



AL SALAM BANK B.S.C.

**BASEL III - PILLAR III
Composition of Capital Disclosure**

31 December 2025

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 was granted 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	8,053,896
Collective provision impairment	51,298
Less: Provision related to Contingent Liabilities and Commitments	(2,241)
Balance sheet as in Regulatory Return	8,102,953

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2025

	BHD '000	
Assets		
Cash and balances with banks and Central Bank	775,733	775,920
of which Self financed		524,444
of which financed by URJA		251,476
Placements with banks and similar financial institutions	456,634	456,642
of which Self financed		8,026
of which financed by URJA		448,616
Held-to-maturity investments	699,175	699,211
of which Sovereign Sukuk	679,741	
of which Corporate Sukuk	19,434	
Available-for-sale investments	1,234,979	1,235,141
of which Sovereign Sukuk	1,143,300	
of which Corporate Sukuk	91,679	
Financing assets	4,066,788	4,115,415
of which Self financed		683,352
of which financed by URJA		3,432,063
Investment properties	84,129	84,129
of which Self financed		76,283
of which financed by URJA		7,846
Investment in associates	279,000	279,000
of which Self financed		37,528
of which financed by URJA		241,472
Property, plant, and equipment (PPE)	25,729	25,729
of which eligible for deduction from CET1		5,032
of which not eligible for CET1 deduction		20,697
Other Assets	431,729	431,765
Non-Trading investment	96,004	96,004
Takaful assets	29,748	29,748
Other receivables and prepayments	75,038	75,074
of which Self financed		68,474
of which eligible for deduction from CET1		3,093
of which not eligible for CET1 deduction		65,381
of which financed by URJA		6,600
Goodwill & Intangibles	230,939	230,939
of which eligible for deduction from CET1		47,588
of which not eligible for CET1 deduction		183,351
Total Assets	8,053,896	8,102,953
Liabilities		
Placements from financial institutions and customers	117,586	117,586
Customers' current accounts	1,486,337	1,486,337
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	1,076,354	1,076,354
of which Murabaha Term Financing	1,076,354	1,076,354
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	235,826	233,585
of which Takaful Liabilities	93,460	93,460
of which Other liabilities	142,366	140,125
Unrestricted Investment Accounts	4,388,073	4,388,073
of which amount eligible for T2		15,646
of which amount not eligible for regulatory capital		4,372,427
Total Liabilities	7,304,176	7,301,935
Owners' Equity		
Total share capital	285,090	285,090
Share capital	296,760	296,760
Treasury stock	(8,684)	(8,684)
Employee incentive scheme shares	(2,986)	(2,986)
Reserves and retained earnings	177,357	177,357
Share premium	209	209
Statutory reserve	39,566	39,566
of which amount eligible for CET1		38,760
of which amount not eligible for CET1		806
Retained earnings (excluding profit for the year), of which:	5,277	5,277
Amount eligible for CET1		750
Amount not eligible for CET1		4,527
Net profit for the year	76,834	76,834
of which amount eligible for CET1		74,897
of which amount not eligible for CET1		1,937
Fx translation adjustment	3,020	3,020
of which amount eligible for CET1		3,020
Changes in fair value - amount eligible for CET1	27,614	27,614
of which amount eligible for CET1		27,443
of which amount not eligible for CET1		171
Share grant scheme	2,154	2,154
Real estate fair value reserve - amount eligible for T2	22,683	22,683
Subordinated Mudaraba	209,124	209,124
of which amount eligible for AT1		165,942
of which amount not eligible for regulatory capital		43,182
Minority interest in subsidiaries' share capital	78,149	78,149
of which amount eligible for CET1		23,642
of which amount eligible for AT1		5,066
of which amount eligible for T2		6,755
of which amount not eligible for regulatory capital		42,687
Expected credit losses (Stages 1 & 2)	51,298	F
of which amount eligible for T2		43,316
of which amount not eligible for regulatory capital		7,982
Total Owners' Equity	749,720	801,018
Total Liabilities + Owners' Equity	8,053,896	8,102,953

Appendix PD-1: Reconciliation requirements & Template

Step 3: Composition of Capital Common Template as at 31 December 2025

	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		281,997		A
2 Retained earnings		75,647		B1+B2+B3
3 Accumulated other comprehensive income (and other reserves)		71,586		C1+C2+C3+C4+C5
4 <i>Not Applicable</i>				
5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		23,642		E3
6 Common Equity Tier 1 capital before regulatory adjustments		452,872		
Common Equity Tier 1 capital: regulatory adjustments				
7 Prudential valuation adjustments		-		
8 Goodwill (net of related tax liability)		25,971		G1+G2
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)		26,649		G1+G2
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 <i>Not applicable</i>				
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		52,620		
29 Common Equity Tier 1 capital (CET1)		400,252		
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		165,942		E2
32 of which: classified as liabilities under applicable accounting standards		-		
33 <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>		-		
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)		5,066		E4
35 of which: instruments issued by subsidiaries subject to phase out		-		
36 Additional Tier 1 capital before regulatory adjustments		171,008		
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)		171,008		
45 Tier 1 capital (T1 = CET1 + AT1)		571,260		
Tier 2 capital: instruments and provisions				
46 Directly issued qualifying Tier 2 instruments plus related stock surplus		22,683		D
47 <i>Directly issued capital instruments subject to phase out from Tier 2</i>		-		
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)		22,401		E1 and E5
49 of which: instruments issued by subsidiaries subject to phase out		15,646		
50 Provisions		43,316		F
51 Tier 2 capital before regulatory adjustments		88,400		

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)	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	88,400
59	Total capital (TC = T1 + T2)	659,660
60	Total risk weighted assets	2,426,591
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	16.5%
62	Tier 1 (as a percentage of risk weighted assets)	23.5%
63	Total capital (as a percentage of risk weighted assets)	27.2%
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)	16.5%
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	3,721
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	710
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)	51,298
77	Cap on inclusion of provisions in Tier 2 under standardised approach	43,316
78	N/A	
79	N/A	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-
83	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	-
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-

		Common Equity Tier 1	Subordinated Mudaraba (AT1)	Tier 2
1	Issuer Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Al Salam Bank B.S.C. SALAM	Al Salam Bank B.S.C. Not applicable	Al Salam Bank Algeria (S.P.A) Not applicable
2	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	Algeria
3	Regulatory treatment			
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 296.76 Million	BD 165.94 million	BD 15.65 million
9	Par value of instrument	BD 0.100	Not applicable	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba	Quasi Equity
11	Original date of issuance	13-Apr-06	Various	13-Jan-25
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No Maturity	Non-callable for 5 years
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date	First optional liquidation date 12 Jan 2030
16	Subsequent call dates, if applicable	Not applicable	Post First Call date	Not applicable
17	Coupons / dividends Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed	Floating
18	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)	5.14% (Subject to attribution of profits to quasi-equity)
19	Existence of a dividend stopper	Not applicable	Yes	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	No	Yes	No
31	If write-down, write-down trigger(s)	Not applicable	Written down at the point of non-viability	Not applicable
32	If write-down, full or partial	Not applicable	Both	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent	Not applicable
34	If temporary write-down, description of write-up mechanism Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable Not applicable	Not applicable Constitute direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passu with all other pari passu obligations (if any). In priority only to Junior Obligations.	Not applicable Subject to subordination based general loss absorbency feature applicable to participation based shariah compliant products
35	Non-compliant transitioned features	No	No	No
36	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable