022	2023	2024
Number of instances of violations identified as human rights violations	0	0	0

Sustainability Report 2024 (continued)

Social Impact – Data & Outcomes

Gender Diversity

- Understanding workforce composition by gender and grade is crucial for evaluating how different genders are represented across various job levels within the organization. This analysis provides valuable insights into the inclusivity of our hiring practices, career progression pathways, and leadership opportunities. By examining the distribution of genders across job grades, we are able to track whether all genders have equitable access to career advancement and leadership roles.
- Our organization is committed to promoting diversity and ensuring that every employee, regardless of gender, has equal opportunities for professional growth, development. Understanding workforce composition is essential to monitor our progress in fostering a balanced and inclusive work environment, where all individuals are empowered to reach their full potential. We regularly review this data to ensure that our policies and practices align with our commitment to gender equality across all aspects of the workplace.

*Numbers in the parenthesis indicate the proportion of male and female employees as a percentage of total employees in each category – early, middle and senior management.

Disclosure S.10. – Management Composition

Management Composition*	2022	2023	2024
Early Career Professionals	**371**	**317**	**460**
Male	237 (64%)	204 (64%)	292 (63%)
Female	134 (36%)	113 (36%)	168 (37%)
Middle Management	**206**	**198**	**287**
Male	152 (74%)	147 (74%)	212 (74%)
Female	54 (26%)	51 (26%)	75 (26%)
Senior Management	**3**	**3**	**3**
Male	3 (100%)	3 (100%)	3 (100%)
Female	0 (0%)	0 (0%)	0 (0%)

Our Human Capital & Upskilling

- We are committed to the continuous development of our employees, offering a range of training and development programs designed to enhance skills, knowledge, and expertise across various disciplines. These training programs focus on key themes such as financial management, compliance, cybersecurity, leadership, operational efficiency, and customer service excellence. In 2024, employees participated in targeted training sessions such as the Kevin Mitnick Security Awareness Training, Anti-Money Laundering Awareness, and Advanced Financial Modelling with Excel. Additionally, our training initiatives include specialized sessions on regulatory compliance, risk management, and the adoption of emerging technologies, such as Blockchain Basics, Artificial Intelligence Tools for Productivity, and Robotic Process Automation (RPA). To support employee growth, we also offer leadership and personal development programs like High Impact Leadership, Emotional Intelligence, and Conflict Management, ensuring that employees are well-equipped to manage both their professional and personal growth. These efforts align with our commitment to fostering a knowledgeable and capable workforce prepared to navigate the evolving landscape of the financial services industry.

Disclosure S.11. – Development & Training

Learning & Development	2022	2023	2024
Average Hours of Trainings*	N.A.	72	77
By Gender			
Male	N.A.	69	80
Female	N.A.	80	71

*Average Training Hours are calculated for the entire workforce.

N.A. indicates non-availability of data.

Social Impact – Data & Outcomes

Key Highlights

Summer Internship Program

We successfully concluded the 18th edition of our annual summer internship program, which saw participation from 28 graduates from local and international universities. The two-month program, aligned with the theme of Environmental, Social, and Governance (ESG) and Sustainable Development Goals (SDGs), aimed to equip participants with valuable skills, mentorship, and real-world experience.

Designed to address the needs of the evolving job market, the program included learning sessions, coaching, and hands-on training to ensure interns were well-prepared to succeed in their future careers. Interns also took part in a group challenge, applying their knowledge to propose innovative solutions that enhance the Bank's services. A key component of the program was a trip to Gulf Petrochemical Industries Company (GPIC), where interns explored the company's ESG initiatives, including its energy efficiency improvements and community-focused programs.

The internship program exemplifies our dedication to empowering youth, cultivating professional skills, and contributing to the long-term development of the local workforce, in alignment with both national and global sustainability goals.

Supporting Youth – Ithra Program

We hosted a group of participants from the Ithra program, an initiative by AlMabarrah AlKhalifia Foundation (MKF), aimed at familiarizing young trainees with the latest industry practices and the Bank's operations. The educational visit provided 11 students with insights into the various departments at Al Salam Bank and a comprehensive overview of the banking environment, including the Islamic banking sector.

The visit featured an introductory session led by several employees, offering the students a deeper understanding of business procedures and the skills required to succeed in the industry. The session also included a Q&A segment to address students' inquiries and foster their interest in the banking sector.

The Ithra program, designed for students aged 12 to 15, included workshops, field trips, and practical training aimed at developing skills and good conduct. As part of our CSR initiative "Al Salam Helping Hands," the Bank continues to invest in education, and nurturing an informed and skilled workforce for the future. This initiative also reflects the Bank's Guiding Pillar, "We Act with Empathy," focused on fostering a future-ready workforce.

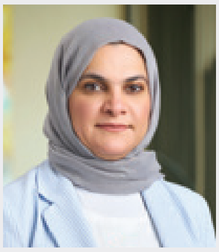
Sustainability Report 2024 (continued)

Social Impact – Data & Outcomes

Key Highlights

Student Engagement

At Al Salam Bank, we hosted a delegation of students from Ibn Khuldoon National School to provide them with insights into the Bank's daily operations and the broader banking industry. The visit, which included over 20 students from grades 10 and 11, aimed to familiarize them with the foundations of the banking industry, key Islamic banking practices and regulations, and the roles of various functions within the Bank. During the visit, students engaged with banking specialists and employees and received insights about various operational processes. A key highlight of the trip was a tour of the Bank's virtual branch, where students gained a deeper understanding of the technology behind its operations. Aligned with the Bank's Al Salam Helping Hands initiative and its Guiding Principle "We Act with Empathy," we remain dedicated to fostering educational programs that equip young people with the knowledge and experience necessary to succeed in the future workforce.



Industry Recognition for Women's Leadership Excellence

Al Salam Bank's Head of Human Resources and Administration, Ms. Muna Al Balooshi, was recognized as one of the Top 10 Women HR Leaders in the Middle East by The Global Woman Leader Magazine. This recognition highlights Ms. Al Balooshi's exceptional career and her valuable contributions to the Human Resources sector. Her leadership has played a pivotal role in advancing the Bank's initiatives, fostering continuous growth, and ensuring the development and empowerment of employees.

The recognition is also a testament to our dedication in driving impactful HR strategies that create an inclusive and supportive work environment. This achievement highlights our ongoing support for women in leadership positions and our commitment to providing equal opportunities for all employees.

Community Impact

Our Community

- At Al Salam Bank, we recognize that our success, as a bank, is intricately linked to the well-being of the community it serves. In Bahrain, the sense of community is deeply rooted in the cultural fabric of our society, where collaboration, support, and mutual respect form fundamental guiding values.
- The strength of any business is not just in the operations and services that it provides, but in the relationships that it builds with its customers, employees, and wider stakeholders. We strongly believe that a business that actively engages with and supports its community also contributes to the social and economic progress of the country, laying the foundation for its own long-term success.
- We also recognize that, as a financial institution, there is an enhanced need to build and maintain a strong and transparent relationship with the community that we serve. This is critical to ensure that we act responsibly and in the best interests of our clients to retain the trust reposed in us by the wider community.

Strengthening Our Community

- At Al Salam Bank, we are committed to actively strengthening the communities through programs that focus on youth development, financial literacy, support for small businesses, healthcare, and charitable initiatives.
- We regularly support charitable causes that align with the needs of our community through donations and direct action. Through these social donations, we aim to address critical social challenges impacting the wider community.
- Al Salam Bank also places emphasis on fostering the growth and development of young people. Through our internship programs and career development sessions that place an emphasis on youth development, we offer young graduates an opportunity to gain valuable work experience and build essential skills for their future careers. Additionally, we host financial awareness workshops to empower the younger generation with the knowledge to make informed decisions about managing their finances, thereby promoting financial literacy within the community.
- In support of local businesses and small enterprises, we provide financial products and services tailored to their needs, helping them grow and contribute to Bahrain's economic development.
- Through these initiatives, Al Salam Bank strives to be a responsible and engaged corporate citizen, driving sustainable growth and enabling a more resilient community.

Our Impact

Al Salam Bank's community engagement play a vital role in advancing social development, directly contributing to key areas such as good health and well-being, quality education, gender equality, and reduced inequalities. Our community engagement programs drive a holistic impact for our community and focus on key segments such as women and the youth.

Justice and fairness have been given special importance in Bahrain's Economic Vision 2030, Our efforts to engage with the community demonstrate our commitment to principles of inclusivity, justice and opportunity for all.

Sustainability Report 2024 (continued)

Community Impact – Data & Outcomes

Corporate Social Responsibility

- In alignment with our ongoing efforts to strengthening Corporate Social Responsibility (CSR) program, Al Salam Bank, as a Shari'a-compliant financial institution, is equally committed to its role as a responsible corporate citizen. We actively strive to contribute to the social and economic well-being of the local communities in which we operate and invest.
- We continually seek opportunities to support our community and improve the quality of life for all, by backing charitable, educational, medical, scientific, cultural, social, sporting, and environmental organizations. We also encourage our employees to engage in various volunteering activities aimed at community welfare and development. Additionally, we are committed to advancing the growth of the global Islamic banking and financial services industry by actively participating in initiatives that promote research and development, education and qualifications, the standardization of regulations, compliance, Shari'a interpretations, and the adoption of international standards and best practices.

Disclosure S.8. – Community Investments

Community Investments	2022	2023	2024
Total CSR Spending	478,000	677,000	658,000
CSR Spending (as a % of total revenue)	0.31%	0.28%	0.19%

Key Highlights

Youth City 2030

Al Salam Bank participated in Youth City 2030 by hosting a training session for young participants aged 9 to 14, focusing on financial literacy and budgeting skills. This initiative highlighted the Bank's commitment to empowering youth and fostering a greater understanding of financial management. During the session, we delivered key insights into budget management, savings, and the Bank's products and services. Participants also explored digital financial tools, including the Bank's mobile app, ATMs, and Self-Service Kiosks, gaining practical knowledge of modern banking solutions. The program provided an overview of the Bank's operations, showcasing various roles from tellers to branch managers, and included a segment on entrepreneurship, offering participants guidance on starting a small business. This approach aimed to equip the next generation with the skills and knowledge necessary for navigating financial and business markets.

Community Impact – Data & Outcomes

Key Highlights

Nurturing Youth and Sporting Talent

Al Salam Bank launched its new Environmental, Social, and Governance (ESG) initiative, the "Why Stop Here" brand campaign, designed to contribute to the empowerment and development of key sectors within Bahrain's local community. This campaign reflects the Bank's commitment to surpassing traditional banking services, furthering its role in fostering growth and supporting national progress. The "Why Stop Here" campaign focuses on three core community pillars: Sports, Health, and Small and Medium-sized Enterprises (SMEs). Through this initiative, Al Salam Bank aims to create a lasting impact by helping the next generation of talent.

A key component of the campaign is the 'Project Dream' initiative, a collaboration between Al Salam Bank and Ole Academy. This partnership seeks to provide young athletes with the opportunity to hone their football skills, potentially positioning them for future roles on Bahrain's national football team and preparing them for upcoming World Cup events in 2030 and 2034. The initiative includes comprehensive development plans focused on improving technical, tactical, and physical skills, while also emphasizing the mental well-being of players. Additionally, the initiative will feature semi-annual talent exchange programs with top European football clubs, as well as international training camps. Ole Academy, with its proven track record of excellence in developing elite football players, brings an experienced team of international coaches to the program.

Another important aspect of the "Why Stop Here" campaign is the Bank's continued collaboration with the Bahrain Paralympic Committee. During 2024, this partnership actively raised awareness and promoted the achievements of Bahraini Paralympic athletes.

Sustainability Report 2024 (continued)

05 Governance, Innovation & Engagement – Detailed Disclosures

Governance

Corporate Governance

- A robust corporate governance framework enhances the credibility of an organization, builds trust with stakeholders, and supports ethical decision-making. It provides the foundation for making sound business decisions, safeguarding the interests of shareholders, employees, and customers, while mitigating risks. Strong governance practices also foster a culture of accountability, ensuring that the organization operates in a responsible and transparent manner. This, in turn, strengthens the institution's reputation and positions it for long-term success.
- At Al Salam Bank, we recognize that strong governance not only enhances our institutional credibility but also supports long-term resilience. A strong and responsive corporate governance framework enables us to effectively address challenges and capitalize on opportunities in a dynamic financial environment.

Our Framework

- At Al Salam Bank, we have established a comprehensive and well-defined corporate governance framework to ensure the highest standards of transparency, accountability, and ethical conduct. Our governance structure is built around a clearly defined Board of Directors, whose composition reflects a diverse range of expertise and experience, enabling effective oversight and strategic guidance. The Board is supported by several key board committees, each responsible for specific areas of governance. The Board Committees include Executive Committee, Audit & Risk Committee, Remuneration Committee, and the Nomination and Corporate Governance Committee.
- Al Salam Bank maintains a strong commitment to compliance and ethical conduct through various policies and procedures, including a Code of Conduct, compliance measures, and internal controls to safeguard the interests of our stakeholders. Policies on gifts and entertainment, related party transactions, and whistleblowing ensure that we operate with integrity, addressing potential conflicts of interest and ensuring transparency in all business dealings.
- We also remain in full compliance with the requirements of Bahrain's regulatory institutions, including the Central Bank of Bahrain (CBB), the Ministry of Industry & Commerce (MOIC), the Bahrain Bourse, and other relevant authorities

Our Impact

At Al Salam Bank, Corporate Governance practices not only support the objectives of regulatory compliance, but are also crucial to support long-term economic growth, and creation of strong industry institutions. The principles of transparency, ethical conduct, and accountability are important to drive a successful collaboration between market participants towards achieving shared economic goals.

Competitiveness and Fairness are among the important pillars of Bahrain's Economic Vision 2030. In addition to internal priorities, strong corporate governance also forms an integral part of our industry stewardship, in alignment with the national priorities illustrated in the Bahrain Economic Vision 2030.

Governance – Data & Outcomes

Governance Structure

- The composition of our Board of Directors reflects a commitment to strong governance practices, diversity, and the long-term interests of our stakeholders. The Board consists of a balanced mix of non-executive, and independent directors, ensuring a diverse range of perspectives and expertise.
- The membership composition of the Board pertaining to non-executive and independent members is aligned with the Central Bank of Bahrain's rules and regulations. Independent Directors are required to issue Directors Annual Declaration, whereby independent directors declare that they have met all the required conditions by various regulatory authorities to be declared independent. Independent Directors are assessed in terms of their whether they have a material relationship with the functioning of the Bank which could affect their independence of judgement.
- Each Director holds the position for a tenure of three years, after which shareholder approval is required for re-appointment.
- Currently, we do not have female representation on our Board.

Disclosure G.1. – Board Composition

Board Composition	2024
Total Board Members	9
Female Board Members	0
Non-Executive Directors	5
Independent Directors	4
Tenure	3 years
Representation	Election

Collective Bargaining

Disclosure G.2. – Collective Bargaining

- In alignment with the Bahrain Labour Law No. 36 of 2012, we uphold the rights and protections afforded to employees in relation to collective bargaining. Employees, through their representatives or trade unions, are entitled to engage in collective bargaining concerning employment conditions, wages, benefits, and other work-related matters. The law ensures employees' freedom of association, allowing them to form or join trade unions without employer interference, and provides protection against discrimination for participation in collective bargaining or union activities. Employers are required to recognize and engage with duly elected or appointed employee representatives during negotiations, and both parties must negotiate in good faith to reach a mutually beneficial agreement. In the event of disputes, mediation, conciliation, and arbitration mechanisms are available through the Ministry of Labour and other relevant bodies.
- Currently, no employees are covered under any collective bargaining agreement within our organization.

Sustainability Report 2024 (continued)

Governance – Data & Outcomes

Whistleblowing Mechanism

Disclosure G.3. – Whistleblowing

- The Whistleblowing Policy applies to Directors, all employees (including temporary staff), and external parties who observe any misconduct during their transactions with the Bank. It provides a mechanism for reporting breaches such as failure to comply with internal policies, legal obligations, fraud, misuse of resources, safety risks, damage to the environment, and other instances of unethical conduct.
- The Head of Compliance acts as the Whistleblower Officer, and reports are made to the Designated Contact, who escalates the matter to the Audit and Risk Committee. In the absence of the Designated Contact, reports are directed to the Chairperson of the Audit and Risk Committee.
- All reports are handled with confidentiality, and whistleblowers are protected from retaliation, victimization, or harassment. Any adverse reactions faced by a whistleblower are escalated to the Audit and Risk Committee. Breaches are managed with sensitivity and confidentiality, and the identity of the whistleblower is not disclosed unless required for the investigation. The policy is communicated to employees via the Bank's intranet, to external parties through the Bank's website, and to the Board through the Director's Handbook. This policy ensures the Bank maintains a transparent and ethical working environment, where concerns are raised without fear of retribution.

Sustainability Disclosures

Disclosure G.5. – Disclosure Practices

- Currently, Al Salam Bank does not provide data to external sustainability reporting organizations such as the Global Reporting Initiative (GRI) or the United Nations (UN). However, we are committed to aligning our operations with the UN Sustainable Development Goals (SDGs) and focus on assessing our impact in key areas such as environmental responsibility, social contribution, and governance.

Conflict of Interest Management

Disclosure G.6. – Conflict of Interest

- Al Salam Bank has established a Conflict-of-Interest Management Policy to ensure the integrity of decision-making processes across all levels of the organization, including Directors, Shari'a Supervisory Board members, and Senior Management. This policy outlines procedures for identifying and addressing conflicts of interest. All relevant individuals are required to submit an annual independence and conflict of interest declaration to the Corporate Secretary and must recuse themselves from discussions or decisions where a conflict may arise. The Bank is committed to actively mitigating conflicts, and if such conflicts cannot be resolved, we will consider withdrawing from engagements or relationships to uphold our commitment to transparency and ethical conduct.
- Al Salam Bank's Employment of Relatives Policy defines the scope of "relatives" and establishes procedures to manage the employment of relatives of current employees, Directors, and Shari'a Supervisory Board members. The Bank is committed to safeguarding against any potential conflicts of interest that may arise from such appointments. This policy ensures that all relative-based employment decisions are handled with transparency and fairness, in alignment with the Bank's commitment to ethical business practices and maintaining the highest standards of corporate governance.

Governance Impact – Data & Outcomes

Suppliers & Vendors

Disclosure G.7. – Supplier Code of Conduct

- Al Salam Bank does not have a standalone Supplier Code of Conduct; however, our procurement activities are governed by comprehensive policies and procedures that ensure integrity, transparency, and ethical practices throughout the procurement process. Purchases below a certain threshold are treated as petty cash acquisitions, while procurement above that level is processed and expensed in accordance with established practices and internal controls.
- In addition, the Bank conducts a thorough due diligence when onboarding vendors or suppliers to ensure compliance with applicable laws, regulations, and ethical standards. This process allows us to select partners who align with our commitment to maintaining high standards of business conduct, and governance, ensuring that our procurement practices are responsibly handled.

Sustainability-Linked Remuneration

Disclosure G.8. – Incentivized Pay

- At Al Salam Bank, we are deeply committed to sustainability practices and integrating sustainability Key Performance Indicators (KPIs) into our operations. While we recognize the importance of aligning financial incentives with long-term sustainability goals, we currently do not have a formalized structure for incentivized pay or bonuses linked directly to sustainability objectives.

Ethics & Anti-Corruption

Disclosure G.9. – Ethics & Anti-Corruption

- As part of robust anti-corruption mechanism, Al Salam Bank has established the Anti-Bribery & Corruption Policy. The policy outlines our commitment to prohibit the practice of bribery in all forms including cash payments, kick backs, gifts and entertainment, promise of employment, or charitable donations. The Compliance Officer is responsible for handling investigations or complaints under this policy at the management level. At the Board level, matters are escalated to the Audit & Risk Committee. During the reporting period, 100% of our employees were compliant with the Anti-Bribery & Corruption Policy.
- Additionally, the Bank has also established Anti-Money Laundering policy aimed at preventing and remedying any instance of money laundering or suspicious transactions.

ESG Data - External Assurance

Disclosure G.10. – Assurance

- We understand the growing importance of ESG (Environmental, Social, and Governance) factors to our stakeholders and providing them with reliable and accurate information about our ESG performance. While external assurance of ESG data is not currently mandatory, we recognize its value in enhancing the transparency, credibility, and accuracy of our disclosures.
- Currently, we do not conduct or obtain external assurance for our ESG data, but we are committed to ensuring the integrity of the information we report. As the ESG landscape evolves, we are dedicated to exploring opportunities to incorporate external assurance, reinforcing our commitment to responsible practices and building trust with stakeholders.

Sustainability Report 2024 (continued)

Innovation & Engagements

Need for Innovation & Engagement

- In today's rapidly evolving financial landscape, the need for continuous innovation and engagement has never been more critical. The growing demand for more efficient, user-friendly, and secure banking solutions makes innovation key to meeting these expectations and driving us to deliver innovative tools to our customers. Incorporating digital technologies into our operations not only allows us to offer enhanced services but also contributes to reducing the environmental impact associated with traditional banking processes. By leveraging technology, we actively manage our environmental footprint in alignment with our goals, while improving our operational efficiency.
- Equally important is our active participation in industry associations, seminars, and conferences which allows for collaboration with peers, share insights, and gain valuable perspectives on the future of banking.
- Innovation and engagement are interdependent drivers of growth, resilience, and customer satisfaction. By fostering a culture of innovation while remaining engaged with the broader industry, financial institutions can ensure that we are well-equipped to navigate emerging challenges, contribute to our sustainability goals, and continue providing value to our customers and stakeholders.

Our Offerings & Engagements

- At Al Salam Bank, we focus on development of cutting-edge digital products and services that meet the evolving needs of our customers. This ensures that we remain at the forefront of digital transformation in the banking sector and provide solutions that make banking more accessible, efficient, and secure. From advanced mobile banking apps to seamless digital payment platforms, our suite of digital offerings is designed to enhance the customer experience and support a more connected, and paperless way of working.
- We continue to explore new technologies and platforms that improve our service delivery, streamline operations, and introduce innovative financial products that cater to the diverse needs of our customers. This focus on digital innovation helps us remain agile in a fast-changing financial landscape, empowering our clients with tools that simplify their financial management and offer enhanced convenience.
- Through active membership in various industry associations, participation in seminars and conferences, and recognition through prestigious awards, we continuously share knowledge, learn from peers, and contribute to the growth of Bahrain's financial services sector.

Our Impact

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

At Al Salam Bank, our continuous focus on digital innovation enables us to support the development of wider financial ecosystem. In being digital-first, we also contribute to the financial industry's growth and innovation priorities. Our continuous focus on engaging with market participants, industry peers, investors, customers, and other relevant stakeholders has enabled us to drive collaboration towards achieving shared sustainability goals.

2030 البحرين BAHRAIN

Bahrain's Economic Vision 2030 includes a competitive, productive and efficient economy as one of its objectives. Our efforts related to innovation and engagement are critical towards achieving these objectives.

Innovation & Engagement – Data & Outcomes

Data Privacy

Disclosure G.4. – Data Privacy

- At Al Salam Bank, we are committed to maintaining the highest standards of privacy and data protection, in alignment with both local regulations and global best practices. In adherence to the Personal Data Protection Law (PDPL) of Bahrain, the Bank has established comprehensive policies and procedures to safeguard personal data of our clients, employees, and all stakeholders. As part of our ongoing efforts to ensure transparency and accountability, the Bank outlines its data processing practices, which are rooted in the principles of confidentiality, security, and compliance.
- Personal data is collected through direct interactions, automated systems, and third-party sources in a manner consistent with the requirements defined under the Privacy Data Protection Law. These lawful bases include obtaining explicit consent, fulfilling contractual obligations, complying with legal requirements, safeguarding vital interests, and pursuing legitimate business interests. The Bank upholds the highest standards when processing sensitive and biometric data. Personal data related to health, criminal records, or biometric identifiers is handled with the utmost care, and biometric data used for authentication is not stored. Furthermore, we ensure that any international data transfers are made in accordance with applicable legal frameworks, with appropriate safeguards in place to protect data privacy.
- In addition to robust data protection measures, the Bank actively encourages transparency by providing stakeholders with clear information about their rights under the PDPL. These include rights to access, rectify, erase, or block personal data, as well as the ability to withdraw consent where applicable. We respect these rights by ensuring that our processes are designed to be both efficient and responsive, ensuring compliance within the legally required timeframes. Our commitment to data security is reflected in the Bank's ongoing investment in cutting-edge security technologies, such as encryption, firewalls, and secure access protocols, alongside employee training programs to ensure adherence to strict confidentiality standards. We also require third-party service providers to follow similar security protocols and treat personal data with the same level of respect and care.
- Al Salam Bank's data retention policy aligns with regulatory, legal, and accounting obligations, ensuring that personal data is only retained for as long as necessary to fulfill its intended purpose. Afterward, data is securely anonymized or destroyed. These practices form part of the Bank's overarching commitment to responsible and ethical business operations, and we continue to monitor, update, and enhance our data protection practices to reflect evolving legal requirements and industry standards.

Sustainability Report 2024 (continued)

Innovation & Engagement – Data & Outcomes

Key Highlights

MENA Banking Excellence Awards 2024 – Retail Bank of the Year

Al Salam Bank has been named MENA Retail Bank of the Year at the MENA Banking Excellence Awards 2024, marking the second consecutive year the Bank has received this prestigious recognition. This achievement reinforces the Bank's leadership in innovative, client-centric retail banking across the region. Al Salam Bank's award-winning retail banking experience is driven by a digital-first approach, offering a comprehensive range of Shari'a-compliant financial products and services. These are seamlessly delivered through a robust network of branches, ATMs, Self-Service Kiosks, and its highly-rated mobile app, which is continuously updated to meet the evolving needs of its growing client base. New features, such as "Buy Now, Pay Later," "Salary Advance," and other digital enhancements, have been added to elevate the overall client experience.

The Bank's commitment to client convenience extends beyond its mobile app to its state-of-the-art Self-Service Kiosks, the first of their kind in the Kingdom. These kiosks offer biometric and eKYC authentication, 24/7 access to digital banking services, and video call support for personalized assistance. Additionally, the Bank launched an innovative ATM service that allows clients to withdraw cash and check account balances using their ID cards. Recognizing the key role Micro, Small, and Medium Enterprises (MSMEs) play in the national economy, Al Salam Bank has partnered with leading service providers to offer tailored solutions. This includes Al Salam Takaful, a Shari'a-compliant insurance offering in partnership with Solidarity Bahrain, covering auto, travel, and group medical insurance plans for individuals and businesses.

This consecutive win as Retail Bank of the Year solidifies Al Salam Bank's reputation as a leading financial institution in the region, demonstrating its commitment to delivering value through digital innovation and contributing to a brighter future for its clients and the Kingdom of Bahrain.

Advancing Islamic Banking Practices

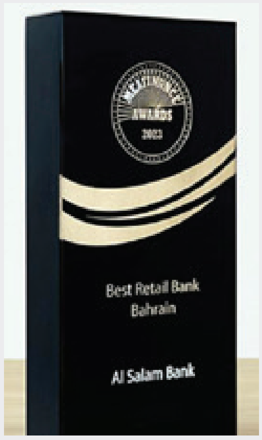
Al Salam Bank hosted the second Shari'a Departments Forum, under the supervision of the Shari'a Audit Department and with the support of the Bank's Executive Management. The event, held at the Bank's headquarters, focused on bridging the gap between the theoretical and practical applications of Islamic Jurisprudence in financial transactions, with the aim of enhancing the qualifications of Islamic banking professionals and strengthening their collaboration with Shari'a Supervisory Boards. Titled "The Shari'a Compliance Function: Reality and Future Prospects," the forum explored the pivotal role of Shari'a compliance in Islamic banking. Discussions covered the key developments within the profession,, the essential qualifications required for Shari'a compliance roles, and best practices for archiving Shari'a Board fatwas. The forum also addressed future trends, with a particular focus on the potential applications of Artificial Intelligence (AI) in advancing Shari'a compliance practices.

Innovation & Engagement – Data & Outcomes

Key Highlights

MEA Finance Awards 2024 – Best Retail Bank in Bahrain

Al Salam Bank was recognized as the "Best Retail Bank in Bahrain" at the MEA Finance Awards 2023 for the second consecutive year. This accolade highlights the Bank's achievements in digitization, its commitment to simplifying retail banking services, and its focus on delivering a personalized, exceptional client experience. The MEA Finance Awards celebrate excellence in digital transformation within the banking sector, and Al Salam Bank has consistently demonstrated leadership in innovative retail digital services. Its forward-thinking approach is designed to meet the evolving needs of clients, ensuring a seamless and exceptional banking experience.



Al Salam Bank has formed strategic partnerships, including a collaboration with Informa Markets, to serve as the exclusive banking sponsor at major exhibitions such as Autumn Fair, Jewelry Arabia, and Scent Arabia. The partnership enhances the client experience by providing seamless digital payment solutions and supporting the Bank's sustainability goals by reducing cash usage. The Bank has also partnered with Solidarity Bahrain to launch Al Salam Takaful, a range of Shari'a-compliant insurance products covering auto, travel, health, and more, positioning Al Salam Bank as a one-stop-shop for both banking and insurance needs. This recognition highlights Al Salam Bank's ongoing efforts to innovate and enhance its digital offerings, including its mobile app, virtual branch, WhatsApp services, and online chatbot, ensuring that clients receive unparalleled banking experiences at every touchpoint.

PCI DSS 4.0 Certification

Al Salam Bank has successfully achieved the Payment Card Industry Data Security Standard (PCI DSS) Version 4.0 Certification, the global standard for safeguarding payment card data. This certification reaffirms the Bank's unwavering commitment to providing a secure and trustworthy banking experience for its clients, highlighting its dedication to maintaining the highest standards of security in the management of payment card data. The certification acknowledges the Bank's compliance with PCI DSS standards and its proactive approach in integrating the latest technologies to strengthen the security of client data. Additionally, it underscores Al Salam Bank's ongoing efforts to ensure the safe use of payment cards, minimizing the risk of fraud and unauthorized access.

The PCI DSS Version 4.0 Certification introduces a variety of updated standards, including improved security controls, enhanced compliance measures, and more robust payment verification methods. The updated framework emphasizes cybersecurity activities, stricter password requirements, and more thorough procedures for testing, all designed to offer comprehensive protection for payment card data.

Sustainability Report 2024 (continued)

06 Appendix

CBB Index – Recommended ESG KPIs (1/3)

The Central Bank of Bahrain's Common Volume Part A – ESG Module includes a list of the recommended ESG KPIs. The following ESG index provides a reference to the location within this publication where each CBB Recommended ESG KPI has been reported, in addition to the reasons for its omissions, wherever applicable.

No.	Key Performance Indicator	Reference(s)	Reason for Omission
Environmental			
1	E.1. Environmental Oversight	Section 02 – Our Sustainability Strategy (Page 07) **Disclosure E.1. Environmental Oversight**	-
2	E.2. Energy Consumption	Section 03 – Environmental Impact - Detailed Disclosures (Page 12) **Disclosure E.2. Energy Consumption**	-
3	E.3. Energy Intensity	Section 03 – Environmental Impact - Detailed Disclosures (Page 12) **Disclosure E.3. Energy Intensity**	-
4	E.4. Energy Mix	Section 03 – Environmental Impact - Detailed Disclosures (Page 13) **Disclosure E.4. Energy Mix**	-
5	E.5. Green House Gas Emissions	Section 03 – Environmental Impact - Detailed Disclosures (Page 13) **Disclosure E.5. Green House Gas Emissions**	-
6	E.6. Emission Intensity	Section 03 – Environmental Impact - Detailed Disclosures (Page 14) **Disclosure E.6. Emission Intensity**	-
7	E.7. Climate Risk Mitigation	Section 03 – Environmental Impact - Detailed Disclosures (Page 14) **Disclosure E.7. Climate Risk Mitigation**	-
8	E.8. Water Usage	Section 03 – Environmental Impact - Detailed Disclosures (Page 14) **Disclosure E.8. Water Usage**	-
9	E.9. Waste Generation	Section 03 – Environmental Impact - Detailed Disclosures (Page 15) **Disclosure E.9. Waste Generation**	-
10	E.10. Emission Target	Section 03 – Environmental Impact - Detailed Disclosures (Page 15) **Disclosure E.10. Emission Targets**	-

CBB Index – Recommended ESG KPIs (1/3)

No.	Key Performance Indicator	Reference(s)	Reason for Omission
Social			
1	S.1. Total Workforce by Sex, Age-Group, and Employment Type	Section 04 – Social & Community Impact - Detailed Disclosures (Page 18) **Disclosure S.1. Total Workforce**	-
2	S.2. Child & Forced Labor	Section 04 – Social & Community Impact - Detailed Disclosures (Page 18) **Disclosure S.2. Child & Forced Labor**	-
3	S.3. Employee Turnover	Section 04 – Social & Community Impact - Detailed Disclosures (Page 19) **Disclosure S.3. Employee Turnover**	-
4	S.4. Gender Pay Ratio	Section 04 – Social & Community Impact - Detailed Disclosures (Page 19) **Disclosure S.4. Gender Pay Ratio**	-
5	S.5. Health & Safety	Section 04 – Social & Community Impact - Detailed Disclosures (Page 20) **Disclosure S.5. Health & Safety**	-
6	S.6. Non-Discrimination	Section 04 – Social & Community Impact - Detailed Disclosures (Page 20) **Disclosure S.6. Non-Discrimination**	-
7	S.7. Nationalization	Section 04 – Social & Community Impact - Detailed Disclosures (Page 21) **Disclosure S.7. Nationalization**	-
8	S.8. Community Investments	Section 04 – Social & Community Impact - Detailed Disclosures (Page 26) **Disclosure S.8. Community Investments**	-
9	S.9. Human Rights	Section 04 – Social & Community Impact - Detailed Disclosures (Page 21) **Disclosure S.9. Human Rights**	-
10	S.10. Management Composition & Diversity	Section 04 – Social & Community Impact - Detailed Disclosures (Page 22) **Disclosure S.10. Management Composition**	-
11	S.11. Development & Trainings	Section 04 – Social & Community Impact - Detailed Disclosures (Page 22) **Disclosure S.11. Development & Training**	

Sustainability Report 2024 (continued)

CBB Index – Recommended ESG KPIs (1/3)

No.	Key Performance Indicator	Reference(s)	Reason for Omission
Governance			
1	G.1. Board Composition	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 30) **Disclosure G.1. Board Composition**	-
2	G.2. Collective Bargaining	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 30) **Disclosure G.2. Collective Bargaining**	-
3	G.3. Whistleblowing	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 31) **Disclosure G.3. Whistleblowing**	-
4	G.4. Data Privacy	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 34) **Disclosure G.5. Disclosure Practices**	-
5	G.5. Disclosure Practices	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 31) **Disclosure G.5. Disclosure Practices**	-
6	G.6. Conflict of Interest	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 31) **Disclosure G.6. Conflict of Interest**	-
7	G.7. Supplier Code of Conduct	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 32) **Disclosure G.7. Supplier Code of Conduct**	-
8	G.8. Incentivized Pay	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 32) **Disclosure G.8. Incentivized Pay**	-
9	G.9. Ethics & Anti-Corruption	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 32) **Disclosure G.9. Ethics & Anti-Corruption**	-
10	G.10. Assurance	Section 05 – Governance, Innovation & Engagement – Detailed Disclosures (Page 32) **Disclosure G.10. Assurance**	-

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Fatwa & Shari'a Supervisory Board Report to the Shareholders

In the name of Allah, the Beneficent and the Merciful

Praise be to Allah; Prayers and peace be upon the most ennoble messenger, our Prophet Muhammad and his companion.

The Report of Shari'a Supervisory Board of Al Salam Bank B.S.C, ("the Board") submitted to the General Assembly on the Bank's activities during the financial year ending 31 December 2024.

First: Memorandum and Articles of Association

Al Salam Bank, B.S.C. operates as an Islamic Bank authorized by the Central Bank of Bahrain. We therefore confirm that the Memorandum and Articles of Association of the Bank are in conformity with the rules and principles of Shari'a.

Second: Activities of the Bank and Board's Guidance

The Board has supervised the activities and transactions of the Bank during the reporting year either directly or through the Shari'a Board executive Committee and/or the Sharia Compliance department, it has, therefore, instructed and guided various departments to comply with the rules and principles of Shari'a and fatwas of the Board in relation to such activities and transactions. During the year, the SSB has held four meetings with the senior staff of the Bank, three of which are conducted physically, and one was conducted online. Also, SSB Executive Committee conducted nine meetings.

Third: Contracts and Transactions

The Board studied the operational structures that have been presented to it during the year, approved their contracts and documents, and responded to the questions and inquiries that were raised in respect thereof and issued decisions and fatwas in this regard. These fatwas and decisions have been circulated to the concerned departments of the Bank for execution and implementation. It has also reviewed and studied drafts of the contracts and agreements that were presented to it in respect to sukuks (investment certificates), syndicated financing transactions and investment funds and approved them after its comments were considered.

Fourth: Access to Records

The Management of the Bank has positively cooperated with the Board and based on its request, allowed it to access the records, information and data of the Bank that are necessary for it to perform its tasks or are relevant to Sharia audit and Sharia supervision.

Fifth: Shari'a Audit

The Board has reviewed Internal Shari'a Audit reports and pointed out its observations on the reports. The Board further reviewed and discussed the external Shari'a Auditor observations and took note of these observations.

Sixth: Training

The Board has taken note of the efforts of the Bank's Management in training its employees and recommended that the Management continues to conduct regular training programmes for its employees in order to raise the level of Shari'a performance and compliance.

Seventh: Balance Sheet

The Board has reviewed the balance sheet, profit and loss accounts, accounting policies for the preparation of the financial statement and the basis of distributing dividends and profits to the shareholders and depositors.

The Board believes that the financial information presented in the balance sheet, to the extent of correct presentation and information provided by the Bank's Management and the Bank's compliance with some observations, did not result in non-compliance of the underlying transactions with the rules and principles of Shari'a. The Bank have set-aside and purified non-Shari'a compliant earnings by channelling them to relevant accounts established for disbursement of charity amounts. The Board, therefore, approved the balance sheet.

Eighth: Zakah

Since the Articles of Association of the Bank do not oblige the Bank to pay Zakah on behalf of shareholders, and on the invested Shareholder's equity, the Board has reviewed the calculation of the Zakah payable by the shareholders in order to be disclosed in the balance sheet. The Zakah calculation was prepared in line with Shari'a Standards no.35 on Zakah and Financial Accounting Standards no.39 on Financial Reporting for Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). Resultantly, the Board approved the calculation of Zakah and instructed the bank to notify Shareholders of the Zakah for this year as a disclosure in the balance sheet.

Ninth: Charity Fund

The Board has ensured, through its representative in the Social Committee, that all non-Sharia compliant income and dividends are channelled to the Bank's Charity Fund, which are noted to be resulted from either the previous transactions due to merger and conversion of conventional banks into Al Salam Bank or any other arising reasons.

Decision of the Board

The Board emphasizes that compliance to the rules and principles of the Shari'a in respect of all the businesses and transactions of the Bank is the responsibility of the Bank's Management. The Board confirms that the transactions executed by the Bank during the year, to the extent of the information and the data made available to it by the Bank's Management, do not conflict, in general, with the rules and principles of Shari'a and standards issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI". The Board also confirms that the accuracy of information, data, numbers, and correctness of the profit distribution are the responsibility of the management.

Allah is the guider to the right path.

The Board wishes for the Bank a **continuous** success and rectitude in doing things that pleases Allah.

Fatwa and Shari'a Supervisory Board

Shaikh Adnan Abdulla AlQattan
Chairman

Dr. Fareed Yaqoob AlMeftah
Vice Chairman

Dr. Nedham Mohamed Yaqoobi
Member

Dr. Osama Mohamed Bahar
Member

Dr. Mohammed Arbouna
Head – Shari'a Compliance Department

Financial Statements

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Independent Auditors' Report

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Al Salam Bank B.S.C. (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of income, comprehensive income, income and attribution related to quasi-equity, changes in owners' equity, cash flows and changes in off-balance sheet assets under management for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated results of operations, consolidated income and attribution related to quasi-equity, consolidated changes in owners' equity, consolidated cash flows, and consolidated changes in off-balance sheet assets under management for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2024.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accounting (including International Independence Standards) (together the "code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (continued)

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain

Impairment allowance on financing contracts

Refer to accounting policy in Note 2.4 (d), disclosure on use of estimates and judgment in Note (2.3) and management of credit risk in Note (32.2) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We focused on this area because: • of the significance of financing contracts representing 52% of total assets; • impairment of financing contracts involves: ➤ complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias; ➤ use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its expected credit loss ('ECL) models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and ➤ complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses; • the need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them; and • adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.	Our procedures included, but not limited to: • Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice. • Confirming our understanding of management's processes, systems and controls over the ECL calculation process **Control testing** We performed process walkthroughs to identify key systems, applications and controls associated with the ECL calculation process. Key aspects of our control testing involved the following: • Testing controls over the transfer of data between underlying source systems and the ECL models that the Group operates. • Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process. • Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays. • Testing controls over the modelling process, including governance over model monitoring, validation and approval. **Tests of details** Key aspects of our testing involved: • Reviewing a sample of credit files for performing accounts and evaluating the financial performance of the borrower, source of repayment and eligible collateral and on this basis assess the appropriateness of credit rating and staging. • Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used. • Re-performing key elements of the Group's model calculations and assessing performance results for accuracy. • Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified. • Selecting a 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. • Assessing the adequacy of provisions against individually impaired financing assets (stage 3) in accordance with the applicable FAS. **Use of specialists** For the relevant portfolios examined, we have involved our specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following: • We involved our Information Technology Audit specialists to test the relevant General IT and Application Controls over key systems used for data extraction as part of the ECL calculation process. • We involved our credit risk specialists in: ▪ Evaluating the appropriateness of the Group's ECL methodologies (including the staging criteria used); ▪ On a test check basis, re-performing the calculation of certain components of the ECL model (including the staging criteria); ▪ Evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weights applied to them; and ▪ Evaluating the overall reasonableness of the management forward-looking estimates by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends. **Disclosures** We assessed the adequacy of the Group's disclosure in relation to use of significant estimates and judgement and credit quality of financing assets by reference to the requirements of relevant accounting standards.

Independent Auditors' Report (continued)

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain

Business Combination

Refer to accounting policy in Note 2.2 (i) and disclosure related to the business combination in Note (45) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year, the Group completed the acquisition of ASB Finance B.S.C.(c) formerly Kuwait Finance House (Bahrain) B.S.C.(c) which has been accounted for as a business combination using acquisition accounting in accordance with IFRS 3 Business Combinations ("IFRS 3"). The acquisition involved significant management judgement and estimates, particularly in: • Identifying and measuring the fair values of assets and liabilities acquired including intangible assets; • Determining the purchase price allocation (PPA) and assessing goodwill recognition. Giving the complexity of the valuation process and material impact on the Group's consolidated financial statements, we considered this is a key audit matter.	Our procedures included but not limited to: • Evaluating management process for identifying and valuing acquired assets and liabilities; • Assessing whether the acquisition qualifies as a business under IFRS 3 or an asset acquisition; • Assessing the initial classification of the acquired assets and liabilities; • Involving our valuation specialists to review the reasonableness of fair value estimates made by management on the acquired assets and liabilities, particularly for intangible assets such as customer relationships and core deposits by assessing methodologies and testing key assumptions such as growth rates, revenue projections and discount rates etc; • Evaluating the accounting policy adopted by management for the identification of POCI financial assets and assessed the appropriateness of fair value adjustments made on initial recognition. • Reviewing the reasonableness of the estimated useful lives of acquired intangible assets; and • Testing the process and controls put in place over consolidation of the financial position and results of the subsidiary from the date of acquisition, including assessing consistency of accounting policies used. **Disclosures** evaluating the appropriateness and adequacy of disclosures in relation to the business combination by reference to the relevant accounting standards.

Independent Auditors' Report (continued)

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ASIFIs, we exercise professional 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.

Independent Auditors' Report (continued)

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain

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

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

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

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

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and Volume 2 of the Rulebook issued by the Central Bank of Bahrain, 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 report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and

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

The engagement partner on the audit resulting in this independent auditors' report is Jalil Al Aali.

kpmg

KPMG Fakhro
Partner Registration Number 100
6 February 2025

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 BD '000	2023 BD '000
ASSETS			
Cash and balances with banks and central banks	4	**633,611**	537,874
Placements with financial institutions	5	**476,450**	293,580
Investments in sukuk	6	**1,447,803**	1,002,839
Financing contracts	7	**3,661,670**	2,676,460
Non-trading investments	9	**97,944**	100,060
Takaful and related assets	10	**26,353**	67,370
Investments in real estate	11	**129,295**	78,070
Investments in associates	12	**255,008**	231,484
Other assets	13	**129,894**	81,228
Goodwill and other intangible assets	14	**204,750**	78,145
TOTAL ASSETS		**7,062,778**	5,147,110
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
LIABILITIES			
Placements from financial institutions and individuals	15	**171,016**	136,511
Murabaha term financings	16	**751,062**	510,848
Customers' current accounts		**1,279,886**	1,066,031
Takaful and related liabilities	10	**75,550**	114,493
Other liabilities	17	**127,822**	106,192
TOTAL LIABILITIES		**2,405,336**	1,934,075
QUASI-EQUITY			
Wakala from financial institutions	18	**420,231**	379,768
Wakala and mudaraba from customers	18	**3,643,830**	2,424,617
TOTAL QUASI-EQUITY		**4,064,061**	2,804,385
OWNERS' EQUITY			
Share capital	19	**274,778**	261,693
Treasury shares	19	**(28,010)**	(6,799)
Employees incentive scheme shares		**(6,617)**	(8,770)
Share premium		**209**	209
Retained earnings		**60,563**	44,348
Reserves		**59,554**	46,722
Equity attributable to the Bank's shareholders		**360,477**	337,403
Subordinated mudaraba (AT1)	19	**159,026**	-
Non-controlling interest		**73,878**	71,247
TOTAL OWNERS' EQUITY		**593,381**	408,650
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		**7,062,778**	5,147,110

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Income Statement

Year ended 31 December 2024

	Note	2024 BD '000	2023 BD '000
INCOME			
Income from financing contracts	22	**261,810**	174,003
Income from investments in sukuk		**71,568**	48,755
Finance expense on placements from financial institutions and individuals		**(11,039)**	(8,446)
Finance expense on murabaha term financings		**(30,851)**	(25,517)
Net finance income		**291,488**	188,795
Income from non-trading investments, net	23	**2,433**	7,701
Fees and commission, net	24	**27,141**	16,383
Share of profit from associates	12	**18,169**	21,043
Income from takaful operations, net	25	**5,357**	7,571
Other income	26	**7,004**	3,803
Total income		**351,592**	245,296
EXPENSES			
Staff costs	27	**44,346**	31,765
Other operating expenses	28	**55,567**	37,768
Total expenses		**99,913**	69,533
Profit before allowances for impairment, income attribution to quasi-equity and tax		**251,679**	175,763
Allowance for impairment on financing contracts, investments and other assets	8	**(21,173)**	(22,989)
Profit before income attribution to quasi-equity and tax		**230,506**	152,774
Income attributable to quasi-equity		**(154,516)**	(100,087)
Profit before tax		**75,990**	52,687
Tax		**(6,489)**	(4,509)
PROFIT FOR THE YEAR		**69,501**	48,178
ATTRIBUTABLE TO:			
- Bank's shareholders		**59,012**	42,226
- Non-controlling interest		**10,489**	5,952
		69,501	48,178
Basic and diluted earnings per share (fils)	21	**20.7**	16.3

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 BD '000	2023 BD '000
Profit for the year	**69,501**	48,178
Other comprehensive income		
Items that are or may be reclassified subsequently to the income statement		
Fair value changes on investments carried at fair value through OCI	**7,905**	(2,475)
Share of movement in fair value reserve of an associate	**4,276**	8,511
Movement in foreign currency translation reserve	**1,381**	2,379
Share in reserve attributable to quasi-equity	**(5,376)**	-
Total other comprehensive income for the year	**8,186**	8,415
Total comprehensive income	**77,687**	56,593
ATTRIBUTABLE TO:		
- Bank's shareholders	67,124	50,398
- Non-controlling interest	10,563	6,195
	77,687	56,593

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Statement of Income and Attribution Related to Quasi-Equity

Year ended 31 December 2024

	Note	2024 BD '000	2023 BD '000
Profit before allowances for impairment, income attribution to quasi-equity and tax		**251,679**	175,763
Adjusted for:			
Income not attributable to quasi-equity		(35,631)	(23,786)
Expenses not attributable to quasi-equity		99,913	69,533
Share of income for Bank's investments, net		(69,180)	(50,250)
Allowance for impairment attributable to quasi-equity		(5,635)	5,429
Total income available for quasi-equity holders		**241,146**	176,689
Mudarib's share		(5,995)	(5,842)
Wakala incentive		(80,635)	(70,760)
Income attributable to quasi-equity	**A**	**154,516**	100,087
Other comprehensive income – attributable to quasi-equity - before recycling to statement of income			
Items that will not be classified to income statement		**5,376**	-
Other comprehensive income not subject to immediate distribution		**(5,376)**	-
Other comprehensive income subject to immediate distribution	**B**	**-**	-
Total income attributable to quasi-equity	**C=A+B**	**154,516**	100,087

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Owners Equity

Year ended 31 December 2024

Amounts in BD '000s

	Attributable to shareholders of the bank														
						Reserves									
	Share capital	Treasury shares	Employee incentive scheme shares	Share premium	Retained earnings	Statutory reserve	Share grant scheme	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve	Total reserves	Equity Attributable to Bank's shareholders	Subordinated mudaraba (AT1)	Non-controlling interest	Total owners' equity
Balance at 1 January 2024	**261,693**	**(6,799)**	**(8,770)**	**209**	**44,348**	**25,982**	**2,120**	**(2,607)**	**22,691**	**(1,464)**	**46,722**	**337,403**	**-**	**71,247**	**408,650**
Impact of adoption of FAS 42 and 43 (note 2.4 (ii) and (iii))	-	-	-	-	(1,332)	-	-	-	-	-	-	(1,332)	-	(1,290)	(2,622)
Restated balance as at 1 January 2024	**261,693**	**(6,799)**	**(8,770)**	**209**	**43,016**	**25,982**	**2,120**	**(2,607)**	**22,691**	**(1,464)**	**46,722**	**336,071**	**-**	**69,957**	**406,028**
Profit for the year	-	-	-	-	59,012	-	-	-	-	-	-	59,012	-	10,489	69,501
Other comprehensive income	-	-	-	-	-	-	-	6,805	-	1,307	8,112	8,112	-	74	8,186
Sale of Investments in real estate	-	-	-	-	-	-	-	-	(8)	-	(8)	(8)	-	-	(8)
Issuance of subordinated mudaraba (AT1)	-	-	-	-	-	-	-	-	-	-	-	-	162,464	-	162,464
Issuance cost subordinated mudaraba (AT1)	-	-	-	-	-	-	-	-	-	-	-	-	(3,438)	-	(3,438)
Profit distribution on subordinated mudaraba (AT1)	-	-	-	-	(4,009)	-	-	-	-	-	-	(4,009)	-	-	(4,009)
Bonus shares issued	13,085	-	-	-	(13,085)	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2023	-	-	-	-	(17,947)	-	-	-	-	-	-	(17,947)	-	-	(17,947)
Purchase of treasury shares	-	(21,211)	-	-	-	-	-	-	-	-	-	(21,211)	-	-	(21,211)
Shares vested	-	-	2,153	-	(23)	-	(1,173)	-	-	-	(1,173)	957	-	-	957
Transfer to statutory reserve	-	-	-	-	(5,901)	5,901	-	-	-	-	5,901	-	-	-	-
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	-	(500)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,642)	(6,642)
Balance at 31 December 2024	**274,778**	**(28,010)**	**(6,617)**	**209**	**60,563**	**31,883**	**947**	**4,198**	**22,683**	**(157)**	**59,554**	**360,477**	**159,026**	**73,878**	**593,381**
Balance as at 1 January 2023	249,231	(1,325)	(10,696)	209	31,691	21,759	1,934	(8,643)	22,799	(3,708)	34,141	303,251	-	34,104	337,355
Profit for the year	-	-	-	-	42,226	-	-	-	-	-	-	42,226	-	5,952	48,178
Other comprehensive income	-	-	-	-	-	-	-	6,036	(108)	2,244	8,172	8,172	-	243	8,415
Bonus shares issued	12,462	-	-	-	(12,462)	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2022	-	-	-	-	(12,359)	-	-	-	-	-	-	(12,359)	-	-	(12,359)
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	-	(500)
Purchase of treasury shares	-	(5,474)	-	-	-		-	-	-	-	-	(5,474)	-	-	(5,474)
Shares vested	-	-	1,926	-	(25)	-	186	-	-	-	186	2,087	-	-	2,087
Transfer to statutory reserve	-	-	-	-	(4,223)	4,223	-	-	-	-	4,223	-	-	-	-
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	30,948	30,948
Balance at 31 December 2023	261,693	(6,799)	(8,770)	209	44,348	25,982	2,120	(2,607)	22,691	(1,464)	46,722	337,403	-	71,247	408,650

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	2024 BD '000	2023 BD '000
OPERATING ACTIVITIES		
Profit for the year	**69,501**	48,178
Adjustments:		
Tax	**6,489**	4,509
Depreciation and amortisation	**8,056**	4,322
Amortisation of premium on sukuk, net	**2,079**	114
Loss from non-trading investments	**1,234**	2,526
Allowance for impairment on financing contracts, investments and other assets	**21,173**	22,989
Gain on bargain purchase	**(2,681)**	(15,560)
Share of profits from associates	**(18,169)**	(21,043)
Operating income before changes in operating assets and liabilities	**87,682**	46,035
Changes in operating assets and liabilities:		
Mandatory reserve with central banks	**(65,703)**	(23,410)
Financing contracts	**32,509**	(299,954)
Takaful and related assets	**41,017**	(15,680)
Other assets	**42,279**	(5,537)
Placements from financial institutions and individuals	**(81,447)**	(51,213)
Customers' current accounts	**94,096**	121,560
Takaful and related liabilities	**(38,943)**	22,752
Other liabilities	**(9,720)**	47,767
Quasi-equity	**110,236**	163,039
Net cash from operating activities	**212,006**	5,359
INVESTING ACTIVITIES		
Purchase of sukuk, net	**(199,761)**	(168,385)
Cash acquired as part of business combination	**28,007**	297,407
Cash paid for business acquisition	**(214,488)**	-
(Acquisition) / disposal of securities and real estate	**14,700**	6,227
Dividends received from associates	**15,052**	17,477
Purchase of premises and equipment	**(2,721)**	(2,000)
Net cash (used in) / from investing activities	**(359,211)**	150,726
FINANCING ACTIVITIES		
Drawdown of murabaha term financings	**240,214**	189,859
Dividends paid	**(17,947)**	(12,359)
Issuance of AT1	**162,464**	-
Profit paid on AT1	**(4,009)**	-
Issuance cost of AT1 capital paid	**(3,438)**	-
Purchase of treasury shares	**(21,211)**	(5,474)
Net cash from financing activities	**356,073**	172,026
NET INCREASE IN CASH AND CASH EQUIVALENTS	**208,868**	328,111
Cash and cash equivalents at 1 January	**711,643**	383,532
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**920,511**	711,643
Cash and other balances with central banks*	**267,314**	295,383
Balances with other banks **	**176,741**	122,662
Placements with financial institutions with original maturities of less than 90 days*	**476,456**	293,598
	920,511	711,643
Profit received	**341,951**	189,710
Dividends received	**22,892**	19,765
Profit paid	**187,091**	109,580

* Cash and cash equivalents is gross of the expected credit loss of BD 135 thousand (2023: BD 346 thousand).

** Balances with other banks is net of restricted cash of BD 8,194 thousand (2023: BD 4,240 thousand) which is not available for day to day operations.

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Off-Balance-Sheet Assets Under Management

Year ended 31 December 2024

							Amounts in BD '000s
		Movement during the year					Balance at 31 December 2024
31 December 2024	**Balance at 1 January 2024**	**Investment / (withdrawals)**	**Revaluation**	**Gross income**	**Bank's fees as an agent**	**Administration expenses**	**Total**
Fixed income portfolio	**157,647**	**305,496**	**-**	**9,102**	**(797)**	**-**	**471,448**
Equity and funds portfolio	**50,396**	**(16,960)**	**-**	**12**	**(23)**	**-**	**33,425**
Real estate portfolio	**128,195**	**4,880**	**156**	**8,969**	**(1,354)**	**-**	**140,846**
Other portfolio	**5,963**	**-**	**-**	**-**	**-**	**(8)**	**5,955**
	342,201	**293,416**	**156**	**18,083**	**(2,174)**	**(8)**	**651,674**

							Amounts in BD '000s
		Movement during the year					Balance at 31 December 2023
31 December 2023	Balance at 1 January 2023	Investment / (withdrawals)	Revaluation	Gross income	Bank's fees as an agent	Administration expenses	Total
Fixed income portfolio	148,166	1,425	-	8,829	(773)	-	157,647
Equity and funds portfolio	31,353	19,052	-	10	(19)	-	50,396
Real estate development portfolio	121,878	-	6,317	-	-	-	128,195
Other portfolio	7,861	(1,206)	(692)	-	-	-	5,963
	309,258	19,271	5,625	8,839	(792)	-	342,201

The attached notes 1 to 46 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2024

1 REPORTING ENTITY

Al Salam Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 (as amended) and registered with Ministry of Industry and Commerce("MOIC") under Commercial Registration number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the Central Bank of Bahrain ("CBB").

The Bank's registered office is at Building 935, Road 1015, Block 410, Sanabis, Kingdom of Bahrain. The Bank's ordinary shares are listed on Bahrain Bourse and Dubai Financial Market.

The principal subsidiaries as follows:

			% holding	
Name of entity	**Country of incorporation**	**Principal activities**	**2024**	2023
Al Salam Bank- Seychelles limited.	Seychelles	Banking services	**70.0%**	70.0%
Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain	Holding company	**55.9%**	55.9%
Al Salam Bank Algeria (S.P.A)	Algeria	Banking services	**68.0%**	68.0%
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c))	Kingdom of Bahrain	Banking services	**100.0%**	-
ASB Capital Limited	United Arab Emirates	Assets management	**100.0%**	-

The Bank and its principal banking subsidiaries operates through 24 branches and 1 auto finance office (2023: 17 branches) in the Kingdom of Bahrain, 25 branches in Algeria (2023: 24 branches) and 1 branch (2023: 1 branch) in Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted under the CBB's Regulated Islamic Banking Services as defined in the licensing framework.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries together ("the Group") for the year ended 31 December 2024.

These consolidated financial statements have been authorized for issue in accordance with a resolution of the Board of Directors dated 6 February 2025.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), and in conformity with the Bahrain Commercial Companies Law 2001 (as amended) and the guidelines of CBB and Financial Institutions Law.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI accounting standards the group takes guidance from the relevant International Financial Reporting Standards ("IFRS accounting standards") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Group are prepared on a historical cost basis, except for certain investment in sovereign and corporate sukuk, non-trading investments, investments properties, which are carried at fair value.

These consolidated financial statements are presented in Bahraini Dinars, being the functional and presentation currency of the Bank, rounded to the nearest thousand [BD '000], except where otherwise indicated.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method when the acquired set of activities meets the definition of a business. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

In a business combination in which the Bank and the acquiree exchange only equity interests, the acquisition-date fair value of the acquiree's equity interests is used to determine the amount of goodwill.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 2.4 (o)). Any gain on a bargain purchase is recognized in consolidated income statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its equity of investment accountholders.

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. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

Investments acquired that do not meet the definition of business combination are recorded as assets acquisitions e.g. financial assets or investment in properties as appropriate. When such investments are acquired, the Group allocates the cost of acquisition between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Cost of such assets is the sum of all consideration given and any non-controlling interest recognized. If the non-controlling interest has a present ownership interest and is entitled to a proportionate share of net assets upon liquidation, the Group recognizes the non-controlling interest at its proportionate share of net assets.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

(ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2024. The financial statements of the subsidiaries are prepared for the same reporting year. All subsidiaries are using consistent accounting policies of the Bank.

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Control is presumed to exist when the Bank owns majority of the voting rights in the investee.

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitization of particular assets, or the execution of a specific financing or investment transaction and usually voting rights are not relevant for the operating of such entities. 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. When the decision maker is an agent, the link between power and returns is absent and the decision maker's delegated power does not lead to a control conclusion. Where the Group's voluntary actions, such as finance amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

The financial statements of SPE are not included in these consolidated financial statements except when the Group controls the entity.

(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group.

(iv) Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other equity are reclassified to the consolidated income statement.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's profit in the investees. Unrealized losses are also eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

(vi) Foreign currency

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Bank's functional and presentation currency.

(b) Foreign currencies

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognized in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Translation gains or losses on non-monetary items classified as "fair value through equity" are included in consolidated statement of changes in equity until the related assets are sold or derecognized at which time they are recognized in the consolidated income statement. Translation gains on non-monetary assets classified as "fair value through consolidated income statement" are directly recognized in the consolidated income statement as part of fair value changes.

(c) Translation of foreign operations

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not Bahraini Dinars are translated into Bahraini Dinars at the rates of exchange prevailing at the reporting date. Income and expense items are translated at average exchange rates prevailing for the reporting year. Any exchange differences arising on translation are included in foreign exchange translation reserve forming part of equity except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognized in foreign exchange translation reserve are recognized in the consolidated statement of changes in equity.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These judgments and estimates also affect the revenues and expenses and the resultant allowance for losses as well as fair value changes reported in equity.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment assessment of financial contracts subject to credit risk

In determining expected credit losses ('ECL') on financial contracts subject to credit risk, significant estimates are made in determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. Refer to notes 2.4 (d) and 32.2 for further details.

Impairment of goodwill

Impairment exists when carrying value of asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount of the cash-generating unit's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the Board of Directors, extrapolated for three years projection using nominal projected growth rate. The determination of projected growth rate and discount rate involves judgment whereas, preparation of cash flow projections requires various management assumptions.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates based on the actual loss experience. Refer to note 14 for further details.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of investments at fair value through other comprehensive income

The Group determines that investments carried at fair value through other comprehensive income (FVTOCI) are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. The Group generally considers a decline in value below cost of 30%, or a decline that persists for more than 9 months as an indicator of impairment.

Fair value of unquoted equity

The Group determines fair value of equity investments that are not quoted in active markets by using well-recognized valuation techniques such as discounted cash flows, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements. The basis of valuation has been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

Valuation of investments in real estate measured at fair value through income statement involve judgment and is normally based on one of the following:

- valuation by independent external valuers of underlying properties / projects;
- recent arm's length market transactions;
- present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- application of other valuation models.

Estimating fair value of investment property and net realizable value of development property

Investment properties are carried at their fair values. Development property is stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The Group appoints experienced external valuers under A category approved by Real Estate Regulatory Authority to determine the market value of the investment and development properties at the statement of financial position date. For large development projects, a residual value approach is adopted which forecasts future cost to completion and use of the expected development. The management has forecasted the cost of completion of development property and has engaged independent valuers to estimate the residual value of the development property based on estimated / forecasted market selling prices for similar properties. Net realizable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property.

The Group calibrates the valuation techniques yearly and tests these for validity using either prices from observable current market transactions in the same contract or other available observable market data.

Judgments

Going concern

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

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Control over special purpose entities

The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's that it does not have the power to control directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group's intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

Investment classification

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Significant judgement is involved in assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

2.4 SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets consist of balances with banks and the Central Bank, Sovereign Sukuk, Corporate Sukuk, placements with financial institutions, Murabaha financing (net of deferred profits), Mudaraba financing, Musharaka financing, Salam financing, Istisna'a financing, receivable under finance lease assets contracts, asset under conversion, non-trading investments in equity securities, tahawwut used for risk management and other receivables.

Financial liabilities consist of placement from financial institutions and individuals, customers' current accounts, murabaha term financings and other payables.

Except for sukuks carried at FVTOCI , non-trading investments and tahawwut used for risk management instruments, carried at fair value all financial assets and financial liabilities are carried at amortised cost.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value Through income statement (FVTIS), transaction costs that are directly attributable to its acquisition or issue. In the case of items of FVTIS, transaction costs are expensed. The fair value of a financial instrument at initial recognition is generally its transaction price.

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus the capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognized and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

The Group segregates its investment into following categories:

i) Equity-type instruments:

Instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Debt-type instruments:

Monetary debt-type instruments - instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments - instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah Mawsufah fi al-Dhimmah) or services (service Ijarah) to be delivered in future.

iii) Other investment instruments:

The Group classifies its investments on initial recognition as measured at: (a) amortised cost, (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through income statement ("FVTIS").

b) Trade and settlement date accounting

The Group recognizes financing, investments, deposits and quasi-equity on the date on which they are originated. Purchases and sale of all other financial assets and liabilities are recognized on the trade date, i.e. the date that the Group contracts to purchase or sell the asset or liability.

c) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities are derecognized when the obligation specified in the contract is legally discharged, cancelled, or expired.

d) Impairment assessment

Impairment of financial assets and commitments

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost which include assets migrated through the following three stages based on the change in credit quality since initial recognition.

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL associated with the probability of default events occurring within next twelve months is recognized.

Twelve-month ECL (Stage 1) is the portion of ECL that results from probable default events on a financial contract within twelve months after the reporting date.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

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

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Impairment assessment (continued)

Stage 3: Lifetime ECL – credit impaired

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

For Stage 3 financing contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract.

Credit-impaired financing contracts

At each reporting date, the Group assesses whether financing contracts are credit impaired.

Evidence that a financing contract is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Write-offs

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

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

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

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

e) Cash and cash equivalents

For the purpose of the consolidated cash flows statement, "cash and cash equivalents" consist of cash on hand, balances with the Central Bank of Bahrain excluding mandatory reserve deposits, balances with banks and other financial institutions (excluding restricted balances) and placements with financial institutions with original maturities of 90 days or less when acquired.

f) Financing contracts

Financing contracts comprise of Sharia'a complaint financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Mudaraba, Istisna, Salam, Ijarah contracts and credit card-based receivables. Financing contracts are recognized on the date they are originated and are carried at their amortised cost less allowance for expected credit losses, if any.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financing contracts (continued)

Modification of financing contracts

If the terms of the financing contracts are modified, then the Group evaluates whether the cashflows of the modified contracts are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original financing asset are deemed to have expired. In this case, the original financing contracts is derecognized and a new financing asset is recognized at fair value plus any eligible transaction cost.

If the modification of a financing contracts measured at amortized cost does not result in the derecognition of the financing contracts, then the Group first recalculates the gross carrying amount of the financing contracts using the original effective profit rate of the asset and recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

All Sharia compliant contracts are interpreted for accounting purposes in its entirety and all linked -contracts or promissory note arrangements are considered together with the main financing contract to reflect the single economic outcome and purpose of the contracts.

(i) Murabaha financing

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller has purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on installment basis over the agreed finance tenure. Under the Murabaha contract, the Group may act either as a Seller or a Purchaser, as the case may be.

The Group considers the promise to purchase made by the Purchaser in a Murabaha transaction in favor of the Seller to be binding.

(ii) Mudaraba financing

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide certain amount of funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal. Under the Mudaraba contract, the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

(iii) Musharaka

Musharaka is used to provide venture or project finance. The Group and customer contribute towards the capital of the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio, but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka.

(iv) Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

(v) POCI financial assets

Purchased or Originated Credit Impaired (POCI) financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Ijara Muntahia Bitamleek (IMB also called as finance lease assets)

Ijarah Mutahia Bitamleek contracts is an agreement with the customers whereby, based on the customer's request and promise to lease, the Group purchases or acquires a specified tangible asset, either from a third-party seller or from the customer. The Group ("Lessor") leases an asset to the customer ("Lessee") against certain rental payments for a specific lease term / year, payable on fixed and / or variable rental basis.

The IMB agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The Lessee provides the Lessor with an undertaking to renew the lease years and pay the relevant rental payment amounts as per the agreed schedule throughout the lease term.

The Lessor retains the ownership of the assets throughout the lease term. At the end of the lease term, the lessor transfers the leased asset to the lessee in line with the promise to purchase provided by the Lessee. upon fulfillment of all the obligations by the Lessee under the IMB agreement, based on sale undertaking given by the Lessor.

Depreciation is provided on a systematic basis on all IMB assets other than land (which is deemed to have an indefinite useful life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

The Group measures at each reporting date whether there is objective evidence that IMB assets are impaired. Impairment loss is recognized when the carrying amount of assets exceeds its recoverable amount. The estimates of future cashflows, when dependent on a single customer, takes into consideration the credit evaluation of the customer in addition to other factors. Impairment losses, if any, are recognized in the income statement.

Modification of IMB assets

If the terms of the IMB assets are modified, then the Group evaluates whether the cashflows of the modified asset are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original IMB assets are deemed to have expired. In this case, the original IMB assets is derecognized and a new IMB assets is recognized at fair value plus any eligible transaction cost.

If the modification of a IMB assets measured at amortized cost does not result in the derecognition of the IMB assets then the Group first recalculates the gross carrying amount of the IMB assets using the original effective profit rate of the asset and recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

h) Placements with financial institutions

Placements with financial institutions comprise short-term treasury contracts with financial institutions in the form of Commodity Murabaha receivables, Mudaraba contracts and Wakala investments. These placements are stated at amortised cost net of deferred profits and allowance for credit losses, if any.

i) Sukuk

These investments are in the nature of debt-type instruments that provide fixed or determinable payments of profits and also includes equity type sukuk. Sukuk that are assessed under two distinct business models:

- Held-to-collect business model – This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements and consist of high-quality liquid assets that are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.
- Both held-to-collect and for sale business model: The remaining treasury portfolio will be held under active treasury management to collect both contract cash flows and for sale. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through equity.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Assets under conversion

Loans and advances

At amortised cost less any amounts written off and allowance for credit losses, if any.

Non-trading investments

These are classified as fair value through equity and are fair valued based on criteria set out in note 2.4 (k).

k) Non-trading investments

Equity-type investments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual profit in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories: 1) at fair value through income statement ('FVTIS') or 2) at fair value through other comprehensive income ('FVTOCI'), consistent with its investment strategy.

Recognition and de-recognition

Investment securities are recognized at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, equity-type investments carried at FVTIS and FVTOCI are re-measured to fair value. Gains and losses arising from a change in the fair value of instruments carried at FVTIS are recognized in the income statement in the year which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTOCI are recognized in the consolidated statement of other comprehensive income. When the investments carried at FVTOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the in the consolidated statement of other comprehensive income is transferred to the consolidated income statement.

l) Investments in associates and joint ventures

The Group's investments in associates and joint ventures, that are acquired for strategic purposes, are accounted for under the equity method of accounting. Other equity investments in associates and joint ventures (note 2.4 (k)) are accounted for at fair value through consolidated income statement by availing the scope exemption under FAS 24, Investments in Associates. An associate is an entity over which the Group has significant influence, but not control or joint control. An entity is considered as an associate if the Group has more than 20% ownership of the entity or the Group has significant influence through any other manner. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and its liabilities.

Under the equity method, investments in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Losses in excess of the cost of the investments in associates are recognized when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the profit in associates.

Foreign exchange translation gains / losses arising out of the translation of net assets of investments in associates are included in the consolidated statement of changes in equity.

m) Investments in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investments in real estate. The investment in real estate is initially recognized at fair value and subsequently measured based on intention whether the investments in real estate is held-for-use or held-for-sale. The Group has adopted the fair value model for its investments in real estate. Under the fair value model, any unrealized gains are recognized directly in owners' equity under the Real Estate Fair Value Reserve. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these are recognized in the consolidated income statement. In case there are unrealized losses relating to investments in real estate that have been recognized in the consolidated income statement in a previous financial year, the unrealized gains relating to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated income statement. Investments in real estate held-for-sale is carried at lower of its carrying value and expected fair value less costs to sell. Investments in real estate carried at fair value shall continue to be measured at fair value.

n) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is changed on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land and capital work-in-progress.

- Computer hardware	3 to 5 years
- Computer software	3 to 5 years
- Furniture and office equipment	3 to 5 years
- Motor vehicle	4 to 5 years
- Leasehold improvements	Over the lease year

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Goodwill and other intangible assets

(i) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually. Any impairment is recognized immediately in the consolidated income statement. Goodwill is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized immediately in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

– represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
– is / are not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format.

(ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in consolidated income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All acquired intangible assets carried on the reporting date have a finite useful life such as the Core Deposits ("CD") and the Purchased Customer Relationships ("PCR") and are amortized over a period of 7 to 15 years.

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

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

p) Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the consolidated statement of financial position when there is a religious or legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis or intends to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Customers' current accounts

Customers' current accounts balances are in non-investment accounts and are recognized when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the accounting year, the accounts are measured at their book value, which represents the settlement value to the customers.

r) Quasi-equity

Quasi-equity are funds held by the Group in one common pool of unrestricted investment account, which is invested by the Group's ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts under multi-level investment arrangements. The funds received under the Wakala arrangement is invested in the Mudaraba investment pool and is considered as investment made by an investment account holder ("IAH"). Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Group to invest the accountholder's funds in a manner which the Group deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Group charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms agreed with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Group and are not charged to investment accounts. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Group in arriving at the quasi-equity share of income is total investment income less shareholders' income. In case of Wakala contracts, the Bank does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share in the profits from the Mudaraba investment pool in the capacity of Mudarib.

Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

s) Provisions

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

t) Employees' end-of-service benefits

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organization scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed-percentage of salaries basis. Contributions by the Bank are recognized as an expense in income statement when they are due.

Eligible employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Employees' end-of-service benefits (continued)

Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Deferred share-based annual incentives

In line with its variable remuneration policy, the Group awards a component of its annual bonuses for certain covered employees (material risk-takers and approved persons) in the form of deferred incentives that are released proportionately over a period of three years. The deferred incentives include a cash component and a share component. The share component is converted to phantom shares of the Bank based on the book value per share at the award date. The deferred incentives are cash-settled on each release date based on the most recent book value per share of the Bank. The deferred incentive liability is carried at their settlement amounts at each reporting date and any changes in the carrying value of the liability is recognized as an expense or release in the income statement of the reporting period. All deferred incentives are subject to malus and claw back provisions.

u) Revenue recognition

Financing contracts

As the income is quantifiable and contractually determined at the commencement of the contract, income is recognized on effective yield basis over the contract term. Recognition of income is suspended when the Group believes that the recovery of these amounts may be doubtful or when the payments of installments are overdue by 90 days, whichever is earlier.

Istisna'a

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognizes Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group recognizes anticipated losses on Istisna'a contract as soon as they are anticipated.

Sukuk

Income on debt-type sukuk is recognized on a time-proportionate basis based on underlying rate of return of the respective type of Sukuk.

Income on equity-type sukuk is recognized when the group's right to receive dividends is established.

Dividend

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

Ijara Muntahia Bitamleek

Ijara income is recognized on a time-proportionate basis over the lease term. Income related to non-performing Ijara deals is suspended. Accrual of income is suspended when the Group believes that the recovery of these amounts may be doubtful or normally when the rental payments are overdue by 90 days, whichever is earlier.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Revenue recognition (continued)

Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

- Fee income on financing transactions: Fee earned on financing transactions including up-front fees and early settlement fees are recognized when earned. To the extent the fees are deemed yield enhancement they are recognized over the year of the financing contracts.
- Fee income from transaction services: Fee arising from corporate finance, corporate advisory, arranging the sale of assets and wealth management are recognized when earned or on a time proportionate basis when the fee is linked to delivery of services over the term of the contract.
- Other fee income: This is recognized when services are rendered.

v) Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction on the measurement date.

For investments that are actively traded in organized financial markets, fair value is determined by reference to the prevailing market bid price on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using well-recognized valuation technique such as DCF and recent arm's length market transactions. Alternatively, the estimate would also be based on current market value of another contract, which is substantially the same, or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by calculating the present value of future cash flows at current profit rates for contracts with similar terms and risk characteristics.

For assets having fixed or determinable payments, fair value is based on available active broker quotes or the net present value of estimated future cash flows determined by the Group using current market profit rates for contracts with similar terms and risk characteristics.

w) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group and are accordingly not included in the consolidated statement of financial position. These include assets under management and custodial assets.

x) Dividend on ordinary shares

Dividend payable on ordinary issued and fully paid shares of the Bank is recognized as a liability and deducted from equity when it is approved by the Group's shareholders.

y) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized from the date of its issue. The liability arising from a financial guarantee contract is recognized at the present value of any expected payment, when a payment under the guarantee has become probable.

z) Treasury shares

Own equity contracts that are re-acquired, are recognized at cost and deducted from equity. No gain or loss is recognized in consolidated income statement on the purchase, sale, issue or cancellation of the Bank's own equity contracts. Any difference between the carrying amount and the consideration, if re-issued, is recognized in share premium in consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 Zakah using the net assets method. Zakah is calculated based on the eligible reserve and retained earnings balances at the end of the year . The Bank calculates and notifies the shareholders of their pro-rata share of the Zakah payable annually. The calculation of Zakah is approved by the Sharia'a Supervisory Board. Payment of Zakah on the unrestricted investment and other accounts is the responsibility of the investment accountholders.

ab) Repossessed assets

In certain circumstances, properties are repossessed following the foreclosure of financial facilities that are in default. Repossessed properties that are held for immediate sale, are measured at the lower of the carrying value on closure and fair value less cost to sell. Other repossessed properties are classified as investment property.

ac) Earnings prohibited by Shari'a

The Group is committed to contributing to charity any income generated from non-Shari'a sources. Accordingly, any earning prohibited by Shari'a is credited to charity funds to be used for social welfare purposes.

ad) Takaful and retakaful contracts

Takaful contracts

As an Islamic insurance provider, the Group issues contracts that are based on cooperative activity by risk sharing. The Group classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer.

Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Group to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

Retakaful contracts

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

ad) Takaful and retakaful contracts (continued)

Retakaful contracts (continued)

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

The participants' takaful funds comprises of general takaful and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognized as revenue in the participants' statement of revenues and expenses.

Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Group. In respect of proportional and non-proportional retakaful contracts, the amounts are recognized in the participants' statement of revenues and expenses as per the terms of these contracts.

Unearned contributions

Unearned contributions represent contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

Gross claims

Gross claims are recognized in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognized when the related gross claims settled are recognized according to the terms of the relevant contracts.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

ad) Takaful and retakaful contracts (continued)

Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the participants' statement of revenues and expenses for that year.

Takaful and insurance receivables

Takaful and insurance receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

ae) AT1 Mudaraba

The AT1 Mudaraba which meet the criteria for equity under FAS 1 (no contractual obligation to deliver cash or other financial assets) is classified as component of Owners equity. The AT1 Mudaraba is initially recognized at its subscribed amount, net of any directly attributable transaction cost. And the corresponding distribution are accounted as a debit to the retained earnings.

af) New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024.

(i) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI had issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Significant changes relevant to the Group are a) Definition of Quasi equity is introduced; and b) Concept of comprehensive income has been introduced.

During the period, the Group has adopted FAS 1 revised. As a result of this adoption following changes were made to the primary statements of the Group:

Primary statements introduced

Statement of total comprehensive income

Statement of income and attribution related to quasi-equity

Statement of changes in off-balance-sheet assets under management

As a result of the adoption of FAS 1 revised certain prior year figures have been represented and regrouped to be consistent with the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. Further, the Group has elected to present statement of income and a statement of other comprehensive income as two separate statements.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

af) New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024. (continued)

(ii) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Takaful Companies and introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));
c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard did not have a material impact on the consolidated financial information of the Group.

(iii) FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Takaful Companies; FAS 15 – Provisions and Reserves in Islamic Takaful Companies and FAS 19 – Contributions in Islamic Takaful Companies introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
b) the principal accounting treatments in respect of Takaful arrangements have been aligned with the globally generally accepted accounting principles and newer regulatory requirements (where applicable);
c) new accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;
d) accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;
e) new definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
f) accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, e.g. Accounting for Wakala fees and Qard Hassan.

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

af) New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024. (continued)

(iii) FAS 43 Accounting for Takaful Recognition and Measurement (continued)

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

1) A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or
2) A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or
3) A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cashflows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard has resulted in presentation of takaful assets and liabilities on a net basis instead of gross basis.

ag) New standards, amendments, and interpretations issued but not yet effective.

i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

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

Notes to the Consolidated Financial Statements

As at 31 December 2024

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

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

iii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

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

iv) FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) Promotional Gifts, where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

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

Notes to the Consolidated Financial Statements

As at 31 December 2024

3 CLASSIFICATION OF ASSETS AND LIABILITIES

	2024			
	At fair value through income statement BD '000	**At fair value through OCI BD '000**	**At amortised cost/ others BD '000**	**Total BD '000**
ASSETS				
Cash and balances with banks and central banks	**-**	**-**	**633,611**	**633,611**
Placements with financial institutions	**-**	**-**	**476,450**	**476,450**
Investments in sukuk	**-**	**800,387**	**647,416**	**1,447,803**
financing contracts	**-**	**-**	**3,661,670**	**3,661,670**
Non-trading investments	**79,354**	**18,590**	**-**	**97,944**
Takaful and related assets	**-**	**-**	**26,353**	**26,353**
Investments in real estate	**-**	**129,295**	**-**	**129,295**
Investments in associates	**-**	**-**	**255,008**	**255,008**
Other assets	**321**	**163**	**129,410**	**129,894**
Goodwill and other intangible assets	**-**	**-**	**204,750**	**204,750**
	79,675	**948,435**	**6,034,668**	**7,062,778**
LIABILITIES				
Placements from financial institutions and individuals	**-**	**-**	**171,016**	**171,016**
Murabaha term financings	**-**	**-**	**1,279,886**	**1,279,886**
Customers' current accounts	**-**	**-**	**751,062**	**751,062**
Takaful and related liabilities	**-**	**-**	**75,550**	**75,550**
Other liabilities	**847**	**-**	**126,975**	**127,822**
	847	**-**	**2,404,489**	**2,405,336**

	2023			
	At fair value through income statement BD '000	At fair value through OCI BD '000	At amortised cost/ others BD '000	Total BD '000
ASSETS				
Cash and balances with banks and central banks	-	-	537,874	537,874
Placements with financial institutions	-	-	293,580	293,580
Investments in sukuk	-	364,518	638,321	1,002,839
financing contracts	-	-	2,676,460	2,676,460
Non-trading investments	86,205	13,855	-	100,060
Takaful and related assets	-	-	67,370	67,370
Investments in real estate	-	78,070	-	78,070
Investments in associates	-	-	231,484	231,484
Other assets	563	163	80,502	81,228
Goodwill and other intangible assets	-	-	78,145	78,145
	86,768	456,606	4,603,736	5,147,110
LIABILITIES				
Placements from financial institutions and individuals	-	-	136,511	136,511
Murabaha term financings	-	-	510,848	510,848
Customers' current accounts	-	-	1,066,031	1,066,031
Takaful and related liabilities	-	-	114,493	114,493
Other liabilities	337	-	105,855	106,192
	337	-	1,933,738	1,934,075

Notes to the Consolidated Financial Statements

As at 31 December 2024

4 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	2024 BD '000	2023 BD '000
Mandatory reserve with Central Banks*	**181,620**	115,917
Cash and other balances with Central Banks	**267,185**	295,383
Balances with commercial banks	**184,935**	126,902
Allowance for credit losses	**(129)**	(328)
	633,611	537,874

* This balance is not available for use in the day-to-day operations of the Group.

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

These represent short-term interbank placements with financial institutions

	2024 BD '000	2023 BD '000
Wakala	**34,624**	63,546
Mudaraba	**5,590**	2,860
Commodity murabaha	**436,242**	227,192
Allowance for credit losses	**(6)**	(18)
	476,450	293,580

6 INVESTMENTS IN SUKUK

	2024			2023
	Sovereign Sukuk BD '000	Corporate Sukuk BD '000	Total BD '000	Total BD '000
Carried at FVTOCI				
At 1 January	**340,834**	**23,684**	**364,518**	226,617
Purchases	**371,732**	**19,601**	**391,333**	279,773
Acquired through business combination	**124,365**	**-**	**124,365**	-
Sale / redemption	**(78,134)**	**(17,960)**	**(96,094)**	(140,933)
Fair value movement	**6,901**	**1,004**	**7,905**	(2,475)
Allowance for credit losses	**(31)**	**(75)**	**(106)**	(105)
Profit accrual / Dividend	**8,412**	**54**	**8,466**	1,641
At 31 December	**774,079**	**26,308**	**800,387**	364,518

Sukuk with carrying value of BD 13,916 thousand (2023: BD 14,905 thousand) are equity sukuk.

This includes sukuk with carrying value of BD 293,525 thousand (2023: BD 228,250 thousand) which are pledged against murabaha term financing (note 16).

Notes to the Consolidated Financial Statements

As at 31 December 2024

6 INVESTMENTS IN SUKUK (continued)

	2024			2023
	Sovereign Sukuk BD '000	Corporate Sukuk BD '000	Total BD '000	Total BD '000
Carried at Amortised cost				
At 1 January	**604,683**	**33,638**	**638,321**	610,764
Purchases	**163,902**	**14,214**	**178,116**	276,536
Acquired through business combination	**99,134**	**3,770**	**102,904**	7,518
Redemption	**(242,082)**	**(31,512)**	**(273,594)**	(257,957)
Allowance for credit losses	**(47)**	**1**	**(46)**	(194)
Amortisation	**1,130**	**194**	**1,324**	(78)
Profit accrual / Dividend	**579**	**(188)**	**391**	1,732
At 31 December	**627,299**	**20,117**	**647,416**	638,321
	1,401,378	**46,425**	**1,447,803**	1,002,839

This includes sukuk of BD 360,813 thousand (2023: BD 354,258 thousand) which are pledged against murabaha term financing (note 16).

Breakup of Sukuk by type of issuer	**2024 BD '000**	2023 BD '000
Sovereign sukuk	**1,401,378**	945,518
Corporate sukuk	**46,425**	57,321
	1,447,803	1,002,839

The rating of corporate sukuk are as follows:

	2024 BD '000	2023 BD '000
Investment grade (AAA - BBB+)	**24,842**	22,615
High Yielding (Below BBB-)	**10,923**	8,868
Un-rated sukuk	**10,782**	25,886
Allowance for credit losses	**(122)**	(48)
	46,425	57,321

Notes to the Consolidated Financial Statements

As at 31 December 2024

7 FINANCING CONTRACTS

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Leased-based:					
Ijarah	**1,333,453**	**105,440**	**45,999**	**23,900**	**1,508,792**
Trade-based:					
Murabaha	**1,079,838**	**41,763**	**19,435**	**13,118**	**1,154,154**
Salam	**265,419**	**5,590**	**25,809**	**499**	**297,317**
Istisnaa	**73,534**	**1,587**	**4,722**	**154**	**79,997**
Participatory-based:					
Mudaraba	**581,757**	**21,613**	**31,394**	**55**	**634,819**
Musharaka	**30,020**	**22**	**2,353**	**-**	**32,395**
Credit cards	**26,251**	**239**	**1,421**	**-**	**27,911**
Total gross financing contracts	**3,390,272**	**176,254**	**131,133**	**37,726**	**3,735,385**
Allowance for credit losses	**(22,590)**	**(14,947)**	**(30,574)**	**-**	**(68,111)**
Foreign currency translation	**(5,202)**	**(86)**	**(307)**	**(9)**	**(5,604)**
	3,362,480	**161,221**	**100,252**	**37,717**	**3,661,670**

	2023				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Leased-based:					
Ijarah	822,589	23,152	33,670	5,027	884,438
Trade-based:					
Murabaha	704,924	21,244	26,545	5,533	758,246
Salam	321,848	8,807	4,752	1,396	336,803
Istisnaa	39,734	3,000	4,769	498	48,001
Participatory-based:					
Mudaraba	592,379	33,848	20,279	44	646,550
Musharaka	30,234	415	152	-	30,801
Credit cards	13,709	353	1,288	-	15,350
Total gross financing contracts	2,525,417	90,819	91,455	12,498	2,720,189
Allowance for credit losses	(16,334)	(8,332)	(23,922)	(435)	(49,023)
Foreign currency translation	4,993	164	108	29	5,294
	2,514,076	82,651	67,641	12,092	2,676,460

Murabaha financing is reported net of deferred profits of BD 133,184 thousand (2023: BD 102,116 thousand).

Notes to the Consolidated Financial Statements

As at 31 December 2024

7 FINANCING CONTRACTS (continued)

Movement on allowance for credit losses

	2024				
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Purchased credit-impaired POCI BD '000**	**Total BD '000**
Balance at 1 January	**16,334**	**8,332**	**23,922**	**435**	**49,023**
Movement between stages, net	**590**	**2,351**	**(2,941)**	**-**	**-**
Movement in allowance for credit loss	**5,666**	**4,264**	**15,734**	**(5,319)**	**20,345**
Exchange adjustments and other transfers on settlement	**-**	**-**	**-**	**4,884**	**4,884**
Exposures written off during the year *	**-**	**-**	**(6,141)**	**-**	**(6,141)**
Balance at 31 December	**22,590**	**14,947**	**30,574**	**-**	**68,111**

	2023				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Purchased credit-impaired POCI BD '000	Total BD '000
Balance at 1 January	17,309	12,290	19,337	-	48,936
Movement between stages, net	(3,486)	(2,427)	5,913	-	-
Movement in allowance for credit loss	2,511	(1,531)	19,499	(2,317)	18,162
Exposures written off during the year *	-	-	(20,827)	-	(20,827)
Exchange adjustments and other transfers on settlement	-	-	-	2,752	2,752
Balance at 31 December	16,334	8,332	23,922	435	49,023

* Represent exposures charged off during the year for which recovery efforts will continue.

The non-performing financing ratio at 31 December 2024 exclusive and inclusive of non-performing POCI is 3.5% and 4.5% respectively (31 December 2023: 3.4% and 3.8%).

Stage 3 provision coverage including collateral amounts to 105.2% (2023: 102.1%). The POCI assets are currently carried at 33.4% (2023: 25.8%) compared to the original contractual amounts. On a cumulative basis , the impaired assets (Stage 3 and POCI) have a provision coverage of 43.4% (2023: 42.1%) compared to their original contractual amounts.

Ijarah Muntahia Bitamleek (IMB)

This represents assets leased (land and buildings) under a IMB arrangement with customers of the Bank. Under this arrangement the Bank (lessor) undertakes to transfer the leased assets to the customer (lessee) at the end of the lease term upon the lessee fulfilling all the obligations under the IMB agreement.

	2024 BD '000	2023 BD '000
Ijarah Muntahia Bitamleek	**1,751,610**	1,039,118
Depreciation	**(243,653)**	(154,680)
Ijarah Muntahia Bitamleek net of depreciation	**1,507,957**	884,438
Allowance for credit losses	**(15,866)**	(8,314)
At 31 December	**1,492,091**	876,124

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As at 31 December 2024

7 FINANCING CONTRACTS (continued)

The future minimum lease receivable (excluding future profits) in aggregate are as follows:

	2024 BD '000	2023 BD '000
Due within one year	249,689	120,655
Due in one to five years	152,223	237,391
Due after five years	1,090,179	518,078
	1,492,091	876,124

8 ALLOWANCE FOR IMPAIRMENT ON FINANCING CONTRACTS, INVESTMENTS AND OTHER ASSETS

The balance of allowance for credit losses in the below table includes all financing, finance lease assets and off-balance sheet exposures.

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Balance at 1 January	19,222	8,487	26,450	435	54,594
- transfer to Stage 1: 12 month ECL	1,434	(757)	(677)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(569)	5,947	(5,378)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(284)	(2,831)	3,115	-	-
Net remeasurement of loss allowance	6,330	4,242	15,960	(5,319)	21,213
Allowance for credit losses	6,911	6,601	13,020	(5,319)	21,213
Exchange adjustments and other transfers	-	-	-	4,884	4,884
Exposures written off during the year*	-	-	(6,141)	-	(6,141)
Balance at 31 December	26,133	15,088	33,329	-	74,550

* Represent exposures charged off during the year for which recovery efforts will continue.

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Cash and balances with banks and central banks	129	-	-	-	129
Placements with financial institutions	6	-	-	-	6
Investments in sukuk	660	-	-	-	660
Financing contracts	22,590	14,947	30,574	-	68,111
Financing other assets	17	1	-	-	18
Other receivables	8	-	2,079	-	2,087
Financing commitments and financial guarantee contracts	2,723	140	676	-	3,539
	26,133	15,088	33,329	-	74,550

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8 ALLOWANCE FOR IMPAIRMENT ON FINANCING CONTRACTS, INVESTMENTS AND OTHER ASSETS (continued)

Net impairment charge on financing contracts, investments and other assets

	2024 BD '000	2023 BD '000
Cash and balances with banks and central banks	**(198)**	196
Placements with financial institutions	**(12)**	7
Investments in sukuk	**152**	299
Financing contracts (note 7)	**20,345**	18,162
Other Assets	**(946)**	949
Financing commitments and financial guarantee contracts	**1,872**	218
Investments	**(40)**	3,158
	21,173	22,989

The day one Allowance for credit losses impact on acquisition during the year is BD 2.5 million (2023: BD 7.6 million).

	2023				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Balance at 1 January	18,257	12,327	27,150	-	57,734
- transfer to Stage 1: 12 month ECL	1,122	(777)	(345)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(3,528)	3,872	(344)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(1,143)	(5,459)	6,602	-	-
Net remeasurement of loss allowance	4,487	(1,476)	19,598	(2,317)	20,292
Recoveries / write-backs	-	-	(461)	-	(461)
Allowance for credit losses	938	(3,840)	25,050	(2,317)	19,831
Exposures written off during the year*	-	-	(25,673)	-	(25,673)
Exchange adjustments and other transfers on settlement	27	-	(77)	2,752	2,702
Balance at 31 December	19,222	8,487	26,450	435	54,594

* Represent exposures charged off during the period for which recovery efforts will continue.

	2023				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Cash and balances with banks and central banks	328	-	-	-	328
Placements with financial institutions	18	-	-	-	18
Investments in sukuk	508	-	-	-	508
Financing contracts	16,334	8,332	23,922	435	49,023
Financing other assets	529	5	333	-	867
Other receivables	-	-	2,183	-	2,183
Financing commitments and financial guarantee contracts	1,505	150	12	-	1,667
	19,222	8,487	26,450	435	54,594

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As at 31 December 2024

9 NON-TRADING INVESTMENTS

	2024 BD '000	2023 BD '000
At fair value through income statement:		
Equity securities	**78,716**	79,192
Funds	**638**	7,013
At fair value through other comprehensive income	**18,590**	13,855
	97,944	100,060

The Group holds 40% stake (2023: 40%) in Manara Developments Company B.S.C.(c) ("Manara") & Bareeq Al Retaj Real Estate Services WLL ("Bareeq") each, incorporated in the Kingdom of Bahrain and engaged in the business of property development. The investments measured at fair value through income statement using the fair value scope exemption of FAS 24. As part of restructuring, net assets of Manara will be novated to Bareeq, pending legal formalities.

10 TAKAFUL ASSETS AND LIABILITIES

	2024 BD '000	2023 BD '000
Takaful assets	**17,140**	67,370
Investments of participants in units	**9,213**	-
Takaful assets	**26,353**	67,370
Takaful liabilities	**66,273**	114,493
Other liabilities	**9,277**	-
Takaful liabilities	**75,550**	114,493

11 INVESTMENTS IN REAL ESTATE

	2024 BD '000	2023 BD '000
Land	**103,263**	76,195
Buildings	**26,032**	1,875
	129,295	78,070

Includes real assets acquired as part of acquisition of subsidiary (note 45).

12 INVESTMENTS IN ASSOCIATES

The Group has a 20.9% (2023: 20.9%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya in August 2006, licensed by the Central Bank of Kenya.

During 2022, as part of its acquisition of the retail business of Ithmaar Holding, the Group acquired economic interests in a sharia compliant financing arrangement provided to FINCORP W.L.L (formerly Al Salam International W.L.L. ("ASI")), the holder of 26.2% stake in Bank of Bahrain and Kuwait B.S.C. ("BBK"), a retail bank incorporated in Bahrain and licensed by the Central Bank of Bahrain. FINCORP W.L.L's investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. The Bank or its quasi-equity do not directly participate in the underlying business activities of FINCORP W.L.L and are not legal owners of its underlying assets. The returns generated by the Bank are to the extent of the profit and the respective repayment, if any, generated from the sharia compliant financing arrangement only. As per the requirements of the financial accounting standards, the effective economic interest of this arrangement is recognized in these financial statements.

During 2024, Solidarity Bahrain B.S.C., insurance subsidiary of the Group acquired 28.9% stake in Alliance Insurance P.J.S.C., an insurance company listed on the Dubai Financial Market resulting in the Groups share of Bargain purchase BD 2,681 thousand (note 23).

Notes to the Consolidated Financial Statements

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12 INVESTMENTS IN ASSOCIATES (continued)

	2024 BD '000	2023 BD '000
Balance at 1 January	**231,484**	254,006
Acquisitions during the year	**16,131**	-
Derecognition of associate due to step up acquisition	**-**	(33,767)
Share of profits	**18,169**	21,043
Share of other changes in equity	**4,276**	8,511
Dividends received from associates	**(15,052)**	(17,477)
Foreign exchange differences	**-**	(832)
Balance at 31 December	**255,008**	231,484

The summary of financial information of the Group's material investments in associates, which is adjusted for changes in accounting policies and fair value adjustments on acquisition.

Reconciliation of financial information to carrying value of Group's interest in BBK.

	2024 BD '000	2023 BD '000
Group's holding	**26.20%**	26.20%
Total assets	**4,215,423**	4,005,203
Total liabilities	**3,567,500**	3,384,400
Net assets (100%)	**647,923**	620,803
Group's share of recognised net assets	**169,691**	162,588
Acquisition accounting related adjustments	**65,202**	65,202
Carrying amount of interest in associate	**234,893**	227,790
Revenue	**166,700**	163,500
Profit (100%)	**71,700**	84,800
Other change in equity (comprehensive income)	**16,823**	32,497
Total comprehensive income (100%)	**111,823**	111,197
Group's share of profits	**17,859**	19,246
Groups share of other changes in equity	**4,276**	8,511

The market value of BBK stood at BD 229.3 million as at 31 December 2024 (2023: BD 228.4 million). This fair value was determined using market value per share and was not adjusted for any holding of account related adjustments.

For other associates based on the summarized financial statements, the revenue, profit and Group's share of profit were BD 2,797 thousand (2023: BD 8,548 thousand), BD 1,304 thousand (2023: BD 1,683 thousand) and BD 310 thousand (2023: BD 1,797 thousand), respectively.

Notes to the Consolidated Financial Statements

As at 31 December 2024

13 OTHER ASSETS

	2024 BD '000	2023 BD '000
Assets under conversion (a)		
Loans and advances to customers	**10**	46
Non-trading investments - fair value through equity (b)	**163**	163
	173	209
Other receivables and advances	**75,933**	37,261
Prepayments	**14,852**	13,753
Premises and equipment including right of use assets	**38,936**	30,005
	129,894	81,228

(a) These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. including assets which are carried at nil carrying value (2023: nil). Income derived from these assets are transferred to charity (on collection basis) and as such are not recognised as revenue in the consolidated income statement. During the year, income from this portfolio amounting to BD 217 thousand (2023: BD 230 thousand) has been transferred to charity, which has been included under "Accounts payable".

(b) The above investment of fair value through equity are classified as Level 3 in the fair value hierarchy. Decline in fair value through equity investments during the year was nil (2023: BD 29 thousand).

14 GOODWILL AND OTHER INTANGIBLE ASSETS

During the year, the group acquired ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c)) an Islamic retail subsidiary of Kuwait Finance House Kuwait that resulted in a goodwill of BD 115,038 thousand. (refer note 45).

The Bank assesses, on annual basis, whether there is an indication, based on internal and external source of information, that the intangible assets may be impaired in accordance with IAS 36 ('impairment of non-financial assets'). As of 31 December 2024, there was no indication of impairment of the CGU associated with the goodwill.

The recoverable amount of goodwill has been determined on fair value less cost to sell, calculated using market approaches which considers trading multiples such as price-to-book and price-to-earnings for comparable banks in the region, adjusted for control premium and illiquidity adjustments. The assessed recoverable amount based on the market approaches was significantly above the carrying value of the CGU which includes the goodwill.

A sensitivity analysis for reasonable charge in inputs does not indicate any risk of impairment. A steady growth rate of 2% and discount rate of 12.2% is applied to the estimated cash flows.

	2024					2023
	Goodwill BD '000	License BD '000	Core deposits BD '000	Customer Relationship BD '000	Total BD '000	Total BD '000
Balance at 1 January	**37,252**	**12,000**	**13,854**	**15,039**	**78,145**	51,998
Acquired during the year	**115,038**	**-**	**15,000**	**-**	**130,038**	28,199
Adjustment to acquired goodwill	**(371)**	**-**	**-**	**-**	**(371)**	-
Amortised during the year	**-**	**-**	**(1,386)**	**(1,676)**	**(3,062)**	(2,052)
Balance as at 31 December	**151,919**	**12,000**	**27,468**	**13,363**	**204,750**	78,145

Notes to the Consolidated Financial Statements

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15 PLACEMENTS FROM FINANCIAL INSTITUTIONS AND INDIVIDUALS

These represent short-term placements from banks, financial institutions and individuals in the form of Murabaha contracts.

	2024	2023
	BD '000	BD '000
Placement from financial institutions	**142,481**	136,511
Placements from individuals	**28,535**	-
	171,016	136,511

16 MURABAHA TERM FINANCINGS

These represent short-term and long-term financings obtained from various financial institutions and are collateralised by corporate and sovereign sukuk with total carrying value BD 655,732 thousand (2023: BD 582,508 thousand). (note 6)

17 OTHER LIABILITIES

	2024	2023
	BD '000	BD '000
Accounts payable	**83,128**	77,701
Accrued expenses	**25,626**	14,383
Manager cheques	**5,534**	6,370
LC margin deposit	**6,604**	2,875
Project payables	**60**	225
End of service benefits and other employee related accruals	**3,331**	2,971
Allowance for credit losses relating to financing commitments and financial guarantee contracts	**3,539**	1,667
	127,822	106,192

Notes to the Consolidated Financial Statements

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18 QUASI-EQUITY

	2024 BD '000	2023 BD '000
Wakala from financial institutions	**420,231**	379,768
Wakala, Mudaraba from customers	**3,643,830**	2,424,617
	4,064,061	2,804,385

Including in Quasi-equity is an amount of BD 5,376 thousand (2023: Nil) representing the Quasi-equity holders share of movement in fair value reserve.

Quasi-equity mudaraba and wakala is commingled with Group's funds to form one general pool. The pooled fund are used to fund and invest in income generating assets, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate stage 3 assets to quasi-equity pool. All the impairment allowances relating to non performing assets are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to quasi-equity. Only the profits earned on pool of assets funded from quasi-equity are allocated between the owners' equity and quasi-equity. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to quasi-equity and up to 85% is retained by the Group as mudarib share. The Group did not charge any administration expenses to quasi-equity. The average profit rate earned on assets attributed to quasi-equity based on the above ratio for the year ended 31 December 2024 was 6.4% (2023: 6.0%) and the average profit rate distributed to quasi-equity for the year ended 31 December 2024 was 4.0% (2023: 3.5%).

	2024			2023		
Distribution of assets by ownership	**Self-financed BD '000**	**Quasi equity BD '000**	**Total BD '000**	Self-financed BD '000	Quasi equity BD '000	Total BD '000
Cash and balances with banks and central banks	**515,426**	**118,185**	**633,611**	537,874	-	537,874
Placements with financial institutions	**8,094**	**468,356**	**476,450**	54,953	238,627	293,580
Investments in sukuk	**1,447,803**	**-**	**1,447,803**	1,002,839	-	1,002,839
Financing contracts	**444,553**	**3,217,117**	**3,661,670**	338,492	2,337,968	2,676,460
Non-trading investments	**89,676**	**8,268**	**97,944**	100,060	-	100,060
Takaful and related assets	**26,353**	**-**	**26,353**	67,370	-	67,370
Investments in real estate*	**112,053**	**17,242**	**129,295**	78,070	-	78,070
Investments in associates	**20,115**	**234,893**	**255,008**	3,694	227,790	231,484
Other assets	**129,894**	**-**	**129,894**	81,228	-	81,228
Goodwill and other intangible assets	**204,750**	**-**	**204,750**	78,145	-	78,145
Total Assets	**2,998,717**	**4,064,061**	**7,062,778**	2,342,725	2,804,385	5,147,110

*real estate investments allocated to quasi-equity are yielding.

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As at 31 December 2024

18 QUASI-EQUITY (continued)

Distribution of income by ownership	2024 Self-financed BD '000	2024 Quasi equity BD '000	2024 Total BD '000	2023 Self-financed BD '000	2023 Quasi equity BD '000	2023 Total BD '000
INCOME						
Income from financing contracts	**34,010**	**227,800**	**261,810**	21,989	152,014	174,003
Income from Investments in sukuk	**71,568**	**-**	**71,568**	48,755	-	48,755
Finance expense on placements from financial institutions and individuals	**(11,039)**	**-**	**(11,039)**	(8,446)	-	(8,446)
Finance expense on murabaha term financing	**(30,851)**	**-**	**(30,851)**	(25,517)	-	(25,517)
Net finance income	**63,688**	**227,800**	**291,488**	36,781	152,014	188,795
Income from non-trading investments, net	**1,311**	**1,122**	**2,433**	7,701	-	7,701
Fees and commission, net	**27,141**	**-**	**27,141**	16,383	-	16,383
Share of profit from associates	**310**	**17,859**	**18,169**	1,797	19,246	21,043
Income from Takaful operations, net	**5,357**	**-**	**5,357**	7,571	-	7,571
Other income	**7,004**	**-**	**7,004**	3,803	-	3,803
Total income	**104,811**	**246,781**	**351,592**	74,036	171,260	245,296
EXPENSES						
Staff costs	**44,346**	**-**	**44,346**	31,765	-	31,765
Other operating expenses	**55,567**	**-**	**55,567**	37,768	-	37,768
Total expenses	**99,913**	**-**	**99,913**	69,533	-	69,533
Profit before impairment allowances, tax and income attribution to quasi-equity	**4,898**	**246,781**	**251,679**	4,503	171,260	175,763
Allowance for impairment on financing contracts, investments and other assets	**(15,538)**	**(5,635)**	**(21,173)**	(28,418)	5,429	(22,989)
Group's share as a mudarib and wakil	**86,630**	**(86,630)**	**-**	76,602	(76,602)	-
Allocated profits	**75,990**	**154,516**	**230,506**	52,687	100,087	152,774

Quasi Equity - by type and maturity	2024 BD 000	2023 BD 000
Saving accounts (including call accounts)	**1,048,020**	666,651
Six to nine months investment accounts	**492,321**	472,294
One to three years investment accounts	**965,622**	1,149,844
Three to five years investment accounts	**828,513**	243,527
	4,058,685	2,804,385
Quasi-equity holders share of movement in fair value reserve	**5,376**	-
	4,064,061	2,804,385

In case of investment accounts on contractual basis, these can be withdrawn subject to deduction of profit upon management discretion.

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19 SHARE CAPITAL

	2024 BD '000	2023 BD '000
Authorised:		
5,000,000,000 ordinary shares (2023: 5,000,000,000 shares) of BD 0.100 each	**500,000**	500,000
Issued and fully paid: (BD 0.100 per share)		
Number of shares 2,747,776,658 (2023: 2,616,930,150)	**274,778**	261,693

Names and nationalities of the major shareholders and the number of equity shares in which they own 5% or more of outstanding share as of 31 December 2024 is as follows:

Investor Name	Nationality	No. of Shares	% of the outstanding shares
Bank Muscat (S.A.O.G.)	**Omani**	**404,921,657**	**14.7%**
Muscat Overseas Company L.L.C.	**Omani**	**201,276,024**	**7.3%**
Sayacorp B.S.C Closed	**Bahraini**	**172,475,211**	**6.3%**

A distribution schedule of equity shares, setting out the number of holders and the percentages as of 31 December 2024 is presented below:

Categories	No. of Shares	No. of the shareholders	% of the outstanding shares
Less than 1%	**982,740,054**	**22,978**	**35.8**
1% up to less than 5%	**986,363,712**	**13**	**35.9**
5% up to less than 10%	**373,751,235**	**2**	**13.6**
10% up to less than 20%	**404,921,657**	**1**	**14.7**
Total	**2,747,776,658**	**22,994**	**100.0**

19.1 Appropriation

The Board of Directors is proposing a cash dividend of 6 fils per share or 6% (2023: 7%) of the par value of BD 0.100 per share excluding treasury shares and 8% of the paid up capital to be paid by issue of bonus shares (1 share for every 12.5 shares held). This amounts to BD 37,533 thousand for the year ended 31 December 2024 (2023: BD 31,032 thousand).

19.2. Treasury shares

Total number of treasury shares outstanding as of 31 December 2024 was 155,932,001 shares (2023: 53,005,000 shares).

19.3. Employee incentive scheme

The Bank operates a long term share based incentive scheme under which share awards were issued to employees with future performance conditions. As of 31 December 2024, 84,523,957 (2023: 105,552,007 shares) share awards remain unvested.

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19 SHARE CAPITAL (continued)

19.4. Subordinated mudaraba (AT1)

During the year, the Bank has issued bilateral subordinated mudaraba classified as additional Tier 1 mudaraba (AT 1) of BD 162,464 thousand. The subscription was fully paid in cash.

Summary of key terms and conditions of this issue are as follows:

a. Profits on this contract are distributed monthly starting from date of subscription at an expected rate of 6% p.a. Profit payments under the contract are discretionary and non-cumulative and non-payment will not be considered as an event of default.

b. The contract does not have a stated maturity and is perpetual in nature and the Bank has an option to settle the AT1 Mudaraba at its discretion after 5 years from the date of its initial subscription.

c. The AT1 mudaraba has a write-down feature in the event of non-viability as per the terms of the contract.

Accordingly, AT1 mudaraba meets the criteria for classification as equity as per FAS 1 and is recognized under the owners' equity in the consolidated statement of financial position and the profits paid under the contract are accounted for as appropriation of profits. During the year, BD 4,009 thousand was paid as profit on AT1 Mudaraba.

20 STATUTORY RESERVE

As required by Bahrain Commercial Companies Law 21/2001 (as amended) and the Bank's articles of association, 10% of the net profit for the year is transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve reaches 50% of the paid up share capital of the Bank. The reserve is not distributable except in such circumstances as stipulated in the Commercial Companies Law and approval of the CBB.

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments issued by the Bank.

	2024	2023
Net profit attributable to Shareholders of the Bank (BD '000)	**59,012**	42,226
Less: Profit on AT1 capital	**(4,009)**	-
Weighted average number of shares (thousand)	**2,654,252**	2,585,652
Basic and diluted earnings per share (fils)	**20.7**	16.3

22 INCOME FROM FINANCING CONTRACTS

	2024 **BD '000**	2023 BD '000
Leased-based:		
Ijarah, net*	**88,420**	51,053
Trade-based:		
Murabaha	**77,897**	50,543
Salam	**21,129**	16,003
Istisna	**3,780**	2,013
Participatory-based:		
Mudaraba	**42,933**	39,949
Musharaka	**2,214**	2,266
Placements with financial institutions	**25,437**	12,176
	261,810	174,003

* Ijarah income is net of depreciation of BD 110,306 thousand (2023: BD 28,837 thousand).

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23 INCOME FROM NON-TRADING INVESTMENTS, NET

	2024 BD '000	2023 BD '000
Fair value loss on investments	**(766)**	(2,410)
Loss on sale of investments, net	**-**	(6,718)
Dividend income	**1,008**	1,221
Income from investment in real estate	**(490)**	48
Gain on bargain purchase	**2,681**	15,560
	2,433	7,701

24 FEES AND COMMISSION, NET

	2024 BD '000	2023 BD '000
Transaction related fees and income	**20,481**	10,801
Arrangement fees	**2,052**	1,844
LC and LG commission	**1,485**	1,238
Card income and others	**3,123**	2,500
	27,141	16,383

25 INCOME FROM TAKAFUL OPERATIONS, NET

	2024 BD '000	2023 BD '000
Takaful revenue	**94,502**	45,419
Takaful service expenses	**(48,426)**	(22,101)
Net from retakaful contracts	**(29,751)**	(11,830)
Net finance expense from takaful contracts	**(1,283)**	(852)
Net finance expense from retakaful contracts	**319**	240
Takaful corporate expenses	**(10,004)**	(3,305)
	5,357	7,571

26 OTHER INCOME

	2024 BD '000	2023 BD '000
Foreign exchange gains	**4,007**	2,476
Recoveries	**1,262**	19
Others	**1,735**	1,308
	7,004	3,803

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27 STAFF COSTS

	2024 BD '000	2023 BD '000
Salaries and short term benefits	**38,013**	27,322
Employees' social insurance expenses	**3,779**	2,850
Other staff expenses	**2,554**	1,593
	44,346	31,765

In 2022, a long tern incentive plan (LTIP) was introduced where employees are compensated in form of shares as a percentage on achievement of certain pre-determined performance conditions. The LTIP sets performance and service conditions and has a rateable vesting schedule over a period of five years. Accelerated vesting may occur on exceeding performance conditions leading to true up of share- based payment charges. The issue price is determined based on a defined adjustment to market price on the date of the award. The LTIP shares include financing features and are entitled to dividends, if any, released along with the vested shares.

28 OTHER OPERATING EXPENSES

	2024 BD '000	2023 BD '000
Business related expenses	**16,902**	9,644
Information technology expenses	**8,910**	4,968
Professional expenses	**3,713**	2,698
Board of directors related expenses	**2,946**	1,717
Premises cost	**4,494**	3,417
Depreciation and amortization	**8,056**	4,322
Other expenses	**10,546**	11,002
	55,567	37,768

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29 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership with that of the Bank. The transactions with these parties were approved by the board of directors.

The balances with related parties at 31 December 2024 and 31 December 2023 were as follows:

	2024				
	Associates and joint ventures BD '000	**Major shareholders BD '000**	**Directors and related entities BD '000**	**Senior management BD '000**	**Total BD '000**
Assets:					
Cash and balances with banks and central bank	**-**	**244**	**-**	**-**	**244**
Financing contracts	**24,958**	**-**	**2,557**	**2,036**	**29,551**
Non-trading investments	**68,854**	**-**	**-**	**-**	**68,854**
Takaful and related assets	**-**	**-**	**620**	**11**	**631**
Investments in associates	**255,008**	**-**	**-**	**-**	**255,008**
Liabilities and Quasi-equity:					
Customers' current accounts	**1,234**	**358**	**3,944**	**1,795**	**7,331**
Other liabilities	**16**	**-**	**106**	**85**	**207**
Quasi-equity	**12,271**	**3,407**	**7,718**	**7,655**	**31,051**
Contingent liabilities and commitments	**8**	**-**	**502**	**191**	**701**

	2023				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Assets:					
Cash and balances with banks and central bank	-	95	-	-	95
Financing contracts	23,237	-	1,637	1,340	26,214
Non-trading investments	68,863	-	-	-	68,863
Takaful and related assets	-	-	562	-	562
Investments in associates	231,484	-	-	-	231,484
Liabilities and Quasi-equity:					
Customers' current accounts	1,846	210	4,136	467	6,659
Other liabilities	91	-	953	16	1,060
Quasi-equity	4,376	-	6,926	2,651	13,953
Contingent liabilities and commitments	8	-	651	-	659

Notes to the Consolidated Financial Statements

As at 31 December 2024

29 RELATED PARTY TRANSACTIONS (continued)

The income and expenses in respect of related parties included in the consolidated income statement are as follows:

	2024				
	Associates and joint ventures BD '000	**Major shareholders BD '000**	**Directors and related entities BD '000**	**Senior management BD '000**	**Total BD '000**
Income:					
Income from financing contracts	**1,656**	**1**	**162**	**69**	**1,888**
Share of profit from associates, net	**18,169**	**-**	**-**	**-**	**18,169**
Dividend Income	**119**	**-**	**-**	**-**	**119**
Income from takaful operations	**-**	**-**	**1,053**	**4**	**1,057**
Expenses:					
Other operating expenses	**-**	**-**	**2,701**	**2,525**	**5,226**
Expense from takaful operations	**382**	**-**	**196**	**-**	**578**
Expense attributable to quasi-equity	**470**	**142**	**432**	**165**	**1,209**
Allowance for impairment	**17**	**-**	**-**	**-**	**17**

	2023				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Income:					
Income from financing contracts	1,401	66	123	55	1,645
Share of profit from associates, net	21,043	-	-	-	21,043
Dividend Income	157	-	-	-	157
Income from takaful operations	18	-	1,238	-	1,256
Expenses:					
Other operating expenses	-	-	3,899	-	3,899
Expense from takaful operations	451	-	-	-	451
Expense attributable to quasi-equity	154	299	362	88	903
Allowance for impairment	3,070	-	-	-	3,070

Key management personnel compensation

Board of Directors' remuneration for the year 2024 amounted to BD 1,110 thousand (2023: BD 965 thousand) and sitting fees for the year 2024 amounted to BD 587 thousand (2023: BD 519 thousand).

Sharia Supervisory Boards' remuneration for the year 2024 amounted to BD 55 thousand (2023: BD 55 thousand).

Key management personnel of the Bank comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. Compensation of key management personnel for the year 2024 includes salaries and other benefits of BD 7,838 thousand (2023: BD 5,732 thousand).

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As at 31 December 2024

30 CONTINGENT LIABILITIES AND COMMITMENTS

	2024 BD '000	2023 BD '000
Contingent liabilities on behalf of customers		
Guarantees	**155,363**	137,932
Letters of credit	**212,977**	170,259
Acceptances	**1,558**	1,648
	369,898	309,839
Unutilised commitments		
Unutilised financing commitments	**384,562**	313,076
Unutilised non-funded commitments	**46,089**	37,261
	430,651	350,337

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements.

31 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

The Group enter into Wa'ad based FX transactions to manage its exposures to foreign currency risk. The fair values of FX Wa'ad instruments is as follows;

	2024		2023	
	Notional Amount BD '000	Fair Value BD '000	Notional Amount BD '000	Fair Value BD '000
FX Wa'ad instruments				
Assets position	**49,024**	**321**	42,630	563
Liabilities position	**82,281**	**847**	52,515	337

32 FINANCIAL RISK MANAGEMENT

32.1 Introduction - Risk management of Banking operations

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk appetite limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk, information security risk and market risk. It is also subject to early settlement risk.

The Group's risk function is independent of lines of business and the Chief Risk Officer reports to the Audit and Risk Committee with access to the Group Chief Executive Officer.

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

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.1 Introduction - Risk management of Banking operations (continued)

Board of Directors

The Board of Directors is responsible for setting the overall risk management framework and appetite encompassing the risk strategies and policies.

Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board of Directors who are non-executive directors of the Group. The Audit and Risk Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Group, reviewing and monitoring the overall risk framework and profile of the Group as well as its adherence to stipulated policies and limits, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

The Audit and Risk Committee reviews Group's accounting and financial practices, risk management reports, integrity of the Group's financial and internal controls and consolidated financial statements. It also reviews the Group's compliance with legal requirements, recommends the appointment, compensation and oversight of the Group's external and internal auditors. The Committee has the responsibility to review and recommend to the Board for approval the overall risk process and policies within the Bank.

Shari'a Supervisory Board

The Group's Shari'a Supervisory Board is entrusted with the responsibility to ensure the Group's adherence to Shari'a rules and principles in its transactions and activities.

Credit Investment Committee

Credit and Investment Committee (CIC) reviews the Credit Risk Policies and Investment Policies to ensure they are consistent with the corporate values and strategy of the Bank. The Committee will discuss, review and approve all investments and financing transactions. The Committee establishes the framework for setting country, product and sector limits, consider proposals for changes in such limits, review periodic reports to monitor compliance and agree actions to be taken to address exceptions.

It assesses and approves credit risk parameters (including pricing) relating to new products and changes in credit risk for existing products.

Risk Management Unit

Asset and Liability Committee

The Asset and Liability Committee (ALCO) establishes policy and objectives for the asset and liability management of the Group's financial position in terms of ICAAP, Stress Testing, Step-in Risk, Recovery and Resolution Plan, Risk and Return and its impact on profitability. It also monitors the cash flow, tenor and cost / yield profiles of assets and liabilities and evaluates the Group's financial position both from profit rate sensitivity and liquidity points of view, making corrective adjustments based upon perceived trends and market conditions, monitoring liquidity, monitoring foreign exchange exposures and positions.

Operational, Market Risk and Compliance Committee (OMAC)

The Operational, Market Risk and Compliance Committee (OMAC) is responsible for the design, implementation and supervision of the compliance risk framework (excluding credit risk) of the Bank. It reviews risk management policies (excluding Credit Risk policies). It ensures Bank's compliance with applicable regulations with the assistance of relevant stakeholders. It ensures that the Business Continuity Framework is robust and maintained. It reviews the ICAAP, Stress Testing, Resolution and Recovery Plan and Step-in Risk prior to submission to the Board.

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.1 Introduction - Risk management of Banking operations (continued)

Information Security Committee

Information Security Committee is an advisory committee appointed by the Management Executive Committee of the Bank to develop, review and execute a comprehensive Information Security Management System for the Bank. The Committee will regularly review the information security risk exposure of the Bank.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Risk Committee.

Risk measurement and reporting systems

The Group's risk management policies aim to identify, measure, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Group's risk management department is also responsible for identifying risk characteristics inherent in new and existing products, activities and setting exposure limits to mitigate these risks.

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

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Audit and Risk Committee, Credit and Investment Committee, The Operational, Market Risk and Compliance Committee (OMAC), Information Security Committee and ALCO, whenever required. The reports include aggregate credit quality and exposures, market risk exposures, operational risk metrics, Information Security updates, limit exceptions, liquidity ratios, stress testing, and risk profile changes. A detailed report is produced on a quarterly basis with simplified reports produced on a monthly basis. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Audit and Risk Committee of the Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess the risks of the Group.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. Briefing is given to all relevant members of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

32.2 Credit risk

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

In addition to monitoring credit limits, the Group manages the credit exposures by entering into collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of the exposure.

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of customer. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross of provision, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2024 BD '000	Gross maximum exposure 2023 BD '000
ASSETS		
Balances with other banks	**184,935**	126,902
Placements with financial institutions	**476,456**	293,598
Investment in sukuk	**1,447,955**	1,003,138
Financing contracts	**3,729,781**	2,725,483
Financing contracts under other assets	**19,273**	2,376
Total	**5,858,400**	4,151,497
Contingent liabilities and commitments	**800,549**	660,176
Total credit risk exposure	**6,658,949**	4,811,673

Where financial contracts are recorded at fair value the amounts shown 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.

Type of credit risk

Various contracts entered into by the Group comprise Murabaha financing, Mudaraba financing, Musharaka, Credit card receivables, Sukuk and IMB contracts. Murabaha contracts cover financing of land, buildings, commodities, motor vehicles and others non-financial assets. Mudaraba financing consist of financing transactions entered through other Islamic banks and financial institutions. Mudaraba is a partnership agreement in which the Islamic bank acts as the provider of funds (the Rabalmal) while the recipient of the funds (the Mudarib or the manager) provides the professional, managerial and technical know-how towards carrying out the venture, trade or service with an aim of earning profit.

The Group follows an internal rating mechanism for grading relationships for financial assets. All financial assets are assigned a rating in accordance with the defined criteria. The Group utilises a scale ranging from 1 to 10 for credit relationships, with 1 to 7 denoting performing grades and 8 to 10 denoting non-performing grades. Ratings 1 to 4 represent good credit grade, 5 to 7 represents a satisfactory credit grade and 8 to 10 represents default grade.

For externally rated exposures, credit risk ratings of an authorised Credit Rating Agency are converted into internal ratings which are calibrated with the risk appetite of the Bank. Conversion of an external credit risk rating to an internal risk rating is done to ensure consistency across publicly rated and unrated entities.

The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group.

Considering the pre-prevailing market situation, the Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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). ECLs are discounted at the effective profit rate of the financial asset.

The key parameters into the measurement of ECL are the following variables:

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

These parameters are generally derived from internally developed models, historical and projected data. These are further adjusted to reflect forward-looking scenarios as described below.

Definition of default

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

Probability of default

PDs estimates are estimated at a certain date, which are calculated based on the Bank's default experience, and assessed using rating tools tailored to the segment of counterparties and exposures. These estimations are based on internally compiled data comprising both quantitative and qualitative factors. In case of lack of default history, market data may also be used to derive the PD for selected segment of counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Generating the term structure PD

Credit risk grades are a primary parameters into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs credit risk estimation models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time.

Incorporation of forward - looking information

The Group uses industry recognized models to estimate impact of macro-economic factors on historical observed default rates. In case the results of forecasted PDs are significantly different from the expected default rates that may be observed for the forecasted economic conditions, conservative and discretionary overlays shall be used by the management after analyzing the portfolio and impact. The key macro-economic indicators include gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

Incorporating forward-looking information requires continuous assessment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed yearly.

Notes to the Consolidated Financial Statements

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. The LGD is estimated using below factors:

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

In case of non-availability of recovery data, the Bank uses LGD estimate based on market practice.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value. Where the Group does not have stable or adequate internal loss or recovery experience, an expert judgement measure using market benchmarks as inputs is considered.

Exposure At 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. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Significant Increase in Credit Risk

A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument. In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'.

When determining whether the risk of default on financial contracts 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 expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due, restructured status and relative migration in risk rating. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 4 and 5.

The Group continues to assess customer for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of prevailing economic condtions or longer term.

Management overlays are applied to the model outputs consistent with the objective of identifying a significant increase in credit risk.

Renegotiated financial assets

The contractual terms of a financing 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 a 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 financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

Notes to the Consolidated Financial Statements

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Renegotiated financial assets (continued)

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

Backward transition

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

Credit Conversion Factor

The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF times for undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioral utilization over the last five years or the CCF considered for capital charge.

The Bank applies regulatory CCF as defined by the Central Bank of Bahrain.

Expected credit Losses

ECLs were estimated based on a range of forecast economic conditions as at that date the Group has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The following table summarizes the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs during the current year.

Key model inputs	Model assumptions
Probability of default (PD's)	Point-in-time PD's updated using latest available macro-economic forecasts by using historical correlation to Oil (Brent) price; General government total expenditure; Domestic credit growth (%); Total investment; Volume of imports of goods and services and General government gross debt as percentage of GDP.
Probability weighted outcomes	Probability weights - Base 65, Worst 25, Best 10.
Loss Given Default (LGD)	Unsecured LGD is 65% and it is consistent with those used in 2023.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

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32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

a) The credit quality of balances with banks and placements with financial institutions subject to credit risk is as follows:

	2024			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (R1-R4)	**578,618**	**-**	**-**	**578,618**
Satisfactory (R5-R7)	**82,773**	**-**	**-**	**82,773**
Allowance for credit losses	**(135)**	**-**	**-**	**(135)**
	661,256	**-**	**-**	**661,256**

	2023			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	327,751	-	-	327,751
Satisfactory (R5-R7)	92,749	-	-	92,749
Allowance for credit losses	(346)	-	-	(346)
	420,154	-	-	420,154

b) The following tables sets out information about the credit quality of financial assets. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

i) Investment in sukuk

	2024			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (R1-R4)	**1,442,128**	**-**	-	**1,442,128**
Satisfactory (R5-R7)	**6,335**	**-**	-	**6,335**
Allowance for credit losses	**(660)**	**-**	-	**(660)**
	1,447,803	**-**	-	**1,447,803**

	2023			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	993,286	-	-	993,286
Satisfactory (R5-R7)	10,061	-	-	10,061
Allowance for credit losses	(508)	-	-	(508)
	1,002,839	-	-	1,002,839

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

ii) Financing contracts

	2024				
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**POCI**	**Total BD '000**
Good (R1-R4)	**2,734,529**	**34,781**	**1,375**	**53**	**2,770,738**
Satisfactory (R5-R7)	**650,541**	**141,387**	**50,843**	**22,231**	**865,002**
Default (D8-D10)	**-**	**-**	**78,608**	**15,43**	**94,041**
Allowance for credit losses and impairment	**(22,590)**	**(14,947)**	**(30,574)**	**-**	**(68,111)**
	3,362,480	**161,221**	**100,252**	**37,717**	**3,661,670**

	2023				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI	Total BD '000
Good (R1-R4)	2,327,900	30,400	-	-	2,358,300
Satisfactory (R5-R7)	202,510	60,583	-	-	263,093
Default (D8-D10)	-	-	91,563	12,527	104,090
Allowance for credit losses and impairment	(16,334)	(8,332)	(23,922)	(435)	(49,023)
	2,514,076	82,651	67,641	12,092	2,676,460

As 31 December 2024, profit in suspense amounted to BD 19,709 thousand (2023: BD 8,725 thousand).

iii) Financing other assets

	2024			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (R1-R4)	**331**	**-**	**-**	**331**
Satisfactory (R5-R7)	**18,928**	**14**	**-**	**18,942**
Default (D8-D10)	**-**	**-**	**-**	**-**
Allowance for credit losses	**(17)**	**(1)**	**-**	**(18)**
	19,242	**13**	**-**	**19,255**

	2023			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	1,487	-	-	1,487
Satisfactory (R5-R7)	297	65	-	362
Default (D8-D10)	-	-	527	527
Allowance for credit losses	(529)	(5)	(333)	(867)
	1,255	60	194	1,509

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As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

iv) Financing commitments and financial guarantee contracts

	2024			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (R1-R4)	**764,088**	**59**	**1**	**764,148**
Satisfactory (R5-R7)	**18,849**	**11,800**	**1,540**	**32,189**
Default (D8-D10)	**-**	**-**	**4,212**	**4,212**
Allowance for credit losses	**(2,723)**	**(140)**	**(676)**	**(3,539)**
	780,214	**11,719**	**5,077**	**797,010**

	2023			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	486,192	1,117	-	487,309
Satisfactory (R5-R7)	161,588	5,067	-	166,655
Default (D8-D10)	-	-	6,212	6,212
Allowance for credit losses	(1,505)	(150)	(12)	(1,667)
	646,275	6,034	6,200	658,509

The aging analysis of financing contracts:

	2024			
	Stage 1 BD '000	**Stage 2 BD '000**	**Stage 3 / POCI BD '000**	**Total BD '000**
Current	**3,285,362**	**109,354**	**29,426**	**3,424,142**
< 30 days	**99,708**	**23,892**	**10,723**	**134,323**
30 to 90 Days	**-**	**42,922**	**34,171**	**77,093**
> 90 days	**-**	**-**	**94,223**	**94,223**
	3,385,070	**176,168**	**168,543**	**3,729,781**

	2023			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 / POCI BD '000	Total BD '000
Current	2,436,664	65,656	28,155	2,530,475
< 30 days	93,746	8,164	2,611	104,521
30 to 90 Days	-	17,163	12,070	29,233
> 90 days	-	-	61,254	61,254
	2,530,410	90,983	104,090	2,725,483

The maximum credit risk, without taking into account the fair value of any collateral and Shari'a-compliant netting agreements, is limited to the amounts on the consolidated statement of financial position plus commitments to customers disclosed in note 28 except capital commitments.

During the year BD 86,456 thousand (2023: BD 37,772 thousand) of financing facilities were restructured. Most of the restructured facilities are performing and are secured.

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

Write-off policy

The Group writes off an asset/security balance (net of any related allowances for impairment losses) when it determines that the asset/security are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the counterparty's financial position such that they can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral held and other credit enhancements

The Group accepts the following type of collateral, as defined in CBB rule book. The collateral can be in Bahraini Dinars or other Foreign Currencies-in such cases, haircut as appropriate as per the credit risk policy is applied.

- Cash Margin and deposits
- Sukuk-Long Term – rated & unrated
- Equities listed and not listed in main index
- Units in collective investment schemes
- Other physical assets including real estate

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Principal type of collateral held	2024 BD '000	2023 BD '000
Financing contracts to corporates	Cash, Property, or listed Shares and Sukuk	**2,620,860**	2,009,902
Financing contracts to retail customers	Cash, Property, or listed Shares and Sukuk	**1,941,496**	1,383,696

FTV ratio

Financing to value (FTV) is calculated as the ratio of the gross amount of the financing or the amount committed for financing commitments to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

	2024 BD '000	2023 BD '000
Less than 50%	**1,411,372**	864,185
51-70%	**107,649**	134,188
71-90%	**156,291**	182,617
91-100%	**177,343**	201,788
More than 100%	**1,877,126**	1,342,705
	3,729,781	2,725,483

Key drivers of credit risk and credit losses

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or client (which is referred to collectively as "counterparties"). This is the most frequent and substantial risk faced by any financing Bank.

Credit risk may have the following consequences leading to credit losses:

- Delayed fulfilment of a payment obligation
- Partial loss of the credit exposure
- Complete loss of the credit exposure

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.2 Credit risk (continued)

The various types of credit risk are defined as follows:

- Default Risk
- Country Risk
- Settlement Risk
- Replacement cost-risk
- Concentration risk
- Residual risk (e.g. legal risk, documentation risk, or liquidity risk)

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used included the key indicators for Kingdom of Bahrain such as the gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

32.3 Legal risk and claims

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the Group. The Group has developed controls and procedures to identify legal risks and believes that losses will be minimised.

As at 31 December 2024, legal suits amounting to BD 6,552 thousand (2023: BD 1,555 thousand) were pending against the Group. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material to the. as the Group has also filed counter cases against these parties.

32.4 Operational risk management

During the year, the Group has acquired ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c), refer (note 1 and note 45), The Group has formed a committee to oversee this migration and integration that was completed prior to year end.

The BCP was thoroughly tested during the year, including the implemented measures like working from the BCP site and from home. The measures continued to work satisfactorily.

As of 31 December 2024, the Group did not have any significant issues relating to operational risks.

32.5 Risk Management for Takaful operations of the Group

The activity of Solidarity Group Holding BSC (c), one of the principal subsidiaries of the Group is to issue takaful contracts of its personal and corporate clients. The risk under Takaful contract is the possibility that an event occurs and the uncertainty of the amount payable under the Takaful contract resulting from such occurrence referred to as the claim. By the very nature of takaful contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of takaful contracts are the frequency of occurrence of the events and the severity of resulting claims. The Group's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected contract provides by a comprehensive retakaful program placed with highly reputable international retakaful contract provider.

(i) Underwriting Policy

The Group principally issues takaful contracts marine (cargo and hull), motor (own damage and third-party liability), property (material damage and business interruption), liability and general accident. These policies usually cover twelve months duration. For the above general takaful contracts, the most significant risks arise from accidents including motor or other incidents causing fire and accidental damage, negligence resulting in accidents or liabilities against third parties, natural disasters and other activities causing damage by riots, civil commotion and terrorist acts. The level of risks vary in relation to the location of the risk covered and type of risk covered and by industry.

Notes to the Consolidated Financial Statements

As at 31 December 2024

32 FINANCIAL RISK MANAGEMENT (continued)

32.5 Risk Management for Takaful operations of the Group (continued)

(ii) Retakaful Policy

As part of the underwriting process the next risk control measure in respect of the takaful risk is the transfer of the risks to third parties through a retakaful contract or facility. The Group has in place proportional facilities, referred to as treaties, which are used to transfer a proportion of the risks automatically subject to pre-agreed conditions with the retakaful contracts provider. The portion of the risk retained by the Group is also guided by a strict retention policy adopted by the Group. Any claim will be recovered in the same proportion. Furthermore, the Group also has in place non-proportional treaties which pay a proportion of losses above a pre-agreed priority level for each loss or an aggregation of losses arising out of one event. The placements of retakaful contracts are diversified with a panel of internationally reputed reinsurers so that the Group is not dependent on a single retakaful contracts provider or a retakaful contract. The Group also transfers risk on a case-by-case basis referred to as facultative retakaful. This is used in cases when the risk under consideration is either too large for the treaty capacities or else has risks which are excluded from the treaties. In this case the Group seeks internationally rated retakaful contracts providers but also places some small shares in the local markets as exchange of business.

33 CONCENTRATIONS

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group manages its exposure through diversification of financing activities to avoid undue concentrations of risks with customers in specific locations or businesses.

The distribution of assets, liabilities and quasi-equity by geographic region and industry sector was as follows:

	2024			2023		
	Assets BD '000	**Liabilities and quasi-equity BD '000**	**Contingent liabilities and Commitments BD '000**	Assets BD '000	Liabilities and quasi-equity BD '000	Contingent liabilities and Commitments BD '000
Geographic region						
GCC	**5,841,013**	**4,957,448**	**278,730**	4,078,269	3,220,903	271,629
Middle East and North Africa	**1,062,516**	**1,233,654**	**311,973**	930,425	1,161,581	216,105
Europe	**30,646**	**162,213**	**79,947**	35,327	215,535	60,504
Asia	**13,549**	**60,140**	**-**	5,159	68,462	-
America	**98,950**	**194**	**129,899**	79,948	16,567	111,938
Others	**16,104**	**55,748**	**-**	17,982	55,412	-
	7,062,778	**6,469,397**	**800,549**	5,147,110	4,738,460	660,176

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As at 31 December 2024

33 CONCENTRATIONS (continued)

	2024			2023		
	Assets BD '000	**Liabilities and quasi-equity BD '000**	**Contingent liabilities and Commitments BD '000**	Assets BD '000	Liabilities and quasi-equity BD '000	Contingent liabilities and Commitments BD '000
Industry sector						
Government and public sector	**2,078,086**	**240,595**	**45,794**	1,311,760	278,931	47,338
Banks and financial institutions	**778,280**	**1,655,255**	**15,851**	1,277,887	786,189	40,608
Real estate	**301,316**	**214,166**	**146,646**	273,681	90,793	78,441
Trading and manufacturing	**771,663**	**553,056**	**494,851**	663,974	422,595	397,490
Aviation	**1,083**	**-**	**-**	383	-	-
Individuals	**2,270,305**	**3,170,714**	**59,026**	1,249,470	2,471,106	43,182
Others	**862,045**	**635,611**	**38,381**	369,955	688,846	53,117
	7,062,778	**6,469,397**	**800,549**	5,147,110	4,738,460	660,176

34 MARKET RISK

Market risk arises from fluctuations in global yields on financial contracts and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

34.1 Equity price risk

Equity price risk arises from fluctuations in equity prices. The Board has set limits on the overall investment exposure of the Bank. This is monitored on an ongoing basis by the Group's Credit and Investment Committee and Risk Management.

The effect on income (as a result of changes in the fair values of non-trading investments held at fair value through profit or loss and fair value through equity investments) solely due to reasonably possible changes in equity indexes, is as follows:

	2024			
	10% increase		**10% decrease**	
	Effect on net profit BD '000	**Effect on equity BD '000**	**Effect on net profit BD '000**	**Effect on equity BD '000**
Quoted investment	**293**	**1,158**	**(293)**	**(1,158)**

	2023			
	10% increase		10% decrease	
	Effect on net profit BD '000	Effect on equity BD '000	Effect on net profit BD '000	Effect on equity BD '000
Quoted investment	991	1,113	(991)	(1,113)

Notes to the Consolidated Financial Statements

As at 31 December 2024

34 MARKET RISK (continued)

34.2 Profit return risk

Profit rate risk arises from the possibility that changes in profit rates will affect the future profitability or the fair values of financial assets. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

The Group manages exposures to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The sensitivity on income solely due to reasonably possible immediate and sustained changes in profit return rates, affecting both floating rate assets and liabilities and fixed rate assets and liabilities with maturities up to one year (re-pricing maturity on cumulative basis) are as follows:

	2024			
	Change in rate %	**Effect on net profit net profit BD '000**	**Change in rate rate %**	**Effect on net profit net profit BD '000**
Bahraini dinars	**0.10**	**13,894**	**(0.10)**	**(13,894)**

	2023			
	Change in rate %	Effect on net profit net profit BD '000	Change in rate rate %	Effect on net profit net profit BD '000
Bahraini dinars	0.10	14,714	(0.10)	(14,714)

34.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly by the Audit and Risk Committee as well as ALCO to ensure positions are maintained within established limits.

Substantial portion of the Group's assets and liabilities are denominated in Bahraini Dinars, US Dollars or Saudi Riyals. As the Bahraini Dinar and Saudi Riyals are pegged to the US Dollars, positions in these currencies are not considered to represent significant currency risk as of 31 December 2024 and 2023.

The Group's net exposure for denominated in foreign currencies as at 31 December for its financial instruments are as follows:

	Long (short) 2024 BD '000	Long (short) 2023 BD '000
Sterling Pounds	**92**	(58)
Japanese Yen	**96**	3
Euro	**726**	895
Kuwaiti Dinar	**243**	11
Others	**231**	144

Notes to the Consolidated Financial Statements

As at 31 December 2024

34 MARKET RISK (continued)

34.3 Currency risk (continued)

Standard scenarios that are considered include a 10% increase or decrease in exchange rates other than GCC pegged currencies. An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables primarily profit rates, remain constant) is as follows:

	Change in currency rate %	**Effect on profit 2024 BD '000**	**Effect on equity 2024 BD '000**	Change in currency rate %	Effect on profit 2023 BD '000	Effect on equity 2023 BD '000
Sterling Pounds	**10**	**9.2**	**-**	10	(5.8)	-
Japanese Yen	**10**	**9.6**	**-**	10	0.3	-
Euro	**10**	**72.6**	**-**	10	89.5	-
Kuwaiti Dinar	**10**	**24.3**	**-**	10	1.1	-
Others	**10**	**23.1**	**-**	10	14.4	-
Total		**138.8**	-		99.5	-

35 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may impact certain sources of funding. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an adequate balance of cash, cash equivalents and readily convertible marketable securities. Liquidity position is monitored on an ongoing basis by the Risk and Audit Committee as well as ALCO of the Group.

The Bank has computed the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as per the requirements of the CBB rulebook. The LCR at the Group level as at 31 December 2024 is 289.5% and the simple average of the daily consolidated LCRs of the last three months is 363.5%. The NSFR as at 31 December 2024 is 124.4%.

The maturity profile of sukuk, placements with or from financial institutions, financing contracts and murabaha term financings has been presented using the contractual maturity year. For other balances, maturity profile is based on expected cash flows / settlement profile of the respective assets and liabilities.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available sources of funding and to drawdown the existing funding sources as and when necessary to maintain enough liquidity at a reasonable cost of funding.

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As at 31 December 2024

35 LIQUIDITY RISK (continued)

As at the reporting date the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of any disruption. Further information on the regulatory liquidity and capital ratios are disclosed in (note 43) to the consolidated financial statements.

	2024				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
ASSETS					
Cash and balances with banks and central bank	633,611	-	-	-	633,611
Placements with financial institutions	459,484	16,966	-	-	476,450
Investments in sukuk	142,514	186,004	513,408	605,877	1,447,803
Financing contracts	844,719	730,360	565,234	1,521,357	3,661,670
Non-trading investments	-	-	-	97,944	97,944
Takaful and related assets	-	-	26,353	-	26,353
Investments in real estate	-	-	-	129,295	129,295
Investments in associates	-	-	-	255,008	255,008
Other assets	27,869	652	33,271	68,102	129,894
Goodwill and other intangible assets	-	-	-	204,750	204,750
	2,108,197	933,982	1,138,266	2,882,333	7,062,778

	2024				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
LIABILITIES AND QUASI-EQUITY					
Placements from financial institutions & individuals	105,082	59,901	6,033	-	171,016
Customers' current accounts	1,279,886	-	-	-	1,279,886
Murabaha term financings	404,817	143,275	20,452	182,518	751,062
Takaful and related liabilities	-	75,550	-	-	75,550
Other liabilities	37,728	28,155	22,415	39,524	127,822
Quasi-Equity	2,630,242	708,875	127,601	597,343	4,064,061
	4,457,755	1,015,756	176,501	819,385	6,469,397

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As at 31 December 2024

	2023				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
ASSETS					
Cash and balances with banks and central bank	537,874	-	-	-	537,874
Placements with financial institutions	279,961	13,403	-	216	293,580
Investments in sukuk	118,376	130,455	409,346	344,662	1,002,839
Financing contracts	298,904	308,395	909,368	1,159,793	2,676,460
Non-trading investments	-	5,874	1,885	92,301	100,060
Takaful and related assets	-	67,370	-	-	67,370
Investments in real estate	-	-	-	78,070	78,070
Investments in associates	-	-	-	231,484	231,484
Other assets	5,403	9,341	6,484	60,000	81,228
Goodwill and other intangible assets	-	-	-	78,145	78,145
	1,240,518	534,838	1,327,083	2,044,671	5,147,110

	2023				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
Placements from financial institutions	71,258	65,253	-	-	136,511
Customers' current accounts	1,066,031	-	-	-	1,066,031
Murabaha term financings	379,961	105,536	21,854	3,497	510,848
Takaful and related liabilities	-	114,493	-	-	114,493
Other liabilities	37,982	40,823	4	27,383	106,192
Quasi-equity	1,611,766	874,860	292,732	25,027	2,804,385
	3,166,998	1,200,965	314,590	55,907	4,738,460

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2024 and 2023 based on contractual undiscounted payment obligation:

	2024					
	On demand BD '000	**Up to 3 months BD '000**	**3 months to 1 year BD '000**	**1 to 5 years BD '000**	**Over 5 years BD '000**	**Total BD '000**
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	**-**	**105,653**	**60,377**	**6,303**	**-**	**172,333**
Customers' current accounts	**1,279,886**	**-**	**-**	**-**	**-**	**1,279,886**
Murabaha term financings	**-**	**407,629**	**148,845**	**21,646**	**183,795**	**761,915**
Quasi-Equity	**1,251,094**	**1,711,649**	**742,182**	**147,152**	**597,433**	**4,449,510**
Other financial liabilities	**28,460**	**-**	**-**	**-**	**-**	**28,460**
	2,559,440	**2,224,931**	**951,404**	**175,101**	**781,228**	**6,692,104**
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	**-**	**298,855**	**366,822**	**113,423**	**21,449**	**800,549**
	-	**298,855**	**366,822**	**113,423**	**21,449**	**800,549**

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35 LIQUIDITY RISK (continued)

	2023					
	On demand BD '000	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	-	71,772	66,822	-	-	138,594
Customers' current accounts	1,066,031	-	-	-	-	1,066,031
Murabaha term financings	-	379,962	105,536	21,854	5,382	512,734
Quasi-Equity	518,016	1,099,257	902,087	306,314	50,324	2,875,998
Other financial liabilities	18,925	-	-	-	-	18,925
	1,602,972	1,550,991	1,074,445	328,168	55,706	4,612,282
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	-	142,951	167,990	322,782	26,453	660,176
	-	142,951	167,990	322,782	26,453	660,176

36 SEGMENT INFORMATION

Primary segment information

For management purposes, the Group is organised into the following primary business segments:

Banking

Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, private banking and wealth management in Kingdom of Bahrain and through the Bank's subsidiaries in Seychelles and Algeria. Banking segment also includes the Group's investments in banking associates which are allocated as assets attributable to the jointly financed pool of investment accountholders. Other overseas associate investments form part of the investment segment.

Treasury

Principally handling Shari'a compliant money market, trading, fixed income products and treasury services including short-term commodity murabaha.

Investments

Principally the Group's proprietary portfolio and asset management services to clients with a range of investment products, funds and alternative investments. These also include the Group's investmet in certain associates and joint ventures.

Takaful

Represents the Group's investment in Solidarity Group Holding BSC (c) which is primarily involved in the business of offering Shari'a compliant takaful contracts. These comprise motor, non-motor, medical, group life and family takaful products. All activities of this business including its investment activities are reported under this segment as they are managed together along with the Takaful business.

Transactions between banking and other segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Notes to the Consolidated Financial Statements

As at 31 December 2024

36 SEGMENT INFORMATION (continued)

Segment information is disclosed as follows:

	2024					
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	Total BD '000
Income						
Income from financing contracts	230,857	29,375	-	1,578	-	261,810
Income from Investments in sukuk	-	69,508	-	2,060	-	71,568
Finance expense on placements from financial institutions and individuals	(2,672)	(8,367)	-	-	-	(11,039)
Finance expense on murabaha term financing	-	(30,851)	-	-	-	(30,851)
Net finance income	228,185	59,665	-	3,638	-	291,488
Income from non-trading investments, net	(282)	-	(961)	3,676	-	2,433
Fees and commission, net	21,202	5,939	-	-	-	27,141
Share of profit from associates	17,858	-	273	38	-	18,169
Income from Takaful operations, net	-	-	-	5,357	-	5,357
Other income	4,251	2,118	69	566	-	7,004
Total income	271,214	67,722	(619)	13,275	-	351,592
Expenses						
Staff costs	35,078	8,164	1,104	-	-	44,346
Other operating expenses	39,377	9,047	1,670	5,473	-	55,567
Total Expenses	74,455	17,211	2,774	5,473	-	99,913
Profit before allowances for impairment, income attribution to quasi-equity and tax	196,759	50,511	(3,393)	7,802	-	251,679
Allowance for impairment on financing contracts, investments and other assets	(21,244)	31	(17)	57	-	(21,173)
Profit before income attribution to quasi-equity and tax	175,515	50,542	(3,410)	7,859	-	230,506
Income attributable to quasi-equity	(123,245)	(31,271)	-	-	-	(154,516)
Profit before tax	52,270	19,271	(3,410)	7,859	-	75,990
Tax	(6,489)	-	-	-	-	(6,489)
Profit for the year	45,781	19,271	(3,410)	7,859	-	69,501
Segment assets	4,381,587	2,234,185	227,240	128,745	91,021	7,062,778
Segment liabilities, and quasi-equity	4,838,936	1,464,323	679	78,932	86,527	6,469,397

Goodwill and other intangibles include BD 193,841 thousand (2023: BD 66,970 thousand) allocated from acquisitions during the year and prior years within the banking segment and BD 10,909 thousand (2023: 11,175 thousand) attributable to the Takaful segment.

Notes to the Consolidated Financial Statements

As at 31 December 2024

36 SEGMENT INFORMATION (continued)

	2023					
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	Total BD '000
Income						
Income from financing contracts	161,474	11,103	-	1,426	-	174,003
Income from Investments in sukuk	-	47,550	-	1,205	-	48,755
Finance expense on placements from financial institutions and individuals	(179)	(8,267)	-	-	-	(8,446)
Finance expense on murabaha term financing	-	(25,517)	-	-	-	(25,517)
Net finance income	161,295	24,869	-	2,631	-	188,795
Income from non-trading investments, net	15,394	(7,923)	(978)	1,208	-	7,701
Fees and commission, net	13,320	3,063	-	-	-	16,383
Share of profit from associates	19,246	-	1,763	34	-	21,043
Income from Takaful operations, net	-	-	-	7,571	-	7,571
Other income	2,269	1,162	(163)	535	-	3,803
Total income	211,524	21,171	622	11,979	-	245,296
Expenses						
Staff costs	25,221	5,615	929	-	-	31,765
Other operating expenses	26,365	4,730	1,203	5,470	-	37,768
Total Expenses	51,586	10,345	2,132	5,470	-	69,533
Profit before allowances for impairment, income attribution to quasi-equity and tax	159,938	10,826	(1,510)	6,509	-	175,763
Allowance for impairment on financing contracts, investments and other assets	(19,914)	(194)	(2,793)	(88)	-	(22,989)
Profit before income attribution to quasi-equity and tax	140,024	10,632	(4,303)	6,421	-	152,774
Income attributable to quasi-equity	(75,245)	(24,842)	-	-	-	(100,087)
Profit before tax	64,779	(14,210)	(4,303)	6,421	-	52,687
Tax	(4,509)	-	-	-	-	(4,509)
Profit for the year	60,270	(14,210)	(4,303)	6,421	-	48,178
Segment assets	3,274,290	1,485,734	181,630	158,944	46,512	5,147,110
Segment liabilities, and quasi-equity	3,387,058	1,184,538	1,315	107,580	57,969	4,738,460

Notes to the Consolidated Financial Statements

As at 31 December 2024

36 SEGMENT INFORMATION (continued)

The distribution of assets, liabilities and quasi-equity by geographic segment was as follows:

	2024			2023		
	Assets BD '000	**Liabilities and Quasi-equity BD '000**	**Contingent liabilities and Commitments BD '000**	Assets BD '000	Liabilities and Quasi-equity BD '000	Contingent liabilities and Commitments BD '000
GCC	**5,841,013**	**4,957,448**	**278,730**	4,043,110	3,220,903	271,629
International	**1,221,765**	**1,511,949**	**521,819**	1,104,000	1,517,557	388,547
Total	**7,062,778**	**6,469,397**	**800,549**	5,147,110	4,738,460	660,176

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

37 SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board ("SSB") consists of four Islamic scholars who review the Bank's compliance with general Shari'a rules and principles, specific fatwas and rulings issued by SSB and the guidelines of the Central Bank of Bahrain ("CBB") in relation to Shari'a governance and compliance. Their review includes examination and approval of products, documentation, procedure manuals and policies, services and related charges and fees that are presented to it to ensure that the Bank's adopted activities are conducted in accordance with Shari'a rules and principles, and consequently, issue report on the bank's compliance following the review and approval of the financial statements.

38 EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

During the year, the Group earned Shari'a prohibited income totaling BD 337 thousand (2023: BD 343 thousand). These include income earned from the conventional financing and investments due to acquiring BMI, ASBS and BSB, penalty charges from customers and interest on balances held with correspondent banks. These funds were allocated to charitable account for disbursement.

39 SOCIAL RESPONSIBILITY

The Group discharges its social responsibility through charity fund expenditures and donations to individuals and organisations which are used for charitable purposes.

Sources and application of Charity fund

	2024 BD '000	2023 BD '000
Opening balance	**500**	411
Sources of Charity fund		
Non-Shariah compliant income / late payment charges	**300**	227
Contributions by the Bank for charity	**500**	700
Total Sources of Charity	**1,300**	1,338
Uses of charity funds		
Payment to charitable societies	**121**	461
Payments to needy families	**27**	16
Others	**510**	361
Total uses of funds during the year	**658**	838
Closing balance	**642**	500

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40 ZAKAH

Pursuant to a resolution of the shareholders in an Extra-ordinary General Meetings (EGM) held on 12 November 2009, it was resolved to amend the articles of association of the Bank to inform the shareholders of their obligation to pay Zakah on income and net worth. Consequently, Zakah is not recognised in the consolidated income statement as an expense. The total Zakah payable by the shareholders for 2024 has been determined by the Shari'a supervisory board as 3.5 fils (2023: 1.2 fils) per share. Under FAS 39, Zakah payable for the year ended 2024 was calculated at 2.577% of the Zakah base of BD 368,580 thousand (2023: BD 118,596 thousand) which was determined on the Net assets method.

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(i) Financial instruments measured at fair value

The following table shows an analysis of the non-trading investments, sukuk and FX waad portfolio carried at fair value in the consolidated statement of financial position:

31 December 2024	**Level 1 BD '000**	**Level 2 BD '000**	**Level 3 BD '000**	**Total BD '000**
Sovereign sukuk at FVTOCI	**679,521**	**94,559**	**-**	**774,080**
Corporate sukuk at FVTOCI	**25,001**	**1,306**	**-**	**26,307**
Equity securities at FVTIS	**2,927**	**638**	**75,789**	**79,354**
Equity securities at FVTOCI	**11,577**	**-**	**7,013**	**18,590**
Investments in real estate	**-**	**-**	**129,295**	**129,295**
	719,026	**96,503**	**212,097**	**1,027,626**
FX Wa'ad assets position	**-**	**321**	**-**	**321**
FX Wa'ad liabilities position	**-**	**847**	**-**	**847**
	-	**(526)**	**-**	**(526)**

31 December 2023	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk at fair value through OCI	270,865	69,970	-	340,835
Corporate sukuk at fair value through OCI	23,337	346	-	23,683
Equity securities at fair value through income statement	9,914	319	75,972	86,205
Equity securities at fair value through OCI	11,133	-	2,722	13,855
Investments in real estate	-	-	78,070	78,070
	315,249	70,635	156,764	542,648
FX Wa'ad assets position	-	563	-	563
FX Wa'ad liabilities position	-	337	-	337
	-	226	-	226

Notes to the Consolidated Financial Statements

As at 31 December 2024

41 FAIR VALUE OF FINANCIAL INSTRUNMENTS (continued)

(ii) Financial instruments measured at amortised cost

31 December 2024

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk	**553,718**	**73,581**	**-**	**627,299**
Corporate sukuk	**15,865**	**-**	**4,252**	**20,117**
	569,583	**73,581**	**4,252**	**647,416**
Fair value	**410,145**	**276,767**	**4,252**	**691,164**

31 December 2023

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk	540,408	64,275	-	604,683
Corporate sukuk	33,638	-	-	33,638
	574,046	64,275	-	638,321
Fair value	686,102	64,292	-	750,394

The movements in fair value of non-trading investments classified in Level 3 of the fair value hierarchy are as follows:

	2024 BD '000	2023 BD '000
At 1 January	**78,694**	85,718
Acquired as part of business combination	**3,055**	-
Transfers	**-**	(1,462)
Fair value changes	**1,053**	(2,410)
Impairment	**-**	(3,152)
	82,802	78,694

The sensitivity analysis for Level 3 of non-trading investments are summarized below:

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2024 BD'000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Asset Valuation	Underlying real estate	104,352	+/- 5%	5,217 / (5,217)

The movements of sukuk portfolio carried at amortised cost classified in Level 3 of the fair value hierarchy are as follows:

	2024 BD '000	2023 BD '000
At 1 January	**-**	14,313
Reclassified within FVTOCI		(14,313)
	-	-

The estimated fair value of yielding financing contracts and financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.

(iii) Other Financial instruments not measured at fair value

The estimated fair value of yielding financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.

The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 31 December 2024 and 31 December 2023 due to their short term nature.

Notes to the Consolidated Financial Statements

As at 31 December 2024

42 DEPOSIT PROTECTION SCHEME

Certain customers' deposits of the Bank are covered by deposit protection schemes established by the CBB. Customers' deposits held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits and quasi-equity issued by the CBB in accordance with Resolution No.(34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of BD 20,000 as set out by CBB requirements. A yearly contribution to the scheme as mandated by the CBB is paid by the Bank under this scheme.

43 REGULATORY RATIOS

(i) Capital Adequacy Ratio

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The regulatory capital and risk-weighted assets have been calculated in accordance with Basel III as adopted by the CBB.

	As at	
BD'000	**2024**	2023
CET 1 Capital before regulatory adjustments	**352,201**	337,263
Less: regulatory adjustments	**48,628**	49,667
CET 1 Capital after regulatory adjustments	**303,573**	287,596
AT 1 Capital	**163,719**	3,574
T 2 Capital adjustments	**63,425**	52,160
Regulatory Capital	**530,717**	343,330
Risk weighted exposure:		
Credit Risk Weighted Assets	**1,962,782**	1,548,447
Market Risk Weighted Assets	**1,357**	1,300
Operational Risk Weighted Assets	**174,544**	137,610
Total Regulatory Risk Weighted Assets	**2,138,683**	1,687,357
Total Adjusted Risk Weighted Exposures	**2,138,683**	1,687,357
Capital Adequacy Ratio	**24.8%**	20.4%
Common Equity Tier 1 Capital Ratio	**14.2%**	17.0%
Tier 1 Capital Adequacy Ratio	**21.8%**	17.3%
Tier 2 Capital Ratio	**3.0%**	3.1%
Minimum required by CBB	**14.0%**	12.5%

As of 31 December 2024, aggregate of modification loss of BD 8,256 thousand (2023: BD 16,512 thousand) has been added back to Tier 1 capital.

Notes to the Consolidated Financial Statements

As at 31 December 2024

43 REGULATORY RATIOS (continued)

(ii) Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity year. The stock of unencumbered HQLA should enable the bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the net cash outflows. The average consolidated LCR for three months calculated as per the requirements of the CBB rulebook, as of 31 December 2024 and 31 December 2023, is as follows:

	Total weighted value BD'000	
	2024	2023
Stock of HQLA	**1,121,664**	640,852
Net cashflows	**316,329**	351,585
LCR %	**363.5%**	185.0%
Minimum required by CBB	**100.0%**	100.0%

(iii) Net Stable funding Ratio

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by CBB and its affective from 2019. The minimum NSFR ratio as per CBB is 100%.

Notes to the Consolidated Financial Statements

As at 31 December 2024

43 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

BD'000	Unweighted Values (before applying relevant factors)				
Item	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	508,378	-	-	63,425	571,803
Retail deposits and deposits from small business customers:					
Stable deposits	-	571,095	33,455	11,305	585,628
Less stable deposits	-	2,058,395	540,615	219,778	2,558,887
Wholesale funding:					
Other wholesale funding	-	2,421,460	253,136	105,069	756,018
Other liabilities:					
All other liabilities not included in the above categories	-	172,320	-	-	-
Total ASF	508,378	5,223,270	827,206	399,577	4,472,336
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	54,201
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	648,620	210	3,783	101,181
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,341,203	444,796	1,249,265	1,934,973
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	99,508	64,680
Performing residential mortgages, of which:	-	-	-	497,045	323,079
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,045	323,079
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,557	867	-	10,212
Other assets:					
All other assets not included in the above categories	1,108,102	26,366	3,970	101,667	1,131,103
OBS items	-	799,874	-	-	39,994
Total RSF	1,108,102	2,835,620	449,843	1,851,760	3,594,743
NSFR (%)	-	-	-	-	124.4%

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As at 31 December 2024

43 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

BD'000	Unweighted Values (before applying relevant factors)				
Item	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	325,754	-	-	52,160	377,914
Retail deposits and deposits from small business customers:					
Stable deposits	-	340,231	15,956	10,512	348,890
Less stable deposits	-	1,215,891	363,513	273,026	1,694,490
Wholesale funding:					
Other wholesale funding	-	2,028,868	133,881	104,315	610,515
Other liabilities:					
All other liabilities not included in the above categories	-	144,683	-	-	-
Total ASF	325,754	3,729,673	513,350	440,013	3,031,809
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	38,622
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	415,492	883	4,333	67,098
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	854,332	262,593	1,124,303	1,480,761
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	166,799	108,419
Performing residential mortgages, of which:	-	-	-	355,894	231,331
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	355,894	231,331
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	18,929	7,212	2,789	15,441
Other assets:					
All other assets not included in the above categories	682,607	18,413	1,638	93,168	758,424
OBS items	-	659,523	-	-	32,976
Total RSF	682,607	1,966,689	272,326	1,580,487	2,624,653
NSFR (%)	-	-	-	-	115.5%

Notes to the Consolidated Financial Statements

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44 GLOBAL MINIMUM TAX

The OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') 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 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the Group for fiscal years commencing on or after 1 January 2025.

Al Salam Bank, the Ultimate Parent Entity of the Group is domiciled and operates in the Kingdom of Bahrain and has assessed that it is in scope of the Bahrain DMTT law effective 1 January 2025.

However, since the newly enacted regulations are only effective from fiscal years commencing on or after 1 January 2025, there is no current tax impact for the year ended 31 December 2024.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for it as a current tax when it is incurred.

The Group is currently preparing for compliance with the Bahrain DMTT law and GloBE rules by upgrading reporting systems, evaluating transfer pricing adjustments and aligning with domestic and international DMTT regulations. As at the reporting date, the Group is assessing the quantitative impact of the Bahrain DMTT law and GloBE rules and applicability of any exclusions.

45 ACQUISITION OF SUBSIDIARY

i) Acquisition of Kuwait Finance House (Bahrain) BSC closed

On 1 April 2024, the Bank acquired 100% shareholding in ASB Finance B.S.C. (c) formerly Kuwait Finance House (Bahrain) B.S.C. (c), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was fully owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Group") an Islamic retail bank listed on Kuwait stock exchange, after obtaining the requisite regulatory approvals. The Group has consolidated the results and financial position of KFH Bahrain from 1 April 2024.

The fair value of assets, liabilities, equity interests are reported in these disclosures on a provisional basis and will be finalized within a period of 12 months from the date of acquisition. In line with the provisions of IFRS 3 "Business Combinations", if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting will be reflected on a retrospective basis.

a) Total consideration

Total cash consideration paid is BD 214,488 thousand.

Notes to the Consolidated Financial Statements

As at 31 December 2024

45 ACQUISITION OF SUBSIDIARY (continued)

i) Acquisition of Kuwait Finance House (Bahrain) BSC closed (continued)

b) Fair value of identifiable assets acquired and liabilities assumed

ASSETS ACQUIRED

	BD '000
Cash and balances with banks and central banks	77,967
Placements with financial institutions	48,583
Financing contracts	977,930
Investments in non-trading assets	12,887
Investments in sukuk	227,269
Investments in real estate	47,090
Identified Intangible assets	15,000
Other assets	15,190
Total assets acquired (A)	**1,421,916**
LIABILITIES ASSUMED	
Customers' current accounts	119,759
Placements from financial institutions and individuals	23,019
Other liabilities	31,348
Total liabilities	**174,126**
Quasi-equity	1,148,340
Total liabilities and Quasi-equity (B)	**1,322,466**
Total fair value of identifiable net assets acquired (C = A-B)	**99,450**

c) Goodwill

	BD '000
Consideration paid	214,488
Fair value of identifiable net assets acquired	(99,450)
Goodwill	**115,038**

In the nine months ended 31 December 2024, ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c) contributed revenue of BD 64,733 thousand and profit of BD 4,527 thousand net of provisional acquisition adjustments to the Group's results. If the acquisition had occurred on 1 January 2024, management estimates that consolidated revenue would have been BD 373,398 thousand. It is impracticable to determine the profit or loss of the combined entity for the current reporting period assuming the acquisition had occurred on 1 January 2024, due to the impact of acquisition accounting adjustments.

ii) Acquisition of Bahrain National Insurance Company BSC Closed ("BNI") and Bahrain National Life Assurance Company BSC

Subsequent to the year end, Solidarity Bahrain, a subsidiary of the Group that engages in Takaful business, listed on Bahrain Bourse has entered into a sale and purchase agreement with Bahrain National Holding Company BSC, a Company incorporated in the kingdom of Bahrain and listed on Bahrain Bourse for the purchase of 100% of the issued share capital of its two subsidiaries, BNI and BNL for a total consideration of BD 75 mn. The transaction is in progress and is subject to certain conditions precedent and regulatory and shareholder approvals.

46 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current year presentation. Such re-grouping did not affect previously reported profit for the year or total owners' equity of the Group.

Basel III - Pillar III Disclosures

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As at 31 December 2024

1 INTRODUCTION

The Central Bank of Bahrain ("CBB") requirements, which act as a common framework for the implementation of the Basel III accord in the Kingdom of Bahrain came into effect on 1 January 2015.

The Basel III accord is built on three pillars:

- **Pillar I** deals with the basis for the computation of the regulatory capital adequacy ratio. It defines the calculation of Risk Weighted Assets (RWAs) for credit risk, market risk and operational risk, as well as the derivation of the regulatory capital base. The capital adequacy ratio is then calculated as the ratio of the Bank's regulatory capital to its total RWAs.
- **Pillar II** involves the process of supervisory review of a financial institution's risk management framework and its capital adequacy.
- **Pillar III** relates to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process.

The disclosures in this document are in addition to the disclosures included in the consolidated financial statements which are prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions and in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2) and relevant CBB directives.

2 FINANCIAL PERFORMANCE AND POSITION

The Bank was incorporated on 19 January 2006 in the Kingdom of Bahrain. The Bank operates under Islamic Shari'a principles in accordance with the regulatory requirements for Islamic banks set by the CBB. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market and operates under an Islamic retail banking license issued by CBB.

During the second quarter of 2024, the Bank acquired 100% shareholding in ASB Finance B.S.C. (c) (formerly Kuwait Finance House - Bahrain B.S.C. (c)), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was a fully owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Group"), after obtaining the requisite regulatory approvals. The Group has consolidated the results and financial position of ASB Finance from 1 April 2024.

The Bank and its principal banking subsidiaries operates through 24 branches and 1 auto finance office in the Kingdom of Bahrain, 1 branch in Seychelles and 25 branches in Algeria and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offers Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. The Bank together with its subsidiaries are referred to as the "Group."

The consolidated financial statements and capital adequacy regulatory disclosures of the Group have been prepared on a consistent basis where applicable.

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2 FINANCIAL PERFORMANCE AND POSITION (continued)

Table 2.1 Key Financial Indicators (PD 1.3.9 a,b,c)

	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	(BD '000s) Dec-2019
Net operating income	197,076	145,209	96,396	66,737	57,420	53,527
Net profit	69,501	48,178	33,070	21,224	9,118	21,130
Total assets	7,062,778	5,147,110	3,899,361	2,684,571	2,261,353	2,042,803
Total equity	593,381	408,650	337,355	296,759	281,167	320,074
Key Ratios						
Earnings per share (fils)	20.7	16.3	12.8	8.8	3.9	9.7
Return on average assets (%)	1.1	1.1	1.0	0.9	0.4	1.1
Return on average equity (%)	15.8	13.2	10.5	7.4	3.0	6.8
Cost to Net operating income (%)	50.7	47.9	52.5	49.4	52.3	55.6
Dividend payout ratio (%)	26.4	42.5	39.1	42.6	-	42.0
Dividend yield ratio (%) (Including Bonus Shares)	6.8	5.9	9.9	7.1	6.8	8.0
Net profit margin on average Islamic assets (%)*	2.9	2.6	2.8	2.9	3.4	2.7

* Considering total funding cost

Table 2.2 Financial Summary

Consolidated Financial Position	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	(BD '000s) Dec-2019
Cash and balances with banks and Central Bank	633,611	537,874	367,747	309,149	288,266	219,456
Placements with financial institutions	476,450	293,580	113,096	133,860	37,965	114,803
Investment in sukuk	1,447,803	1,002,839	837,381	639,688	409,503	367,467
Financing contracts	3,661,670	2,676,460	1,986,465	1,364,452	1,283,812	1,075,498
Non-trading investments	97,944	100,060	106,796	91,591	98,034	108,991
Takaful and related assets	26,353	67,370	51,690	-	-	-
Investment in real estate	129,295	78,070	62,462	60,904	70,529	75,717
Investment in associates	255,008	231,484	254,006	14,533	12,036	10,640
Other assets	129,894	81,228	67,720	44,423	35,237	44,260
Goodwill and other intangible assets	204,750	78,145	51,998	25,971	25,971	25,971
Placements from financial institutions and individuals	171,016	136,511	187,724	126,891	116,883	211,459
Customers' current accounts	1,279,886	1,066,031	550,281	482,739	363,970	289,456
Murabaha term financing	751,062	510,848	320,989	100,216	221,671	145,590
Takaful and related liabilities	75,550	114,493	91,741	-	-	-
Other liabilities	127,822	106,192	78,798	53,789	52,282	41,481
Quasi-Equity	4,064,061	2,804,385	2,332,473	1,624,177	1,225,380	1,034,743
of which: Wakala from financial institutions	420,231	379,768	319,339	299,607	264,784	210,887
of which: Wakala and mudaraba from customers	3,643,830	2,424,617	2,013,134	1,324,570	960,596	823,856
Capital						
Capital adequacy (%)	24.8	20.4	21.9	28.5	26.5	21.2
Equity / Total assets (%)	8.4	7.9	8.7	11.1	12.4	15.7
Total customer deposits / Equity (times)	8.3x	8.5x	7.6x	6.1x	4.7x	4.1x

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2 FINANCIAL PERFORMANCE AND POSITION (continued)

Table 2.2 Financial Summary (continued)

Liquidity and Other Ratios	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Islamic financing contracts / Total assets (%)	51.8	52.0	50.9	50.8	56.8	52.6
Investments / Total assets (%)	27.3	27.4	32.3	30.1	26.1	27.6
Liquid assets / Total assets (%)	23.9	21.2	20.1	32.7	18.3	22.7
Liquid assets / Current and URIA deposits (%)	31.5	28.2	27.2	41.7	26.0	35.0
Customer Deposits / Total assets (%)	70.1	67.8	66.0	67.3	58.6	54.5
Due from banks and financial institutions/ Total Assets (%)	6.7	5.7	2.9	5.0	1.7	5.6
Interbank Assets / Interbank Liabilities (%)	334.4	215.1	63.9	105.5	32.5	54.3
Islamic financing contracts / Customer deposits (%)	73.9	76.7	77.2	75.5	96.9	96.6
Number of employees (Bahrain Operations)	750	518	577	376	363	355

3 GROUP AND CAPITAL STRUCTURE

3.1 Group Structure

The consolidated financial statements for the year comprise of the financial statements of the Bank and its subsidiaries (together referred to as "the Group")

The principal subsidiaries and associates as at 31 December 2024 and their treatment for capital adequacy purposes are as follows:

	Entity classification as per CA Module	Treatment by the Bank
Subsidiaries		
Al Salam Bank- Seychelles limited.	Banking subsidiary	Aggregation of risk weighted assets
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c))		Consolidation of risk weighted assets
Al Salam Bank Algeria (S.P.A)	Banking subsidiary	Consolidation of risk weighted assets
ASB Capital Limited (DIFC)	Financial entity	Full consolidation
Solidarity Group Holding B.S.C. (c)	Insurance Subsidiary	Risk weighting of investment exposure
Associates		
Gulf African Bank	Financial entity	Risk weighting of investment exposure
Bank of Bahrain and Kuwait B.S.C.		
Bareeq Al Retaj Real Estate Services W.L.L	Commercial entity	Risk weighting using look-through approach

3.2 Capital Structure

The Group's regulatory total capital of BD 530,717 thousand comprises of CET 1, AT1 and Tier 2 capital which is detailed in the following table: (PD 1.3.11)

The issued and paid up share capital of the Group was BD 274,778 thousand at 31 December 2024, comprising of 2,747,776 thousand shares of BD 0.100 each. (PD 1.3.11)

As of 31 December 2024, the Bank has issued Subordinated Mudaraba (Additional Tier1 capital instrument) amounting to BD 159,026 thousand, net of issuance cost. The issue was at par and paid in cash.

The management believes that the current capital structure addresses the current and future activities of the Group.

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3 GROUP AND CAPITAL STRUCTURE (continued)

3.2 Capital Structure (continued)

Table 3.1 Breakdown of the Bank's Capital Base (PD 1.3.12, 13, 14, 15, 16, 20)

			(BD '000s)
	CET1	**AT1**	**T2**
Issued and fully paid up ordinary shares	274,778		
Treasury shares	(6,617)		
Employee stock incentive program funded by the bank (outstanding)	(28,010)		
General Reserves	947		
Legal/statutory reserves	31,883		
Share premium	209		
Retained earnings	5,145		
Current interim cumulative net income / losses	55,746		
Unrealized gains and losses on available for sale financial instruments	4,198		
Gains and loss resulting from converting foreign currency subsidiaries to the parent currency	(157)		
Total Minority Interest in banking subsidiaries given recognition in CET1 capital	14,080		
Total CET1 capital prior to regulatory adjustments	**352,201**		
Less:			
Goodwill & Intangibles	(48,628)		
Total Common Equity Tier 1 capital after regulatory adjustments above	**303,573**		
Instruments issued by parent company		159,026	**-**
Instruments issued by banking subsidiaries to third parties		4,693	6,258
Asset revaluation reserve - Property, plant, and equipment		-	22,683
General financing loss provisions		-	34,485
Total Available AT1 & T2 Capital		**163,719**	**63,426**
Total Tier 1		**467,292**	
Total Capital (PD 1.3.20 a)			**530,717**

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3 GROUP AND CAPITAL STRUCTURE (continued)

3.2 Capital Structure (continued)

Table 3.2

	(BD '000s) Risk Weighted Exposures		
	Credit	**Operational**	**Market**
Risk Weighted Exposures (self-financed)	1,392,335	173,730	1,357
Risk Weighted Exposures (URIA)	564,384	-	-
Aggregation of Risk Weighted Exposures*	6,063	814	-
Risk Weighted Exposures after Aggregation	**1,962,782**	**174,544**	**1,357**
Total Risk Weighted Exposures			**2,138,683**

	CET 1	T1	Total Capital
% of Total Risk Weighted Exposures (CAR) (PD 1.3.20 a)	**14.2%**	**21.8%**	**24.8%**
Minimum Required by CBB Regulations under Basel III (before CCB)	**6.5%**	**8.0%**	**10.0%**
Capital Conservation Buffer (CCB)	**2.5%**	**2.5%**	**2.5%**
Higher Loss Absorbency (HLA)	**1.5%**	**1.5%**	**1.5%**
Minimum Required by CBB Regulations under Basel III (after CCB and HLA)	**10.5%**	**12.0%**	**14.0%**

(PD 1.3.20 b)

Capital Adequacy Ratio of the group's significant subsidiaries**	**CET 1**	**T1**	**Total Capital**
Al Salam Bank Algeria (S.P.A)*	10.3%	10.3%	11.2%

* Calculated in accordance with the Capital Adequacy requirements issued by the foreign subsidiary's respective Central bank.

**ASBS has not been considered as a significant subsidiary as the regulatory capital is less than 5% of the Group's consolidated capital base.

4 CAPITAL ADEQUACY RATIOS (CAR)

No impediments on the transfer of funds or reallocation of regulatory capital exist and the Group has adequate capital to support the current and future activities of the Group. **(PD 1.3.6.c and PD 1.3.16)**

4.1 Capital Management

Internal Capital Adequacy Assessment Process (ICAAP)

The Group's capital management aims to maintain an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always maintaining minimum regulatory ratio requirements and for Pillar II risks.

The key principles driving capital management include:

- Adequate capital is maintained as buffer for unexpected losses to protect stakeholders i.e. shareholders and depositors.
- Optimize risk adjusted return on capital and generate sustainable return above the cost of capital.

The adequacy of the Group's capital is monitored using, primarily, the rules and ratios established by the CBB. The primary objective of the Group's capital management is to ensure that it complies with externally imposed capital requirements. The Group complied in full with all externally imposed capital requirements during the year ended 31 December 2024.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE

The Group has adopted the standardized approach for credit risk and market risk and the basic indicator approach for operational risk for regulatory reporting purposes. The Group's risk-weighted capital requirement for credit, market and operational risks are given below.

For capital adequacy computations, assets funded by self-financed are considered at the prescribed RWA and assets funded by Quasi-equity are considered at 30% of the prescribed RWA.

5.1 Credit Risk

A Definition of exposure classes per Standard Portfolio (PD 1.3.21 a)

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the Standard portfolio approach mentioned under the CBB's Basel III capital adequacy framework covering the standardized approach for credit risk.

The descriptions of the counterparty classes along with the risk weights to be used to derive the risk weighted assets are as follows:

a. Claims on sovereigns

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

b. Claims on public sector entities (PSEs)

Bahrain PSEs are assigned 0% risk weight. Other sovereign PSE's, in the relevant domestic currency and for which the local regulator has assigned risk weight as 0%, are assigned 0% risk weight by the CBB. PSEs other than those mentioned above are risk weighted based on their credit ratings.

c. Claims on banks

Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims on locally incorporated banks may be assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollars.

Preferential risk weights that are one category more favorable than the standard risk weighting are assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weights for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation. Significant investment in subordinated debt of banking, securities and financial entities are risk weighted at 250% and investments in excess of 15% of the Bank's CET1, then the excess amount will be deducted from the bank's capital.

d. Claims on corporate portfolio, including insurance companies

Claims on corporate portfolio including insurance companies are risk weighted based on credit ratings. Risk weightings for unrated corporate claims are assigned at 100%.

e. Claims on regulatory retail portfolio

Retail claims that are included in the regulatory retail portfolio are assigned risk weights of 75% (except for past due Islamic financing contracts), if it meets the criteria mentioned in the CBB's rule book.

f. Mortgages

Claims secured by mortgages on residential mortgage and commercial real estate are subject to a minimum of 35%, 75% and 100% risk weight respectively.

Residential mortgage exposures granted under the Social Housing Scheme of the Kingdom of Bahrain is assigned a risk weight of 25%.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

g. Past due receivables (PD 1.3.22 a)

The unsecured portion of the account receivables and lease payment receivables (other than a qualifying residential mortgage financing contract) that is past due for more than 90 days, is risk-weighted as follows (net of specific provisions and including partial write-offs):

(a) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the facility.

(b) 100% risk weight when specific provisions are 20% or more of the outstanding amount of the facility.

h. Investment in securities and sukuk

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%. Investments in sukuk are risk weighted based on respective counterparty's credit ratings.

i. Holding of real estate

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associate companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Investment in listed real estate companies and investment in unlisted real estate companies are risk-weighted at 300% and 400% respectively. Premises occupied by the Group are weighted at 100%.

j. Other assets

These are risk weighted at 100%.

Table 5.1 Funded and Unfunded Exposures (PD-1.3.17)

					(BD '000s)
	Self Financed				
Exposure type	**Gross Credit Exposure**	**CRM**	**Net Credit Exposure**	**Risk-Weighted Assets (RWA)**	**Minimum Capital Charge**
Cash and balances with banks and Central Bank	504,273	-	504,273	23,363	3,271
Sovereign Sukuk	1,378,140	-	1,378,140	10,131	1,418
Placements with financial institutions	5,590	-	5,590	2,795	391
Corporate Sukuk	30,641	-	30,641	20,674	2,894
Murabaha financing	102,197	6,808	95,389	95,705	13,399
Mudaraba financing	60,222	3,476	56,746	63,909	8,947
Ijarah financing	152,939	61,570	91,369	89,971	12,596
Salam financing	118,833	5,985	112,848	121,831	17,056
Istisna financing	40,932	875	40,057	41,040	5,746
Musharaka	3,460	-	3,460	4,086	572
Credit Cards	-	-	-	-	-
Non-trading investments	82,966	-	82,966	324,517	45,432
Investment in real estate	107,799	-	107,799	215,598	30,184
Investment in associates	3,738	-	3,738	9,346	1,308
Investment in Subsidiary	1,061	-	1,061	1,601	224
Other assets	107,196	-	107,196	110,420	15,459
Goodwill and other intangible assets*	145,213	-	145,213	72,607	10,165
Total funded exposures	**2,845,200**	**78,714**	**2,766,486**	**1,207,594**	**169,063**
Contingent Liabilities & Commitments	259,846	30,171	229,675	184,741	25,864
Total unfunded exposures	**259,846**	**30,171**	**229,675**	**184,741**	**25,864**
Aggregation of Risk Weighted Exposures for AlSalam Bank Seychelles Limited	**-**	**-**	**-**	6,063	849
Total exposures	**3,105,046**	**108,885**	**2,996,161**	**1,398,398**	**195,776**

* Gross exposure excludes goodwill and other intangibles amounting to BD 48,628 thousand which is subject to dedcuction from regulatory capital.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

					(BD '000s)
	Funded by EAIH				
Exposure Type	**Gross Credit Exposure**	**CRM**	**Net Credit Exposure**	**Risk-Weighted Assets (RWA)*30%**	**Minimum Capital Charge**
Cash and balances with banks and Central Bank	87,444	-	87,444	5,247	735
Placements with financial institutions	466,422	-	466,422	26,653	3,731
Murabaha financing	1,038,351	67,781	970,570	188,062	26,329
Mudaraba financing	557,523	121,083	436,440	73,087	10,232
Ijarah financing	1,346,086	318,772	1,027,314	139,875	19,583
Salam financing	175,223	10,354	164,869	49,461	6,925
Istisna financing	36,541	2,602	33,939	10,182	1,425
Musharaka	28,379	2,229	26,150	7,808	1,093
Credit Cards	26,477	-	26,477	5,014	702
Non-trading investments	8,268	-	8,268	7,442	1,042
Investment in an associate	234,892	-	234,892	35,234	4,933
Investment in Subsidiary	55,099	-	55,099	16,319	2,285
Total funded exposures	**4,060,705**	**522,821**	**3,537,884**	**564,384**	**79,015**
Contingent Liabilities & Commitments	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**
Total exposures	**4,060,705**	**522,821**	**3,537,884**	**564,384**	**79,015**

Note a: In accordance with the Public Disclosure requirements to disclose the regulatory capital requirements for credit risk under standardised approach, have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

Note b: The gross credit exposure is arrived at after considering the following:

- inclusion of unfunded exposure (after CCF); and
- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

Note c: The unfunded exposure before (CCF) as of 31 December 2024 is BD 800,549 thousand.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

Excessive risk concentration (PD 1.3.26 a)

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counterparty limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Following is the Gross credit exposure by Islamic financing contracts which represents the exposure on accounts receivable and lease payments receivable which are covered by eligible collateral: (PD 1.3.17) (PD 1.3.25 b, c)

Table 5.2 Gross Credit Exposures (PD 1.3.26 b)

(BD '000s)

Current Credit Exposure by Type of Islamic Financing Contracts	Gross Positive Fair Value (Net of specific provision)	Eligible Collaterals Held (after appropriate haircuts) *			Total
		Cash	Sovereign Sukuk	Real Estate	
Murabaha financing	1,140,548	89,616	24,019	-	**113,635**
Mudaraba financing	617,745	165,295	-	-	**165,295**
Ijarah financing	1,499,025	22,640	-	818,705	**841,345**
Salam financing	294,056	16,339	-	-	**16,339**
Istisna financing	77,473	3,477	-	-	**3,477**
Musharaka	31,839	2,229	-	-	**2,229**
Credit Cards	26,477	-	-	-	**-**
Total	**3,687,163**	**299,597**	**24,019**	**818,705**	**1,142,321**

* Over and above the collateral, considered as eligible under the CA Module, the Bank maintains additional collateral in the form of mortgage of residential properties, corporate guarantees and other tangible assets, which could be invoked to claim the amount owed in the event of default.

Credit risk concentrations and thresholds

The first level of protection against undue credit risk is through country, industry and threshold limits, together with customer and customer bank credit limits, set by the Board. Credit exposure to individual customers or customer banks is then controlled through a tiered hierarchy of delegated approval authorities.

Single name concentrations are monitored on an individual basis. Under the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any planned exposure to a single counterparty, or group of closely related counterparties exceeding regulatory thresholds prescribed in CBB rulebook.

The CBB has set a single exposure limit of 15% of the bank's total capital base on exposures to individuals and a combined exposure limit of 25% of the total capital base of closely-connected counterparties. The excess amount of any exposure above the mentioned thresholds must be risk-weighted at 800% unless it is an exempt exposure in accordance with the requirements in the CBB rulebook.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

Exposures in excess of regulatory limits (PD 1.3.23 f)

As at 31 December 2024, the Group's exposures in excess of 15% of the obligor limits to individual counterparties, excluding Central Bank and exempt exposures by CBB were BHD 1,211 thousand.

		(BD '000s)
Single exposure in excess of 15% of Capital Base	**% of Capital**	**Exposure as at 31 December 2024**
Counterparty A	15.2%	80,819

Table 5.3 Gross Credit Exposures (PD 1.3.23 a)

		(BD '000s)
	Self Financed	
Exposure Type	**Gross Credit Exposure***	**Average Gross Credit Exposure****
Cash and balances with banks and Central Bank	515,555	397,355
Placements with financial institutions	8,094	8,813
Investment in sukuk	1,447,803	1,285,663
Financing contracts	477,645	511,115
Non-trading investments	89,676	94,262
Takaful and related assets	26,353	25,569
Investment in real estate	112,053	102,929
Investment in associates	20,115	8,139
Other assets	129,893	132,419
Goodwill and other intangible assets	204,750	173,475
Total funded exposures	**3,031,937**	**2,739,738**
Contingent Liabilities & Commitments	800,549	739,718
Total unfunded exposures	**800,549**	**739,718**
Total exposures	**3,832,486**	**3,479,455**

		(BD '000s)
	Funded by EAIH	
Exposure Type	**Gross Credit Exposure***	**Average Gross Credit Exposure ****
Cash and balances with banks and Central Bank	118,056	224,885
Placements with financial institutions	468,356	392,861
Financing contracts	3,184,026	2,930,271
Non-trading investments	8,268	8,820
Investment in real estate	17,242	17,255
Investment in associates	234,893	231,364
Total funded exposures	**4,030,841**	**3,805,454**
Contingent Liabilities & Commitments	-	-
Total unfunded exposures	**-**	**-**
Total exposures	**4,030,841**	**3,805,454**

"* Exposures are net of ECL

** The Group has calculated the average gross credit exposures based on average quarterly balances

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

Risk mitigation, collateral and other credit enhancements (PD 1.3.26 a)

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, lien on property and guarantees from directors, corporates and high net worth individuals and banks. As at 31 December 2024, the collaterals eligible for CRM (after applying regulatory haircuts) amounted to BD 1,142,321 thousand.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses with respect to financing facilities. The Bank also makes use of master netting agreements with counterparties where relevant. (PD 1.3.25 a)

The main types of guarantors include rated banks and other financial institutions, Corporates and Sovereigns some of which are rated by ECAI's along with personal guarantees of the Board of Directors of the borrower and other high net worth individuals.

The Group obtains additional collateral as and when the value of the collateral originally obtained is assessed at lower than the minimum acceptable Loan to Value (LTV) ratio of collateral. Also, where the customer is not in a position to provide additional collateral, the Group reviews the situation and a suitable decision is made on the exposure to the said customer.

The Group ensures that at the inception of the facility, third parties valuation of the tangible collaterals is obtained and performs an annual review of the facility whereby the revised collateral valuation is obtained from the Bank's approved valuators.

In case of default, the Group will work with the counterparty to discuss how the outstanding facility can be settled. As a last resort, the counterparty's assets will be used to settle the outstanding obligation.

5.1.1 Geographical Distribution of Exposures

The exposures are allocated to individual geographic areas based on the country where the exposure risk specific to the facility exists. The Geographical distribution of exposures by exposure type (including financing contracts, non trading investments, investments in real estate, development property and investment in associates) and funded or unfunded by is as follows:

Table 5.4 (PD 1.3.23 b)

							(BD '000s)
	Self Financed						
Exposure type	**GCC Countries**	**Middle East and North Africa**	**Europe**	**Asia**	**America**	**Others**	**Total**
Cash and balances with banks and Central Bank	228,614	277,162	499	-	1,924	7,356	**515,555**
Investment in sukuk	1,427,027	9,045	11,731	-	-	-	**1,447,803**
Placements with financial institutions	2,504	5,590	-	-	-	-	**8,094**
Murabaha financing	34,800	65,764	-	-	-	-	**100,564**
Mudaraba financing	21,258	36,038	-	-	-	-	**57,296**
Ijarah financing	66,840	59,145	-	-	-	-	**125,985**
Salam financing	-	151,901	-	-	-	-	**151,901**
Istisna financing	-	36,893	-	-	-	-	**36,893**
Musharaka	-	5,006	-	-	-	-	**5,006**
Non-trading investments	85,923	3,753	-	-	-	-	**89,676**
Takaful and related assets	19,519	6,834	-	-	-	-	**26,353**
Investment in real estate	93,192	18,861	-	-	-	-	**112,053**
Investment in associates	20,115	-	-	-	-	-	**20,115**
Other assets	107,354	21,214	-	-	-	1,325	**129,893**
Goodwill and other intangible assets	204,750	-	-	-	-	-	**204,750**
Total funded exposures	**2,311,896**	**697,206**	**12,230**	**-**	**1,924**	**8,681**	**3,031,937**
Contingent Liabilities & Commitments	278,729	520,779	-	-	1,041	-	**800,549**
Total unfunded exposures	**278,729**	**520,779**	**-**	**-**	**1,041**	**-**	**800,549**
Total exposures	**2,590,625**	**1,217,985**	**12,230**	**-**	**2,965**	**8,681**	**3,832,486**

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.1 Geographical Distribution of Exposures (continued)

Table 5.5 (PD 1.3.23 b)

							(BD '000s)
	Funded by EIAH						
Exposure type	**GCC Countries**	**Middle East and North Africa**	**Europe**	**Asia**	**America**	**Others**	**Total**
Cash and balances with banks and Central Bank	-	-	7,481	13,549	97,026	-	**118,056**
Placements with financial institutions	458,375	1,487	8,494	-	-	-	**468,356**
Murabaha financing	931,754	89,812	535	-	-	1,107	**1,023,208**
Mudaraba financing	537,946	23,619	1,906	-	-	4,142	**567,613**
Ijarah financing	1,291,368	72,462	-	-	-	2,060	**1,365,891**
Salam financing	-	136,651	-	-	-	-	**136,651**
Istisna financing	-	37,912	-	-	-	-	**37,912**
Musharaka	23,544	3,367	-	-	-	90	**27,000**
Credit Cards	25,727	-	-	-	-	24	**25,751**
Non-trading investments	8,268	-	-	-	-	-	**8,268**
Investment in real estate	17,242	-	-	-	-	-	**17,242**
Investment in associates	234,893	-	-	-	-	-	**234,893**
Total funded exposures	**3,529,117**	**365,310**	**18,416**	**13,549**	**97,026**	**7,423**	**4,030,841**
Contingent Liabilities & Commitments	-	-	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**3,529,117**	**365,310**	**18,416**	**13,549**	**97,026**	**7,423**	**4,030,841**

Table 5.6 The geographical distribution of exposures including impaired assets and the related impairment provisions (PD 1.3.23 i)

				(BD '000s)
	Gross Financing Contracts - Past Due not impaired	**12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)**	**Gross Impaired Financing Contracts**	**Life time ECL credit impaired (Stage 3)**
GCC Countries	74,527	(1,947)	125,669	(21,943)
Middle East and North Africa	46,571	(1,354)	42,874	(8,631)
Total	**121,098**	**(3,301)**	**168,543**	**(30,574)**

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry

Table 5.7 Exposure by type of credit exposure (PD 1.3.23 c)

(BD '000s)

	Self Financed						
Exposure Type	**Trading and Manufacturing**	**Banks and Financial Institutions**	**Real Estate**	**Individuals**	**Government and Public Sector Entities**	**Others**	**Total**
Cash and balances with banks and Central Bank	-	69,985	-	-	445,570	-	**515,555**
Investment in sukuk	770	29,103	1,562	-	1,410,396	5,972	**1,447,803**
Placements with financial institutions	-	8,094	-	-	-	-	**8,094**
Murabaha financing	68,924	-	7,533	19,487	-	4,620	**100,564**
Mudaraba financing	26,318	-	12,057	-	-	18,921	**57,296**
Ijarah financing	70,583	-	46,167	6,649	-	2,586	**125,985**
Salam financing	138,722	-	2,647	-	-	10,532	**151,901**
Istisna financing	32,584	-	1,411	-	-	2,898	**36,893**
Musharaka	5,003	-	3	-	-	-	**5,006**
Non-trading investments	-	-	89,676	-	-	-	**89,676**
Takaful and related assets	-	-	-	-	-	26,353	**26,353**
Investment in real estate	-	-	112,053	-	-	-	**112,053**
Investment in associates	-	20,115	-	-	-	-	**20,115**
Other assets	6,059	-	3,174	90,673	85	29,902	**129,893**
Goodwill and other intangible assets	-	-	-	-	-	204,750	**204,750**
Total funded exposures	**348,963**	**127,297**	**276,283**	**116,809**	**1,856,051**	**306,534**	**3,031,937**
Contingent Liabilities & Commitments	463,116	15,727	121,036	20,737	3	179,930	**800,549**
Total unfunded exposures	**463,116**	**15,727**	**121,036**	**20,737**	**3**	**179,930**	**800,549**
Total exposures	**812,079**	**143,024**	**397,319**	**137,546**	**1,856,054**	**486,464**	**3,832,486**

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry (continued)

Table 5.8 Exposure by type of credit exposure (PD 1.3.23 c)

	Funded by EIAH						(BD '000s)
Exposure Type	**Trading and Manufacturing**	**Banks and Financial Institutions**	**Real Estate**	**Individuals**	**Government and Public Sector Entities**	**Others**	**Total**
Cash and balances with banks and Central Bank	-	118,056	-	-	-	-	**118,056**
Placements with financial institutions	-	468,356	-	-	-	-	**468,356**
Murabaha financing	68,297	12,530	168,011	484,501	227,535	62,334	**1,023,208**
Mudaraba financing	53,906	105,672	99,332	149,189	99,649	59,865	**567,613**
Ijarah financing	65,309	13,968	840,847	245,966	126,248	73,553	**1,365,891**
Salam financing	129,844	-	2,702	-	-	4,104	**136,651**
Istisna financing	32,580	-	1,578	-	-	3,755	**37,912**
Musharaka	1,968	308	19,807	4,501	-	416	**27,000**
Credit Cards	-	-	-	25,751	-	-	**25,751**
Non-trading investments	-	-	8,268	-	-	-	**8,268**
Investment real estate	-	-	17,242	-	-	-	**17,242**
Investment in associates	-	234,893	-	-	-	-	**234,893**
Total funded exposures	**351,904**	**953,783**	**1,157,787**	**909,908**	**453,432**	**204,027**	**4,030,841**
Contingent Liabilities & Commitments	-	-	-	-	-	-	**-**
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**351,904**	**953,783**	**1,157,787**	**909,908**	**453,432**	**204,027**	**4,030,841**

Table 5.9 The exposure by industry including impaired assets and the related impairment is as follows: (PD 1.3.23 h)

	Gross Financing Contracts - Past Due not impaired	**12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)**	**Gross Impaired Financing Contracts**	**(BD '000s) Life time ECL credit impaired (Stage 3)**
Trading and Manufacturing	41,150	(1,050)	55,530	(9,533)
Banks and Financial Institutions	61	(2)	-	-
Real Estate	40,338	(662)	66,526	(6,331)
Individuals	36,460	(1,479)	17,335	(4,961)
Government and public sector entities	-	-	-	-
Others	3,088	(109)	29,152	(9,749)
Total	**121,097**	**(3,302)**	**168,543**	**(30,574)**

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry (continued)

Table 5.10 Ageing Analysis (PD 1.3.24 b)

(BD '000s)

	Gross Impaired and Past Due Contracts			Expected Credit Losses (ECL) / Specific Provisions	Net Outstanding	Market Value of Collateral
	up to 1 Year	Over 1 year up to 3 years	Over 3 years			
Trading and Manufacturing	89,148	7,281	251	(10,584)	86,096	95,766
Banks and Financial Institutions	61	-	-	(2)	59	-
Real Estate	95,625	6,598	4,641	(6,993)	99,871	282,500
Individuals	45,292	7,361	1,143	(6,440)	47,356	44,190
Government and public sector entities	-	-	-	-	-	-
Others	24,386	7,854	-	(9,857)	22,383	48,527
Total	**254,512**	**29,094**	**6,035**	**(33,876)**	**255,765**	**470,983**

5.1.3 Movement In Net Allowance For Credit Losses / Impairment (PD 1.3.24 d)

Table 5.11 The balance of allowance for credit loss in the below table includes all financial assets and off-balance sheet exposures in addition to financing assets:

(BD '000s)

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total ECL
Balance at the beginning of the year	**19,222**	**8,487**	**26,450**	**435**	**54,594**
- transferred to Stage 1: 12 month ECL	1,434	(757)	(677)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(569)	5,947	(5,378)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(284)	(2,831)	3,115	-	-
Net remeasurement of loss allowance	6,330	4,242	15,960	(5,319)	21,213
Allowance for credit losses	**6,911**	**6,601**	**13,020**	**(5,319)**	**21,213**
Exchange adjustments and other movements	-	-	-	4,884	**4,884**
Exposures written off during the year	-	-	(6,141)	-	**(6,141)**
Balance at the end of the year	**26,133**	**15,088**	**33,329**	**-**	**74,550**

5.1.4 Exposure by External Credit Rating

The Group uses public information provided by external rating agencies (accredited External Credit Assessment Institutions – ECAI) such as Standard & Poor's. The lowest of the ratings based on information available to the public is used as an input in computing rated exposures. (PD 1.3.22 c, d, e)

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.4 Exposure by External Credit Rating (continued)

Table 5.12

Exposure Type	Gross Credit Exposure*	Rated Exposure	(BD '000s) Unrated Exposure
Cash	45,184	-	45,184
Claims on sovereigns	2,079,106	10,131	2,068,975
Claims on banks	359,105	300,556	58,549
Claims on corporate portfolio	1,521,088	-	1,521,088
Regulatory retail portfolio	435,273	-	435,273
Mortgages	1,467,603	-	1,467,603
Past due receivables over 90 days	137,969	-	137,969
Investments in Securities and Sukuk	278,468	-	278,468
Holding of Real Estate	227,075	-	227,075
Other assets and Specialized financing	614,880	-	614,880
Total	**7,165,751**	**310,687**	**6,855,064**

* Gross credit exposure above have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio through the internal risk rating system. As such, the Group uses internal risk ratings that are supported by a variety of financial analytics, combined with processed market information, to provide main inputs for measurement of counterparty credit risk. All internal ratings are tailored to various categories and are derived in accordance with the Group's credit policy and are assessed and updated on a regular basis. **(PD 1.3.22 e)**

Note a: In accordance with the Public Disclosure requirements to disclose the regulatory capital requirements for credit risk under standardised approach, the above amounts have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

Note b: The gross credit exposure is arrived at after consideri ng the following:

- inclusion of unfunded exposure (after CCF);
- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

5.1.5 Maturity Analysis of Exposures

The table below summarizes the notional principal amounts and the relative exposure before applying credit risk mitigation:

Table 5.13

	Notional Principal	(BD '000s) Credit Exposure *
Contingent liabilities on behalf of customers	369,898	154,557
Irrevocable unutilised commitments	430,651	105,289
Total	**800,549**	**259,846**

* Credit exposure is after applying CCF.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures (continued)

Table 5.14 Contractual maturity analysis by major type of credit exposure - Funded (PD 1.3.23 g) (PD 1.3.24 a) (PD 1.3.38)

(BD '000s)

Exposure Type	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Cash and balances with banks and Central Bank	633,611	-	**633,611**	-	-	-	-	**-**	**633,611**
Investment in sukuk	142,514	186,004	**328,518**	513,408	344,355	154,865	106,657	**1,119,285**	**1,447,803**
Placements with financial institutions	459,484	16,966	**476,450**	-	-	-	-	**-**	**476,450**
Financing contracts	844,719	730,360	**1,575,079**	565,234	1,318,102	181,130	22,125	**2,086,591**	**3,661,670**
Non-trading investments	-	-	**-**	-	97,944	-	-	**97,944**	**97,944**
Takaful and related assets	-	-	**-**	26,353	-	-	-	**26,353**	**26,353**
Investment in real estate	-	-	**-**	-	129,295	-	-	**129,295**	**129,295**
Investment in associates	-	-	**-**	-	255,008	-	-	**255,008**	**255,008**
Other assets	27,869	652	**28,521**	33,271	68,102	-	-	**101,373**	**129,894**
Goodwill and other intangible assets	-	-	**-**	-	204,750	-	-	**204,750**	**204,750**
Total	**2,108,198**	**933,981**	**3,042,179**	**1,138,266**	**2,417,556**	**335,995**	**128,782**	**4,020,599**	**7,062,778**

Table 5.14 (a) Contractual maturity analysis by major type of credit exposure - Unfunded

(BD '000s)

Exposure Type	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Unutilised commitments	208,130	158,659	**366,789**	42,596	9,274	10,104	1,888	**63,862**	**430,651**
Contingent liabilities	90,725	208,163	**298,888**	70,827	-	180	3	**71,010**	**369,898**
Total	**298,855**	**366,822**	**665,677**	**113,423**	**9,274**	**10,284**	**1,891**	**134,872**	**800,549**

The above contractual maturity analysis is based on consolidated statement of financial position classification.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures (continued)

Table 5.15 Contractual maturity analysis by major type of funding (PD 1.3.38)

(BD '000s)

Exposure Type	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Placements from financial institutions and individuals	105,082	59,901	**164,983**	6,033	-	-	-	**6,033**	**171,016**
Customers' current accounts	1,279,886	-	**1,279,886**	-	-	-	-	**-**	**1,279,886**
Murabaha term financing	404,817	143,275	**548,092**	20,452	182,518	-	-	**202,970**	**751,062**
Takaful and related liabilities	-	75,550	**75,550**	-	-	-	-	**-**	**75,550**
Other liabilities	37,728	28,155	**65,883**	22,415	39,524	-	-	**61,939**	**127,822**
Quasi-Equity	2,630,242	708,875	**3,339,117**	127,601	597,343	-	-	**724,944**	**4,064,061**
Total	**4,457,755**	**1,015,756**	**5,473,511**	**176,501**	**819,385**	**-**	**-**	**995,886**	**6,469,397**

5.2 Market Risk

Market risk arises from fluctuations in market prices on financial instruments and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board of Directors has set limits on the risk that may be accepted. This is monitored on a regular basis by the Group's Asset and Liability Committee. (PD 1.3.27 a, b)

Table 5.16 The Group's capital charge in respect of market risk in accordance with the standardized methodology is as follows:

(BD '000s)

	Risk Weighted Asset	Capital Requirement	Year end Capital Charge	Capital Requirement –Minimum*	Capital Requirement –Maximum*
Foreign exchange risk	1,357	190	109	109	1,057
Total market risk	**1,357**	**190**	**109**	**109**	**1,057**

* The information in these columns shows the minimum and maximum capital charge of each of the market risk categories on a quarterly basis during the year ended 31 December 2024.

The Group maintains a conservative market risk exposure that is focused on the foreign exchange risk coming from the Group's banking book positions. The open positions were taken in order of running the Group's day to day operations that include funding for the Group's investment portfolio. The Group monitors and manages these open positions on a daily basis. **(PD 1.3.21 b) (PD 1.3.27 a)**

5.3 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities and can never be eliminated entirely; however shareholder value can be preserved and enhanced by managing, mitigating and, in some cases, insuring against operational risk. To achieve this goal, the Group has developed an operational risk framework which encompasses identification, measurement, management and monitoring of risk through risk control and mitigation. A variety of underlying processes are being deployed across the Group including risk and control self assessments, Key Risk Indicators (KRI), event management, new product review and approval processes and business contingency plans. **(PD 1.3.21 c)**

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.3 Operational Risk (continued)

The Group's policy and procedures dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff that are independent of the individuals initiating the transactions. Each business line including Operations, Information Technology, Human Resources, Legal, Compliance and Financial Control is further responsible for employing the aforementioned framework processes and control programs to manage its operational risk within the guidelines established by the policy, and to develop internal procedures that comply with these policies. To ensure that all operational risks to which the Group is exposed to are adequately managed, support functions are also involved in the identification, measurement, management, monitoring and control/mitigation of operational risk, as appropriate. **(PD 1.3.28) (PD 1.3.29)**

Consistent with the fundamental principle of ownership, the relevant business units are accountable and responsible for managing the operational risks relevant to their respective businesses. Consequently, business and support units have documented procedures and controls in place along with departmental instruction manuals. Procedures are reviewed by the respective business or support unit and approved at the management level. **(PD 1.3.28) (PD 1.3.29)**

The Group has a well established Business Continuity Policy and Disaster Recovery Program, and has documented updated procedures covering all activities necessary for business continuity in case of a business disrupting event. Internal Audit also provides an independent assessment to evaluate the program's effectiveness. **(PD 1.3.19) (PD 1.3.30 a, b)**

In accordance with the basic indicator approach methodology of Basel III, the total consolidated minimum capital charge in respect of operational risk was BD 24,436 thousand. This capital charge was computed by multiplying the bank's average gross income for the last three financial years by a predefined beta factor and adding the aggregation of operational risk weighted exposures of ASB Seychelles amounting to BD 814 thousand.

Table 5.17

	(BD '000s) Dec-2024
Average gross income	92,656
Risk weighted exposures	173,730
Minimum capital charge	24,322

The Group uses the Temenos T24 core system developed by Globus, for obtaining the data needed for analysis of events and data related to credit, market and operational risk assessment. The Bank uses a dedicated system namely 'Risk Nucleus' system developed by BenchMatrix for effective operational risk management.

Non-Shari'a compliant income for the period ended 31 December 2024 amounted to BD 337 thousand. This has arisen primarily from conventional financing and investments, penalty charges from customers and income on current accounts balances held with correspondent banks. No Sharia violations were identified during the year ended 31 December 2024. **(PD 1.3.30 b.ii)**

5.4 Rate of Return Risk (PD 1.3.39)

Rate of return risk arises from the possibility that changes in return rates will affect future profitability or the fair values of financial instruments. The Group is exposed to rate of return risk as a result of mismatches of return rate repricing of assets and liabilities. In addition, rate of return risk can also affect the Group through market wide rate changes that are brought on by changes in the economy. The effect of the market rates is reflected and can be seen in the Group's pricing of contracts as they carry competitive pricing that follows the market. When risks are high, the market tends to place a higher rate of return to maintain the risk/return profile. Accordingly, the market reduces the rate of return when it identifies a decrease in the market wide risk that would be reflected by banks decreasing their rate of return pricing.

The Group's cautious asset liability strategy avoids funding long term lending facilities from short term borrowings. The Group has set limits for profit return risk and these are monitored on an ongoing basis by the Group's Asset and Liability Committee (ALCO).

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.4 Rate of Return Risk (PD 1.3.39) (continued)

The below tables provide the asset and liability re-pricing profile on the contractual repricing or maturity dates, whichever is earlier for the year ended 31 December 2024 . **(PD 1.3.27 c) (PD 1.3.40)**

Table 5.18

(BD '000s)

Assets	Total	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 2 years	>2 to 3 years	>3 years	Profit insensitive
Cash and balances with banks and Central Bank	633,611	-	-	-	-	-	-	-	633,611
Investment in sukuk	1,447,803	43,019	83,988	21,856	170,993	126,120	192,828	808,999	-
Placements with financial institutions	476,450	453,762	8,003	3,257	9,536	-	1,892	-	-
Financing contracts	3,661,670	186,843	722,283	439,956	449,338	304,208	229,910	1,303,382	25,750
Non-trading investments	97,944	-	-	-	-	-	-	-	97,944
Investment in real estate	129,295	-	-	-	-	-	-	-	129,295
Investment in associates	255,008	-	-	-	-	-	-	-	255,008
Takaful and related assets	26,353	-	-	-	-	-	-	-	26,353
Other assets	129,894	-	-	-	-	-	-	-	129,894
Goodwill and other intangible assets	204,750	-	-	-	-	-	-	-	204,750
Total Assets (A)	**7,062,778**	**683,624**	**814,274**	**465,069**	**629,867**	**430,328**	**424,630**	**2,112,381**	**1,502,605**
Liabilities									
Placements from financial institutions and individuals	171,016	68,773	65,677	21,168	9,366	6,032	-	-	-
Customers' current accounts	1,279,886	-	-	-	-	-	-	-	1,279,886
Murabaha term financing	751,062	233,829	170,988	111,279	34,233	2,237	22,689	175,807	-
Takaful and related liabilities	75,550	-	-	-	-	-	-	-	75,550
Other liabilities	127,822	-	-	-	-	-	-	-	127,822
Quasi-Equity	4,064,061	2,134,690	498,476	262,768	417,257	95,843	17,828	629,943	7,256
Total Liabilities	**6,469,397**	**2,437,292**	**735,141**	**395,215**	**460,856**	**104,112**	**40,517**	**805,750**	**1,490,514**
Shareholders funds	593,381	-	-	-	-	-	-	-	593,381
Total Liabilities & Shareholders Funds	**7,062,778**	**2,437,292**	**735,141**	**395,215**	**460,856**	**104,112**	**40,517**	**805,750**	**2,083,895**
Off-Balance Sheet Liabilities	800,549	-	-	-	-	-	-	-	800,549
Total liabilities with Off-Balance Sheet Items (B)	**7,863,327**	**2,437,292**	**735,141**	**395,215**	**460,856**	**104,112**	**40,517**	**805,750**	**2,884,444**
Gap (A - B)		(1,753,668)	79,133	69,854	169,011	326,216	384,113	1,306,631	
Cumulative Gap		**(1,753,668)**	**(1,674,535)**	**(1,604,681)**	**(1,435,670)**	**(1,109,454)**	**(725,341)**	**581,290**	

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.4 Rate of Return Risk (PD 1.3.39) (continued)

Table 5.18 (a)

Profit rate risk in the Banking Book	(BD '000s)
200bp Profit Rate Shocks	
Upward rate shocks on net profit	8,967
Downward rate shocks on net profit	(8,967)
Impact on Economic Value of Equity	6.6%

5.5 Equity Position Risk (PD 1.3.21 d) (PD 1.3.31)

Equity position risk arises from the possibility of changes in the price of equities or equity indices and the corresponding effect they will have on future profitability or the fair values of financial instruments. The Group is exposed to equity risk in the non-trading position and investment portfolio primarily in its core international and GCC markets.

Equity risk in the banking book is effectively managed by the active involvement of the Executive and Investment committees; adhering to the policies and procedures in place; involvement of competent professionals; adequate internal control environment and independent internal audit department.

Executive and Investment Committee Oversight

The Board of Director's involvement begins with the approval of the Investment Policy which essentially determines the following: aggregate portfolio parameters, asset class restrictions, approval authorities, risk tolerance, maturity considerations, exit strategy and governance issues.

The Executive Committee has delegated authority within the overall Board authority. It provides direction to the Executive Management on all business matters and assumes the role of the Board to address matters arising between Board meetings. The Committee is responsible for business matters concerning credit risk, strategy review and recommendations to the Board. The Credit and Investment Committee reviews and approves all transactions related to corporate and real estate investments, as well as monitoring their performance on an ongoing basis. In addition, the Committee is responsible to oversee the performance of the fund managers and recommend exit strategies to maximize return to its investors.

Internal Controls

With regard to internal controls, the investment activity is subject to the same rigorous checks and balances in place for the commercial banking activity. Adequacy of internal controls is ensured by the recruitment of adequate qualified professionals, proper definition and communication of departmental and personnel roles, segregation of responsibilities of origination and implementation, independent reporting by the Financial Controls Department, periodic internal audit of the existence and implementation of processes and controls. All recommendations of the Strategy and Investment Department (S&I) are documented in the form of Investment Portfolio Reports and Investment Memorandums and are subject to independent review by the Credit and Investment Committee. Responsibility for all deployments and receipt of redemption proceeds vests with the S&I. The S&I ensures transparency in valuation by sourcing pricing from the available sources and using conservative valuation principles in accordance with international accounting standards. In addition, the S&I operates as an independent department responsible for due diligence of investments and specializes in sourcing deals and performing the initial analysis. Moreover, the Investment Administration Department will perform the investment management duties of monitoring the investments and preparing performance reports along with other required documentation. This set-up helps streamline processes as each unit focuses on specific set of duties at the same time having independence controls.

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5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.5 Equity Position Risk (PD 1.3.21 d) (PD 1.3.31) (continued)

Table 5.19 Equity positions in the Banking Book

	(BD '000s) Gross Credit Exposure
Quoted Equities	14,504
Unquoted Equities	83,440
Investment in associates - equity accounted	255,008
Net realized gain during the year	46
Net unrealized loss during the year	(460)

Asset Categories for Credit Risk	Gross Credit Exposure	Risk-Weighted Assets (RWA)	Minimum Capital Charge (BD '000s)
Equity Investments - Unlisted	2,336	3,504	491
Investments in unrated funds - Unlisted	302	453	63
Significant investment in the common shares of financial entities >10%	275,830	50,159	7,022
Investment in listed real estate companies	11,195	16,222	2,271
Investment in unlisted real estate companies	78,916	315,664	44,193

The Group's equity positions strategy consists of investments that are expected to bring in capital gains or for strategic reasons. The strategy has been drafted after considering the Board's risk appetite and the Board's approved liquidity, market risk and capital management policies. In line with the Board's approved policies, the investment strategy is conservative in the sense that it avoids investments with high volatility returns.

5.6 Displaced Commercial Risk (PD 1.3.41 a) (PD 1.3.21 f) (PD 1.3.32 i)

The Group is exposed to displaced commercial risk in the event of having Equity of Investment Accounts (EOIA) profit rates that are lower than market rates, thus putting the Group in risk of paying EOIA holders from shareholders funds to cover the profit volatility risk. ASB has mitigated this risk through regular monitoring of liquidity gaps, deposit rates and concentrations in terms of the funding requirements by the Asset Liability Committee (ALCO). The ALCO reviews and monitors peer review analysis which includes average deposit rates paid by its peers in order to realign the deposit rates with the current market.

5.7 Liquidity Risk (PD 1.3.36) (PD 1.3.37)

The Group monitors in an active manner its liquidity profile through analysis of the liquidity gap across specific timeframes in order to maintain the net asset liability position that is within the Board's risk appetite. The maintenance of the net asset liability position is done through the monitoring of the Group's liquidity indicators through which the Group's liquidity profile can be assessed. In addition, the Group further mitigates its liquidity risk by establishing multiple funding sources to decrease it's correlation to an individual funding counterparty and concentration. The multiple funding lines can be used to offset any shortage resulting from the Group's obligations and/or to settle any shortage from each of the current accounts and Equity of investment accounts. The liquidity coverage ratio as of 31 December 2024 was 289.52%.

6 QUASI-EQUITY (EQUITY OF INVESTMENT ACCOUNTHOLDERS "EIAH") (PD 1.3.32)

Equity of investment accountholders' fund is commingled with Group's fund to form one general pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate non-performing assets to EIAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to EIAH accountholders. Only the profits earned on pool of assets funded from EIAH and owners' equity are allocated between the owners' equity and IAH. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to investment accountholders and 85% is retained by the Group as Mudarib share. The Group did not charge any administration expenses to investment accounts.

The funds are invested and managed in accordance with Shari'a principles. **(PD 1.3.32 b)**

According to the terms of acceptance of the unrestricted investment accounts, 100% of the funds are invested. In order to avoid excessive risk concentration the Group invests the commingled funds in such a way so as to comply with the CBB's large exposures limits. All Equity of investment accounts are classified as Mudarabas where fees are deducted before profit allocation, as there is no limit against their withdrawal. It should however be noted that Mudaraba account fees are subject to being partially or totally waived in order to match investment account holder market returns. **(PD 1.3.32 c, j, k)**

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6 QUASI-EQUITY (EQUITY OF INVESTMENT ACCOUNTHOLDERS "EIAH") (PD 1.3.32) (continued)

The Risk weighted assets of the Group include the contribution from EIAH which are subject to the 30% risk weight.

The EIAH and other customers can use the Group's relationship managers for any advice, mediation services, grievances and complaints. **(PD 1.3.32 f, g)**

There is no variation between Mudarib agreed sharing and contractual agreed ratio. Profit earned and paid and rate of return comparatives for the Equity of investment account holders for the year ended 31 December 2024 and years ended 2023, 2022, 2021, 2020 and 2019 are as follows: (**PD 1.3.33**) **(PD 1.3.41)**

Table 6.1

						(BD '000s)
	Dec-2024	**Dec-2023**	**Dec-2022**	**Dec-2021**	**Dec-2020**	**Dec-2019**
Profit earned on the assets funded by EIAH (net of impairment)	241,146	176,689	110,403	68,425	60,186	50,271
Profit paid for EIAH	154,516	100,087	47,991	35,977	29,335	28,425
Balance of:						
PER	-	-	-	-	-	-
IRR	-	-	-	-	-	-
Annual Rate of Return Benchmark	3%	3%	3%	3%	3%	3%
Annual Rate of Return (EIAH) - Profit earned*	5.93%	6.30%	4.73%	4.21%	4.91%	4.86%
Annual Rate of Return (EIAH) - Profit paid*	3.80%	3.57%	2.06%	2.22%	2.39%	2.75%
PER Amount	-	-	-	-	-	-
PER %	-	-	-	-	-	-
IRR Amount	-	-	-	-	-	-
IRR %	-	-	-	-	-	-
Reconciliation						
Profit Earned	241,146	176,689	110,403	68,425	60,186	50,271
Mudarib fees and Wakala incentive	(86,630)	(76,602)	(62,412)	(32,448)	(30,851)	(21,846)
Profit credited to EIAH accounts	**154,516**	**100,087**	**47,991**	**35,977**	**29,335**	**28,425**
Mudarib fee as a percentage of total investment profit	36%	43%	57%	47%	51%	43%
EIAH Balance	4,064,061	2,804,385	2,332,473	1,624,177	1,225,380	1,034,743
RWA as per PIRI Forms	564,384	387,890	343,730	203,389	170,292	11,469

* Based on closing balance

Table 6.2

	Dec-2024	**Dec-2023**	**Dec-2022**	**Dec-2021**	**Dec-2020**	**Dec-2019**
Rate of Return	3.8%	3.6%	2.1%	2.2%	2.4%	2.7%
Return on average EIAH assets (ROAA)	7.0%	6.9%	5.6%	4.8%	5.5%	15.2%
Return on average equity (Total Owner's Equity) (ROAE)	69.1%	55.2%	36.8%	23.7%	20.9%	16.1%

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6 QUASI-EQUITY (EQUITY OF INVESTMENT ACCOUNTHOLDERS "EIAH") (PD 1.3.32) (continued)

Table 6.3 Equity of investment accountholders by Counterparty Type and Islamic Product (PD 1.3.33 h, i)

Total assets (net of ECL) - Breakdown by EIAH & Self financed

(BD '000s)

	Total Exposures	Funded by EIAH	Self Financed	% of EIAH to Total
Sovereign	2,309,483	453,432	1,856,051	20%
Financial Institutions	1,081,080	953,783	127,297	88%
Corporate	2,645,498	1,713,718	931,780	65%
Retail	1,026,717	909,908	116,809	89%
Total	**7,062,778**	**4,030,841**	**3,031,937**	**57%**

Table 6.4 The changes in asset allocation are as follows: (PD 1.3.32 d)

(BD '000s)

	Cash and balances with banks and Central Bank		Placements with financial institutions		Investment in associate		Investment in real estate		Non-trading investments		Financing Contracts	
	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed
Asset Allocation as on 31 December 2024	118,056	515,555	468,356	8,094	234,893	20,115	17,242	112,053	8,268	89,676	3,184,025	477,645
Asset Allocation as on 31 December 2023	-	537,874	238,609	54,971	227,790	3,694	-	-	-	-	2,324,873	351,587
Asset Allocation as on 31 December 2022	133,200	234,547	113,096	-	217,509	36,497	-	-	-	-	1,851,285	135,180
Asset Allocation as on 31 December 2021	189,403	119,746	133,860	-	-	-	-	-	-	-	1,285,880	78,572
Asset Allocation as on 31 December 2020	107,134	181,132	37,965	-	-	-	-	-	-	-	1,067,567	216,245
Asset Allocation as on 31 December 2019	117,829	101,627	76,660	38,143	-	-	-	-	-	-	840,254	235,244

There are no off-balance sheet exposures arising from investment decisions attributable to the EIAH.

7 RESTRICTED INVESTMENT ACCOUNTS ("RIA")

Under RIA, the IAH has authorized the Bank to invest the funds on the basis of Mudaraba contract for investments, but imposes certain restrictions as to where, how and for what purpose these funds are to be invested. Further, the Bank may be restricted from commingling its own funds with the RIA funds for this purposes of investment. In addition, there may be other restrictions which IAHs may impose. RIA funds are invested and managed in accordance with Shari'a requirements. The funds are managed by the Bank under a fiduciary capacity as per the instructions of the RIA holders and accordingly the Bank is not liable to make good any losses occurred due to normal commercial reasons.

The Bank has developed a policy, approved by the Board, which details the manner in which the RIA funds are deployed and the way the profits are calculated for the RIA.

The Bank as fund manager (mudarib) carries out its fiduciary duties and administers the scheme in a proper, diligent and efficient manner, in accordance with the Shari'a principles and applicable laws and relevant rules and guidelines issued by the CBB.

The Bank has appropriate procedures and controls in place which commensurate with the size of its portfolio which includes:

a) Organising its internal affairs in a responsible manner, ensuring it has appropriate internal controls and management systems and procedures and controls designed to mitigate and manage risk;

b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its RIA investors; and

c) Ensuring that the Bank has the requisite level of knowledge and experience for the tasks that are undertaken and is competent for the work undertaken.

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7 RESTRICTED INVESTMENT ACCOUNTS ("RIA") (continued)

RIA products are made available to the customers through Wealth Management department. Detailed product information and risks about various RIA products is available in the respective information pack for the investors to make informed decisions. Such disclosure includes the disclosure on participation risks, default risks, investment risks and exchange rate risks.

Table 7.1

	Dec-2024
(PD-1.3.35 (a) & (b))	
Return to RIA holders	7,615
Total RIA	12,495
Average RIA funds during the year (PD-1.3.33 (a))	90,505
Average declared rate of return ((PD-1.3.33 (q))	
12-Month	6.7%
24-Month	7.0%
(PD-1.3.33 (l) (m) (n) & (o))	
RIA Return Before Mudarib share	8,969
Mudarib's share	(1,354)
RIA Return after Mudarib share	**7,615**
Mudarib share as a percentage of total RIA investment profit (PD-1.3.33 (f))	15.1%
Share of Islamic Financing Contracts in Total RIA Financing (PD-1.3.33 (h) and (PD-1.3.33 (v)))	
RIA Balance	12,495
Murabaha Financing	12,495
Share of Islamic Financing Contracts in Total RIA Financing	100%
RWA as per PIRI Forms	-

(PD-1.3.33 (w), (d) and 1.3.35(a),(b))	**Dec-2024**
Profit Earned	8,969
Profit Paid	7,615
Profit Paid as a Percentage of average RIA Funds	6.4%
Return on average RIA assets	7.8%

Profit earned and profit paid in the above table relates to the period ended 31 December 2024, whereas the rate of profit earned %, and profit paid % are based on average balances of assets funded by RIA and balances maintained in RIA accounts throughout the period, respectively. Hence these rates may not match with the declared or expected rates disclosed in above table

Counterparty Type Contracts Financed by RIA to Total RIA (PD-1.3.33 (i)), (PD-1.3.38)

RIA claims on corporate	12,495
Percentage of Counterparty type contracts to Total Financing	100%

Maturity analysis	**Amount**
Next Day	-
2 to 8 days	-
8 days to 1 month	-
1 to 3 months	5,248
3 to 6 months	1,675
6 months to 1 Year	5,572
1 year to 3 years	-
Above 3 years	-

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8 OTHER DISCLOSURES

8.1 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a daily basis by the Market Risk department and on a periodic basis by the Audit and Risk Committee as well as ALCO to ensure positions are maintained within established limits. Substantial portion of the Group's assets and liabilities are denominated in Bahraini Dinars, US Dollars or Saudi Riyals. As the Bahraini Dinar and Saudi Riyals are pegged to the US Dollars, positions in these currencies are not considered to represent significant currency risk as of 31 December 2024.

The Group has an investment in a foreign banking subsidiary wherein the transactions are denominated in US Dollars (USD) and since the BHD is pegged to USD there is no foreign exchange translation effect on the investment. The group also has an investment in subsidiary denominated in Algerian Dinar. The impact of foreign currency translation is included under Foreign Currency Translation Reserve (FCTR) in equity. (PD 1.3.42)

The foreign currency translations are used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries: The foreign currency translation reserve debit balance is BHD 157 thousand.

8.2 Related Party Transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Senior Management. For further details refer Note 29 titled Related Party Transactions in the consolidated financial statements for the year ended 31 December 2024. The intra-group and related party transactions are made at agreed commercial terms and are approved by the board. (PD 1.3.10 e) (PD 1.3.23 d)

8.3 Restructured Facilities

As at 31 December 2024, the balance of the resrtuctured financing facilities to individuals and corporate was BD 86,456 thousand. In general, facilities are renegotiated to optimize a facility's credit profile with respect to its recoverability. This can involve changing any of the profit rate, tenure or security package. Previous restructuring of any facilities to individual and corporate customers did not have any significant impact on present and future earnings. (PD 1.3.23 j)

8.4 Assets Sold Under Recourse Agreements

The Group has not entered into any recourse agreement during the year ended 31 December 2024. (PD 1.3.23 k)

8.5 Legal Risk and Claims

As at 31 December 2024, legal suits amounting to BD 6,552 thousand (2023: BD 1,555 thousand) were pending against the Group. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material to the Group's consolidated financial position as the Group has also filed counter cases against these parties. (PD 1.3.30 c)

8.6 Deposit Protection Scheme

Certain customers' deposits of the Group are covered by deposit protection schemes established by the Central Bank of Bahrain (CBB). Customers' deposits held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits and Equity of unrestricted investment accounts issued by the CBB in accordance with Resolution No.(34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of BD 20,000 as set out by CBB requirements. A periodic contribution as mandated by the CBB is paid by the Group under this scheme. (PD 4.4.2)

8.7 Exposure to highly-leveraged and other high-risk counterparties

The bank has no exposure to highly-leveraged and other high-risk counterparties as per the definition provided in the CBB rulebook **(PD 1.3.23 e) (PD 1.3.24 e)**

8.8 CBB Penalties (PD 1.3.44)

During the period an amount of BD Nil was paid as penalty to the Central Bank of Bahrain (CBB) for failure to comply with CBB requirements.

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APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE

Appendix PD-2: Reconciliation requirements

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

There are no differences between the regulatory and accounting consolidation, other than Solidarity Group Holding BSC (c), which is not consolidated being a non-banking subsidiary. Furthermore, the Bank has obtained an approval from the CBB to aggregate the risk weighted exposures of Al Salam Bank - Seychelles ("ASBS") instead of the line-by-line consolidation approach.

As mandated by the Central Bank of Bahrain ("CBB"), financing facilities and investments have been grossed up with collective impairment provision, as presented below:

	BHD '000
Balance sheet as per published financial statements	**7,062,778**
Collective provision impairment	41,221
Less: Provision related to Contingent Liabilities and Commitments	(2,863)
Balance sheet as in Regulatory Return	**7,101,136**

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APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-2: Reconciliation requirements (continued)

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 31 December 2024

			BHD '000
	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	**633,611**	**633,740**	
of which Self financed		515,554	
of which financed by URIA		118,185	
Placements with banks and similar financial institutions	**476,450**	**476,456**	
of which Self financed	-	8,100	
of which financed by URIA		468,356	
Held-to-maturity investments	**647,416**	**647,739**	
of which Sovereign Sukuk	627,299		
of which Corporate Sukuk	20,117		
Available-for-sale investments	**800,387**	**800,724**	
of which Sovereign Sukuk	774,079		
of which Corporate Sukuk	26,308		
Financing assets	**3,661,670**	**3,699,207**	
of which Self financed		482,090	
of which financed by URIA		3,217,117	
Investment properties	**129,295**	**129,295**	
of which Self financed		112,053	
of which financed by URIA		17,242	
Investment in associates	**255,008**	**255,008**	
of which Self financed		20,115	
of which financed by URIA		234,893	
Property, plant, and equipment (PPE)	**38,936**	**38,936**	
Other Assets	**420,005**	**420,031**	
Non-Trading investment	97,944	97,944	
of which Self financed		89,676	
of which financed by URIA		8,268	
Other receivables and prepayments	90,958	90,984	
Takaful assets	26,353	26,353	
Goodwill & Intangibles	**204,750**	**204,750**	
of which eligible for deduction from CET1		48,628	G
of which not eligible for CET1 deduction		156,122	
Total Assets	**7,062,778**	**7,101,136**	

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As at 31 December 2024

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-2: Reconciliation requirements (continued)

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 31 December 2024 (continued)

	Balance sheet as in published financial statements	Consolidated PIRI data	BHD '000 Reference
Liabilities			
Placements from financial institutions and customers	**171,016**	**142,481**	
Customers' current accounts	**1,279,886**	**1,279,886**	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	**751,062**	**779,597**	
of which Murabaha from customers	-	28,535	
of which Murabaha Term Financing	751,062	751,062	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	**203,372**	**200,509**	
of which Takaful Liabilities	75,550	75,550	
of which Other liabilities	127,822	124,959	
Unrestricted Investment Accounts	**4,064,061**	**4,064,061**	
Total Liabilities	**6,469,397**	**6,466,534**	
Owners' Equity			
Total share capital	**240,151**	**240,151**	**A**
Share capital	274,778	274,778	
Treasury stock	(28,010)	(28,010)	
Employee incentive scheme shares	(6,617)	(6,617)	
Reserves and retained earnings	**120,326**	**120,326**	
Share premium	209	209	**C-1**
Statutory reserve	31,883	31,883	**C-2**
Retained earnings (excluding profit for the year), of which:	1,551	1,551	
Amount eligible for CET1	(4,540)	(4,540)	**B-1**
Amount not eligible for CET1	3,948	3,948	
Subsidy from government	2,143	2,143	
of which amount added-back to CET1 as per CBB concessionary measures		1,429	**B-2**
of which amount to be added-back to CET1 in 2024 and 2025 as per CBB concessionary measures		714	
Modification Loss	(24,768)	(24,768)	
of which amount deducted from CET1 as per CBB concessionary measures		(16,512)	**B-3**
of which amount to be deducted from CET1 in 2024 and 2025 as per CBB concessionary measures		(8,256)	
Modification loss amortization	24,768	24,768	**B-4**
Net profit for the year	59,012	59,012	
of which amount eligible for CET1	55,746	55,746	**B-5**
of which amount not eligible for CET1	3,267	3,267	
Fx translation adjustment	(157)	(157)	**C-3**
Changes in fair value - amount eligible for CET1	4,198	4,198	**C-4**
Share grant scheme	947	947	**C-5**
Real estate fair value reserve - amount eligible for T2	22,683	22,683	**D**
Subordinated Mudaraba (AT1)	**159,026**	**159,026**	**E-1**
Minority interest in subsidiaries' share capital	**73,878**	**73,878**	
of which amount eligible for CET1		14,080	**E-2**
of which amount eligible for AT1		4,693	**E-3**
of which amount eligible for T2		6,258	**E-4**
of which amount not eligible for regulatory capital		48,848	
Expected credit losses (Stages 1 & 2)		**41,221**	**F**
of which amount eligible for T2		34,484	
of which amount not eligible for regulatory capital		6,737	
Total Owners' Equity	**593,381**	**634,602**	
Total Liabilities + Owners' Equity	**7,062,778**	**7,101,136**	

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As at 31 December 2024

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template

Step 3: Composition of Capital Common Template as at 31 December 2024

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	BHD '000 Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	240,151	A
2	Retained earnings	60,891	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	37,080	C1+C2+C3+C4+C5
4	Not Applicable		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	14,080	E2
6	**Common Equity Tier 1 capital before regulatory adjustments**	352,201	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25,971	G
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	22,657	G
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common equity Tier 1**	48,628	
29	**Common Equity Tier 1 capital (CET1)**	**303,573**	

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As at 31 December 2024

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template (continued)

Step 3: Composition of Capital Common Template as at 31 December 2024 (continued)

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	BHD '000 Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	159,026	E-1
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	4,693	E-3
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**163,719**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments plus related stock surplus	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	**163,719**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**467,293**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,683	D
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	6,258	E-4
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	34,484	F
51	**Tier 2 capital before regulatory adjustments**	**63,425**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	

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As at 31 December 2024

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template (continued)

Step 3: Composition of Capital Common Template as at 31 December 2024 (continued)

	Composition of Capital and mapping to regulatory reports	**Component of regulatory capital**	**BHD '000 Reference numbers of balance sheet under the regulatory scope of consolidation from step 2**
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**63,425**	
59	**Total capital (TC = T1 + T2)**	**530,717**	
60	**Total risk weighted assets**	**2,138,683**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**14.2%**	
62	Tier 1 (as a percentage of risk weighted assets)	**21.8%**	
63	Total capital (as a percentage of risk weighted assets)	**24.8%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	**10.5%**	
65	of which: capital conservation buffer requirement	**2.5%**	
66	of which: bank specific countercyclical buffer requirement	**0.0%**	
67	of which: D-SIB buffer requirement	**1.5%**	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**14.2%**	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	**10.5%**	
70	CBB Tier 1 minimum ratio	**12.0%**	
71	CBB total capital minimum ratio	**14.0%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	**-**	
73	Significant investments in the common stock of financials	**3,738**	
74	Mortgage servicing rights (net of related tax liability)	**-**	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**719**	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	41,221	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	34,484	
78	N/A		
79	N/A		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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As at 31 December 2024

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-3: Features of regulatory capital
For the year ended 31 December 2024

		Common Equity Tier 1	Subordinated Mudaraba (AT1)
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment		
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 274.78 Million	BD 162.46 million
9	Par value of instrument	BD 0.100	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba
11	Original date of issuance	13-Apr-06	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date
16	Subsequent call dates, if applicable	Not applicable	Post First Call date
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed
18	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)
19	Existence of a dividend stopper	Not applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not applicable	Writedown at the point of non-viability
32	If write-down, full or partial	Not applicable	Both
33	If write-down, permanent or temporary	Not applicable	Pemanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Constitue direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passue with all other pari passue obligations (if any). In priority only to Junior Obligations.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

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As at 31 December 2024

APPENDIX II - NET STABLE FUNDING RATIO (NSFR) DISCLOSURE

BACKGROUND:

Al Salam Bank ("ASB") has been subjected to the Basel III NSFR standards from December 2019, pursuant to CBB circular No. EDBS/KH/54/2018 dated 16th August 2018. ASB is required to maintain NSFR of at least 100% on an on-going basis.

The objective of NSFR is to improve the resiliency of banks by promoting long term funding stability. NSFR is designed to limit the risks emanating from excessive maturity mismatches over the medium to long term. More specifically, the NSFR requires ASB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. CBB circular stipulates the applicable Required Stable Funding ("RSF") factor for each category of asset and Available Stable Funding ("ASF") factor for each type of funding source.

ASB seeks to ensure that its NSFR remains above the specified regulatory minimum requirements. This is achieved by:

(i) Monitoring the NSFR closely against an established internal early warning trigger and management target.

(ii) Managing and developing strategies to build a diversified funding base with access to funding sources across retail and wholesale channels.

ANALYSIS AND MAIN DRIVERS:

Al Salam Bank strategy is to maintain stable and well-diversified funding sources by focusing on raising more stable free float and long-term deposits from core customer base in Bahrain and across other key GCC markets where strong banking relationships have been successfully established. The main driver of this strategy is to fund bank's core business activities with the widest deposit base and hence maintaining comfortable funding mix for the long-term assets and subsequently healthy NSFR.

The Assets and Labilities Committee (ALCO) regularly reviews the different liquidity indicators -including the NSFR- and set appropriate action plans in maintaining adequate, sustainable and healthy liquidity position. ALCO review takes global economic indicators as well as local micro economic factors into consideration. Hence effective liquidity management is set into practice steered by treasury and risk department and collaborated with other key business units.

As at 31 December 2024, the weighted value of the Available Stable Funding (ASF) stood at BD 4.5 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 3.6 billion. The resultant NSFR stood at 124.4%, well above the current 100% threshold stipulated by CBB. The ASF is primarily driven by a strong capital base, substantial retail and private banking deposit base and deposits from non-financial corporate customers.

Post application of the relevant factors, the contribution of regulatory capital, retail deposits and deposits from non-financial corporates stood at 13%, 64% and 11% respectively. The bank does not rely on financial market funding sources and interbank funding activities are primarily used for short term funding gaps.

The RSF post application of relevant factors is driven by financing provided to non-financial corporate customers, retail and small business customers, and some unlisted investments.

ASB's High-Quality Liquid Assets (HQLA) requires minimum funding due to its sovereign nature and high liquidity which, after applying the relevant factors, makes up 2% of the RSF portfolio. unencumbered financing and placements account for 66% and Investment exposures account for 14% of the RSF.

At ASB, there is considerable focus on growing and maintaining stability of demand and term deposits provided by private, corporate and retail customers which will continue to form a significant part of the funding.

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As at 31 December 2024

NET STABLE FUNDING RATIO (NSFR) REPORT - CONSOLIDATED

BHD '000

No.	Item	Unweighted Values (before applying relevant factors)				
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	508,378	-	-	63,425	**571,803**
3	Other Capital Instruments	-	-	-	-	**-**
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	571,095	33,455	11,305	**585,628**
6	Less stable deposits	-	2,058,395	540,615	219,778	**2,558,887**
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	**-**
9	Other wholesale funding	-	2,421,460	253,136	105,069	**756,018**
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	172,320	-	-	**-**
13	**Total ASF**					**4,472,336**
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	**54,201**
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	**-**
16	Performing financing and sukuk/ securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	**-**
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	648,620	210	3,783	**101,181**
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,341,203	444,796	1,249,265	**1,934,973**
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	99,508	**64,680**
21	Performing residential mortgages, of which:	-	-	-	497,045	**323,079**
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,045	**323,079**
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,557	867	-	**10,212**
24	Other assets:					
25	Physical traded commodities, including gold	-				**-**
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	**-**
27	NSFR Shari'a-compliant hedging assets		-	-	-	**-**
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	**-**
29	All other assets not included in the above categories	1,108,102	26,366	3,970	101,667	**1,131,103**
30	OBS items		799,874	-	-	**39,994**
31	**Total RSF**		-	-	-	**3,594,743**
32	**NSFR (%)**					**124.4%**

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As at 31 December 2024

APPENDIX III - LIQUIDITY COVERAGE RATIO (LCR)

CBB issued its regulations on Liquidity Risk Management in August 2018. The regulations mandate that banks are required to maintain LCR of at least 100% on a daily basis. The objective of LCR is to manage assets and liabilities to create strong short-term resilience and sufficient liquidity that is enough to fund cash outflow for 30 days.

Below is the bank's average consolidated LCR for the period:

					BHD '000
		Q4-2024		Q3-2024	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets					
1	Total HQLA		**1,121,664**		**1,095,851**
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits	508,598	15,184	511,785	15,354
4	Less stable deposits	936,485	93,428	852,869	85,287
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	1,603,628	878,196	1,729,373	1,008,774
8	Unsecured sukuk	-	-	-	-
9	**Secured wholesale funding**		**-**		-
10	**Additional requirements, of which:**				
11	Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	-	-	-	-
12	Outflows related to loss of funding on financing products	-	-	-	-
13	Credit and liquidity facilities	288,683	76,456	264,634	74,628
14	**Other contractual funding obligations**	-	**-**	-	-
15	**Other contingent funding obligations**	504,629	22,608	463,612	21,761
16	Total Cash Outflows		**1,085,871**		**1,205,804**
Cash inflows					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	308,916	158,487	239,257	140,746
19	Other cash inflows	645,198	630,290	586,937	570,921
20	Total Cash Inflows	954,114	**788,776**	826,194	**711,667**
			Total adjusted Value		**Total adjusted Value**
21	**Total HQLA**		**1,121,664**		**1,095,851**
22	**Total net cash outflows**		**316,329**		**494,137**
23	**Liquidity Coverage Ratio (%)***		**363.5%**		**226.6%**

*Represents simple average of daily LCR

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As at 31 December 2024

APPENDIX IV - LEVERAGE RATIO

CBB in June 2018 issued guidelines on leverage ratio as part of updates to the Capital Adequacy Module. The ratio measures how well the banks' Tier 1 capital covers its total exposures (self-financed exposures and adjusted exposures funded by EOIA) both on-balance sheet and off-balance sheet.

Below is the bank's consolidated financial leverage ratio as at 31 December 2024:

S.No.	Description	BHD '000
1	Total Self Financed Assets	2,869,769
2	Total URIA Financed Assets	4,070,108
3	Off Balance Sheet items - with relevant Credit Conversion Factors	364,584
4	**Leverage ratio exposure [(1) + (2)*30% + (3)]**	**4,455,385**
5	Regulatory Adjustments	48,628
6	**Total exposures for the calculation of the leverage ratio [(4)-(5)]**	**4,406,757**
7	**Tier 1 Capital**	**459,750**
	Leverage Ratio [(7)/(6)]	**10.4%**
	Minimum Leverage Ratio as required by CBB	3.75%